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**USAID COUNTRY  
DEVELOPMENT STRATEGY  
FOR PERU  
FY 1997- FY 2001**

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USAID COUNTRY DEVELOPMENT STRATEGY FOR PERU  
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ACRONYMS

ACDI	Agricultural Cooperative Development International
AD	Alternative Development
ADEX	<i>Asociación de Exportadores</i> (Association of Exporters)
ADRA	Adventist Development and Relief Agency
AIDS	Acquire Immuno Deficiency Syndrome
AOJ	Administration of Justice
ARA	Bureau of Inter-American Affairs (State)
CAF	<i>Corporación Andina de Desarrollo</i> (Andean Development Corporation)
CARE	Cooperative for American Relief Everywhere
CARITAS	Peruvian Relief and Development Agency for the Catholic Church
CEDRO	<i>Centro de Información y Educación para la Prevención del Abuso de Drogas</i> (Center for Drug Information and Education)
CIP	<i>Centro Internacional de la Papa</i> (International Potato Center)
COFIDE	<i>Corporación Financiera para el Desarrollo</i> (Development Financing Corporation)
CONAM	<i>Consejo Nacional del Ambiente</i> (National Environmental Council)
CORAH	<i>Comisión de Control y Reducción de la Coca en el alto Huallaga</i> (Coca Reduction in the Huallaga Valley)
CRA	Lima Comparative Risk Analysis
CY	Calendar Year
DA	Development Assistance
DAA	Deputy Assistance Administrator
DEA	Drug Enforcement Agency
DHS	Demographic and Health Survey
DM	Dutch Mark
DPT	Diphtheria, pertussis and tetanus
EIA	Environmental Initiative for the Americas
ENR	Environmental and Natural Resource
ESF	Economic Support Fund
EU	European Union
FAAS	Foreign Affairs Administration Support
FAO	Food and Agriculture Organization of the United Nations
FBO	Foreign Buildings Overseas
FSN	Foreign Service National
FY	Fiscal Year
GDP	Gross Domestic Product
GOP	Government of Peru
HIV	Human Immuno-deficiency Virus
HPN	Health, Population and Nutrition
IBRD	International Bank for Reconstruction and Development (World Bank)
ICASS	International Cooperative Administrative Support Services
IDB	Inter-American Development Bank
IDI	International Development Intern
ILD	<i>Instituto Libertad y Democracia</i> (Institute of Liberty and Democracy)
IMF	International Monetary Fund
INADE	<i>Instituto Nacional de Desarrollo</i> (National Development Institution)
INL	International Narcotics
INRENA	<i>Instituto Nacional de Recursos Naturales</i> (National Institute of Natural Resources)

IR	Intermediate Results
JNE	<i>Jurado Nacional de Elecciones</i> (National Elections Board)
LAC	Latin America and Caribbean
LGD	Local Government Development
MAAG	Military Assistance Advisory Group
MDB	Multilateral Development Banks
MEF	<i>Ministerio de Economía y Finanzas</i> (Ministry of Economy and Finance)
MES	Mission Environmental Strategy
MOH	Ministry of Health
MPP	Mission Program Plan
NAS	Narcotics Affairs Section
NGO	Non Governmental Organization
NMS	New Management System
NXP	Non-expendable Property
ODA	Official Development Assistance
ODA	Overseas Development Administration
OE	Operating Expenses
OFICE	Oficina de Cooperación Extranjera, Ministerio de Salud (Ministry of Health Office in Charge of Foreign Aid)
PACT	Private Agencies Collaborating Together
PAHO	Pan American Health Organization
PDD	Presidential Decision Directive
PENRD	Private Enterprise and National Resources Division
PL	Public Law
PRES	Ministry of the Presidency
PROFONANPE	<i>Fondo Nacional para las Areas Naturales Protegidas por el Estado</i> (Peruvian Fund for Protected Areas)
PVO	Private Voluntary Organization
R4	Results Review and Resource Request
RCA	Regional Contracting Officer
RAT	Renewable Energy Applications and Training
RF	Results Framework
RHUDO	Regional Housing and Urban Development Office
RLA	Regional Legal Advisor
SENREM	Sustainable Environmental and Natural Resources Management
SME	Small and Microenterprises
SO	Strategic Objective
TA	Technical Assistance
UHAD	Upper Huallaga Area Development
UN	United Nations
UNDCP	United Nations Drug Control Programme
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USDH	United States Direct Hire
USG	United States Government
USPSC	United States Personal Service Contract

**I. SUMMARY ANALYSIS OF THE  
ASSISTANCE ENVIRONMENT AND  
RATIONALE FOR PERU PROGRAM**

**USAID  
COUNTRY DEVELOPMENT STRATEGY  
FOR PERU  
FY 1997 - FY 2001**

**I. Summary Analysis of the Assistance Environment and Rationale for Peru Program**

**A. Introduction**

This document presents the United States Agency for International Development (USAID) Country Development Strategy for Peru for the five-year period from FY 1997 to FY 2001. It proposes that approximately \$455 million be made available to Peru in Development Assistance (DA), Economic Support Funds (ESF/INL) and P.L.-480 Title II Food Aid. These resources will be used to support high priority U.S. foreign policy goals recently approved in the U.S. Mission Program Plan (MPP) and assist Peru to achieve broad-based sustainable development.

**B. U.S. Foreign Policy Interests and Goals**

Peru continues to progress in building a modern, prosperous state and a democratic society out of the ashes of near total collapse several years ago. The application of a broad range of reforms, coupled with the successful reduction in terrorism, have combined to produce a more stable country with a market-oriented economy, thereby increasing international investment and helping the country address its significant social problems. At the same time, however, Peru is still building the individual, institutional, and societal capacity to achieve the economic, political, and social climate that will promote sustainable development over the long term.

Peru is important in a number of respects. It is the largest source of cocaine abused by Americans within the U.S. Among the sustainable development countries in the LAC region, it has the largest population living in poverty, is home to 35 percent of the poor, is the most populous country, and ranks second among as a market for U.S. exports. Its fragile democracy is threatened by narcotics trafficking and terrorism, although terrorism has been increasingly suppressed. USAID plays a critical role in fostering sustainable development in support of the following U.S. foreign policy goals, as outlined in the Mission Program Plan (MPP):

- I. *Promote democracy, human rights, civil society and good governance, including strengthening of judicial institutions and the military's respect for civilian rule.*
- II. *Reduce and ultimately eliminate production of refined coca products.*
- III. *Promote and protect opportunities for U.S. business while making U.S. business people more aware of the prospects for increased sales, joint ventures, and investment.*
- IV. *Protect health/welfare of U.S. citizens in Peru, as tourism and business presence grow.*
- V. *Promote peace, security and regional cooperation.*
- VI. *Encourage broad-based sustainable economic growth and social development.*
- VII. *Support sound environmental policies and encourage productive, sustainable use of natural resources.*

USAID assistance continues to be an important United States Government (USG) foreign policy instrument for promoting democracy and reducing coca cultivation by improving the social and economic environment in target coca-growing and out-migration areas. In addition, USAID assistance addresses an important U.S. interest in extending the benefits of growth by expanding access of the poor, increasing citizen participation in the political life of the country, and modernizing Peru's institutional capacity to organize and respond to people's economic, social, and political demands. This assistance makes results sustainable by promoting programs to reduce population growth, improve health and nutrition, develop human capacity, and ensure appropriate stewardship of natural resources, including biodiversity. These actions contribute to the national and regional stability of a trading partner that is becoming increasingly important to the U.S., and support the important domestic policy goal of reducing cocaine abuse within the U.S. As the economy continues to grow, foreign investors, many of them from the U.S., are returning to Peru to invest in this once terrorism-ravaged country. Peru's political, economic, and social stability is important to long-term U.S. interests throughout the LAC region.

### **C. Country Overview**

The Government of Peru (GOP) has made particularly significant strides over the past several years by leading the country back from the chaos of the late 1980s and early 1990s, stabilizing the economy, restoring economic growth, reducing state intervention in domestic markets, curbing the internal security threat of political terrorism and making tangible inroads in addressing the needs of those living in poverty. Additionally, the country's return to democratic, constitutional government has aided in reinserting Peru into the international community.

Due to the GOP's steadfast adherence to a solid program of economic reforms, inflation declined from a high of 7,650 percent in 1990 to 10.2 percent in 1995; this was the lowest level in 23 years and just short of the GOP's target of keeping inflation under 10 percent for the past year. In addition, a downward trend in economic activity was reversed in 1993, with a GDP growth rate of 6.5 percent for that year and an impressive 13 percent registered for 1994, the highest in the world. The GOP slowed this rate to an estimated 6.9 percent for 1995, to harness GDP growth at a more sustainable level, as well as to control rapid growth of fiscal expenditures and the fast-growing current account deficit.

Peru currently has a total external debt of approximately \$27.5 billion, of which 78 percent, or \$21.6 billion, is public sector debt. Donor pledges for 1996 for financial and technical assistance from the October 1995 Paris Consultative Group totaled approximately \$900 million, of which U.S. commitments through USAID amounted to \$70 million. While this assistance will aid in financing Peru's continued development, it is likely that additional debt relief will be required. A Brady debt deal, that has the support of international financial institutions as well as the GOP, and a new Paris Club agreement when the present one expires in late March 1996, will help spur the new official and commercial resource flows necessary to support the GOP's development and poverty reduction goals. The International Monetary Fund (IMF), however, has recently advised the GOP that it would be unrealistic to expect foreign creditors to offer the same favorable terms that were extended to Peru in the past few years.

Despite the generally encouraging signs, the sustainability of Peru's economic and political recovery will increasingly depend on deepening and accelerating economic and structural reforms, modernizing the state, broadening the base of economic growth, developing human capital and reducing the large numbers of Peruvians still living in poverty. GOP institutions need to be modernized to improve their capacity for developing and implementing reforms and expanding sustainable development programs. Moreover, a modern, participatory democratic system needs to be constructed with political power decentralized to improve the responsiveness of governmental and private institutions to local needs.

These challenges will be even more difficult in the face of a Peruvian economy that shows signs of weakening. It is unlikely that economic growth in 1996 will exceed 4 percent, and it may be even less. The IMF recently expressed concern about Peru's mounting current account deficit, growing inflationary

processes -- the impressive gains of opposition candidates in the November, 1995, municipal elections and President Fujimori's public show of respect for that outcome bode well for consolidating democracy.

USAID-financed polls conducted in 1994 by *Agenda: Peru* indicate that 83 percent of Peruvians prefer a democratic system, but only 63 percent stated that they would participate in electoral processes. It will take time to overcome the effects of past political and corruption scandals that debilitated the capacity of political institutions to organize and respond to people's needs. Polls report that 75 percent of Peruvians believe poor people do not have the same opportunities as others in the judiciary system, while 80 percent believe there is little hope to influence congressional decision-making, and only 18 percent have some trust in political parties.

Nevertheless, new forms of organizations at the community level that interact with local governments are emerging to fill the vacuum left by the near total collapse of Peru's political system. At the same time, only 21 percent of Peruvians believe that citizens' participation in government decision-making is an important characteristic of democracy, and more than 60 percent do not participate in any type civil society organization. In addition, decentralization is seen by 46 percent of Peruvians as the most important factor for development, and transparency is seen by 73 percent as the key characteristic of political institutions.

With 84 of the 104 life zones on earth, Peru is classified as one of the most biodiverse countries in the world. Approximately 12.7 million hectares are under some form of legal protection, although few have operational management plans. The country has 679,000 square kilometers of natural forests, though the yearly deforestation rate is estimated at 0.4 percent, or 2,700 square kilometers. Additionally, more than 2.4 million hectares of agricultural land are degraded. Industrial and household wastes contaminate the main coastal rivers and the sea, and two of the four key rivers in the jungle are polluted from oil drilling and from chemical residues and process-waste from coca processing. Mining pollution has severely contaminated the air, lakes, rivers, and streams, especially in the highlands. Solid waste treatment in urban and peri-urban areas is deficient and a threat to human health. For example, only 23 percent of wastes are properly disposed of in Lima, and the remainder is thrown into unauthorized dumps, nearby rivers and the sea, or is used in illegal animal husbandry enterprises.

The GOP has only recently begun to grapple with environmental issues. In large part this has occurred at the insistence of the donor community and local and international environmental NGOs, but it is also partly attributable to the GOP's attempts to privatize certain state companies known as heavy polluters. Potential investors fear the heavy environmental liabilities that could be associated with the purchase of such enterprises as the state mining company. Also, water and air pollution caused by the many fish meal plants, both state and private, has attracted substantial press coverage. Although only recently addressing issues of grave environmental concerns, the GOP now realizes that Peru's future growth depends greatly on its ability to manage the country's natural resources for long-term sustainable use.

Peru remains the world's leading producer of coca leaf. According to the latest official data, in 1995 over 183,600 tons of coca were grown, surpassing Colombia and Bolivia. This had an estimated income effect on the economy of at least \$600 million, or just under two percent of GDP. The expansion of coca production and trafficking continues to cause serious social, economic, political, and environmental harm to Peru. Domestic drug abuse is expanding at a high rate, further compounding Peru's social problems. Narcodollar liquidity has distorted exchange rates and fed corruption. Links between narcotraffickers and terrorists have critically harmed civil governmental authority in the coca-growing areas, promoting anarchy and seriously impeding democratization and broad-based development. Deforestation, erosion and disposal of toxic chemicals resulting from the processing of coca are causing ecological damage.

In an effort to reduce poverty, the GOP has focused greater attention on ensuring that the benefits of its macro-economic policies and the unprecedented growth in its economy are widely shared. Peru's

leaders are sensitive to preventing a recreation of the socio-economic conditions that gave rise to Peru's worst internal security threat -- political terrorism. Now that the economy has improved and terrorism is being curbed substantially, the GOP intends to increase social sector expenditures yearly, beginning in 1996. Even with a 6.7 percent reduction in real terms in the GOP's budget for 1996, inflation-adjusted social expenditures will grow by over 2 percent. The budgets of the Ministry of the Presidency (the GOP's social development organization), Ministry of Education, Judicial Branch, and Attorney General's Office all increased in real terms in 1996. Additionally, two new offices were added to the 1996 budget: the National Judiciary Council and the Public Ombudsman. On the other hand, the Ministry of Health's budget, although increasing nominally, declined slightly when adjusted for inflation.

The Fujimori Government has as one of its major goals a 50 percent reduction in the number of Peruvians living in extreme poverty by the year 2000. As part of this program, the GOP has stated its intention to increase access to quality health, education, and justice services. Recently President Fujimori put all the power and support of his office behind the National Family Planning Plan. Rehabilitation and construction of schools in the most remote areas will be a priority, and, with the assistance of multilateral donors, the GOP will undertake major activities to improve the quality of and access to education. Reforms in the judicial system are also envisioned to improve efficiency and provide equal and responsive access for the poor. A key element for this strategy, one underscored in the October 1995 Consultative Group meetings, is decentralization. USAID has been influential in shaping the GOP's anti-poverty and family planning policies and programs, and in setting the stage for other major donor financing for judicial sector reform.

Over the plan period, USAID and other donors will continue to assist the GOP in transferring implementation responsibilities, particularly in the social sectors, to local government and community-level NGOs, while strengthening the overall policy making role and capacities of public ministries. It is envisioned that by doing this, the GOP will strengthen democracy as well as raise both the efficiency of service delivery and the responsiveness of public services to local needs. For social sector investments to result in poverty reduction, the GOP will need to focus its assistance increasingly on those geographic areas where the greatest poverty exists.

Another major goal is to curtail governmental corruption and reduce narcotrafficking activities, the latter which will aid in further suppressing terrorism. The GOP believes that poverty reduction is the main weapon to fight terrorism and narcotrafficking. Although the GOP is committing more resources to these efforts, major reforms under this ambitious agenda are unlikely to succeed without the continued support of donors, both bilateral and multilateral.

#### **Other Donors**

The International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD or World Bank), the Inter-American Development Bank (IDB), and private creditors and investors remain Peru's largest sources of international funding. With Peru's very high debt burden, international loans may be more limited during 1997-2001 than they have been in recent years. To achieve sustainable economic growth, it will be even more important to develop further Peruvian efforts to attract direct private investment by improving the investment climate in key sectors such as agriculture.

The GOP is currently negotiating an Extended Fund Facility with the IMF for 1996-98 that will be a key action for establishing the country's macroeconomic framework and maintaining confidence in Peruvian economic and development policies. Large IBRD/IDB loans are encouraging Peru to accelerate reform measures, although some critical areas are not addressed by these multilateral development bank (MDB) programs. In addition, the IDB and IBRD are increasing their assistance for infrastructure development, such as road rehabilitation, irrigation, as well as health and social development programs, democracy and local government strengthening.

In 1994, the United States, through USAID, was the largest bilateral donor to Peru (20 percent of other donor assistance -- ODA) with assistance concentrated in the areas of food security, health, population, nutrition, and microenterprise development. Current USAID assistance focuses on supporting an enabling environment to promoting democracy, reducing coca production, expanding coverage of health and family planning programs, food security, increasing incomes of the poor, especially in microenterprises, and improving environmental policies and adopting cost-effective sustainable environmental practices. The United Nations provided 18 percent of ODA in 1994 with contributions targeted at health and other social programs. During the same year, Japan contributed 13 percent of ODA, mainly with economic support funds; Germany 12 percent, with an increasing number of projects oriented toward alternative development or supporting activities in coca-producing zones. The European Development Fund accounted for 10 percent of ODA which was directed principally to humanitarian assistance and human resources and social development.

### **Summary USAID Strategy**

In support of U.S. foreign policy goals and domestic drug abuse control, the proposed USAID strategy for the next five years will help Peru build a participatory democracy and modern state; reduce poverty and illicit coca production while protecting the environment; improve the health of high-risk populations; and manage better the country's vital natural resources. The strategy was developed in close consultation with our development partners and fully takes into account the needs and aspirations of USAID customers. The strategy will assist Peru to move into a new era of development and prepare for the challenges of the 21st century in a manner unlike that of any other donor.

USAID will support four closely integrated strategic objectives directly related to Agency Goals. They are: 1) Broader Citizen Participation in Democratic Processes; 2) Increased Incomes of the Poor; 3) Improved Health, including Family Planning, of High-Risk Populations; and 4) Improved Environmental Management in Targeted Sectors. Additionally, a Special Objective of Reduced Illicit Coca Production in Target Areas in Peru, which is interrelated with all Mission Strategic Objectives, is included in support of the USG's overriding foreign policy and domestic drug abuse control objectives in counternarcotics and reduction of cocaine production destined for abuse by Americans within the U.S. Our strategic objectives, along with their expected results, are summarized in the table on the following page and further analyzed in the subsequent presentation of each strategic and special objective.

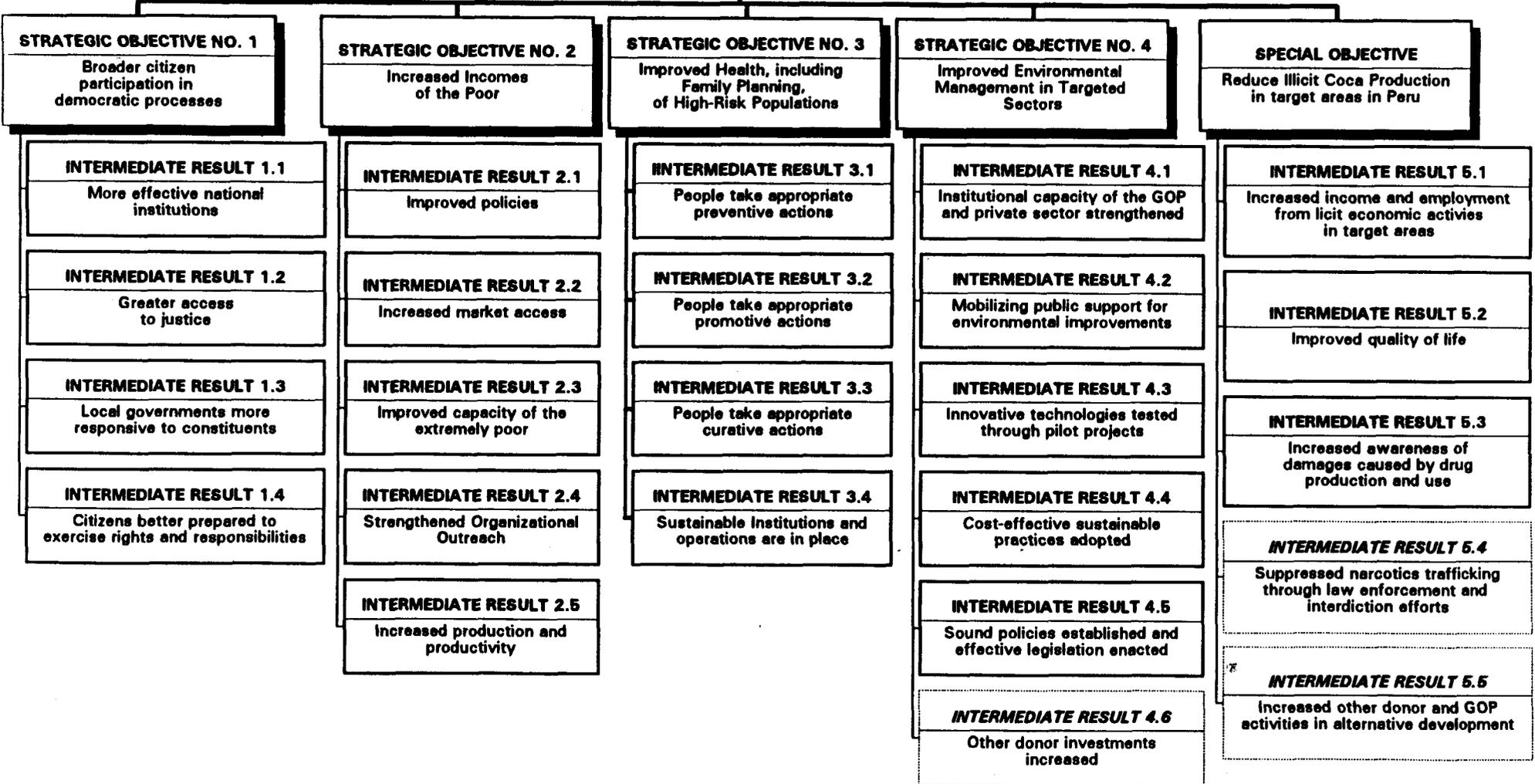
Several cross-cutting themes define the USAID strategy:

-- It is critical for Peru to build a participatory democracy based on decentralization, greater support for civil society and pluralism, empowering local groups and NGOs, and strengthening key national-level democratic institutions that more effectively exercise the checks and balances inherent in a modern democracy. This will require developing open, transparent, and accountable democratic systems at all levels, along with a dynamic civil society in which people and communities participate in their development and decision-making.

-- Peru needs to develop confidence in democratic institutions, beginning at the local level in municipal governments, non-governmental organizations and community-based groups that serve incubators of democratic values and practices. To be sustainable, democratic institutions must develop institutional, managerial, technical and financial capacity to respond effectively to citizen needs and become more responsive to citizen participation.

# USAID/PERU COUNTRY STRATEGY FY 1997- FY 2001

**MISSION GOAL**  
Broad-Based Sustainable Development



-- Reducing illicit coca production through sustainable development strategies that fully utilize all strategic objectives is vital to U.S. foreign and domestic policy goals. Expanding alternative development, local government strengthening and participation, microenterprises and drug awareness in coca growing and outmigration areas are necessary to further support GOP/USG counternarcotics initiatives.

-- Accelerating efforts to modernize the Peruvian state underpins the GOP's capacity to better formulate and implement new economic, social and democratic reforms. USAID will support the development and implementation of selected policy initiatives that promote sustainable economic growth, modernize and reform the social sectors, and prepare Peru for full participation in the free trade area agreed to at the Summit of the Americas.

-- Long-term sustainable development requires a concerted effort to combat poverty by increasing incomes of the poor, especially through microenterprises; and develop Peru's human resources by improving the quality and coverage of health, family planning and nutrition programs for the poorest segments of the population.

-- Promoting increased environmental awareness and developing Peruvian policy, regulatory, institutional, and technological measures through participatory mechanisms is needed to improve environmental protection and natural resources management.

This USAID strategy will help Peru pioneer new development ideas and approaches in key areas not addressed by other donors. It fills gaps while building Peruvian absorptive capacity to utilize other donor resources to strengthen democratic institutions, implement alternative development, modernize the state, reform the social sectors, and protect the environment. The strategy is based on USAID's track record in Peru and the unique role that the Mission has played in helping fill the policy, institutional, and programmatic vacuum created by the near total collapse of the Peruvian State and many democratic institutions.

The strategy gives special emphasis to supporting Peruvian policy reforms, human capital development, and institution-building in areas of USAID involvement. This approach not only defines our comparative advantage among donor partners, but provides Peru with the policy frameworks, human resources and implementing structures needed to address its long-term development problems on a sustainable and continuous basis. Because human resources are so critical to development, high priority will be placed on developing comprehensive health and education policy reforms and generating widespread public understanding and support for them. Likewise, even greater attention will be directed to encouraging the GOP and other donors to utilize NGOs, especially in service delivery, as fundamental elements for modernizing the State and building a participatory democracy.

Through USAID's flexible and innovative funding mechanisms, highly skilled technical advisors and grant resources have been directed to key areas, such as the successful national and municipal elections of 1995, local government strengthening, judicial reform, food assistance to the poorest, human rights, family planning, primary health and environmental NGOs. USAID serves as catalyst and entrepreneur of new development initiatives in areas that are often too disorganized, incoherent or politically sensitive for other donors to provide resources without USAID's pioneering assistance.

No other donor has the mechanisms and mandate to support NGO "think-tanks" and advocacy groups that influence GOP policies, educate the public on its rights and responsibilities, and promote pluralism and empowerment of thousands of citizens to play a greater role in their society. No other international donor sets the development agenda like USAID nor is so committed to promoting participation, listening to customers and strengthening NGOs, local community-based groups and other democratic institutions. No other donor has developed such a significant partnership with NGOs and channels such a large amount of development resources through them.

As further detailed in our Results Review and Resource Request (R4) in Annex 1, numerous successful

examples highlight the potential of our strategy. These include our pioneering work in justice reform, decentralization and public sector accountability (the Controller General) which has attracted larger follow-on IBRD/IDB assistance; our Title II food aid program that has moved community kitchens toward becoming productive microenterprises as well as helped shape the GOP's anti-poverty goals and food security policies; the USAID-assisted family planning and other primary health care programs that are significantly decreasing fertility and mortality, and that influenced the recent GOP family planning policy; the creation of a new USAID-assisted national environmental council; and, an alternative development strategy that is attracting other donor support.

The Mission has developed its strategic framework in a holistic fashion, fully integrating all strategic objectives while building on the synergies among them. The themes of citizen participation inherent in our democracy objective (SO1) are woven throughout the framework and serve to reinforce the participatory mechanisms upon which our alternative development and drug awareness special objective and improved environmental management strategic objective (SO4) are founded. Additionally, for economic growth to be sustainable, there must exist political stability, so that the benefits of increased incomes (SO2) reach all, especially the poor. Our health and family planning strategic objective (SO3) is fully integrated with components of our strategic objective to increase incomes of the poor, especially the intermediate results of improved policies and improved capacity of the extremely poor. As well, the Mission's alternative development special objective and SO3 are mutually reinforcing in that they both address priority health needs in overlapping, but not redundant, areas. USAID/Peru's environmental objective (SO4) is critical to ensuring economic growth is sustainable, and to improving health conditions. It helps create conditions that support all Mission SOs in that it promotes consultative processes within civil society, ensures sustainable uses of natural resources, and reduces health risks through value-added pollution prevention efforts. Further examples of these synergies are contained in the individual strategic objective write-ups that follow. Based on the above, the Mission is confident that USAID's new strategic planning methodology -- and our highly integrated and complementary strategic objectives -- will produce even greater results than to date, provided that sufficient resources are made available to USAID/Peru.

Our reengineering efforts and results-oriented management systems are producing major achievements for sustainable Peruvian development that will be deepened and broadened in the 1997-2001 strategy period. It is exactly this type of assistance that can make a critical difference in helping Peru create a participatory democracy and a modern state that better prepare the country for the 21st century.

#### **Entering The 21st Century -- What Will Peru Look Like in 2001?**

The USAID strategy will contribute to the achievement of the following results by the year 2001:

- The confidence of Peruvians in their democratic institutions and processes will increase, as measured by public opinion polls. The Country's democracy will be recognized by the international community as stronger, more accountable and more transparent than it was during the 1990-1995 period, although it is likely that a personalistic leadership style may remain, with the executive predominating on some issues. As has been the case on four separate occasions during the past 5 years, free and fair elections will be held in 1998 for municipalities and in the year 2000 for national offices.
- Despite Peru's historical legacy of authoritarianism, there is considerable potential for the development of effective checks and balances and for effective decision-making by Congress, the justice sector and other democratic groups. Clearly, modernization, institutional strengthening and confidence-building are essential to move the country closer to these goals. Efforts at decentralization to local governments, non-governmental organizations and the private sector will be underway within a newly legislated decentralization framework. A more dynamic civil society of NGOs and community-based groups will exist that seek to serve as the basis for the emergence of a modern polity, more democratic practices and values, and a greater participatory Peruvian society which better respects human rights and pluralism.

- Peru's illicit coca production will decline because of GOP/USG interdiction and enforcement actions complemented by GOP/USAID efforts to improve social and economic conditions, popular participation and drug awareness education in target coca-growing and out-migration areas. The problems caused by narcotrafficking will be sufficiently ameliorated to allow sustainable development to take place in most parts of the country.
- The Peruvian economy will grow at a sustainable growth rate of at least 4 percent per year, based on a deepening of the country's economic and social reforms and further improvements in the investment climate, especially in agriculture. A comprehensive process of modernizing the Peruvian State will be underway, creating a far more effective institutional capacity to formulate and implement reforms. It will be based on a smaller but more efficient public sector, and decentralization and privatization of service delivery, especially through municipal governments and non-governmental organizations.
- From 1995 to 2000 the numbers of Peruvians living in poverty will decline from 11.7 million to 10.3 million and those living in extreme poverty will fall from 4.7 million to 2.6 million.
- The infant mortality rate will fall from 55/1000 in 1992 to 40/1000 in 2000, and the fertility rate will decrease from 3.4 to 3.0 in 2000.
- Peru will be implementing a national population policy in accordance with the recommendations of the 1995 International conference on Population and Development (Cairo Conference). Health reform and modernization policies will be under implementation in areas of improved targeting to the poorest and most vulnerable groups, focussing on sustainability, cost recovery, decentralization and privatization of services, and expanded use of NGO primary health delivery systems.
- The GOP will have established and be implementing new environmental protection and natural resource management policies, regulations, and practices developed with the full participation and support of the public and private sectors. Peru will have further strengthened its public and private sector mechanisms to establish and implement a national environmental action plan and will have tested new environmental protection technologies and natural resource conservation practices in selected sectors and geographic areas.

### **Summary Resource Requirements**

To achieve the above results, the USAID strategy during FY 1997-2001 will require \$455 million of DA, ESF/INL and P.L.-480 Title II Food Aid, as summarized below and further justified in each strategic objective presentation. The funding strategy maintains DA resources at a modest average of \$34.1 million per fiscal year, while attempting to increase overall allocations in the democracy and economic growth accounts, reflecting the overriding importance of these objectives to Peruvian development priorities, U.S., foreign policy goals and the USAID strategy (see Issue No. 3 below). USAID/Peru also hopes to expand regional and central bureau funding of new initiatives in biodiversity, environmental health, pollution prevention, and education reform.

Based on counternarcotics successes supported by Alternative Development, Local Government Development, and other projects, USAID is proposing that ESF/INL be increased to \$20 million per fiscal year (for a total of \$100 million over five years) to further expand and replicate successful activities that are having major impacts in the coca growing and out-migration areas. These funds will provide additional resources to further support Peruvian policies of sustainable development and strengthening participatory local governments that lay the foundation for other donor funding. (See Issue No. 4 below).

Overall resource levels are projected to decline during the five-year strategy time frame. The successful

implementation of the strategy will lead to various graduation rates for the different goals under which our objectives are arrayed. By the year 2000, across most of our objectives, the relationship between USAID and Peru will have evolved to focus more attention in the period between 2000- 2005 on policy and institutional development concerned with bringing Peru into a new hemispheric trade agreement, as contemplated under the Summit of the Americas. By 2005, social, economic, and political conditions, as well as civil society and public sector institutional capacity at the national and local levels, will have developed sufficiently to permit an orderly withdrawal of assistance in most areas of USAID concern, including Title II. The notable exceptions are the environment and alternative development. These objectives are currently in their nascent stage, and full achievement of conditions that would warrant USAID withdrawal will most likely require significant assistance until sometime around 2010. Minor assistance may be required to further consolidate democracy in Peru between 2005- 2010. In the fourth year of the current strategy, the Mission will reassess Peru's achievements under the various objectives and determine more precise estimates for graduation.

**SUMMARY USAID BUDGET**  
In Million \$ (rounded)

<u>SOURCE</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>TOTAL</u>
DA	37.4	34.3	35.2	32.4	31.3	170.6
ESF	20.0	20.0	20.0	20.0	20.0	100.0
TITLE II	43.7	43.7	40.0	37.0	20.0	184.4
<b>TOTAL</b>	<b>101.1</b>	<b>98.0</b>	<b>95.2</b>	<b>89.4</b>	<b>71.3</b>	<b>455.0</b>

The Mission bilateral OE and staffing requirements for the strategy are summarized in section III.C. Since USAID/Peru will gradually be converted into a Regional Service Mission, this strategy also identifies the expected OE and staffing requirements to meet this new mandate (see Issue No. 5 below).

**D. Issues**

This section identifies the issues that merit discussion at the USAID/Washington review of our Country Development Strategy for Peru. These include:

**1. GOP Commitment to Building a Modern Participatory Democracy**

Peru has been confronting one of the most serious institutional and political crises in its history. The near total collapse of the country's political system and governmental structures have shaken the confidence of the Peruvian people in democracy and the state as instruments of collective action and for promotion of economic and social development. While President Fujimori has made historic achievements in saving the country from terrorism and hyperinflation, he has filled the institutional and political vacuum -- created in part by his autocratic methods -- with a highly personal style of leadership and governance. This raises questions about the sustainability of many of the GOP's excellent economic and social reforms, the manner in which Peru will move forward to build a participatory democracy and modernize governmental structures, the feasibility of the USAID strategy, and the aftermath of President Fujimori's term in the year 2001.

USAID, more than any other donor, addresses these issues by implementing a carefully targeted

strategy focused on strengthening key democratic institutions that can eventually re-establish the effective checks and balances that define a modern democracy. Our program provides limited but absolutely critical resources and technical assistance to national-level democratic institutions and to NGO "think tanks" that prepare independent policy analyses and promote consensus building and public education. The extensive partnership USAID has developed throughout Peruvian civil society with NGOs and other community-based groups strengthen pluralism and allow for the emergence of new non-governmental leaders and alternative democratic forces. Strengthened local governments, greater citizen participation through municipal open-town meetings, a dynamic decentralization process, a stronger civil society and modernization of the congress, justice sector and public sector institutions should create an environment that fills vacuums with alternatives that cannot now be totally foreseen or predicted.

It is difficult to predict what will happen to Peru's democratic system at the end of this strategy. Nonetheless, it is possible to say that without the type of pioneering, catalytic, and innovative assistance provided by USAID, it will be even more difficult for Peru to enter the 21st century with a modern participatory democracy.

## **2. A Weakening Peruvian Economy and GOP Economic Reforms**

Peru's economy is weakening. There is widespread discussion that 1996 could be a year of negative economic growth that further highlights just how fragile the economic recovery is in Peru. There are difficulties in finalizing a new Extended Fund Facility with the IMF, and significant payments on Peru's large debt overhang are coming due. To date the country's economic recovery has been largely based on reactivating existing under-utilized capacity, rather than investing in new and more competitive plants and equipment. The GOP's structural reform program has slowed. There is growing concern over Peru's mounting current account deficit, growing inflationary pressures, an increasing budget deficit and the overvalued exchange rate. The Ministry of Economy and Finance (MEF) technocrats who guided Peru's dramatic economic recovery are increasingly isolated, and populist forces within the GOP may be pushing for higher and unsustainable spending levels.

How the Fujimori government addresses these issues will shape the macroeconomic environment for much of the strategy period. Without acceptable rates of economic growth, Peru simply cannot achieve its important objectives in democratic strengthening, poverty reduction, social development, environmental protection and coca eradication. While the IMF and the MDBs are leading the policy dialogue on stabilization and structural reform, USAID plays a critical role in making available high-powered advisors on key reform issues and supporting NGO "think tanks" that better educate public and private sector leaders to the overriding importance of deepening economic reforms. Equally important, USAID budget allocations to Peru send important signals to other donors and demonstrate the USG commitment and resolve to helping Peru build democracy and modernize its state. A waning USG commitment here could snowball into reduced funding by other donors, thereby undermining vital U.S. foreign policy goals.

## **3. USAID Funding Directives Do Not Fully Support U.S. Foreign Policy Goals and USAID Strategy in Peru**

As Washington is aware, there is a disconnect between USAID funding directives on the one hand and U.S. foreign policy goals and our proposed strategy in Peru on the other hand. The overriding objectives are promoting democracy, reducing coca production, protecting the environment, and increasing the incomes of the poor by promoting higher rates of sustainable economic growth. Yet there is minimal funding allocated to Peru to support our democracy, economic growth, and environment objectives.

Of the roughly \$455 million program proposed for FY 1997 to FY 2001, probably only \$64.2 million can be expected in discretionary funds to support the democracy, economic growth, and environment programs. This represents less than 15 percent of overall USAID funding to Peru. This situation will

seriously limit the Mission's ability to help this country strengthen its democracy, achieve sustainable economic development, and protect the environment.

Further complicating this issue is the great uncertainty about future USAID funding, OE and staffing levels and the degree of confidence the Mission can have that its proposed resource levels will in fact be made available to Peru. It is clear that these problems are beyond the direct control of the LAC Bureau. However, USAID/Peru wishes to indicate for LAC's consideration and future consultations with the Hill that, despite the benefits expected to derive from reengineering and new strategic planning, budget restrictions and declining levels will pose even more serious constraints on the Mission's ability to respond to Peru's major development needs, U.S. foreign policy goals and USAID priorities.

4. Increasing ESF/INL Funding for Alternative Development, Local Government Development, Microenterprises and Drug Awareness Education

Resolving the problems caused by narcotics trafficking is essential for achieving U.S. foreign policy and domestic drug abuse control goals and USAID sustainable development objectives in Peru. The damage that this illicit trade causes in the social, political and economic fabric of producer countries is well known. Economies are distorted by narcodollars, social and health problems are exacerbated by drug usage, corruption affects the political and law enforcement institutions, and narcodollars finance terrorists. Unless the sources of these problems are addressed, major impediments to achieving sustainable development will remain. Moreover, unless the problem of illicit coca cultivation and processing can be resolved within Peru, the prospect for control and reduction of the supply of cocaine available for abuse within the U.S. is realistically remote.

As part of a comprehensive USG counternarcotics strategy, USAID has developed a highly effective program of alternative development and related activities in coca growing and out-migration areas. This program relies not only on traditional agricultural development projects, as was done in the 1980s, but finances local infrastructure, microenterprises and drug awareness campaigns. The local government component includes a highly innovative mechanism of municipal open-town meetings, similar to *cabildos abiertos*, to identify and implement infrastructure projects. It increases participation and generates popular identification and support for local governmental institutions and officials and for democratic processes and values. A similar USAID approach helped bring peace to El Salvador. It is now having dramatic effects re-establishing governmental authority and democratic institutions in some of Peru's most difficult narcoterrorism regions.

At the same time, this excellent new USAID approach to complement GOP/USG efforts to control illicit drug trafficking and reduce coca cultivation is seriously underfunded, given the size of the problem in Peru, the impacts the Mission is having, the opportunities that now exist for expanding this successful program, and the size of similar programs in neighboring countries like Bolivia. As a result, and as further described and justified below in individual strategic objective presentations, USAID is requesting approximately a \$50 million increase over five years in ESF for Alternative Development (\$24.0 million), Local Government Development (\$11.0 million), and Microenterprise (\$15.0 million) for a total ESF program of \$100 million during the 1997-2001 strategy period. USAID/Peru strongly believes that this funding can play an important role in helping Peru and the United States enter the 21st century with a much more positive relationship on counternarcotics issues.

5. Scope and Timing for Regional USAID Mission in Lima

The LAC Bureau's R4 guidance proposes that a Regional Sustainable Development Mission be established in Lima and that there be a build-up of regional support capability during the strategy period of 1997-2001. Our preliminary proposal is outlined below in Section III.C. However, there are a number of issues regarding the scope and timing of this regionalization plan that require further definition. For example, will RHUDO/South America and program-funded regional advisors (e.g., the Regional Environmental Advisor in Quito, Regional AOJ personnel in La Paz) be transferred to Lima? If so, when should they be transferred? This plan assumes that the number of USDH Regional

**Contracting Officers will be reduced from two to one and regionalized in Lima. Has this been approved by USAID/Bolivia and the Management Bureau?**

**In addition, it is USAID/Peru's understanding that not all Embassies and USAID missions have as yet been formally advised about this regionalization plan and that some central bureau offices have expressed concerns about regionalizing their personnel in Lima. Rather than having USAID/Peru generate a regionalization plan, it may be far more effective to form a working group headed by a DAA/LAC and USAID/Peru to prepare such a plan after all Embassies, USAID missions, and appropriate central offices have been advised of LAC's regionalization decision and have been consulted on appropriate timing.**

## **II. PROPOSED COUNTRY STRATEGIC PLAN FOR PERU**

**A. Overview of Linkage to Agency and Host Country Goals**

USAID/Peru's Strategic Objective (SO) 1 – Broader Citizen Participation in Democratic Processes – directly supports Agency Goal 2, "Sustainable democracies built." It does so by addressing one of the key constraints to democratic development in Peru: the lack of participation by large segments of the population. The SO recognizes that no reform will be sustainable without an informed and active citizenry.

The Agency has four objectives under Goal 2: strengthened rule of law and respect for human rights; more genuine and competitive political processes; increased development of politically active civil society; and more transparent and accountable government institutions. Based on the unique Peruvian context, SO 1 addresses parts of each of these agency objectives, some more than others. It is not a matter of trying to do everything at once, but rather selecting those key elements that directly promote – or provide an enabling environment for – broader citizen participation.

The GOP does not have a written plan for democracy, in part due to the number of institutions and groups involved in the promotion of democracy and the diffused nature of democracy activities. Also, given the devastating effect of narcotrafficking and terrorism on the economy, the GOP has more directly focussed its agenda on economic and sectoral reform issues. Nevertheless, one can glean the outlines of an approach based on key documents, such as the 1993 constitution. The constitution established several key institutions that promote democracy, including the Judiciary Council, Judicial Academy, Ombudsman and Constitutional Tribunal. It also provides the framework for an independent congress and judiciary, as well as a decentralized government. SO 1 will take advantage of trends and opportunities to assist key GOP institutions, NGOs and grassroots organizations with whom we have been working, and other citizen groups who are promoting democratic reform.

**B. Strategic Objective Description****1. Introduction**

The SO, *Broader Citizen Participation in Democratic Processes*, was developed through a variety of contacts and activities. Significant information was gathered through the normal course of project implementation, meetings, and field visits with partners, customers and various implementing agencies. More formal means were also employed, including a USAID/Peru customer survey, opinion surveys, studies and a day-long retreat with the expanded SO Team, which included Peruvians representing a wide range of experience and interests in the democracy sector. While a number of studies were consulted, special note should be made of the ground-breaking work of AGENDA: Peru and its publication "Democracy and Good Government." Based on focus groups and interviews from a wide cross-section of Peruvians, the document provides an excellent summary of the challenges and possibilities in promoting democratic reform. In sum, this SO and the discussion that follows is a reflection of what our partners and customers view as the problems and strategies for strengthening democracy.

The timeframe for achievement of the SO is seven years. By the end of that period it will contribute to significant progress in developing a modern and participatory democracy: human rights violations will continue to be reduced and extra-judicial killings and disappearances will be considered an aberration; constitutional checks and balances among the executive, legislative and judicial branches will begin to appear in practice; a more vibrant and a broader cross-section of civil society will participate at all levels; and decentralization should be significantly advanced with a commitment to having local governments with greater – fiscal and other – authorities. In short, Peruvians will be assimilating the values and attitudes necessary for a well functioning democracy, the systems and

processes to support democracy will be in the process of being institutionalized, and the country will be significantly less dependent on a single strong personality for the effective functioning and accountability of public institutions. These trends will be reflected in the higher ratings of government institutions (especially the congress, judiciary and local governments) and relatively low support for suspension of democratic freedoms in the name of security.

## **2. Analysis of the Development Problem**

In recent decades, Peru has witnessed almost every conceivable assault on democracy, including a military dictatorship, corruption and inefficiency at all levels of government, and narcotrafficking and terrorism, with concomitant economic decay and human rights violations. In many cases, a weak democracy has been associated with – or seen as the cause of – these problems. With this in mind, the government of President Fujimori has often acted decisively, avoiding the checks and balances normally associated with a democracy. This has been accepted by a population impressed more with results than the trappings of democracy. Several years after President Fujimori's April 1992 "auto-golpe" – when he essentially declared martial law – the majority of citizens still believe it was justified. Moreover, while 83 percent of the population prefers a democratic form of government, a significant portion – 42 percent in Lima and 20 percent in the rest of the country – continue to believe it is sometimes useful to temporarily sacrifice democracy.

This turbulent history and perceived efficacy of authoritarian rule have whittled away elements of a participatory democracy, although this is changing as Peru recovers from the chaos of the early 1990s. The key development challenge is how to continue and accelerate a process of rebuilding Peruvian confidence in democracy and overcome two key constraints to developing a modern vibrant democracy. First, a large segment of the population needs greater knowledge, skills and opportunity to promote its interests and interact with the government. Second, an authoritarian, centralized government has limited political will to institutionalize democratic reforms.

*a. Limited Awareness and Opportunity to Participate:* Citizen participation in civil society groups is sporadic and limited – less than 40 percent of the population are members of a civil society organization – and is usually focused around survival issues. Interaction with public institutions occurs most often at the local level. It is particularly infrequent at the national level, due to geography, difficulty of transportation and communication, cultural differences and economic limitations. This has been exacerbated by the virtual disappearance of political parties, that once served as the link between local interests and central government institutions.

Those who have not participated tend to come from the lower socio-economic classes, who suffered most during economic decay and unevenly shared economic growth. This cuts a wide swath in a country where half the population is below the poverty line. Within this larger cross-section are minorities and indigenous groups, who for reasons of geography and ethnic differences, were particularly isolated and vulnerable; women, who suffer from discrimination and whose participation has largely been limited to "female" and survival issues; and others, primarily in rural areas, most greatly harmed by terrorists and narcotraffickers and the government's battle against them.

In large part due to their focus on survival concerns, these groups lack the knowledge and basic understanding of their broader rights and responsibilities in a democracy. Civic education -- formal and informal -- is needed to inculcate a sense of what it means to be a citizen. While there is a large and highly dynamic civil society composed of thousands of NGOs and local community-based groups many of them are weak, poorly organized and underfinanced. They need skills and organizational training, and greater opportunity to undertake activities to promote their members' interests, and participatory reform.

Peru remains a highly pluralistic and dynamic society with many and diverse groups encouraging democratic reforms. Most of these groups -- think tanks, civil advocacy, watch-dog and other civil society organizations -- are in the private sector. To a more limited extent, they also exist within public

sector institutions. Despite the popular image, President Fujimori has in fact been influenced by views coming from these groups. As the terrorist chaos and hyperinflation of the early 1990s further recedes, these democratic reform groups can have even greater influence on the course of Peru's democratic evolution. They do not, however, have the resources and technical support needed to increase their influence on Peruvian public opinion and policy. USAID is in the best position to strengthen these democratic reform groups and allow them to play a more significant role in rebuilding confidence in participatory democracy and democratic institutions.

*b. Limited Political Will to Institutionalize Reforms:* In recent years, as terrorism has receded, political will for democratic reform has been growing as demonstrated by the highly successful national and municipal elections of 1995; the establishment of new institutions such as the Judiciary Council, Judicial Academy, the Constitutional Guarantees Tribunal, and the Office of the Ombudsman; increased interest in municipal development and decentralization; and an improving human rights record. Institutional capacity, however, remains limited as evidenced by the uneven development of national and local government institutions.

Large elements of the population have little or no trust in Congress, as it has not effectively carried out its key functions of lawmaking and oversight. Weak representation -- there is a single national electoral district -- and mechanisms for citizen participation have made congress an institution distant from voters. It has been subordinated to the executive, in terms of the drafting and passage of laws. Nevertheless, lively debates have provoked public discussion, dissenting votes by the president's majority, and public audiences demonstrate the congressional branch of government can be further strengthened.

The population has even less faith in the judiciary than the legislature. It has suffered from a number of failings, including corruption and the perception that judicial decisions are negotiable, insufficient resources, inefficient administration, mediocrity of employees, subordination to political decision-making and high court and defense costs. While the judiciary has undergone several unsuccessful reorganization attempts, an administrative reorganization mandated by congress that began in November 1995 gives hope that it may be able to correct deficiencies of the past.

There are also, however, positive developments in judicial institutions established by the 1993 constitution. The Judiciary Council, for instance, has been effectively complying with its mandate to select judges and prosecutors. Others, such as the Ombudsman and the Constitutional Guarantees Tribunal are developing more slowly. Once operational, these and other institutions will ensure greater access to justice and demonstrate greater political will for democratic reform.

As in most of the LAC region, local governments -- where most of the interaction between the State and citizens does and should occur -- generally have not been effective. Most local government officials do not have the requisite knowledge and skills to effectively carry out their responsibilities. There are weak or non-existent planning and management systems, local revenue generation is not encouraged or supported, and there remains an unfortunate tendency to look to Lima for the resolution of major problems and funding. There are insufficient municipal development resources and the policy and legal framework for decentralization and local government strengthening is still being defined.

The GOP has begun to view decentralization as a vital and necessary element of political and social stability and economic development. An important new decentralization law is under discussion in the National Congress. The general public, civil society and local governments are participating in the public debate on this new law as Peruvians develop a consensus on how best to decentralize. However, the Fujimori administration's sometimes contradictory measures, such as its recent increase in the power and budget of the Ministry of the Presidency, are clear signals that broad institutional development at the national and local levels will not be automatic without a strong push from the general public, civil society groups and local governments.

### **3. Results Framework Description**

#### **a. Strategic Objective Rationale**

The results framework (RF), built around the SO of *Broader Citizen Participation in Democratic Processes*, seeks to address a major deficiency in Peruvian democracy: the exclusion of large segments of the population from public and other activities that affect their lives. It recognizes that effective and sustained reform comes primarily from outside the formal system, based on demand from the citizenry, but also inside the formal system through the strengthening of democratic institutions that respond to the needs of citizens.

The focus of the SO, therefore, is on citizen participation, because this sector is about people and should seek to have a direct impact on individuals, rather than some abstract concept of democracy. The most direct impact will be felt by those who will participate in assistance activities. These include: (1) Individuals and community groups who were the most vulnerable and marginalized, including indigenous groups, women, rural communities in coca producing regions and persons entangled (often unfairly) in the justice system; and (2) NGOs who provide support to these groups or otherwise foment participation and democratic reforms.

Broader citizen participation in "democratic processes" was chosen to highlight the multidimensional nature of participation. The involvement of citizens will be at all levels, including interaction with local governments and, where appropriate and possible, at the national level. USAID in particular has a comparative advantage in fomenting participation. On the ground presence combined with years of experience in working with NGOs and community groups has established USAID as a leader in encouraging participation and making it more effective. USAID contacts with GOP institutions will encourage greater interaction with citizen groups.

Therefore, USAID has chosen a multi-faceted, demand-based strategy that begins by making citizens aware of their rights and responsibilities and giving them opportunities to participate and inform debate. This builds popular support and pressure to decentralize power and reform state institutions. At the same time, assistance is directed to key institutions to establish more effective and responsive state and local institutional structures. These must be sufficiently open and responsive to permit and encourage broad citizen participation in the events that affect their lives.

Thus, achievement of the SO will result in a more vibrant civil society interacting with and influencing reform of government institutions. This will be accomplished by focusing on: 1) selected GOP institutions -- such as the controller general, judiciary, congress and electoral bodies -- that are critical to providing an enabling environment for effective citizen participation; 2) local governments and officials, particularly those in targeted areas; and 3) development of civil society, including relations with the military. The four intermediate results (IRs), discussed below, are the building blocks for achieving the SO.

#### **b. Intermediate Results**

**(IR#1) More Effective National Institutions.** Many important decisions, actions and opportunities for citizen interaction occur at the national level. Key institutions -- the legislature, judiciary, electoral system and Controller General -- have a history of being weak and ineffective. An improved institutional base at the national level will promote legitimacy and an enabling environment that makes participation effective and seem worthwhile. It will also serve to counterbalance the power exercised by the presidency. In the case of congress, this means greater access to technical analysis and information in order to have a greater voice in drafting and approving legislation. Interaction with citizens must be improved through multi-district representation and more open channels of communication. The electoral system must institutionalize established and pending reforms, while the Controller General must provide for better management of public funds, including preventive measures through greater awareness and training.

**STRATEGIC OBJECTIVE**  
No.1  
Broader citizen  
participation in democratic  
processes

**INDICATORS**  
(a) Percent of citizens that are active members of at least one civil society organization  
(b) Valid votes cast as a percent of eligible voters in elections  
(c) Percentage of citizens satisfied with their opportunities to participate in decision making at different levels of government

**INTERMEDIATE RESULT**  
1.1  
More effective national  
institutions

**INDICATORS:**  
1) Percent of citizens who believe that elections have been free and fair  
2) Percent of citizens who feel that key national institutions are effective

**INTERMEDIATE RESULT**  
1.2  
Greater access to justice

**INDICATORS:**  
1) Percent of citizens who believe that the judiciary is responsive to their needs and demands  
2) Change in State Department Human Rights Report assessment

**INTERMEDIATE RESULT**  
1.3  
Local governments more  
responsive to constituents

**INDICATORS:**  
1) Percent of citizens who believe that local government is responsive to their needs and demands  
2) Percent of local governments' development programs developed with popular participation  
3) Percent of local governments holding regular public town meetings and budget hearings

**INTERMEDIATE RESULT**  
1.4  
Citizens better prepared to  
exercise rights and  
responsibilities

**INDICATORS:**  
1) Percent of citizens who are aware of functions of key institutions  
2) Percent of citizens who are aware of basic rights and civic responsibilities

**(IR#2) Greater Access to Justice.** This is separate from the previous IR because it encompasses more than a formal government institution and is such a complex and important result. While civil society organizations should be involved in the development of all GOP institutions, their role here is more direct and integral to the functioning of the legal process. They also have important functions outside the formal court system, since legal problems are often best resolved through alternative means. (This IR also recognizes USAID's expertise and long time involvement in the justice sector through its Administration of Justice Project that began in 1986.)

The justice system is a critical forum for citizen participation. It is often an individual's most significant (even if infrequent) contact with the state and implicates the most fundamental human, political and legal rights. Given the significance of this interaction, citizen participation must be effective and fair. This requires an efficient and equitable system, where women, minorities and indigenous groups have equal access, as well as knowledgeable citizens who understand and can protect -- through adequate legal representation -- their rights. The judiciary has not effectively fulfilled its functions, and has not been able to sustain reform from within. Not only the court system, but also the several new justice sector institutions must be more fully developed. Therefore, pressure, awareness, protection and adequate legal representation will have to be fostered by human rights NGOs and other civil society organizations. Furthermore, the limitations of the formal system mandate greater access to alternative methods of dispute resolution.

**(IR#3) Local Governments More Responsive to Constituents.** Local governments, because of their proximity, are and should be the first and primary contact between citizens and the state. Most day-to-day activities and decisions that are important to an individual -- such as those pertaining to jobs, schools, roads, and water -- are local issues that need to be resolved locally. This is not simply a matter of strengthening the authority (through an improved decentralization legal framework) and capability (through training of local officials) of local governments. There also must be an opening up of the process that permits more effective citizen participation. If citizens are satisfied with their interaction with local governments, it may promote respect for and interaction with other democratic state institutions, including those at the national level.

**(IR#4) Citizens Better Prepared to Exercise Rights and Responsibilities.** This is the foundation for achieving the other IRs and the SO. Many citizens and citizen groups, focused so long on survival concerns, do not understand their rights and responsibilities. Acquiring this knowledge, particularly for women and indigenous groups, along with the ability to teach others, is a critical step in promoting participation. As awareness of rights and responsibilities -- and the ability to exercise them -- increases, so will the level of participation. This should lead to increased public debate and pressure for reforms. A responsive state structure will react to this pressure. It is also hoped that through this process, there will be a resurgence of political parties, or some other mechanism or entity to serve as a link between citizens and the government.

*c. Illustrative Approaches*

USAID/Peru employs a variety of approaches, working with a wide array of actors, to take advantage of the opportunities that arise to promote participatory democracy. Overlying these tactical approaches, some of which are noted below, is a strategic effort to leverage other donor resources. Particularly in a time of shrinking budgets, USAID/Peru must ensure the commitment of its development partners. Utilizing its experience and on the ground presence, USAID/Peru will continue to act as a catalyst to encourage and direct other donor resources to critical needs. This is vital in the area of institution building, which usually entails a long-term commitment of significant resources.

In some areas, like support to local governments, more traditional multi-year activities will continue to play a big role. In other areas, particularly where the mission is pioneering new or untested approaches, flexibility and an ability to make timely decisions that respond to changing needs -- within the

parameters of the SO -- must be preserved. For example, in support to the civil society organizations or working through these organizations to support some elements of GOP institutional reform, short-term activities can often have a measurable and immediate impact. In the past, this has included assistance to: the Andean Commission of Jurists, a local NGO that helped to shape and promote the Ombudsman law; AGENDA: Peru, through which focus groups and other activities have stimulated debate about democracy and which provided critical analysis for a variety of follow-on activities; and APOYO, which conducted a workshop for newly elected members of congress in July 1995, providing a primer on the role of congress and key issues. USAID/Peru will continue to employ small, short-term, but high-impact interventions, in part to serve as a catalyst for other donor and GOP interventions. Over time, the success of some of these types of activities may point to medium or longer term activities that would consolidate or expand the institutional capacity of key democratic institutions. We must be prepared to undertake these more traditional approaches when deemed appropriate.

**(1) Increasing Civic Awareness.** Achieving democratic stability and improving civic awareness are challenges for, and the responsibility of all Peruvians. To achieve broader citizen participation, citizens and citizen groups must have the knowledge and skills necessary to effectively participate in the decisions and actions that affect them. Activities that promote agreement and consensus, leading to increased citizen participation, will be sought to permit the spread of democratic values, attitudes and practices. Activities may include leadership training, community organizational training, technical assistance and financial support to NGOs, including those working with the media, and others who promote participatory democracy, monitor government activities and educate citizens about their rights and responsibilities.

**(2) Fomenting Participation at the Local Level.** Training provided to local government officials and community leaders will enable them to better carry out their roles. Encouragement (through limited funding) to actively participate together in small public works activities, will serve to demonstrate the importance and efficacy of joint community/government activities. Channels will be developed not only to encourage men and women from different groups, including ethnic groups, to participate in community-based organizations, but also to get their concerns onto local and national level political agendas. Developing the resource base through the establishment of real property tax programs in some municipalities will also be critical to permit greater financial autonomy of these "model" local governments.

**(3) Strengthening Electoral Institutions.** With almost three years before the next elections, there is time, without the sensitivities and pressures of elections, to reflect upon and consider modifications, reforms and implementation actions needed to make the electoral structure more open and effective. This will be promoted by provoking debate about needed reforms, supporting civil society organizations devoted to electoral and voter concerns and providing technical assistance to key electoral bodies.

**(4) Policy Level Changes /Linkages Between Congress and Citizens.** A number of members of congress have noted that -- particularly with a single district legislature -- there are very few opportunities to discuss matters with people who will be directly affected by proposed legislation. We have provided this opportunity in the past in the area of women's rights and decentralization. We may expand on these experiences by promoting public audiences in various parts of the country that focus on key policy level themes. Ideas and discussion could be recorded and included in a technical analysis of the situation and/or draft legislation. This should strengthen the legislative process -- by inserting a dose of reality and providing for unbiased and professional analysis -- and may provide further openings for improving the effectiveness of congress.

**(5) Information Data Base for the Justice System.** One of the reasons for poor planning and administration by many justice sector institutions is a lack of recourse to reliable and timely data. USAID/Peru may provide assistance to develop a system that can provide current information on prisoners, including length of time between arrest and trial and those incarcerated without having been processed or sentenced. This would be useful to a number of institutions, including the Ombudsman, Public Ministry and the *Poder Judicial*.

#### *d. Assumptions*

There are four critical assumptions inherent in the RF: 1) Peru will not experience a coup (or auto-golpe); 2) Sufficient political will exists to implement reforms; 3) Narcotrafficking and terrorism will continue to diminish; and 4) Other donors will continue or increase their involvement in this sector.

#### **4. Commitment of Development Partners**

The GOP has demonstrated some additional interest in supporting democratic reform. This has been evidenced by modest increases in the budgets of certain key institutions -- such as the judiciary and attorney general -- during the past two years, as well as a large counterpart contribution toward the USAID Local Government Development Project. It is also manifested in the gradual development of key justice sector institutions, noted above.

While in the past there had been limited interest, recently other donors have become more significantly involved in the democracy sector. More teams are visiting Peru, designing or beginning implementation of new activities. This surge in interest is due to receptivity on the part of the GOP, USAID's ground-breaking work, especially in the justice and local government areas, and recognition of the importance of democratic reform as it relates to economic development. Some of the greatest interest is in the justice sector, where the World Bank is planning a large judicial modernization project (\$25 million) that began in March 1996 with a \$0.6 million pre-project grant from the Japanese; the Inter-American Development Bank (IDB) is promoting alternative dispute resolution activities (\$0.8 million) and may co-sponsor the World Bank project; the IDB also has provided over \$2.0 million to its congressional support project, now in its final phases; and the European Union is assisting in developing the Judicial Academy (\$1 million) and considering, like other donors, providing grants to local NGOs and human rights groups. The World Bank and IDB are also designing several local government strengthening projects for a potential total of \$240 million.

#### **5. Sustainability**

Sustainability will be sought through a multi-faceted approach by USAID, its development partners, the GOP, local groups and individual efforts of citizens. It will be ensured through an appropriate and adequate mix of a participatory minded citizenry and effective public institutions. The two tend to feed off one another: pressure from citizen groups will encourage reform of government institutions and more effective and responsive institutions will encourage participation as citizens see that their efforts have an affect. At the end of the proposed timeframe, it is expected that their will be: 1) a "critical mass" of skilled and effective citizens and citizen groups -- that have the knowledge, desire and ability to continue to participate and interact with the government; and 2) more effective public institutions, willing to interact with the citizenry and able to perform their functions in an open and responsible manner. This will be enhanced by the establishment of formal and informal mechanisms that foster interaction and reform. Achievement of the SO does not mean that Peru will be a completely sustainable and vibrant democracy, nor that USAID assistance should come to an abrupt halt. In seven years, Peru most likely will be at the end of the late transition stage of democratic development. Development of a democracy is a long-term if not continuous process, and there may still be a need for USAID support in this sector.

A more democratic and participatory system will inure to the benefit of other SOs, and provide a broader base for diffusion and sustainability of activities. The entire USAID/Peru program -- not just democracy activities -- employs a highly participatory approach to development that reinforces the democracy SO. For example, SO4, *Environment Managed for Long-term Sustainability*, will foster civil society participation in the development of policies and legislation and awareness of key issues in the sector.

SO2 -- *Increased Incomes of the Poor* -- is highly supportive of and intermeshed with SO1, given some overlap in target groups and because improved economic conditions promote democratic development (if for no other reason than people can focus less on survival concerns). This is important in Peru,

where over 45 percent of the population believes that a key characteristic of democracy is that everyone should have enough income for food, health and education. Moreover, the work being accomplished under the PVO Support Project -- including NGO strengthening and bringing together NGO and local government officials -- directly supports achievement of SO 1.

There is similarly a direct connection between the SO1 intermediate result *Local Governments More Responsive to Constituents* and the *Alternative Development* Special Objective. Both ESF counternarcotics funded objectives focus on the same or similar target areas and rely heavily on participatory implementation mechanisms.

## **6. Measuring achievement**

Measuring achievement and developing indicators in the democracy sector is still evolving. It is particularly difficult to develop objective, quantifiable indicators: to the extent they exist, the cost of collection is often exorbitant. USAID/Peru has worked with a large number of people -- including Peruvians and USAID/W representatives -- in order to develop an appropriate mix of indicators. We have tried to take a minimalist approach, selecting the most critical and least number of indicators that best measure progress. The methods chosen rely, to the extent possible, on existing or easily accessible sources of information, including opinion surveys, in order to keep the costs of collection in line with the resources available.

Although not included in the indicators, we may utilize a panel of "experts" to determine progress. This concept, to be further developed over the coming months, can be seen as an extension of our expanded SO team. The panel would include approximately 10-12 Peruvians, knowledgeable about democracy and Peru, who represent major diverse groups, sectors, geographic regions and political thought. They will meet on a periodic basis to review the direction and progress of the program, focusing on the IRs and SO. If experience proves this mechanism to be a valuable and reliable measure, we will consider incorporating it into the indicators listed below.

All results, to the extent practicable, will be disaggregated by gender, geographic area (including rural/urban), economic status, and ethnic groups. In many cases involving survey information, baselines need to be established. USAID/Peru will enter into a contract with a qualified local organization to conduct the necessary surveys. It is important to note that targets are difficult to establish in cases where there are no reliable baseline figures. These will be adjusted upon completion of a baseline survey.

Proposed indicators:

### **SO: Broader Citizen Participation in Democratic Processes**

- (a) *Percent of citizens that are active members of at least one civil society organization.* Annual surveys. Target: 50% increase by 2001.
- (b) *Valid votes cast as a percent of eligible voters in elections.* JNE results. Target: Presidential elections: from 61 percent in 1995 to 75 percent in 2000; congressional elections: from 36 percent in 1995 to 70 percent in 2000; municipal elections from 84 percent in 1995 to 90 percent in 1998 .
- (c) *Percentage of citizens satisfied with their opportunities to participate in decision-making at different levels of government.* Annual surveys. Target: 50% by 2001.

### **IR#1: More Effective National Institutions**

- 1.1 *Percent of citizens who believe that elections have been free and fair.* Surveys. Target: 75% by 2001

- 1.2 *Percent of citizens who feel that key national institutions are effective.* Annual surveys. Surveys will focus on congress and judiciary. Other institutions that may be included are the Ombudsman, Constitutional Tribunal, Judiciary Council, Judicial Academy, Public Ministry and Controller General. **Target:** 45 percent increase for congress, 50 percent increase for judiciary by the year 2001.

**IR#2: Greater Access to Justice**

- 2.1 *Percent of citizens who believe that the judicial system is responsive to their needs and demands.* Annual survey. **Target:** 50% by 2001.
- 2.2 *Change in (relevant sections of) State Department Human Rights Report assessment.* Annual report. (Qualitative Assessment.)

**IR#3: Local Governments More Responsive to Constituents**

- 3.1 *Percent of citizens who believe that local government is responsive to their needs and demands.* Annual survey. **Target:** 60% by 2001.
- 3.2 *Percent of local governments' development programs developed with popular participation.* Surveys and program records. **Target:** 75% in program communities by 2001; 40% in other communities by 2001.
- 3.3 *Percent of local governments holding regular public town meetings and budget hearings.* Surveys and program records. **Target:** 80% in program communities by 2001; 40% in other communities by 2001.

**IR#4: Citizens Better Prepared to Exercise Rights and Responsibilities**

- 4.1 *Percent of citizens who are aware of functions of key institutions.* Annual surveys. Institutions may include: local governments, congress, judiciary, Ombudsman, Constitutional Tribunal, Judiciary Council, Judicial Academy, Public Ministry and Controller General. **Target:** 60% by 2001.
- 4.2 *Percent of citizens who are aware of basic rights and civic responsibilities* Annual surveys. **Target:** 75% by 2001.

**7. Expected Progress in FY 97/98**

**IR#1. More Effective National Institutions.** By the end of this period, a new national identity card will have been developed and other adjustments made as institutions gear up for the November 1998 municipal elections. The Controller General will have developed audit norms that are being used by better trained staff. One may begin to witness an increase in citizen respect for congress.

**IR#2. Greater Access to Justice.** Key justice sector institutions -- the Ombudsman, Constitutional Tribunal, Judicial Academy and Judiciary Council -- will be fully operational by the end of FY 97 or early FY 98. There will be a significant decrease in the number of people in prison who have been unjustly accused of terrorism. State Department Human Rights Report will continue to show improvement in the human rights situation.

**IR#3. Local Governments More Responsive to Constituents.** Rural citizens will be better informed of their rights and duties through training programs and complementary civic activities. Working within their civic organizations and with their elected officials (also better informed of their

duties through training), they will participate in planning and implementing social and economic development activities. As a result, more citizens will feel their local government is responsive to their needs.

**IR#4. Citizens Better Prepared to Exercise Rights and Responsibilities.** There should be the beginning of a higher level of awareness of rights and responsibilities as a result of more concerted and effective civic education activities.

#### **8. Global Bureau Activities**

Beginning on June 1, 1996, the Global Bureau plans to initiate direct assistance to the Institute of Liberty and Democracy (ILD). The purpose of this assistance is to "globalize" ILD's land titling and other work, by offering assistance to other countries. This program will be funded and managed by the Global Bureau. With the exception of this activity, all other Global bureau activities are supportive of this SO and are discussed under the Resource Section of this document.

## **STRATEGIC OBJECTIVE NO. 2**

## **Increased Incomes of the Poor**

### **A. Overview of Linkage to Agency and Host Country Goals**

Strategic Objective No. 2 (SO2), "Increased Incomes of the Poor," provides a direct and measurable link to the Agency's Goal of "Broad-Based, Sustainable Economic Growth," where improvement in the well-being of poor people is measured by the economic yardstick of income. The SO directly links to the Agency's Objective 1.2, "Expanded Access and Opportunity for the Poor."

Poverty alleviation is not solely dependent upon increased economic opportunities, but also includes other key factors such as an appropriate policy framework for improved nutrition, health, education, and access to services. For the five-year planning period 1997-2001, the concept of improved food security focussed on the extremely poor and policy reform to support human capital formation also have been incorporated into SO2.

Peru's food insecurity is more than anything a question of poverty. If poverty can be alleviated, lack of availability and poor utilization of food can be addressed as well. As a result, the strategic objective places highest priority on bringing about sustainable increases in the incomes of the poor. The strategy for accomplishing this objective involves a focus on income generation with complimentary activities in productivity and nutrition for Peru's most vulnerable populations, especially poor pregnant and lactating mothers and children less than six years old. An integral part of that strategy is focusing the food aid program on food-for-work activities, such as construction and maintenance of productive infrastructure, improvements to the natural resource base for longer term economic sustainability, and conversion of subsidized community food kitchens to self-sustaining commercial operations. The latter has a particular focus on developing rotating loan funds that women can readily access to improve their economic opportunities. The food assistance program also prepares the poorest segments of the population to participate more fully in the market economy by improving their management skills and knowledge of appropriate production technologies. Over the long run, improved nutrition of children in poorer households, together with the broader interventions to provide economic opportunities for their parents, can be considered a critical investment in the future. Malnutrition constrains development of cognitive and motor skills, educational preparedness and, later, workforce productivity, making it an unacceptable risk for its victims as well as for a nation's economic strength and competitiveness.

In sum, the incomes of Peru's poor population cannot be improved unless both productivity and nutrition interventions are brought to bear on the problem. The Agency implicitly recognizes this link between food assistance and economic growth in identifying *calorie supply per capita* as one of two indicators to measure its objective of *expanded access and opportunity for the poor* under the goal of *broad-based economic growth achieved*.

The Mission's strategy for achieving increased well-being of the poor is supportive and fully consistent with the GOP strategy, most recently articulated in the Ministry of the Presidency's (PRES) anti-poverty strategy for the period 1996-2000. This strategy recognizes that it is only through the concerted and well coordinated efforts of the PRES, other government entities, the private sector and international donors, that the GOP's goal of a 50 percent reduction in the number of Peruvians living in extreme poverty by the year 2000 will be reached. On the GOP side, 13.3 percent of the public sector budget in 1996 (or \$1.237 billion) will be made available to PRES expressly for poverty alleviation. Additionally, allocations of the public sector budget for social sector programs will increase from 29.4 percent in 1994 to 40.4 percent in 1996. Less emphasis will be placed on large irrigation projects on the coast in favor of short-term social programs in the poorest districts. This is consistent with SO2 and the Mission food assistance program's focus on the poorest regions of the country.

The Minister of Agriculture has recently prepared "guidelines" for agricultural development "*Política para el Desarrollo Agrario en el Siglo XXI*" for the next 25 years. The primary areas of action are: (1) broad

participation by agrarian institutions, both public and private; (2) entrepreneurial organization of producers; (3) private ownership of land; (4) efficient marketing; (5) rural finance; (6) modernization of the sugar industry; (7) public investment in basic infrastructure, water management, plant health, agricultural information, land titling and registration, research and extension, biotechnology, livestock improvement and training; (8) natural resource management; and (9) special support to small farmers in poor areas.

The Ministry of Industry's microenterprise development guidelines include: (1) the establishment of "common services centers" from which microenterprises can buy managerial, productive, or marketing services; (2) promotion of subcontracting services through which small and microenterprises can establish linkages with larger manufacturing/trading companies; and (3) promotion of these mechanisms in areas where large concentrations of producers of a specific product line are located.

Many of the areas espoused by these strategies are the focus of Mission actions under SO2 and are consistent with the Mission's private sector market approach to poverty alleviation.

## **B. Strategic Objective Description**

### **1. Introduction**

For at least the last ten years, the Mission has focussed its efforts on achieving sustainable economic growth. In the early 1990s, the emphasis was on economic stabilization supported by exports of non-traditional products, principally agricultural. As stabilization was achieved through a vastly improved Peruvian macroeconomic framework and general belt tightening, the Mission sharpened its focus on those populations which had been hit hardest by the stabilization effort -- the resource poor, principally in rural areas. The Mission also decided that the best measurement of economic impact of its programs on the poor is the present strategic objective (SO) *Increased Incomes of the Poor*. The SO encompasses the concept of broad-based growth, since the poor comprise almost one-half the Peruvian population, as well as equity considerations in income growth and distribution.

With Mission and other donor assistance, the Ministry of the Presidency has prepared tables and maps which identify geographically the poor and the extremely poor. The peri-urban areas of Lima possess the greatest absolute numbers of poor. However, the extremely poor are concentrated in 419 districts (of a total of more than 1,900 districts nationwide) in the highland departments of Puno, Junin, Cusco, Huanuco, Ayacucho, Apurimac and Cajamarca; and jungle departments of Loreto, Amazonas, San Martin, and Madre de Dios. Many of these districts are in coca producing or outmigration areas.

Using this information, and an already well-targeted Title II program, one of the two principal groups of customers for SO2 are the poorest, food insecure people in the highlands, who are not meeting their minimum nutritional needs. Supplementary feeding, improved knowledge and practice of nutrition and health, and improved access to productive and sanitary infrastructure, are all key elements of the strategy. The second customer group is the poor in peri-urban Lima and the highlands who are able to meet their basic nutritional needs, but have some, albeit limited, access to credit and markets. Activities related to this group will focus on production, marketing, credit and organizational support to microentrepreneurs, small producers, smallholder farmers, women's groups, community associations, producers associations, indigenous populations and local NGOs, to facilitate their access to markets.

In recognition of the fact that rural women experience the greatest levels of poverty, the Title II program has been concentrating its assistance efforts with this customer group in child feeding and nutritional surveillance, rotating credit funds for small economic activities, food for work activities, and cottage microindustries. In addition to providing direct support to a women's village banking effort, we will make a concerted effort to identify and implement economic activities with women's groups in the *Sierra and Selva*.

The timeframe for achievement of the SO is six years, under the assumption of continued moderate economic growth, with single-digit annual inflation over the period. By the end of that period, extreme poverty will have been halved (from 20 percent of the population presently to 10 percent in 2002) with an additional two million people able to meet their minimum nutritional requirements. Chronic malnutrition among children under five years of age in the highlands will be reduced from 36 percent in 1992 to 27 percent in 2002.

Rural areas will have become much more accessible, principally due to an expanded transportation infrastructure. This will facilitate greater market participation by the poor, as well as outmigration from unsustainable rural areas to tertiary cities and market towns where greater amounts of social sector investments will provide them with significantly improved basic education, primary health and nutrition services. Urbanization will create the demand for expanded and more efficient agricultural production. Backward and forward linkages will create economic opportunities in market towns and intermediate seized cities for agriculture input, processing, marketing and processing industries. The majority of rural communities will have strong, effective organizations that provide their members with needed productive and marketing services and represent them vis-a-vis the government and the private sector. A considerably greater percentage of microenterprises will be operating efficiently and incorporated into the formal sector in order to access larger assembly and bulk order operations for their goods. This will result in increased incomes, employment, demand for other manufactured products, and increased tax collection for the government.

## 2. Analysis of the Development Problem

According to the World Bank's World Development Report 1990: Poverty, countries which have been successful in alleviating poverty have concentrated efforts on two overwhelmingly important determinants of poverty: (a) increasing access of the poor to income-earning opportunities (economic capital such as land, credit, markets and infrastructure) and (b) the capacity of the poor to respond to these opportunities (human capital such as basic education, technical training, nutrition and primary health care). Both of these elements are mutually reinforcing; one without the other is not sufficient to achieve reduced poverty.

As in most developing countries, Peru's poor depend on income from labor -- from work on their own land, wages, or other self-employment, especially the informal economy of service provision. Poor households lack assets, particularly land, without which they must hire out their labor, usually unskilled. To remedy the general conditions, it is necessary to take a dual, but mutually reinforcing, development approach of encouraging broad-based rural development, focussed around agriculture and its forward and backward linkages, and stimulating urban employment through micro and small enterprises (which are the source of most job creation), thereby increasing returns to labor. A complicating factor is the extent of coca production in many rural areas. Coca is a response to poverty but does not make farmers rich. However, the economic distortions of coca production, such as overvalued exchange rates, may affect the competitiveness of crops and other products that might be developed to ameliorate poverty. The coca problem and the Mission response if further discussed in the section on the special objective for alternative development.

The following elements, presented and analyzed in the Strategy for Broadly-Based, Sustainable Economic Growth in Peru and the Food Security Strategy for Peru prepared by the Mission in 1994, are key factors that are being addressed under this SO:

**Poverty is widespread.** Almost half (49.6 percent) of Peruvians live in poverty, which means that they fail to meet the minimum standards of food access, education, health and housing. Of these roughly 11.7 million people for 1995, 4.7 million live in extreme poverty; that is, they are too poor to afford a basic basket of food for their families.

**Poverty is a chronic, structural problem.** Extreme poverty is concentrated in the highlands, especially among the non-Spanish speaking population. This population has limited access to economic infrastructure and basic services, such as water, health and education, as well as limited access to income generating opportunities, both agricultural and non-agricultural.

**Rural women experience greatest levels of poverty.** Women are highly illiterate (68 percent of all illiterate persons in Peru are women; female illiteracy is especially high in rural Peru where 42.9 percent of women are illiterate, compared to 18.3 percent nationwide). A direct result is high rates of fertility (7.1 children per woman with no formal education compared to the national rate of 3.4), and few opportunities for off-farm jobs in rural areas, since most jobs for females (71.4 percent) are low-wage jobs in the tertiary (trade and household employment) sector. Thus, rural women are seriously constrained in fulfilling their potential as key players in the development process.

**Peru is the second highest food insecure country in the Western Hemisphere, after Haiti, as measured by average caloric intake.** The national prevalence rate of chronic malnutrition among children ages 6-9 is 48 percent; in some highland and jungle districts it runs as high as 98 percent.

**Peru's food insecurity is principally a question of poverty.** The poor lack access to food because of their limited purchasing power. This leads to chronic malnutrition which adversely affects the intellectual development of children with obvious consequences for their future earning potential.

**The root cause of poverty is low productivity.** This arises from inadequate investment in human and physical capital, infrastructure, and supportive public policies and institutions.

As the Food Security Strategy points out, there appears to be a risk in not addressing malnutrition and poverty at the same time because they are related and may eventually undermine the longer term competitiveness (productivity) and incomes of the country. Additionally, the only way to reduce long-term dependency on food aid is to provide sustainable income enhancing investments for the extremely poor.

In Peru, small and microenterprises presently account for 70 percent of employment of the economically active population. Under the situation of economic and social dislocation resulting from rural violence and a highly inflationary economy in the late 1980s and early 1990s, small and microenterprises provided a safety net for those peri-urban dwellers who had no other income earning opportunities.

The latest information indicates that 98 percent of Peruvian businesses are small, employing ten or fewer employees. Some of the principal problems encountered by microentrepreneurs and small producers include: lack of managerial skills; product quality below international standards; market access limitations; access to credit; an unstable legal framework; governmental regulations and administrative procedures that hinder the "formalization" of small and microenterprises; lack of knowledge of existing financing possibilities and complementary services; and lack of horizontal and vertical integration. Most, if not all, of these constraints must be dealt with in order to move beyond mere safety net "holding" operations to a productive small and microenterprise sector which can provide poor people with greater employment and income earning opportunities. The successful implementation of such actions will increase incomes and assets, generate productive employment, increase skills and productivity and enhance the development of entrepreneurial and managerial abilities of targeted small and microenterprises.

Increasing numbers of poor people live in areas that have little agroclimatic potential and are environmentally fragile. Population pressures in these areas have decreased the productivity of the land, thereby limiting employment opportunities related to agriculture. The most appropriate government strategy in these areas may be to stimulate migration to market towns and secondary cities where economic opportunities are greater, especially in micro and small businesses. This would also help reduce environmental degradation of fragile lands.

Finally, the two documents mentioned above, Strategy for Broadly-Based, Sustainable Economic Growth in Peru and the Food Security Strategy for Peru, identify a series of social and productive sector constraints to achieving reduced poverty and improved food security. These constraints can be grouped into the four main categories: 1) limited access by the poor to infrastructure, support services and resources; 2) inadequate marketing systems; 3) poor nutritional and educational levels; and 4) inadequate policies vis-a-vis the poor. Important productive sector constraints include: i) poor economic infrastructure in rural areas; ii) limited use of agricultural technology; iii) inadequate water rights legislation; iv) lack of formal financing of agricultural activities, especially among small farmers; v) geographic isolation; and vi) inadequate marketing systems. For the social sector, important constraints include: i) insufficient coordination among social service providers, especially within the public sector; ii) lack of coordination required for implementing the food security strategy; iii) insufficient public sector financing of social services, particularly in health and education; and iv) excessive reliance on food assistance.

### **3. Results Framework Description**

#### *a. Strategic Objective Rationale*

SO2, *Improved Incomes of the Poor*, directly addresses the root causes of poverty through five intermediate results: 1) *Improved Policy Framework*; 2) *Increased Market Access*; 3) *Expanded Opportunities for the Extremely Poor*; 4) *Strengthened Organizations for Service Delivery*; and 5) *Increased Production/Productivity*. These IRs closely address the Agency's strategic framework under "Broad-Based Economic Growth Achieved" and the guidance provided in Strategies for Sustainable Development: Encouraging Broad-Based Economic Growth.

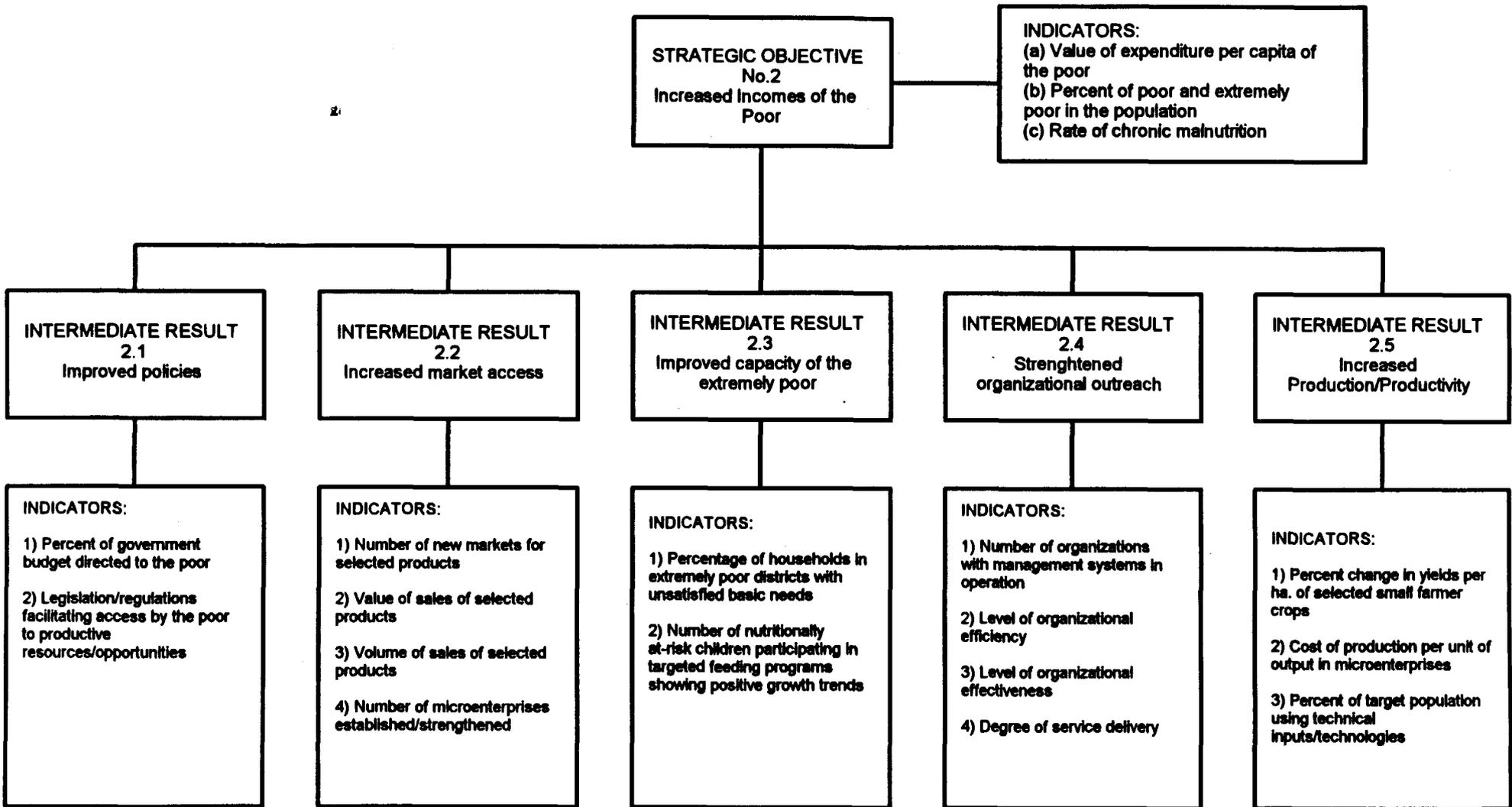
#### *b. Intermediate Results*

##### **(IR#1) Improved Policies**

Achieving a pattern of development that successfully reduces poverty requires policies that provide opportunities to the poor and enable them to participate in growth. Economy-wide and sectoral policies must encourage rural development and urban employment, particularly those that support micro and small business development. This requires public sector investments in productive infrastructure, especially in construction and maintenance of trunk/access roads and markets in the highlands, as well as agricultural and non-agricultural income generation opportunities in secondary and tertiary cities in the highlands. Also, specific policies are needed to "level the playing field" for the poor by increasing their access to land, credit and technology. Social sector investments in infrastructure and service delivery need to be focussed on basic education and primary health care, again in secondary and tertiary cities in the highlands. Safety-net expenditures need to be focused preferentially on the extremely poor, on moving from short-term employment generation to sustainable increases in household incomes, and nutritional programs with populations with the highest permanent nutritional risk (children under the age of 3). An enabling policy environment facilitates the achievement of the other four IRs.

##### **(IR#2) Increased Market Access**

In a market economy such as Peru's, actions to reduce poverty and improve food security must be directly linked to market access, i.e., the ability of the poor to meet market demand for products and/or services (labor) which they can provide. This IR focusses on two key mechanisms for the poor to participate in the market place: strengthened microenterprises and improved market organization/information for microenterprises and small agricultural producers. Microenterprise service providers will deliver a set of common services (financing, product design, input supply, quality control, packaging, shipping, etc.), which will promote greater standardization of product lines, thereby reducing costs, and making the products more competitive. These enterprises may also enter into subcontracting to provide with inputs, parts and finished product to larger companies.



Assistance will be provided in market organization and information which supports the marketing environment within which microenterprises and small producers of agricultural commodities need to compete. This includes: establishment of grades and standards, enforcement of marketing contracts, up-to-date domestic and international marketing information, and strengthening of a commodity exchange. These actions will complement similar marketing activities being carried out in the Selva under the Alternative Development project.

### **(IR#3) Improved Capacity of the Extremely Poor**

Extremely poor populations are characterized by lack of productive physical and human capital which directly impacts on their well-being. Since they are focussing their daily attention on basic subsistence, they cannot effectively access modern technologies, formal credit and market opportunities. The magnitude of the problem of extreme poverty in Peru presents an enormous cost in terms of lost productivity and weak demand. By improving their capacity, this segment of the population will become more productive members of society and contribute to increased consumer demand.

These resource-poor regions will continue to require immediate, albeit limited, investments to meet their basic needs. USAID's direct investment in these extremely poor areas will focus on building capacity through (a) investments in basic productive infrastructure (e.g., small irrigation systems, soil conservation, storage facilities), appropriate technological improvements (e.g., improved seeds, cultivation techniques) and skills enhancement (e.g., credit management, food processing, marketing), and (b) nutritional rehabilitation (e.g., supplementary feeding, sanitary infrastructure). Linkages of this segment to secondary and tertiary cities (emerging markets) -- which provide greater market access and employment possibilities in small and microenterprises -- will be achieved by better focussing GOP investments on access roads, potable water, and health and education services.

Additionally, these areas demonstrate high rates of chronic malnutrition in children which has a long-term, detrimental effect on this population's human resource capacity (learning, productivity) and its future contribution to a competitive economy. Consequently, given the clear linkage between food availability, access and use (food security) and levels of nutrition and poverty reduction, and the high priority assigned to addressing chronic malnutrition in children, food assistance will continue to be critical.

### **(IR#4) Strengthened Organizational Outreach**

The Mission will provide assistance to NGOs and selected public sector institutions (our partners and intermediate customers) in the poorest regions of the country to strengthen their service delivery capacity in credit supply, production technologies, and small and microenterprise organization. This involves strengthening management systems, improving internal operating policies and procedures, and deepening member participation in decision-making processes. These strengthened organizations will act as reliable channels for funding of development activities provided by international donors and public sector programs such as FONCODES. NGO partners also have played and will continue to play a vital role in assisting the Mission in its conceptualization of appropriate approaches and actions to incorporate our poor clients into the development process.

### **(IR#5) Increased Production/Productivity**

Access to productive resources (land, water, technology, credit) are critical to increased production/productivity. This involves: (a) securing title to property which can be used as guarantees to secure credit; (2) developing and transferring technologies suited to small-scale operations; (3) improving soil and water management; and (4) developing credit and savings mechanisms to service small borrowers. Mission support to financial intermediation includes assistance in women's village

banking, rural banks (Cajas Rurales), and linking microenterprises and small farmer organizations to the formal banking system through NGO financial intermediaries. These actions will be coordinated with the Alternative Development project in the Selva in order to increase licit economic activities in coca-producing areas.

*c. Illustrative Approaches*

On the basis of the Food Security Strategy, which clearly details the constraints and prioritized interventions for dealing effectively with poverty, actions will be undertaken with the Ministry of the Presidency in the development of their five-year, anti-poverty plan for focussing public sector and multilateral donor investments in the poorest areas of Peru. USAID will collaborate with the Ministry of Agriculture and private sector entities (e.g., Foundation Peru) in the preparation of a five-year agricultural development plan which prioritizes public and private investments to modernize agriculture and reduce rural poverty. The Mission will continue to coordinate closely with the Ministry of Industry and ADEX to expand provision of training, technical assistance and credit to peri-urban based small and microenterprises.

(1) **Improved Policies.** Analyses and recommendations of appropriate agricultural sector policies (e.g., rural taxation, export promotion) which need to be in place in order to achieve the SO, will be sought. These will include public sector investments in productive infrastructure and service delivery (basic education and primary health care) in secondary and tertiary cities in the highlands. Dialogue with the GOP will strive to ensure that safety-net expenditures are focused on the extremely poor. Mission market-oriented methods of interventions for microenterprise development are new in the country. The Mission will continue to dialog with GOP institutions, other donors and NGOs on the importance of these models and the use of market mechanisms to support small and microenterprise development.

(2) **Increased Market Access.** Activities aimed at increasing market access, particularly for the extremely poor, will be sought. Key will be assisting small and microenterprises in developing or improving their market strategies and identifying local and export markets for products produced by small and microenterprises. In addition, groups of microenterprises and small producers will be organized by sector specialization (handicrafts, jewelry, clothing, shoes, carpentry, metal fabrication, etc.) to facilitate the sharing of common services (market information, financing, product design, input supply, packaging, marketing, shipping, etc.) that will permit them to market their products locally or externally through networks of associations, guilds, and/or intermediaries. The SO also will support vital market organization and product oriented information to microentrepreneur and small producer grassroots organizations, producer associations and NGOs assisting small and microenterprises to strengthen their service capabilities to their members. Finally, the SO will support an agricultural commodity exchange, establishment of grades and standards, phytosanitary certification, product quality control and linkages to domestic and export markets.

(3) **Strengthened Organizational Outreach.** The Mission will provide assistance to NGOs and selected public sector institutions supporting micro and small business development (our partners and intermediate customers), to strengthen their service delivery capacity, especially to the poorest regions of the country. This involves strengthening management systems, improving internal operating policies and procedures and deepening member participation in decision making processes. The SO will facilitate the development of such organizations into agents of change able to effectively contribute to expanding opportunities.

(4) **Access to Credit.** The provision of credit and strengthening of financial intermediaries to service small and microentrepreneurs, small farmers and women (e.g., Cajas Rurales, village banks) are key Mission actions. USAID will collaborate with GOP programs and multilateral, bilateral and other international financial intermediaries providing credit to small and microenterprises in order to leverage resources. Linked with improved production and product transformation technologies, these impact directly on improved productivity and market access of the poor.

(5) **Access to Modern Technologies.** Technical assistance will be provided through service centers to examine current practices and make recommendations for the use of new technologies suited to small scale operations. Training will be provided in the use of these new technologies (e.g., improved patterns and/or designs for apparel and handicraft small and microenterprises).

(6) **Food Availability.** Food assistance will prove critical to reducing high levels of malnutrition and poverty. Using food-for-work to improve access to potable water, sanitation, and productive agricultural infrastructure, as well as providing focussed feeding and monitoring of nutritionally at-risk children, are key actions for achieving improved human resources using food assistance. These actions are carefully targeted to areas of extreme poverty, with strengthened grassroots organizations and PVOs being used as development partners to assure effective implementation.

#### d. Assumptions

Critical assumptions which are necessary in order to achieve the SO indicators are: 1) A real economic growth rate of 4 percent annually; 2) An inflation rate of less than 10 percent annually; 3) GOP annual budget allocations for social sectors of at least 30 percent of the total budget; and 4) GOP commitment to social sector reform.

#### 4. Commitment of Development Partners

Key among Peruvian public sector partners for USAID in poverty reduction are the Ministry of the Presidency, the Ministry of Industry, the Ministry of Agriculture, and COFIDE. As the *de facto* expression of the Agency's New Partnerships Initiative, the Mission is working closely with numerous NGOs and private sector partners: Foundation Peru in modernization of the agricultural sector; the International Potato Center (CIP) in the development and dissemination of improved agricultural technology; the Association of Exporters (ADEX) in locating and accessing markets for small farmers and micro and small entrepreneurs; PACT in developing more effective grassroots service delivery organizations; ACDI and TechnoServe in rural banking to improve agricultural production and marketing; CARE, ADRA, CARITAS and PRISMA as implementors of the Title II program focussing on nutrition, economic opportunities, and productive infrastructure; and, CARE, CRS and Finca as partners in the implementation of the Mission APPLE (village banking) activity.

The Ministry of the Presidency (PRES) is in the process of developing its five-year, anti-poverty program. At their request, the Mission is supporting this effort by funding a series of analyses, workshops and technical assistance to help define the geographic and program priorities. PRES has officially adopted the Mission's Food Security Strategy as its own anti-poverty strategy, focussing its efforts on the most vulnerable nutritionally, as well as infrastructure and service needs in key secondary and tertiary cities.

The Mission is funding the analyses of various agricultural sector policies and strategies related to the Minister of Agriculture's recently presented "guidelines" as well as studying various project initiatives to help the Ministry focus its efforts over the 1996-2000 period. It is also supporting the Ministry of Industry's actions with small and microenterprises in peri-urban areas.

COFIDE, the public sector second story development bank, is providing considerable resources to finance agricultural and microenterprise activities. It managed \$56.3 million in credit for the agricultural sector in 1995 (from IDB, CAF, USAID and its own budgetary resources) and \$22.3 million for on-lending through *Cajas Rurales*. It also provided \$300 million in credit in 1995 through financial intermediaries to small and microenterprises (from IDB, CAF and Japan). The Mission is channeling about \$14 million through COFIDE for on-lending to agriculture while developing new financial mechanisms (such as underwriting).

In addition to these public sector partners, the Inter-American Development Bank (IDB) and the World Bank have contributed roughly \$700 million to development of rural areas. The World Food Program, with whom the Mission is closely collaborating on feeding programs, food policies, and food assisted

development actions, is another key donor. Important bilateral donor development partners include the European Union, Switzerland, Canada, Germany and Japan. The Rural Development and Food Assistance Donor Coordination Committees, co-chaired by the Mission, hold monthly meetings for sharing details on bilateral donor strategies and programs.

## **5. Sustainability**

The Peruvian public sector investment policy for the period 1996-2000 should help assure the sustainability of efforts to achieve increased incomes of the poor through provision of basic infrastructure in poor areas. The objective of this investment is to make the rural economy more dynamic by fomenting social development in the provinces and creating the necessary conditions for private investment. During this period, public sector investment will focus on road construction and maintenance, electrification, basic sanitation, education and health. Projected accomplishments by the year 2000 are: 10,000 kms. of secondary roads paved and 20,000 kms. of access roads built; 65 percent of Peruvians with access to electricity (up from 57 percent in 1995); 80 percent of Peruvians with access to potable water and 75 percent with access to sewer systems (up from 64 and 65 percent, respectively, in 1995). This implies an annual GOP budget for this type of social sector investment of \$3.7 billion annually (equal to 40 percent of the total GOP budget), as well as considerable additional resources from multilateral and bilateral donors. In principle, all investments to be made under the anti-poverty strategy and other programs, both in urban and rural areas, will provide the poor with more capital -- both economic and human -- with which to work, and will raise marginal productivity -- and, consequently, incomes (of the poor). In that sense, a one-shot infusion of major investments over five years will have a permanent effect on the poor.

In addition to the GOP financial commitment over the SO period to provide the poor with basic infrastructure, the incorporation of these poor clients into the planning, programming and implementation process through their local organizations is the greatest assurance that these efforts will be sustainable beyond the SO period. Their own investment of time, effort and resources make them owners of these actions and their bottom-up participation is an indicator of their desire to maintain, over time, their projects and activities.

In addition to the strengthening of organizations that defend the needs and interests of the poor, support in the form of technical training and technology transfer to poor individuals represent permanent human resource improvements that will enable members of this client group to compete in the market place and improve their incomes and food security through their own efforts.

In order to achieve sustainability of actions beyond the availability of food assistance, the Mission funds training for the poor in the use of food for income generating opportunities, e.g., food kitchens which cover their costs by charging the public for lunches. Revenues generated also fund rotating loan programs for women's groups to finance productive activities. The same is true for other Mission-funded activities related to rural finance, where sustainable financial operations, especially savings mobilization, are stressed.

Sustainability strategies are prepared for each "product" receiving assistance. According to this analysis, by the end of 1997, eleven of the fourteen products supported by activities/projects will achieve commercial viability (proven market demand, producer ability to respond to demand) and cost recovery (sufficient marginal earnings on sales to cover costs of required services). This implies that we can successfully spin off these operations and let them run into the future on their own without additional support.

SO2's focus on raising incomes of the poor while responding to market signals should have a direct impact on the sustainability of the other Mission SOs, providing improved economic and human capital for achievement of their objectives. Organizations strengthened under this SO provide the basis for achieving a stronger, more representative democracy under SO1, *Broader Citizen Participation in Democratic Processes*. Productivity, production, market access and policy achievements under this SO

support the Mission's special objective in alternative development by providing the framework necessary for ensuring the sustainability of legal enterprises in coca producing and out-migration areas. This SO and SO3, *Improved Health, Including Family Planning, of High-risk Populations*, are closely linked through their efforts on improving the nutrition, education, and health status of the poor, as well as to improving women's education and off-farm income, which are critical factors in women's decisions to use family planning to limit family size. Sustainable successes in one will permit sustainable achievements in the other. This SO should lay the groundwork for improved long-term natural resource management through efforts in sustainable agriculture and productive infrastructure (e.g., soil conservation), while also providing employment opportunities for the poor.

## **6. Measuring achievement**

Achievement at the SO level will be measured by using macroeconomic indicators collected at two to three year intervals, as well as the socioeconomic data made available by the periodic living standards surveys. Measurement of achievement at the IR level will be accomplished by reviewing data and records kept by specific activities, projects, and programs, as well as survey sample information and case studies. Gender and regional disaggregated data will be collected where possible and appropriate. The proposed indicators for the SO and the IRs are as follows:

### **SO2: Increased Incomes of the Poor**

- (a) *Value of expenditures per capita of the poor.* Living standards surveys. **Target:** From \$507 and \$204 in 1994 to \$748 and \$300 by year 2002 for urban and rural poor respectively.
- (b) *Percent of poor and extremely poor in the population.* Living standards surveys. **Target:** By year 2002, 40% of the population will live in poverty, and only 10% of the population will live in extreme poverty.
- (c) *Rate of chronic malnutrition.* Surveys. **Target:** 25% by year 2000.

### **IR#1: Improved Policies**

- 1.1 *Percent of government budget directed to the poor.* Ministry of Economy and Finance annual reports. **Target:** 40% by year 2002
- 1.2 *Legislation/regulations facilitating access by the poor to productive resources/opportunities.* Special studies.

### **IR#2: Increased Market Access**

- 2.1 *Number of new markets for selected products (ag. and non-ag).* **Target:** 55 new markets by year 2000.
- 2.2 *Value of sales of selected products.* **Target:** \$280.8 million by year 2000.
- 2.3 *Volume of sales of selected products.* **Target:** 494,450 metric tons by year 2000.
- 2.4 *Number of microenterprises established/strengthened.* **Target:** 300 by 1998.

### **IR#3: Improved Capacity of the Extremely Poor**

- 3.1 *Percentage of households in extremely poor districts with unsatisfied basic needs.* Surveys. Includes sewerage, housing, dependency ratio, school attendance. **Target:** From 90% in 1994 to 75% by year 2000.
- 3.2 *Number of nutritionally at-risk children participating in targeted feeding programs showing positive growth trends.* Surveys. **Target:** 106,000 children by year 2000.

#### **IR#4: Strengthened Organizational Outreach**

- 4.1 *Number of organizations with management systems in operation.* Bi-annual surveys. Includes planning, information, accounting, finance. **Target: 400 NGOs by year 2000.**
- 4.2 *Level of organizational efficiency.* Annual surveys. Includes fixed and variable expenses, percent for administrative expenses, productivity. **Target: 15% increase by year 2000.**
- 4.3 *Level of organizational effectiveness.* Bi-annual surveys. Includes degree of achievement, replicability, increase in target group served, expansion to new geographic areas. **Target: 30% increase by 2000.**
- 4.4 *Degree of service delivery (index).* Special studies. **Target: 50% increase by 2000.**

#### **IR#5: Increased Production/Productivity**

- 5.1 *Percent change in yields per ha. of selected small farmer crops.* **Target: Average of 40% increase by year 2000.**
- 5.2 *Cost of production per unit of output in microenterprises.* **Target: 30% decrease by year 2002**
- 5.3 *Percent of target population using technical inputs/technologies.* **Target: 60% by year 2002.**

### **7. Expected Progress in FY 97/98**

Continuing production and marketing efforts should result in a tripling of value of sales of products targeted, from \$31 million in 1996 to \$125 million by the end of 1998. The major increase in sales will come from local sales and exports of yellow onions and dried beans on the coast, yellow potatoes in the *Sierra*, coffee in the *Selva*, and apparel in peri-urban areas of Lima. These agricultural products also account for the highest levels of additional jobs created and have the highest return for each dollar invested. Yellow potatoes should increase their market access in the U.S., where annual sales should reach \$3.5 million by the end of 1998. Sales of yellow onions to the U.S. should double, reaching \$30 million by the end of 1998.

During 1997, eleven of the fourteen products supported should achieve commercial viability and cost recovery, indicating that the project can successfully spin off these operations and terminate assistance to them. Since all five agricultural products on the coast are in this category, we can successfully transition our focus from the coast to the *Sierra* and *Selva*, where efforts will be concentrated on alpaca, Andean grains, handicrafts, coffee and other jungle crops.

By the end of 1997, Mission APPLE-supported village banking activities through CRS, CARE and Finca will have resulted in 9,000 women in the poorest areas of the highlands receiving loans of less than \$300 each. These loans will have been used to expand their productive activities, sales and incomes. Loan recipients will have been trained by partner NGOs in enterprise management.

The pilot *Caja Rural* in Chiclayo will have reached sustainability, with the interest from its loans covering its operating costs. Increased savings by the *Caja Rural* will provide expanded loan capital for its more than 6,000 members. More than 10,000 hectares will have been financed, representing a value of production in excess of \$19.0 million. At least six community-based enterprises (representing 400 small farmers) in the Chiclayo area will have successfully managed credit and developed permanent links with the formal financial system.

Technical and financial assistance will have been provided to more than 3,000 microenterprises working in apparel and handicrafts, generating sales of more than \$25 million and permanent employment for 11,000 semi-skilled workers. Mission-supported apparel-making microenterprises will have increased

their sales by more than \$15.5 million and at least 2,000 jobs will have been created with a direct investment of \$1.8 million. Service centers established for microenterprises working in apparel will be self-sufficient and will continue providing non-financial services. Handicraft-producing microenterprises will have increased their sales by more than \$7.5 million, creating/strengthening some 9,000 jobs. This will be accomplished with a direct investment of \$1.5 million. The sustainability of these jobs will have been secured through subcontracting relationships between producers and export companies that will continue well beyond Mission intervention.

USAID will work with the poorest producers of alpaca (wool, meat, hides, live animals for export), and to a lesser extent on quinoa and *kiwicha*. Initial efforts in these areas should result in a doubling of yields, a 50 percent increase in the value of sales, and the identification of at least 10 new markets for these products in 1997-98.

Considerable progress will have been achieved during 1997-98 in the area of nutritional rehabilitation, where 70 percent of the children at high nutritional risk (up from 40 percent in 1995) participating in the Title II directed feeding programs will graduate, having achieved positive growth tendencies. Close collaboration with the Ministry of the Presidency will result in significantly increased GOP investment in rural areas of extreme poverty, where the Title II program is focussed. This will provide supporting infrastructure and social services to the extremely poor, thereby enabling them to improve their on- and off-farm productivity and food security.

The planning, implementation, accounting, and information management systems of 210 *Sierra* NGOs will have been significantly strengthened. The result will be improved outreach and efficiency in service delivery to communities served by these NGOs, as well as an efficient structure for channeling additional donor and GOP resources to these poor communities.

#### **8. Global Bureau Activities**

All Global Bureau activities are supportive of this SO and are discussed under the Resource Section of this document.

## **STRATEGIC OBJECTIVE NO. 3**

### **Improved Health, including Family Planning, of High-Risk Populations**

#### **A. Overview of Linkage to Agency and Host Country Goals**

USAID/Peru's strategic objective **Improved Health, including Family Planning, of High-Risk Populations** directly supports Agency Goal 3, "World's population stabilized and human health protected in a sustainable fashion." By working to reduce unwanted fertility, which is estimated to be very high in Peru -- 72 percent of married women of childbearing age have expressed a desire for no more children - - USAID assistance is key to stabilizing population growth in Peru over the medium term. Similarly, improvements in the health of high-risk populations, which USAID defines as low-income people in peri-urban and rural areas, with emphasis on children under age one and women of childbearing age, protect human health by focusing on the most vulnerable groups, in which health needs are greatest.

The Agency has four objectives under Goal 3: sustainable reduction in unintended pregnancies; sustainable reduction in child mortality; sustainable reduction in maternal mortality; and sustainable reduction in the transmission of sexually-transmitted infections and human immuno-deficiency virus (HIV) among key populations. USAID/Peru's strong family planning program reduces unintended pregnancies and, by lowering the number of high-risk births (e.g., avoiding high-parity births and increasing the length of time between births) helps combat maternal mortality. USAID support to major child survival interventions has a direct impact on infant and child mortality. Finally, a new activity slated to begin in FY 97 will attempt to mobilize the Government of Peru and donor support to slow the transmission of sexually-transmitted infections and HIV in Peru.

In November 1995 the Ministry of Health published its strategy for the period 1995-2000.<sup>1</sup> The Government of Peru is embarking on a health sector reform that centers on equity, efficiency and quality. A major objective is to reduce the differences in health status by income group. Seven challenges have been identified as key to improving health and providing services that are more equitable, more efficient and of higher quality. These are to: improve access to services, with priority to the poorest; modernize the sector; recuperate the normative role of the Ministry; reform the budgetary process; promote public/private partnerships; change the institutional culture toward one focused on excellence, quality and customer satisfaction; and encourage the development of human resources. The Ministry has also established a series of targets for the year 2000 in mortality, nutrition, family planning, diseases and other aspects of primary health care. These challenges dovetail closely with the present strategy.

#### **B. Strategic Objective Description**

##### **1. Introduction**

The purpose of the strategic objective (SO), *Improved Health, Including Family Planning, of High-Risk Populations*, is to help low-income Peruvians, particularly children and women, enjoy longer lives and a higher quality of life, by making it easier for them to take appropriate actions to promote health and by supporting development of the sustainable health systems that will ensure access to services.

The Mission relies on dozens of sources of information to inform the design, implementation and evaluation of its activities. National surveys such as the periodic Demographic and Health Survey give time-series data on such indicators as fertility, contraceptive prevalence by method, contraceptive

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<sup>1</sup> Ministerio de Salud (1995). *El desafío del cambio de milenio: Un sector salud con equidad, eficiencia y calidad. Lineamientos de política de salud 1995-2000.*

sources, breastfeeding, infant mortality and child nutrition. This information is used to diagnose health needs, design activities and provide baseline information from which to measure progress. Other sources of global information of this type are the National Population Census, the Living Standards Measurement Survey (*Encuesta de Niveles de Vida*), and the Poverty Map. Of equal importance are specific activities that link project design, implementation and evaluation to the final customer.

USAID/Peru believes strongly in supporting the development of civil society. This is directly in line with its strategic objective of strengthening democratic institutions. Pragmatically, this policy also recognizes that government priorities can change, both in the level of investment government makes in health care and in the types of services it prioritizes.<sup>2</sup> Third, this pluralistic approach inserts a measure of competition into service delivery, which often results in heightened quality. And fourth, and perhaps most importantly, this approach is the one that augurs best for sustainability. Accordingly, the Mission's two-pronged approach is to work with the public sector in issues of reform while strengthening community-based organizations, non-governmental organizations and the commercial sector.

The time-frame for this objective is minimally the year 2000. As revealed in the performance report of the R4, some key indicators have surpassed their 1995 targets and are well on their way to the year 2000 targets established two or three years ago. This augurs for an ability to accomplish the objective by the year 2000. On the other hand, it must be kept in mind that for national indicators to continue to decline and for the benefits of development to be spread more evenly, the priority target groups are precisely those Peruvians who are hardest to reach because of a constellation of factors. Accordingly, reaching these groups will be less cost-effective and more time-consuming. Therefore, the conservative margin for accomplishing the strategic objective can be put at 2005, with a moderate time frame placed at 2003.

## 2. Analysis of the Development Problem<sup>3</sup>

The Peruvian population presents a complex health profile. On the one hand, public health problems associated with underdevelopment persist and in some cases are even growing. On the other hand, health problems related to living conditions and life styles are emerging. Existing information shows great disparities in health conditions among populations around the country and particularly in comparison with central Lima. An examination of trends over time reveals that, in spite of nationwide efforts to improve health, the gaps in health conditions between population groups have been exacerbated over the past two decades, rather than tending toward equalization. Most of the benefits of health development have occurred to non-peripheral urban populations. This is due to the combined effects of geographic, environmental, historical and socioeconomic variables, to which can be added deficiencies in service coverage.

Peru's estimated 1995 population is 23.5 million, having doubled in the last 32 years. Nonetheless, the annual population growth rate has been declining over the last two decades, presently standing at 1.9 percent. Over that same time the total fertility rate fell from 5.4 to 3.4 live births per woman. This decline is largely attributable to increased use of contraception. At a disaggregated level, however, the pictures changes. Per the 1991-92 DHS,<sup>4</sup> total fertility was 2.1 in metropolitan Lima, but 6.2 in rural areas and 7.1 among women of no education.

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<sup>2</sup> Witness the vicissitudes of policy regarding family planning.

<sup>3</sup> Ministry of Health documents prepared for Project 2000 were a major source for this section.

<sup>4</sup> Demographic and Health Survey. Taken about every five years, this is the major way USAID tracks progress. The third DHS is being conducted in 1996.

Because of population momentum, almost half (49 percent) of the total female population is of reproductive age. For many of these women, pregnancy represents a threat to health and even life, because of risk factors and weak reproductive health care. The national maternal mortality ratio -- one estimate puts it at 303 per 100,000 live births -- is one of the highest in Latin America. Here again, large differences exist within the country. Huancavelica, one of USAID's priority areas, has an estimated ratio of 400, while the corresponding figure for Lima province is 40. The principal causes of maternal mortality are hemorrhage, sepsis and toxemia. Underlying factors are high fertility and the short interval between births. Some 15 percent of maternal deaths occur to pregnant adolescents, who, in addition, are the victims of 20 percent of abortion-related deaths.

Infant mortality at the national level has been substantially reduced over the last twenty years, being estimated at 41 per 1,000 live births in 1994. Once again, the national rate masks great disparities among departments and provinces; an unequal reduction in mortality has occurred, with the result that the comparative gaps between provinces have increased between the decade of the 1970s and that of the 1980s. For example, the 1991-92 DHS indicated that infant mortality was 30 in Lima, but 101 in Mariategui, one of USAID's priority regions. Some 70 percent of deaths of children under five occur during the first year of life; of these, 50 percent occur during the first month of life, with the principal causes being perinatal complications, acute respiratory infections, acute diarrheal diseases and malnutrition.

The incidence of immuno-preventable diseases has declined substantially in recent years, as a result of high levels of immunization coverage. Lower incidences have been reported of measles, diphtheria, tetanus and whooping cough (pertussis). In 1995 only 361 cases of measles were reported, and the cases subjected to laboratory analysis confirmed a diagnosis in only half of those. This contrasts with 1994, when 666 cases were reported. Likewise, in 1995 only 88 cases of neonatal tetanus were reported, compared with 130 cases in 1994.

In 1995 the Expanded Program on Immunization incorporated immunization against yellow fever into its program, in view of the numerous outbreaks in endemic areas of the country. This special campaign succeeded in controlling the nascent epidemic, which caused 493 cases and 192 deaths, constituting a case-fatality rate of 40 percent. Similarly, in 1996 the MOH has begun targeted campaigns to vaccinate against hepatitis B. These center on 17 provinces, most of which are in the jungle. Hepatitis B is one of the main causes of cirrhosis and liver cancer in children and adults of workforce age in Peru.

Protein-calorie malnutrition still constitutes an important problem in children aged 1-4. The form of protein-calorie malnutrition that has been resistant to decline is chronic malnutrition (*i.e.*, height for age, or stunting), rather than acute malnutrition (*i.e.*, weight for height, or wasting), although that form does occur in worrisome proportions in selected communities. Chronic malnutrition affects children aged 6-9 dramatically, among whom it reaches 48 percent. It is estimated the iron deficiency affects 20 percent of children.

Among the diseases that constitute priority health problems are tuberculosis and cholera, the latter testimony to the serious deficiencies that exist in provision of potable water and basic sanitation to the majority of the population. Peru is now an endemic site of cholera, with seasonal epidemics in the summer and with the ongoing risk of a dramatic recrudescence unless basic sanitation improves.

Notification of AIDS cases is on the upswing and is increasingly characterized by infection at a younger age and more heterosexual transmission. With some 3,700 cases of full-blown AIDS reported, experts consider that this is merely the tip of the iceberg. Best estimates are that some 8,000-12,000 cases presently exist in reality, accompanied by an additional 50,000-77,000 cases of HIV infection. AIDS transmission is present in all the major cities of Peru. Similarly, sexually-transmitted diseases are highly prevalent, with their treatment grossly inadequate.

Malaria is a disease that is re-emerging in Peru. The *Plasmodium falciparum* form, which is the more fatal one, is particularly on the increase. Yellow fever is also a problem, as cited above. Another

important vector-borne disease is dengue, whose incidence has steadily risen since it first appeared in Peru in 1991. The appearance of dengue serotype 3 in neighboring countries means that Peru is at risk for hemorrhagic dengue, the dangerous, fatal form of the disease.

In general presentations on Peru, much is often made of two basic points: that Peru is 70 percent urban and that 30 percent of its population lives in Lima. Yet these points should not mislead analysis. The term urban does not necessarily refer to the presence of urban services, such as water supply, sewers, garbage disposal, paved roads or even readily available social services. For research purposes, urban in Peru has a strict demographic definition -- any conglomeration with 2,000 or more inhabitants. For census purposes, the definition is even more restrictive -- any conglomeration with at least 100 residences. Further, regardless of size, all district capitals in Peru are defined as urban by virtue of their status as a capital. Considering that Peru contains 1,793 districts, this stipulation, together with the widely encompassing definitions of urban, has the effect of automatically urbanizing much of what otherwise might be considered rural Peru.

Because of the imbalances in development that exist in Peru, the strategic objective is explicitly stated in terms of peri-urban and rural Peruvians. The target groups of this SO are not a minority rural population, but rather the overwhelming majority of Peruvians who live outside the developed, central parts of cities. They are the Peruvians who do not enjoy aforementioned urban amenities. A reasonable estimate might put 60 percent of the Peruvian population in this category. The deprivation experienced by this population is reflected in its health indicators, which diverge vastly from those of what might be called their "urbane" counterparts. Identification of this target group constitutes a conscious attempt to strive for equity by helping peri-urban and rural Peruvians realize their health potential.

Within this large target group, USAID/Peru focuses on certain priority areas. On the one hand, this reflects a geographic division of labor with the large IBRD-financed health project, one that was requested by the Ministry of Health to rationalize donor investment. On the other hand, the Mission's portfolio in health, population and nutrition has been designed in a complementary manner, so that the activities fit together nicely in a given geographic area, each providing certain types of necessary inputs. Slightly under seven million (6,955,000) people live in USAID's priority areas. These are the regions of Chavin, La Libertad, Los Libertadores-Wari, J. C. Mariategui, San Martin, Ucayali and Lima East. These regions represent 30 percent of the nation's population, of which 866,000 are children under age five and 1.6 million are women of reproductive age.

A targeted approach is consistent with current GOP policy, which is making the *Lucha contra la Pobreza* (War on Poverty) the centerpiece of President Fujimori's second term. Additionally, the MOH's Basic Health for All Program invests exclusively in health centers and posts, which are the Ministry of Health facilities that serve peri-urban and rural areas. In addition to serving equity objectives, this approach has the possibility of promoting decentralization and development of civil society. Notably, several of the USAID priority areas are ones that suffered great civil strife until quite recently. Aside from the advantages listed above, then, the priority area approach offers USAID the opportunity to show a dramatic impact in a relatively short time frame, assuming that violence continues to abate.

The priority-area approach does not mean that the Mission works exclusively in these areas, however. Important activities are taking place in peri-urban and rural communities of Arequipa, Cajamarca, Chiclayo, Cusco, Iquitos, and Piura, as well as many parts of Lima, and many activities with the Ministry of Health, such as those dealing with immunization campaigns and management and logistics systems, for example, are nationwide in scope.

On a national level, children under age five number 2.9 million, or 13 percent of the Peruvian population. Women of childbearing age total 6.2 million and represent 27 percent of the national population. In sum, four of every ten Peruvians fall into one of these two target groups. Cumulatively, the Mission's portfolio in health, population and nutrition has the capacity to reach a very large proportion of the 11.7 million Peruvians who currently live in poverty.

### 3. Results Framework Description

#### a. Strategic Objective Rationale

The strategic objective is stated as: **Improved health, including family planning, of high-risk populations.** This objective is almost identical to the one adopted by the Mission two years ago, which was stated more simply as *Improved Health of High-risk Populations*. The explicit reference to family planning emphasizes that the primary health care approach espoused by the Mission includes family planning and underscores that the USAID/Peru program is very strong in reproductive health. The term "high-risk populations" refers to the Mission's targeted approach, explained above. USAID/Peru defines high-risk populations as low-income people in peri-urban and rural areas, with emphasis on children under age one and women of childbearing age.

Though the phrasing of the strategic objective remains relatively unchanged, the intermediate results have been revamped in an effort to reveal a logical, coherent development hypothesis. The Strategic Objective Team concluded that the program outcomes (*i.e.*, intermediate results) from last year's Action Plan artificially segregated use of primary health care interventions into facility-based ones and home/community-based ones, with the former set decidedly privileged.

#### b. Intermediate Results

The new framework is built upon four mutually-reinforcing intermediate results. This framework strives for greater clarity. It states that improved health of high-risk populations will come about if, by themselves or through their health services:

##### **(IR#1) People Take Appropriate Preventive Actions**

**Preventive actions** are actions such as immunization, family planning, hygienic birth practices, Papanicolaou testing, safe sex, prenatal care and control of emerging diseases, including vector-borne diseases. Preventive actions refer to those interventions that have a causal effect in avoiding disease incidence, that is, a 1:1 correspondence between the action and the outcome. For example, vaccination confers immunity. Contraception prevents pregnancy. Hygienic practices at birth guard against neonatal tetanus. Periodic Papanicolaou testing prevents uterine cancer by identifying pre-cancerous conditions early on and signaling their treatment.

##### **(IR#2) People Take Appropriate Promotive Actions**

**Promotive actions** are actions such as family planning, appropriate breastfeeding, appropriate weaning, maternal nutrition, growth monitoring, family nutrition, proper care of the newborn, clean water supply and adequate sanitation. Promotive actions refer to interventions that, while not having a strict causal effect, nonetheless help achieve desired outcomes. For example, family planning is a promotive (in contrast to preventive) intervention in infant and maternal health. That is, children who are born on either side of a long birth interval tend to be healthier than children born of short birth intervals. Further, children born at lower parity tend to be healthier than high-parity children. And women who have children too early or too late in life, who have short birth intervals or who have many births are at higher-risk of their own health than women who do not. Yet following such guidelines does not *ensure* a good pregnancy outcome. Thus, family planning *promotes* maternal and child health, as well as *preventing* pregnancy.

##### **(IR#3) People Take Appropriate Curative Actions**

**Curative actions** are actions such as oral rehydration therapy, appropriate treatment of pneumonia, referral for high-risk births, treatment of genital tract infections and deparasitation. Curative actions refer to interventions that remedy disease states or emergency situations. Oral rehydration therapy replaces critical substances lost by the body in diarrhea, allowing the sick person to weather the bout

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

**INDICATORS:**  
(a) Infant mortality rate  
(b) Under-five mortality rate  
(c) Maternal mortality ratio  
(d) Total fertility rate

**INTERMEDIATE RESULT**  
3.1  
People take appropriate  
preventive actions

**INTERMEDIATE RESULT**  
3.2  
People take appropriate  
promotive actions

**INTERMEDIATE RESULT**  
3.3  
People take appropriate  
curative actions

**INTERMEDIATE RESULT**  
3.4  
Sustainable Institutions  
and operations are in  
place

**INDICATORS:**

- 1) Immunization coverage of under-ones by type of vaccine
- 2) Immunization coverage of women in high-risk areas who receive two doses of tetanus toxoid vaccine
- 3) Contraceptive prevalence rate
- 4) Condom distribution and purchase
- 5) Proportion of pregnant women who benefit from at least four prenatal care visits
- 6) Incidence of key emerging diseases

**INDICATORS:**

- 1) Couple-years of protection
- 2) Duration of exclusive breastfeeding
- 3) Percentage of children aged 6-9 months who receive two daily rations of appropriate weaning foods

**INDICATORS:**

- 1) Case fatality rate of cholera
- 2) Infant deaths due to acute respiratory infections in health facilities
- 3) Maternal mortality ratio in health facilities
- 4) Treatment of genital tract infections

**INDICATORS:**

- 1) Policy reforms
- 2) Percentage of targeted personnel from USAID priority regions that are trained in key primary health care interventions
- 3) The successful implementation of a permanent in-service training system for the Ministry of Health
- 4) Number of days of stock-outs of contraceptives

with infection. Antibiotics kill the bacteria that causes pneumonia. And women who experience a obstetric emergencies should be referred to higher-level facilities for surgical or other types of interventions.

#### **(IR#4) Sustainable Institutions and Operations are in Place**

**Institutions and operations that allow the above actions to take place in a sustainable way include a conducive policy environment, physical infrastructure and equipment, financing, information and communications, logistics, training and referral systems. They include a multiplicity of sources of health care, including private commercial and non-governmental providers, as well as the public sector. Sustainable institutions and operations refer to institutions, both public and private, that can endure in the absence of large donor investment. The concept refers to programmatic sustainability, that is, the people, systems, institutions and commodities to carry out programs; financial sustainability, that is, the means to finance programs, whether through cost-recovery, income-generation, donor investment or other means; and social sustainability, that is, the acceptance of the program by the community, as well as its active participation in program design, implementation and evaluation.**

This formulation is much more customer-focused because it puts the target population at center stage. The emphasis shifts from the provision of services, which posits customers in the role of passive beneficiaries, to people as actors -- people who in their daily lives construct their health through the preventive, promotive and curative actions they take in their home, school, community and health center.

#### *c. Illustrative Approaches*

##### ***Integrated Primary Health Care***

The Mission's strategic approach to accomplishing this objective is characterized by an integrated, primary health care approach as the cornerstone, which derives from the commitment made by governments in the Declaration of Alma-Ata (1978), in which they endorsed primary health care as the key to attaining "Health for All by the Year 2000."

An integrated, primary health care approach as the cornerstone. This approach derives from the commitment made by governments in the Declaration of Alma-Ata (1978), in which they endorsed primary health care as the key to attaining "Health for All by the Year 2000":

*Primary health care is essential health care based on practical, scientifically sound and socially acceptable methods and technology made universally accessible to individuals and families in the community through their full participation and at a cost that the community and country can afford to maintain at every stage of their development, in the spirit of self-reliance and self-determination. It forms an integral part both of the country's health system, of which it is the central function and main focus, and of the overall social and economic development of the community. It is the first level of contact of individuals, the family and community with the national health system, bringing health care as close as possible to where people live and work, and constitutes the first element of a continuing health care process.*

The Declaration of Alma-Ata also defined the essential elements of primary health care as follows:

1. Education concerning prevailing health problems and the methods of preventing and controlling them.
2. Promotion of food supply and proper nutrition.
3. An adequate supply of safe water and basic sanitation.
4. Maternal and child health, including family planning.
5. Immunization against the major infectious diseases.
6. Prevention and control of locally endemic diseases.

7. Appropriate treatment of common diseases and injuries.
8. Provision of essential drugs.

As can be seen by the progression of this list, the primary health care approach privileges health promotion and prevention. It begins with health education, surely the most sustainable way to improve health. It is only beginning with essential element 6 that the list begins to speak of disease states; element 7 is the first mention of curative activities; and drugs -- which many people erroneously think of as the essence of health care -- are relegated to last place on the list. In sum, the beauty of the primary health care approach is that it advocates sustainability, a sustainability based on empowering people with the knowledge, organization and resources to act on their own health. The primary health care approach is a very customer-oriented view of health.

#### *Focus on Decentralization and Local Government*

Because of its focus on empowerment and customers, the primary health care approach is best implemented in a decentralized way. Further, the strategic objective's focus on peri-urban and rural areas and its priority area strategy, which privileges areas outside Lima, help promote decentralization in activities. In addition to technical considerations, USAID/Peru favors a decentralized, grassroots approach because it promotes participatory democracy and the development of civil society, as explained more fully below. Genuine decentralization, however, implies a tolerance for variation in identification and prioritization of development needs, as well as non-standardized responses to needs. If people and communities are truly empowered, they cannot be expected to follow a top-down, blueprint approach to development. Genuine decentralization is, then, quite different from the approach much of development programming has espoused. But to the extent that decentralization truly empowers people at the local level, it is eminently more sustainable than a top-down approach.

#### *Constraints to Demand and Quality of Care*

While access to health services is still a problem in many parts of Peru, health problems are by far not just a reflection of lack of access. Numerous studies, as well as routine service statistics, have revealed an under-utilization of existing health services, in both the public and private sectors. In cases where fees are involved, effective demand is part of the explanation, but, again, not all of it. Through both quantitative and qualitative research, it has become clear that there are constraints to demand that emanate from clients' concerns about the quality of care. In some cases this refers to quality of care in the technical sense, such as provider competence and the presence of appropriate equipment and supplies. In other cases, the problems are ones not easily addressed by technical solutions. Again and again, would-be clients complain of the social relations they experience at health facilities, of verbal and non-verbal mistreatment by health personnel and of disrespect. This includes such factors as waiting time, time spent with the service provider, quality of counseling and continuity of care. In recognition of this situation, programs under this strategic objective seek to improve the quality of care in all its aspects and internalize more of a customer focus within the health service professions.

#### *Explicit Recognition of Reproductive Rights*

Under Strategic Objective No. 1, the Mission articulates its commitment to human rights. USAID/Peru views reproductive rights as a human right. This follows Agency policy, which gives three principal bases for supporting family planning programs. One of these is to ensure the right of people to determine freely the number, spacing and timing of births. Consequently, USAID/Peru family planning programs strongly support: a) universal access to information and education on family planning, so that people can decide in an informed way on the use of contraception; b) the gamut of contraceptive methods, including natural family planning and voluntary surgical contraception, without prejudice toward any method; and c) a high standard of quality of care in educational activities, counseling, service provision and follow-up. Ideally, the Mission philosophy is that couples, through shared

knowledge about reproductive health and communication between partners, make decisions about contraception. Unfortunately, a great deal of data from many parts of Peru indicate that gender relations are not conducive to this type of joint decision-making. In such situations, USAID/Peru programs recognize women's privileged right to make independent decisions about use of contraception. At the same time, Mission programs carry out activities to improve gender relations and communication between spouses.

#### *Pluralistic Approach to Service Provision*

USAID/Peru believes that a multiplicity of actors should be involved in provision of health services. Its current program support is divided roughly equally, with about half of support going directly or indirectly to the public sector and the other half to non-governmental organizations. In working with NGOs, the Mission favors support to indigenous NGOs, for two reasons. First, local NGOs are numerous in Peru, and at this point in Peru's development, many of them are strong enough to receive funds directly from USAID, without the need to work through intermediaries. Second, strengthening local NGOs is surely a more sustainable type of investment, since the benefits accrue to groups that will remain working in Peru.

Aside from sustainability, USAID/Peru support to NGOs bespeaks a philosophical commitment to a pluralistic approach to service provision. The Mission does not see government as the necessary supplier of health services. Government will always necessarily have an important role in certain key activities, such as providing a propitious policy environment, setting standards, ensuring quality of care, and, perhaps, providing services to certain groups, such as the indigent and the military. Currently, the Ministry of Health is regarded as the source of health care for some two-thirds of the population. But as development proceeds in Peru, characterized by rising incomes, a greater proportion of jobs in the formal sector, wider access to insurance schemes and the like, a health care system should develop in which private not-for-profit and private for-profit service providers gain ground on public sector ones.

#### *d. Assumptions*

There are eight critical assumptions: 1) macroeconomic policies favor long-term, broad-based growth; 2) transportation and communication are developed; 3) water supply and sanitation systems are functioning; 4) violence continues to abate; 5) adequate food is available; 6) levels of literacy and basic education improve; 7) levels of poverty decline; and 8) the GOP continues to support social expenditure.

#### **4. Commitment of Development Partners**

USAID/Peru has several strong, ongoing mechanisms for coordinating with other donors under this strategic objective. Under a long-established Inter-Agency Coordinating Committee for the Expanded Program on Immunization, the Ministry of Health brings together the four donors of financial and technical assistance -- USAID, UNICEF, PAHO (the Pan American Health Organization) and Rotary International -- to plan program activities. Through a second Inter-Agency Coordinating Committee chaired by the Minister of Health, USAID, the IBRD (World Bank) and the IDB (Inter-American Development Bank) collectively coordinate with the Ministry the activities of the three large projects in health funded by these agencies. This committee also provides a regular mechanism for bringing to the fore and debating policy issues and recommendations for reforms. Supervision and evaluation missions from these two multilateral institutions routinely schedule meetings with USAID as part of data collection. Additionally, both through donor coordinating meetings and ongoing working relationships, USAID coordinates activities in family planning with UNFPA and ODA (Overseas Development

Administration), the other two principal donors in population. Here again, the Ministry of Health is about to set up an Inter-Agency Coordinating Committee on Reproductive Health that will also be instrumental in this regard. A strong working relationship also exists with the Ford Foundation, whose representation is based in Chile and whose program in Peru centers on reproductive health.

Regular contacts are maintained with other bilateral donors who support small or incipient efforts in reproductive health, as well as more general health areas. HPN staff are holding meetings with JICA (the Japanese bilateral), in pursuit of collaborative efforts in HIV/AIDS. Likewise, meetings are held with foreign assistance representatives of the governments of the Netherlands, Canada, Germany and France, as well as the European Union. Given the respective mandates, supported by the U.S. Government, of the International Conference on Population and Development in Cairo, as well as the International Conference on Women in Beijing, some of these governments have initiated new strategies to redirect a certain level of investment into reproductive health. In this regard, the input of USAID, as the major donor in both child survival and family planning, is regularly sought and valued.

USAID also seeks input from its fellow donors. In preparation for this strategic plan, a series of visits have been made to donors to confirm the geographic and technical focus of investments. Initiatives for collaborative funding of activities have been made with the Japanese, the Dutch and the Canadians. Ideas for future activities are discussed early on with counterparts at the World Bank, the Ford Foundation and other entities, always with consideration for procurement integrity. And the numerous technical meetings in which USAID participates are an ongoing way to exchange and formulate ideas.

Similarly, USAID coordinates with the GOP in many ways under this objective. The standing committees on immunization and health projects, mentioned above, are one way. Another way is via monthly meetings USAID holds with all its cooperating agencies operating in Peru, as well as representatives of Mission bilateral projects. The officials in charge of family planning for both the Ministry of Health and the Peruvian Social Security Institute are key participants in such meetings. Likewise, the Mission maintains regular contact with the MOH office in charge of foreign aid (OFICE) and also holds periodic consultations with the Minister and Vice Minister of Health. To facilitate continuous coordination between USAID's Project 2000 and the MOH, the project offices are located within the Ministry building. Further, the project shares this space with technical assistance teams from the IBRD and IDB projects, thus promoting continuous coordination among these three projects. Finally, the MOH itself frequently calls meetings with the donor community, as well as its larger community of stakeholders, in which it explains priorities and solicits donor input.

## 5. Sustainability

The theme of sustainability has been discussed recurrently throughout this plan, and those discussions will not be repeated here. To recapitulate, however, sustainability is an explicit part of the development hypothesis, constituting the "institutions" part of the development equation. It is one of the four intermediate results of this strategic objective. Sustainability has been defined as having three aspects: programmatic, financial and social. The primary health care approach espoused by USAID promotes the sustainability that comes from empowering people with the knowledge to act on their own health. Further, the Mission's pluralistic approach to service provision and support to Peruvian non-governmental organizations is based in large part on considerations of sustainability. Likewise, its decentralization and local development approach constitutes an inherently more sustainable approach than vertical approaches that do not emanate from the base.

At the same time, USAID/Peru recognizes that long-term sustainability is not required of all activities. Some activities, such as widespread house-to-house immunization campaigns, are needed only in initial phases, to motivate people to a new type of intervention. Once people accept the new practice, extraordinary efforts need not be made.

Improving the health of high-risk populations helps promote the other Mission strategic objectives as well. This strategic objective's focus on non-governmental organizations and decentralization promotes a more democratic and participatory system. Investment in human capital through health and family planning programs helps increase the incomes of the poor by improving their productivity and by contributing to a rate of population growth that is concordant with national resources. For the same reason, this strategic objective strengthens management of the environment. And the health, family planning and nutrition interventions carried out under this strategic objective clearly support the supplementary feeding programs that are part of Strategic Objective 2.

## 6. Measuring Achievement

Achievement can be measured in a variety of relevant, timely ways, at both the strategic objective level and the intermediate results level. Regional disaggregated data will be collected where possible and appropriate. This can be supplemented annually with supporting results that become available during the year in question, as is done in this year's R4. Proposed indicators:

### SO: Improved Health, including Family Planning, of High Risk Populations

- (a) *Infant mortality rate.* Number of deaths in first year of life per 1,000 live births. Data are available every five years from the DHS. Estimates are available in some intervening years. **Target:** From 55 in 1991 to 40 per 1,000 births by year 2000.
- (b) *Under-five mortality rate.* Number of deaths per 1,000 children under five years of age. Data are available every five years from the DHS. Estimates are available for some intervening years. **Target:** From 78 in 1991 to 60 per 1,000 children by year 2000.
- (c) *Maternal mortality ratio.* Deaths to women while pregnant or within 42 days of end of pregnancy, per 100,000 live births. Data are available every five years from the DHS. Estimates are available for some intervening years. In target areas, data on maternal mortality in health facilities are now becoming available because of the institutionalization of a perinatal information system; this can be reported on annually as a proxy. **Target:** 200 by year 2000.
- (d) *Total fertility rate.* The average number of births women will have during the course of their reproductive life if fertility patterns at the time of survey prevail. Data are available every five years from the DHS. Estimates are available in some intervening years. **Target:** From 3.5 in 1992 to 3.0 by year 2000.

### IR#1: People Take Appropriate Preventive Actions

- 1.1 *Immunization coverage of under-ones* by type of vaccine (*i.e.*, polio, DPT and measles). Data are available annually from MOH service statistics. **Target:** 95% by year 2000.
- 1.2 *Immunization coverage of women* in high-risk areas who receive two doses of tetanus toxoid vaccine. Data are available annually from MOH service statistics. **Target:** 80% by year 2000.
- 1.3 *Contraceptive prevalence rate.* This refers to the percentage of women (or their partners) in union aged 15-49 who are using contraception at the time of interview. It also provides a breakdown of the method mix of contraceptive use. National data are available every five years from the DHS. Project data are available at time of baseline

and impact surveys. These project-specific surveys can be reported on in intervening years, as they become available. **Target: 66% by year 2000.**

- 1.4 ***Condom distribution and purchase.*** This indicator is a proxy for safe sex. The number of condoms distributed through USAID-supported channels can be reported on annually, as can condoms purchased through USAID-supported social marketing. Contraceptive prevalence studies' also measure the prevalence attributable to condoms. **Target: 10% annual increase.**
- 1.5 Proportion of pregnant women who benefit from at least *four prenatal care visits*. National data are available every five years from the DHS. Project data are available at time of baseline and impact surveys. These project-specific surveys can be reported on in intervening years, as they become available. **Target: From 47% in 1992 to 65% in 2000.**
- 1.6 ***Incidence of key emerging diseases.*** MOH facilities report weekly new cases of key diseases, including HIV/AIDS, yellow fever, dengue, cholera and plague. Data for the year in course are available at any given time and can be reported on annually, albeit with all the caveats of under-reporting. **Target: [to be determined].**

#### **IR#2: People Take Appropriate Promotive Actions**

- 2.1 ***Couple-years of protection.*** This refers to the effective protection afforded by all the contraceptives distributed. Data are available annually from MOH service statistics, as well as from NGOs supported by USAID. **Target: 10% annual increase.**
- 2.2 ***Duration of exclusive breastfeeding.*** This refers to breastfeeding without any complementary feeding or liquids. It is the optimal form of breastfeeding for nutrition, health and fertility regulation. National data are available every five years from the DHS. Data for target areas are available at time of baseline and impact surveys. These project-specific surveys can be reported on in intervening years, as they become available. **Target: From 2.6 in 1992 to 3.0 by year 2000.**
- 2.3 ***Percentage of children aged 6-9 months who receive two daily rations of appropriate weaning foods.*** National data are available every five years from the DHS. Data for target areas are available at time of baseline and impact surveys. These project-specific surveys can be reported on in intervening years, as they become available. **Target: 75% by year 2000.**

#### **IR#3: People Take Appropriate Curative Actions**

- 3.1 ***Case fatality rate of cholera.*** Since cholera is endemic in Peru, with a peak at-risk season every summer, the case fatality rate for this diarrheal disease is a good measure of the appropriate use of oral rehydration therapy. Data are available on an annual basis. **Target: Maintain levels under 1% .**
- 3.2 ***Infant deaths due to acute respiratory infections in health facilities.*** Pneumonia is the most fatal acute respiratory disease. It can be treated with timely administration of antibiotics. Key activity with MOH is planning to institute an information system on child health this year. Once it becomes operational, annual reporting will be feasible on deaths in health facilities due to acute respiratory infections. **Target: 25% by year 2000.**
- 3.3 ***Maternal mortality ratio in health facilities.*** This will be measured by the perinatal information system in all target areas and reported on annually. It measures how

successfully obstetric emergencies are managed. Target: 150 per 100,000 births by year 2000.

- 3.4 *Treatment of genital tract infections.* Project-specific data can be provided annually on this indicator, expressed as gynecological consultations. Target: [to be determined].

**IR#4: Sustainable Institutions and Operations are in Place**

- 4.1 *Policy reforms.* An annual report can be given of policy changes and their implications for sustainability, as well as other aspects of the strategic objective. Target: [to be determined].

- 4.2 *Percentage of targeted personnel from USAID priority regions that are trained in key primary health care interventions.* Annual reports. Target: 60% by year 2000.

- 4.3 *The successful implementation of a permanent in-service training system for the Ministry of Health,* which is a major product of Project 2000. Progress in this implementation will be reported on annually. Target: [to be determined].

- 4.4 *Number of days of stock-outs of contraceptives.* This can be reported on annually from the MOH logistics system, which is USAID-supported. Target: [to be determined].

**7. Expected Progress in FY 97 and FY 98**

In the next two years, among the results the Mission expects to achieve are the following:

- Continued high immunization coverage of infants, working toward a target of 95 percent by the year 2000. To promote sustainability, however, delivery of immunization will rely less and less on specialized campaigns and more on delivery within routine visits to the health facility. In this regard, Peru has set a national target of elimination of measles by 1998. USAID is a partner in this effort. Reaching it by 1998 would indeed be a watershed.
- The Mission will continue to promote coverage of women in high-risk areas with the tetanus toxoid vaccine. With a goal of 80 percent coverage by 2000, a target of 75 percent should be realistic for 1998.
- For contraceptive purposes, as well as for prevention of sexually-transmitted diseases and HIV/AIDS, the Mission will work to extend condom use over the next two years. A new activity to start at the beginning of FY 97 should be instrumental in this regard. Targets are a 10 percent increase in condoms purchased through social marketing and a 15 percent increase in condoms distributed through the Ministry of Health.
- Each year the Mission will be able to report on the incidence of emerging diseases, including HIV/AIDS, which is expected to increase substantially in the next five years. In this regard, the Mission will be able to report on efforts to slow transmission of new infections. The incidence of other vector-borne diseases will reflect control efforts, but is also affected by migrations and many other factors.
- Modestly speaking, USAID/Peru expects an increase of at least 10 percent per year in couple-years of protection.
- The Mission will be able to report annually on the case fatality rate of cholera. The target is to keep it below one percent.

- With a new child information system in place, the Mission expects to be able to report annually on deaths due to acute respiratory diseases. Until the new system is operational, however, targets cannot be set, since the system will provide the baseline.

#### **8. Global Bureau Activities**

Many Global Bureau activities support this SO. They are discussed under the Resource Request section of this document.

## **STRATEGIC OBJECTIVE NO. 4**

## **Improved Environmental Management in Targeted Sectors**

### **A. Overview of Linkage to Agency and Host Country Goals**

USAID/Peru's Strategic Objective No. 4 (SO4), "Improved Environmental Management in Targeted Sectors," is consistent with the Agency's mission of "Sustainable Development" and directly supports Agency Goal 4, "Environment Managed for Long-term Sustainability." Additionally, the results framework of this strategic objective links directly to three of five Goal 4 Objectives: "Biological Diversity Conserved," "Sustainable Urbanization Promoted and Pollution Reduced," and "Sustainable Natural Resource Management."

The Mission's environment strategic objective also contributes indirectly to other Agency Goals such as (a) "Broad-based Economic Growth Achieved" in that it expands access and opportunity for the poor in all areas of the country, including those areas where coca leaf is produced; (b) "Sustainable Democracies Built" in that it increases the development of politically active civil society and promotes more transparent and accountable government institutions; and, (c) "World's Population Stabilized and Human Health Protected in a Sustainable Fashion" in that it also focuses on addressing environmental health problems to protect the health of Peruvians so that they can make more productive contributions to society.

Finally, USAID/Peru's strategy for improving environmental management is fully supportive of the Government of Peru's (GOP's) nascent strides to preserve the country's environment and natural resources for the sustained development of future generations. Indeed, this strategic objective was developed in close consultation with various institutions within the GOP, among others, the recently created National Environmental Council (CONAM), the government's principal organization in charge of guiding and promoting environmental policy and promoting conservation and sustainable development in Peru. A principal milestone of this new partnership between USAID and the GOP will be the elaboration in the coming months, through public debate and national fora involving both customers and partners, of the National Environmental Action Plan, the first ever for Peru.

### **B. Strategic Objective Description**

#### **1. Introduction**

The Mission's environment strategic objective (SO) aims to improve protection of the natural resource base, fragile ecosystems, and biodiversity conservation and to reduce urban and industrial pollution. The magnitude of the problem of developing a broad consensus toward resolving environmental problems means the SO will require eight years, or through the year 2004, to achieve its targets. This SO will be a major step in a longer term strategy beyond the year 2004 which will lead to improved environmental conditions in Peru.

The following conditions are expected to be present by the year 2004: 1) An adequate legal, regulatory, and policy framework will have been developed based on a national consensus-building process involving both the public and private sectors in concert with civil society in general; 2) The public will be more aware of environmental issues and concerns; 3) Solid wastes in urban and peri-urban areas will be more properly managed; 4) An average of 25 percent of industries in targeted sectors will have adopted value-added pollution prevention measures; and, 5) National Parks and reserves will be better managed, displaying improvements in biological diversity conservation and in the sustainable management of natural resources.

This newly formulated SO is the product of nearly two years of study and consultations, discussions with interested national and international development partners, including GOP environmental institutions, and field level dialogue with customers and other direct and indirect beneficiaries. This broad participatory process was a result of three major undertakings during that time: the development of the Mission Environmental Strategy (MES) where dozens of organizations were consulted, the design of the Sustainable Environmental and Natural Resources Management (SENREM) Project, and dialogue pursuant to the development of the environment SO, itself. Participatory processes, such as private-public sector fora, were employed in the design of SENREM and the SO as well.

The Mission has realigned its environmental activities by building on past experiences while, at the same time, incorporating the views of our partners and customers on how best to resolve Peru's most pressing environmental problems during the SO time frame.

## **2. Analysis of the Development Problem**

Peru is a country blessed with an abundance of natural resources and its diversity of habitats is one of the richest in the world. With 81 percent of the total number of life zones on earth (84 of 104 total), in just over three percent of the earth's landmass, Peru accounts for 22 percent of the earth's variations of flora and fauna. Yet, Peru's environment is threatened by rapid urbanization with attendant uncontrolled growth of peri-urban areas, and widespread poverty which frequently lead the poor to use environmentally destructive practices to survive.

**Biodiversity:** Peru's biodiversity is threatened as population and industrial growth continue. Institutions are weak, with ENR authority divided among sectors; Peru's national protected areas are frequently subordinate to sectoral interests; populations living in or near protected areas cannot effectively participate in their management; and although ecotourism is booming, protected areas do not have the infrastructure necessary to receive the growing number of tourists.

**Urban environmental deterioration:** The lack of sanitary and waste water systems in the urban environment causes surface and ground water contamination and high child mortality rates. Only 54 percent of the population has access to sanitation and only 35 percent has access to toilets. Solid wastes are disposed into rivers, watersheds, and open landfills with no leachate control. Informal businesses contaminate air and water in peri-urban neighborhoods. Hazardous waste from hospitals and other solid wastes find their way into clandestine livestock operations. Solid and liquid wastes, effluent from industries, and emissions from vehicles are reaching intractable levels affecting morbidity and mortality rates, especially among the urban poor. Urban populations are subjected to acute respiratory diseases resulting from various emissions and transmissible diseases associated with the lack of basic services. Lactating women and children in peri-urban areas are at highest risk.

**Industrial pollution:** Industrial pollution has been significant as past behavior, especially in the extractive sectors, has been irresponsible. As investment increases, effective industrial environmental regulations need to be in place and compliance assured through an effective environmental authority. Toxic and hazardous wastes need to be better controlled and wastes, whenever possible, need to be prevented, minimized, or reused to create value. There is a general lack of knowledge for incentives for compliance and pollution prevention.

**Water and coastal resources degradation:** The degradation of water and coastal resources due to microbiological, inorganic, agrochemical, and ground water contamination are problematic. Many childhood deaths are still due to rapid dehydration from bacterial or viral illness. Rivers and coastal waters contain inorganic toxins and pollutants such as heavy metals and hydrocarbons. Even small amounts of lead in excess of standards, can cause lower birth weights, premature births, and in more extreme cases, irreversible depression of the physical and mental development. Mercury, used by small gold miners in the jungle, is now found downstream in Brazil in the milk of lactating mothers.

**Agriculture:** Agriculture is the source of income and employment for more than half of Peru's population, yet much of its production is based on unsustainable use of the natural resource base. Soil

degradation and loss result in low yields, decreased incomes, and increased food insecurity and migration out of the Highlands. The impact is felt unevenly by women, the young, and the elderly who remain behind while men migrate in search of work. The use of upper watersheds for crop and pasture production encourages soil erosion, firewood scarcity, and the increased need for irrigation in lower areas.

**Forestry:** Peru is a tropical country where coastal, upland, and eastern lowland forests cover 64 percent of its total area (820,000 km<sup>2</sup>). Eighty-five percent of this area is eastern lowland jungle and destructive systems of management and use currently prevail over much of this area. Forestry problems include: ill-conceived laws and norms which require that forests be "worked" (read deforested) for farmers to gain titles; settlers pressure protected and indigenous areas; and indiscriminate slash and burn agriculture practices which destroy ecosystems where women obtain food, medicinal plants, firewood, and other benefits causing further deforestation, floods, erosion, and ultimately migration.

**Coca production and coca-based processing:** One of the major consequences of the rapid growth in coca leaf production and coca-based processing in Peru is the immense damage to the country's environment. Deforestation, soil erosion, and disposal of toxic chemicals have caused incalculable ecological damage and health problems in the fragile areas where coca is grown. The farming methods employed by growers cause serious soil erosion and expansion of the coca frontier through slash and burn cultivation, further deforesting large portions of the Peruvian jungle. Cocaine base processors dump their toxic wastes into rivers and waterways, also causing critical damages to the country's flora, fauna, and ecological balance. If these practices are not arrested, damage to the Amazon Basin will occur, having a deleterious effect on the global environment as well.

All of the above problems also have a significant normative dimension. Sustainable ENR use requires a coherent and adequate legal, policy, regulatory, and normative framework, enforcement mechanisms, and incentives to avoid ENR degradation and depletion. Entities such as CONAM require support and sectoral ministry units responsible for managing ENR programs require strengthening through training. Participatory processes to promote policy dialogue, problem-solving, and consensus-building require strong support. Processes that stress inclusiveness are considered the most crucial ingredient to ensuring an improved legal, policy, regulatory, and normative framework. Increased access to public information also creates awareness necessary for civil society to engage productively and ultimately leads to more sustainable ENR use.

### **3. Results Framework Description**

#### ***a. Strategic Objective Rationale***

Peru has just recently emerged from a prolonged period of economic chaos exacerbated by a brutal insurgency. Following years under an austerity plan, economic growth has only recently taken hold, fueled in part by foreign investment. Peru's leadership must still grapple to identify ways to help millions of Peruvians break loose from clutches of extreme poverty. Its democratic institutions are weak and still very much in a maturation process. In this context, it is conceivable that natural resource and environmental trade-offs could be made in the name of short term economic growth as current regulations are eased or not enforced at all.

Over the long run, such actions are not sustainable. Environmental degradation caused by point and non-point source industrial and urban pollution, the irrational use of natural resources, and the loss of biodiversity have negative consequences for all levels of society, affecting each differently. Industrial plants may cause pollution which puts workers at risk. However, it is those tens of thousands of families who live nearby in poor peri-urban neighborhoods as well as poor farmers that rely on the water downstream to raise their crops to provide for their families and animals, that suffer the adverse environmental health and economic consequences of contaminated air and water. These problems affect the peri-urban and rural poor, but are particularly devastating on children and pregnant women.

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

**INDICATORS**

- (a) Percentage of public that perceives effective actions have been taken to improve ENR management
- (b) Protected areas management index
- (c) Percentage of solid waste properly disposed of in legal sanitary landfills in Lima
- (d) Percentage of industrial plants that have adopted value-added pollution prevention measures

**INTERMEDIATE RESULT 4.1**

**Institutional capacity of the GOP and private sector strengthened**

**INTERMEDIATE RESULT 4.2**

**Mobilizing public support for environmental improvements**

**INTERMEDIATE RESULT 4.3**

**Innovative technologies tested through pilot projects**

**INTERMEDIATE RESULT 4.4**

**Cost effective sustainable practices adopted**

**INTERMEDIATE RESULT 4.5**

**Sound policies established and effective legislation enacted**

**INTERMEDIATE RESULT 4.6**

**Other donor investments increased**

**INDICATORS:**

- 1) Effectiveness score for GOP and CONAM capacity in terms of ENR policy-making and implementation
- 2) Number and type of policy research issues carried out, discussed in public fora, widely disseminated, and policy proposals developed by private sector institutions
- 3) Number of strategic plans, vision statements, or policy proposals developed through participatory workshops of targeted civil society groups

**INDICATORS:**

- 1) Percentage of people who understand and are concerned about pollution prevention and sustainable management of natural resources

**INDICATORS:**

- 1) Pilot projects related indicators

**INDICATORS:**

- 1) Specific practices replicated or adopted within a larger universe

**INDICATORS:**

- 1) Effectiveness score of ENR policies established and legislation enacted with substantial and extensive participation of civil society
- 2) Percentage and number of targeted policy and legislation overlaps, inconsistencies and gaps eliminated by the inter-ministerial coordinating body
- 3) A National Environmental Plan established with public and private sector consensus

**INDICATORS:**

- 1) Amount of other donor ENR activity investment
- 2) Percentage increase in funding allocated by GOP and other donors to PROFONAMPE

To ensure that balance, prudence, and rational use are factors which are considered in these decisions while environmental awareness is nurtured and allowed to grow, it is important to work with institutions of all sizes and shapes and cost effective cross-cutting mechanisms which allow for the formation of precursor building blocks to stimulate and sustain the debate, reach consensus, and effectively resolve environmental problems. If the microentrepreneur, small farmer, community organization, small business, or industrial plant, begin to use more appropriate environmental practices, their actions can result in the improvement of quality of life and their livelihood.

Environmental problems in Peru are multidimensional, as is the approach that the SO4 takes to achieve results. The Mission's environment SO consists of interlocking pieces that rely on mobilizing support and engaging all segments of civil society; invoking a series of checks and balances to allow civil society to ensure good government; promoting transparent participatory processes to ensure inclusiveness and access; strengthening grassroots institutions to better articulate constructive approaches and mobilize prospective constituencies; providing catalytic sectoral leadership to demonstrate novel approaches to nagging problems that will result in better returns on investments and the ability to expand sustainable practices; and, utilizing mechanisms that offer cross-cutting solutions to foster better decision-making such as legal, policy, regulatory, and normative framework improvement.

In the long-term, all segments of civil society will benefit from an enhanced enabling environment. Future generations will have continued access to natural resources and more productive lives because of better health conditions, and a pollution prevention ethos will ensure that natural and financial resources are used productively. Otherwise, in the not-too-distant future, capital will have to be increasingly used for clean-up operations at upwards of 100 times the cost of what pollution prevention measures, if adopted now, would have originally cost. In the short term, there may be losers such as businesses, plants and industries that are currently only able to survive now because either local or international standards have not been established or applied yet, but this is inevitable. Those that take action now will stand a greater chance of being competitive in the future.

In the short term, through SO4-supported pilot activities, discrete segments of the population will benefit through their direct involvement in testing and implementing new technologies. Over the medium term, as successful pilot activities are adopted on a wider scale within cities and regions, larger portions of the population will benefit. As other donor investment increases, ENR management should improve on an even wider basis throughout the country and within individual targeted sectors. Actions related to enforcement of regulations, not contemplated during the timeframe of this SO, will become increasingly important once the targets of SO4 are achieved within eight years.

On the surface, this may seem broad. However, the SO4 mosaic is tight and its pieces mutually reinforce one another. The principal parts of the Mission's ENR portfolio were undergoing design during the early stages of development of this SO. Therefore, the resultant activity designs were consistent with the SO and very little realignment has been required. Priority intervention areas were determined through a series of criteria filters. Environmental awareness, biological diversity, pollution prevention, environmental health, and an improved legal, policy, regulatory, and normative framework are the SO's long-term targets.

The SO results framework (RF) was influenced by analyses prepared for the MES and SENREM Project, helping to form the analytical base upon which the SO is predicated. In addition, many consultations with potential extended core team partners and customers took place, facilitating RF development.

*b. Intermediate Results*

**(IR#1) Institutional Capacity of the GOP and Private Sector Strengthened**

Public sector ENR management in Peru has been delegated to sector ministries and consequently their ability to address issues has been defined by their existing human and technical capacities which vary

widely. Peru created CONAM in 1995 to articulate a coherent national environmental policy and coordinate ENR management among the different sector ministries. Peru's existing legal, policy, regulatory, and normative framework does not address differences in sectoral regulations and overlaps.

Contradictions in the legal, policy, regulatory, and normative framework as to how certain important natural resources are to be managed, or what jurisdiction regional and municipal governments have over the environment, also exist. These weaknesses create uncertainty for private sector investments in improved environmental management and limit the actions of local governments. The ground rules for both private and public stakeholders need clarification, thereby establishing the basis for rational and consistent ENR management.

The generation and analysis of reliable, scientifically-based information is also vital to the policy-making process (*e.g.* to identify issues, understand problems, set priorities, and take remedial action). Various independent sources of ENR information (both from public and private sector institutions) provide checks and balances. Without such information, the gravity of national ENR problems cannot be gauged or will remain hidden.

CONAM is considered an important player given its mandate to coordinate cross sectoral ENR issues. It has the potential to develop into the GOP's most important ENR strategist responsible for developing comprehensive long-term multi-sectoral frameworks and solutions that ensure sustainable development and rational resource use. It has already begun to demonstrate its importance as a conduit for citizen-watch groups to channel their opinions to the GOP influencing policies. CONAM has also begun to publicly espouse value-added pollution prevention measures in its dealings with Peruvian industry.

Sectoral ministries also require encouragement to coordinate better to resolve jurisdictional problems, set up realistic norms and standards including incentives and the promotion of a pollution prevention ethos, improve its overall capacity to sustainably manage resources held in the "public trust", and serve as a reliable, transparent, accessible source of information for the public.

Private sector capacity for consensus-building, problem-solving, and constructive policy dialogue also requires support. Many private sector organizations, particularly non-government organizations, community groups, women's and indigenous organizations remain largely on the margins of the ENR policy-making process. Few transparent or formal mechanisms are available for participation in the decision-making process. The situation is aggravated by the limited ability and lack of experience of many entities to collectively propose alternative programs and policies or in supplying independent environmental services. Were the capacities for policy dialogue and cooperation developed by these groups, the interests of civil society would be more effectively incorporated into the public decision-making process.

Strengthened public and private sector institutional capacity (IR#1) is a cornerstone of our development hypothesis influencing most of the other IRs in the framework. More capable institutions improve chances of mobilizing public support for environmental improvement (IR#2). As their ability to effectively and constructively engage increases, so too does their capacity to influence the adoption of sound policies and effective legislation (IR#5) and sustainable practices (IR#4).

#### **(IR#2) Mobilizing Public Support for Environmental Improvements**

The results framework includes a mutually reinforcing relationship between IR#1 and IR#2. As public and private institutional capacities strengthen through use of participatory processes designed to achieve consensus-building, problem-solving, dialogue, and information dissemination, attitudes favoring environmental improvements should also be fostered. The inverse is also true. A better informed citizenry will demand environmental improvements once the gravity of the problems and the consequences are more fully understood as a result of the increased capacity of institutions to inform and engage them.

A national survey will be conducted to measure public awareness and understanding of two key SO4 principles (pollution prevention and sustainable management of natural resources) and the relationships between gender and environmental/natural resource management issues. This will allow the Mission and its partners to better understand the priority concerns in various Peruvian contexts (e.g. the sierra vs. jungle vs. coast; rural vs. urban; gender; populations near protected areas, mines, and other industrial sites.) The second part of this survey will assist overall efforts to better manage for results and mobilize a broader portion of the population, including indigenous groups. The Mission may undertake more in-depth surveys in specific areas during the course of the SO such as near protected areas, mines, and other industrial sites where activities will be implemented. The first part of the survey will be repeated at two year intervals.

As the Results Framework demonstrates, mobilizing public support for environmental improvements also helps promote the establishment of sound policies and effective legislation (IR#5) and the adoption of cost effective sustainable practices (IR#4). The achievement of IR#2 is viewed as an important ingredient to the success of the development hypothesis and was therefore listed as a separate IR as opposed to an indicator to IR#1.

### **(IR#3) Innovative Technologies Tested Through Pilot Projects**

In Peru, there is widespread poverty and limited resources for investment in environmental protection. Consequently, solutions to ENR problems should be low-cost and effective so that the environment does not become, or be perceived as, an obstacle to economic growth and development. There is a lack of information on how environmentally sound practices can improve productivity and add value, while simultaneously protect the environment.

The limited resources available for satisfying a large array of competing development demands make it imperative that those resources invested in the environment pay the biggest dividends possible. Entities which have systems of identifying, developing, implementing, and testing catalytic pilot projects, created to demonstrate a particular result or series of results, will potentially have the greatest return on their investment by their ability to leverage other resources including local investment. This IR will identify the kinds of practices that can be adopted, laying the groundwork for IR#4, "Cost Effective Sustainable Practices Adopted."

Pilot activities will be selected annually by a multi-donor project steering committee on the basis that they (a) address critical ENR sustainable development problems(including normative) identified in the MES; (b) offer a combination economically sustainable practices and results orientation increasing the probability that they are sustained once support terminates; (c) indicate a strong potential for replication and/or expansion into other geographical areas of the country or sectors; (d) propose participatory solutions that engage the poor and underprivileged, particularly women; (e) simultaneously impact on two or more areas of the environmental color spectrum<sup>1</sup>; and (f) appeal to other donors who wish to ensure that their resources are invested in successfully tested activities.

Following are examples of brown-oriented pilot activities now underway with LAC Environmental Initiative for the Americas (EIA) resources:

The Industrial Pollution and Its Prevention in Paracas pilot activity, targeted at 8 fishmeal plants operating near a 335,000 hectare national marine reserve, has the potential to influence Peru's second largest industry (129 fishmeal plants) promoting the voluntary adoption of pollution prevention measures that are economically-advantageous to industry, protect the environment, and create significant U.S. trade opportunities.

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<sup>1</sup> green means conservation and biological diversity; brown entails urban and industrial contamination; and blue refers to coastal water management issues.

The Pollution Prevention and Control of Wastes Affecting Lake Junin activity, targeted at point and non-point contamination sources around the 53,000 hectare Lake Junin, but intended to influence Peru's largest industrial sector (mining), will examine the potential for economically-beneficial pollution prevention measures such as waste minimization, reuse, and by-product recovery and prevent further contamination of the bio-diverse rich 4,000 meter high lake reserve.

The Innovative Approaches to Solid Waste Management in Peri-Urban Areas activity is intended to affect poor peri-urban communities throughout Peru testing innovative, replicable and low-cost solid waste collection services integrating waste segregation at the household level, the creation of value by waste reuse, establishment of model sanitary landfills, and emphasis of participatory approaches which incorporate poor women from the community to staff and manage fee-structured microenterprises.

#### **(IR#4) Cost Effective Sustainable Practices Adopted**

The main purpose of IR#4 is to promote the adoption of successfully-tested technologies on a wider than pilot scale such as within other major peri-urban areas of the same city, the same region, or neighboring regions. In a sense, it is less than what might be considered nationwide or widespread adoption since that is more the purview of the SO itself. This prime function will be achieved through both indirect and direct mechanisms.

Indirectly, IR#4 will be partially achieved by leveraging resources for activity expansion from partners such as other donors, the GOP, and PVOs. However, the expansion of select, successfully-tested pilot activities within the targeted sectors of biodiversity conservation, environmental health, pollution prevention, and legal, policy, regulatory, and normative framework consolidation, will be directly promoted with USAID funds. This is intended to ensure that adequate regional or inner-city expansion occurs, the ultimate achievement of IR#4 does not rest exclusively on its ability to leverage resources from other partners, and most importantly, a strong foundation has been laid within the results framework leading up to the achievement of the SO within the eight year timeframe.

The achievement of IRs 1, 2, 3, and 5 (the latter described in the following section) are important parts our development hypothesis. Although, they shore up the long-term sustainability of SO4, their attainment does not necessarily guarantee the achievement of IR#4 or the SO itself. For this reason, our Strategic Plan makes provision for the direct support of the expansion of a core group of IR#4 activities to larger segments of the Peruvian population. These activities will be directed to priority areas identified by the MES as targets of opportunity within our manageable interest.

The four IR#4 core sectors that will be directly supported to ensure that SO4 is accomplished are:

--Conservation of biological diversity and the protection of fragile ecosystems are priorities within the context of economic growth and integration. These ecosystems are the focus of a booming Peruvian ecotourism industry, and the basis of the extractive industries which account for an important part of Peruvian exports. In addition, these are Global Bureau priorities under current Agency environmental policies. The Foreign Assistance Act and annual Congressional appropriations mandate attention to these issues. Support to protected areas management and community participation in benefits from these areas and their buffer zones, with special attention given to sustainable management of ecotourism are key. Production forest management in the newly created ecological protection zones, with a special emphasis on indigenous management of these resources, is worthy of support.

--To address problems of pollution, the MES identified Mission comparative advantages in both urban and industrial pollution prevention. Environmental health and sanitation activities in poor peri-urban areas will address these problems, implementing in targeted sectors innovative programs in hazardous and solid waste, sanitation, or water supply activities.

--In pollution prevention within highly-targeted, heavy industry, USAID has an opportunity to exercise real leadership in this area setting a pollution prevention ethos which emphasizes reduction, recycling, reuse and adding value, rather than the traditional and costly end-of-pipe command and control

approaches. These are highly cost-effective interventions which hold the potential for the highest impact per dollar spent on the daily welfare of the greatest number of poor people.

--To sustain gains made within Peru's National Environmental System, the gradual improvement of the legal, policy, regulatory, and normative framework will periodically require adjustments dictated by the lessons learned and experience gained over the next eight years. This will allow a consolidation of national environmental legislation and regulations required to institutionalize these advances, creating mechanisms for permanent public participation, development and dissemination of information, incentives and norms for pollution prevention, and conditions that will stimulate investments in the sustainable use of resources.

#### **(IR#5) Sound Policies Established and Effective Legislation Enacted**

It is widely accepted that policies and legislation that have been developed through transparent, inclusive and participatory processes have the best chance of being sound and effective. Policies and legislation are enriched through the consideration of divergent points of view and constructive suggestions. Civil society is more inclined to embrace and promote those that have been developed in a participatory manner and even help the government ensure compliance. It provides opportunities for civil society to help ensure that governments are meeting their responsibilities to protect those resources that they hold in the public trust. Norms and laws are easier to implement and enforce because they are realistic as authorities that listen to affected parties are more prone to develop a mandate that is more efficient, practical, and easier to comply with.

Stakeholders involved in policy-making (especially detailed environmental rules) can enhance the opportunity for technical input from private sector scientists and technical experts who may have more experience with the subject of the regulation. This can actually give policy makers an advantage because it gives them technical input that they otherwise would have had to pay for or may not get at all.

Of equal importance is the need to establish an effective inter-ministerial coordination mechanism within the Peruvian Government for those entities responsible for environmental affairs. It is likely that the present centralized system will continue whereby sectoral ministries establish policies and are a principal source for generating draft legislation for their respective sectors. In view of this situation and the number of critical gaps and inconsistencies that already exist causing jurisdictional problems and will increasingly complicate compliance assurance as environmental standards are established, it is important that effective inter-ministerial coordination mechanisms be created where these issues can be discussed, coordinated and resolved.

The achievement of IR#5 is in many ways contingent upon the level of success achieved under precursors IR#1 and IR#2, strengthened institutional capacity and mobilized public support for improvements, respectively. Innovative pilot technologies (IR#3) also has a direct bearing on IR#5 in the sense that the former may demonstrate specific approaches to ENR problems that should be consolidated and supported under the legal, policy, regulatory, and normative framework. The achievement of a markedly improved legal, policy, regulatory, and normative framework will significantly increase the chances that the gains made in improving environmental management in core areas are sustained and even improved upon over time.

#### **(IR#6) Other Donor Investments Increased**

Annual increases in other donor assistance (ODA) are an important part of this development hypothesis. Additional and leveraged other donor ENR resources can help fund pilot activities within IR#3 intended to serve as catalysts; expand successful practices on a regional basis within IR#4; and on a national basis in terms of SO level ENR management indicators. It should be pointed out that ODA is being defined broadly here. GOP ENR investment of resources must also increase during the timeframe of SO4, and will be monitored accordingly.

ENR ODA should also increase as sound ENR policies and effective ENR legislation are enacted (IR#5) as the enabling environment provided by an enlightened legal, policy, regulatory, and normative framework also increases investor (read other donor) confidence. If donors believe that the Government

is serious about protecting biological diversity within its means, and that frameworks are being established to encourage the sustainable use of natural resources and improve the quality of peri-urban and rural life through measures such as pollution prevention, then they will be more inclined to invest in such an enabling environment. In effect, pre-conditions have been set that would allow resources to achieve their maximum impact.

*c. Illustrative Approaches*

A variety of approaches will be utilized by the Mission to promote improved environmental management. In general, these include approaches aimed at fomenting an enabling environment, leading to improved ENR management in targeted sectors. More specifically, approaches which may be applied, include:

(a) Fostering consultive processes within civil society (including the development of an effective legal, policy, regulatory, and normative framework) that emphasize inclusiveness, broad citizen participation, gender analysis, transparency, dialogue, problem-solving and consensus-building;

(b) Promoting citizen awareness and knowledge whereby public support for environmental change is mobilized and private and public sector institutional capacity is strengthened and made more accountable through access to public information;

(c) Promoting the principle that rational use of the ENR for sustainable growth is not anathema to improved conservation and biodiversity protection, but can go hand-in-hand; and,

(d) Directing USAID-managed and -leveraged resources to influence the ENR policies and investment decisions of the GOP, the private sector, and the donor community and expand strategic core activities considered essential to achieving SO4.

(e) Increasing access for citizens (particularly those from the traditionally disenfranchised groups such as the poor, indigenous peoples, and women) to realize their potential and benefit from participating in innovative and catalytic pilot projects across the environmental color spectrum that protect and improve ENR management, but are cost effective and sustainable;

*d. Assumptions*

There are four critical assumptions inherent in the SO4 results framework, as follows:

(1) the GOP will not reverse its recent elevation of environmental concerns as an important national policy issue;

(2) private sector ENR groups will work together in a more collaborative fashion;

(3) in view of the nascent stage of environmental awareness in Peru, this SO will receive adequate funding in order to ensure that (a) the many precursor building blocks required to stimulate the environmental debate and resolve Peru's complex environmental problems can be put into place and (b) the Mission can directly support key core sectors to ensure improved ENR management practices are expanded on a widespread basis and improvements in the legal, policy, regulatory, and normative framework are consolidated; and,

(4) other donor funding policies continue to place priority on ENR activities and are not redirected to other sectors as unanticipated requirements emerge.

#### **4. Commitment of Development Partners**

One of the most important SO4 development partners, if not the most important in the final analysis, is the GOP. GOP ENR resources, attitudes, and institutional capacity present both opportunities and challenges as it begins to realize its responsibilities of protecting the natural resources held in the public trust.

The GOP's recent establishment of CONAM was an important advance. CONAM will grow slowly into its role and must avoid undertaking too many issues initially given pent up demand for quick solutions to complex and long standing problems. Its enlightened leadership, which has adopted management for results on its own accord, is now drawing up a long-term comprehensive environmental strategy based on sustainable development precepts with SO4-financed help from such entities as the World Resources Institute. GOP 1996 budgetary provisions for CONAM are adequate at \$1.6 million. In addition, CONAM should access another \$5.0 million (USAID/IDB) over the next five years so it will have the wherewithal to make a lasting imprint on the country's environmental landscape.

CONAM will be dealing with many special interests in and out of government. One of its most formidable tasks will be fostering inter-ministerial coordination with the stronger sectoral ministries such as Energy and Mines and Fisheries which have traditionally managed their sectors with little independent oversight. The capabilities of the sectoral ministry environmental offices vary greatly. Although a significant amount of training and other support will be needed, this also presents an opportunity to influence direction. Most ministries (Mining and Energy, Fisheries, Industry, Agriculture, and Health) are already collaborating with the Mission on ENR matters and would like to do more. For example, the Ministry of Industry and CONAM wish to collaborate on a number of fronts such as ISO 14000 certification and pollution prevention. Mining and Fisheries are already involved in two EIA-financed pollution prevention pilot efforts with USAID. Local governments and municipalities, faced with environmental health problems on a daily basis and few resources to confront them, are of course most eager. Several Congressmen from both sides of the aisle are making ENR contributions.

The Executive Branch of the GOP is also a key player in the environmental arena. The amount of attention and latitude it affords CONAM and the environmental trade-offs it might consider to promote economic development, synonymous with the use of its natural resource base, particularly gas and oil reserves in tropical forests, mines throughout the Sierra, and marine resources along the coast, will be important to follow. It is a hopeful sign that a number of key ministries are taking advantage of technical assistance in the formation of maximum permissible limit norms. Norms on environmental baseline and impact assessments and improvement plans have already been adopted by many sectors, albeit on an inconsistent basis. GOP sources report that sectoral ministries are now beginning to routinely consult CONAM in advance on ENR policy directives, norms, and draft legislation that they would like adopted and approved. SO4 makes provision for a number of activities that will enable provision of training and specialized technical assistance to the Government on ENR issues, when required.

The SO also makes provision for proactively involving other donors in its framework to the degree that leveraging this support is a specific intermediate result outside the direct control of USAID. There are specific mechanisms built into the SO to foster this collaboration. A multi-donor steering committee will be assembled to approve SO4 pilot projects. Pilot project selection criterion encourage proposals that demonstrate other donor interest for expansion phases. In sum, SO4 is purposely geared towards the Mission acting as a catalyst to influence, attract, and increase other donor ENR investments. Our EIA-supported Lima peri-urban solid waste collection pilot activity with PVO, ALTERNATIVA, which began just last November has already quadrupled its resources with a recent \$1.6 million European Union donation to expand the area of activity.

Other donor ENR investments are beginning to increase demonstrating concern for ENR issues in Peru, presenting leverage opportunities, and increasing the importance for influencing the way ENR resources are used. The World Bank is studying a \$100 million loan proposal to rehabilitate Lima's water system;

funding a wastewater treatment feasibility study which could lead to another \$100 million loan to protect Lima's coastline; and has approved the donation of \$5.0 million of Global Environment Fund to the National Fund for Protected Areas. The IDB has approved a \$140 million project for the improvement of the basic sanitation services of 36 provincial water and sewerage firms; \$1.4 million in TA to develop options for the containment of mining-related environmental damage in the Mantaro Valley; and \$1.8 million to assist CONAM in the development of a master plan for the national environmental system and a pilot environmental data system in the Grau Region. The German Cooperation Agency is helping the GOP's National Institute of Natural Resources (INRENA) develop a master plan for protected areas and through the PanAmerican Health Organization's Center for Environmental Sanitation is assisting in the development of a Latin American region-wide pollution prevention data base. Other donor assistance includes UN Develop Programme support of Agenda 21; Food and Agriculture Organization aid for reforestation and rural education; European Union and Dutch and Swiss Government aid for urban solid waste collection, forestry, protected areas, and biodiversity; and finally, Canadian and Finnish Government assistance for debt swaps.

Potential development partners in the private sector abound in terms of their number and scope. They range from PVOs specialized in environmental law, urban contamination, natural resources conservation or biological diversity projects; associations representing a specific industrial sector or a wide-range of business interests; and professional research institutions and universities; to grassroots organizations including indigenous, women, and small producer groups. The commitment and capacity of these groups vary as much as those in the public sector. The majority of these groups are well motivated, capable, and essential to promoting improved ENR management in Peru. USAID/Lima has had several positive experiences working with well-motivated partners directing assistance down to the ultimate customer through grassroots organizations such as Conservation International's help to the Madre de Dios Agrarian Federation which involved hundreds of its' small farmer members in a land use classification study in Tambopata Candamo Reserve; CARE and the International Potato Center teaming up to introduce integrated pest management techniques to potato farmers in 114 extremely poor highlands towns; and The Nature Conservancy and local NGO partner ProNaturaleza introducing sustainable income generation activities to hundreds of settler and indigenous families living in and around the Pacaya-Samiria Reserve.

## **5. Sustainability**

Sound environmental policies and effective legislation are necessary for sustainable economic growth and the rational use of natural resources. SO activities are designed to demonstrate the value of environmentally stable, socially sound and economically viable, natural resource and environmental management practices. Criteria utilized to select pilot activities will be heavily weighted towards rewarding those proposals that demonstrate strong potential for sustainability and replication. Demonstrating the value of improved practices will leverage additional support from all sectors (other donors, investment by industry itself, greater levels of counterpart from all parties--including grassroots organizations and their membership) when they realize these activities are in their long-term economic self-interest.

Strengthened institutions are better able to (a) mobilize resources and articulate their positions; (b) offer higher value services to their membership and the public at large; and (c) attract membership. The establishment of sound policies and enactment of effective legislation, particularly through participatory processes that include rather than exclude, allow for more informed investment decisions, limited resources to be better prioritized, and a stronger focus on the root causes of the problem. Management for results, instilled in our partners through a results-oriented culture and through the use of performance-based contracts for the principal technical assistance providers, will ensure activities are focused on the achievement of results and that those activities which succeed will continue to receive our support. All these foster sustainability.

SO4 makes several contributions to the New Partnerships Initiatives which can also be used to describe aspects of sustainability. SO4 will strengthen civil society in numerous ways. First, a high degree of consensus-building is a basic tenet of SO4's entire results framework. One of the SO4's most important intermediate results is strengthening the institutional capacity of the public and private sectors. This will be accomplished by strengthening (a) environmental NGO networks to reach consensus amongst its membership and promote their agenda through constructive policy dialogue with public sector authorities; (b) partnerships between local private sector business associations and private voluntary organizations to promote common agenda; (c) partnerships of leading U.S. environmental organizations used to provide technical assistance to local NGOs implementing SO activities; and (d) the capacity of private sector organizations to collect, analyze, and disseminate environmental information that can be used by civil society to engage in the environmental debate. This latter point factors into another SO intermediate result (IR#2); namely the mobilization of public support for environmental improvement.

## **6. Measuring achievement**

The task of measuring achievement is difficult since physical improvements often require gestation periods well beyond the timeframe of a typical SO. Matters are further complicated by an emphasis on accomplishing important, but hard to measure, prerequisite intermediate results needed for sustained improvements in environmental management (increased awareness, behavioral changes, strengthened capacities, improved advocacy skills, and the use of inclusive processes). Specific performance indicators and targets at the SO and intermediate result levels are contained in the following section of this Strategy. They contain what we consider to be reasonable measurements that will allow us to detect whether significant progress is being achieved. A few will use surveys to gauge overall trends in public perception and, at the same time, afford us with a more in-depth analysis by gender, income, and locale of the ENR problems considered the most crucial. Some indicators require the completion of baseline studies in 1996 to establish precise targets since this strategic objective was reformulated during the Mission's re-engineering process in late 1995 - early 1996.

The majority of SO4 activities will not be underway until FY 97. In part, to foster the measurement of both interim and long-term progress, SO4 has opted for the use of performance-based contracts for technical assistance suppliers. They should be finalized in late FY 96 and should provide valuable frameworks from which to measure results with precision. The majority of USAID-financed activities under SO4 will be managed under these performance contracts. For example, the entity, responsible for coordinating advocacy activities and pilot projects, will award these on a competitive basis which should engender innovative approaches. Well defined indicators and targets will be required within each pilot project proposal. In addition, a small Project Implementation Unit within CONAM will provide for a SO-wide results-oriented Management Information System. As the majority of the indicators display, efforts will be made to disaggregate data by gender, ethnicity and geographic area.

Following are proposed indicators for SO4:

### **SO: Improved Environmental Management of Targeted Sectors**

- (a) *Percentage of public that perceives effective actions have been taken to improve ENR management. Target: By 2004, 25 percent increase over baseline survey.*
- (b) *Protected areas management index (to be used as proxy for biodiversity conservation): Matrix elements include park size; size and quality (training level) of park staffs; budget level increases and approval vs. expenditure levels; park category status; and parks with approved master or operational plans, especially those formulated through participatory processes. Target: By 2004, 25 percent increase over 1996 matrix rating (out of 100 points.)*
- (c) *Percentage of solid waste properly disposed of in legal sanitary landfills in Lima. Target: Starting in 1997, increase from 23 percent disposal rate of total wastes generated (1996 baseline) to 48 percent by 2004.*

- (d) *Percentage of industrial plants in certain sectors that have adopted value-added pollution prevention measures:* Percent of the plants in each targeted industrial sector. **Target:** By 2004, 25 percent adoption rate over 1996 baseline.

**IR#1: Institutional Capacity of the GOP and Private Sector Strengthened**

- 1.1 *Effectiveness score for GOP and CONAM capacity in terms of ENR policy-making and implementation:* Specific pre-determined institutional capacity criteria for CONAM and environmental units in sectoral ministries. **Target:** On scale from 1 (ineffective) to 5 (extremely effective), will achieve 3 (effective) by 2003.
- 1.2 *Number and type of policy research issues carried out, discussed in public fora, widely disseminated, and policy proposals developed* by private sector institutions. **Target:** 3 policy proposals developed through consensus building, participatory processes by 2000.
- 1.3 *Number of strategic plans, vision statements, or policy proposals developed* through participatory workshops of targeted civil society groups. **Target:** 1 per year for both selected industrial sector and the environmental PVO network.

**IR#2: Mobilizing Public Support for Environmental Improvements**

- 2.1 *Percentage of people who understand and are concerned about pollution prevention and sustainable management of natural resources.* Survey will determine public awareness and priorities of pollution prevention and sustainable management of natural resources. **Target:** 5 percent increase by 1998; 10 percent cumulative by 2000; and 30 percent cumulative by 2004 over 1996 baseline.

**IR#3: Innovative Technologies Tested Through Pilot Projects**

- 3.1 *Pilot projects related indicators:* **Target:** By 2000, seven innovative technologies tested and proved effective. Examples: wastes reduced or recycled in a leather tanning plant; the percentage increase in revenues resulting from the adoption of pollution prevention principles or ISO 14000 certification; revenues due to ecotourism activities available to meet the operational costs of biodiversity protection; and increase in incomes of families living in or near protected areas due to participation in sustainable development or ecotourism activities in the protected area.

**IR#4: Cost Effective Sustainable Practices Adopted**

- 4.1 *Specific practices replicated or adopted within a larger universe.* Successful practices tested in IR#3 replicated at larger scale. **Illustrative targets:** Industrial subsector: By 2003, 30 percent of the small and medium leather tanning plants in Lima have adopted pollution prevention measures. Low-income women-run peri-urban solid waste collection microenterprise: By 2003, regular solid waste microenterprise collection services established for 50,000 additional homes. Biodiversity: By 2003, eight alternative economic activities adopted by communities living in or near targeted protected areas.

**IR#5: Sound Policies Established and Effective Legislation Enacted**

- 5.1 *Effectiveness score of ENR policies established and legislation enacted with substantial and extensive participation of civil society.* **Target:** On scale from 1 (ineffective) to 5 (extremely effective), will achieve 3 (effective) by 2003.

- 5.2 *Percentage and number of targeted policy and legislation overlaps, inconsistencies, and gaps eliminated by the inter-ministerial coordinating body. Target: 25 percent eliminated by 2003.*
- 5.3 *A National Environmental Plan (NEP) established with public and private sector consensus. Target: By 2004, 6 ENR laws and/or policies established or strengthened based on NEP.*

**IR#6: Other Donor Investments Increased (non-USAID)**

- 6.1 *Amount of other donor ENR activity investment. Other donor ENR assistance to Peru based on the GOP International Technical Cooperation Office report. Target: 5 percent annual increase starting in 1997 based on 1996 baseline.*
- 6.2 *Percentage increase in funding allocated by GOP and other donors to PROFONAMPE. Target: By 2003, fund doubles in size to \$25.0 million.*

**7. Expected Progress in FY 97/98**

In early FY 97, the two technical assistance teams will have established their SO4-specific operations in Peru. Moderate progress can be expected from these institutions during the remainder of the year as they draw up strategies and cement relationships with intermediate customers who will have received grants to undertake research, environmental monitoring, information dissemination, sectoral seminars and pilot projects. More significant progress against intermediate result targets is anticipated during FY 98 when activities, which the technical teams will have helped nurture, begin to bear results.

With CONAM and the sectoral ministries, achievements during FY 97-FY 98 will include establishing consultative and multi-sectoral standards committee mechanisms; specialized training; and the initial creation of information dissemination and value-added clean production programs.

By mid-1996, the Mission will have several EIA-financed pilot activities in different stages of implementation. FY 97 should be a productive year in terms of fostering the adoption of pollution prevention measures within the Peruvian fishmeal industry. Cost/benefit ratios calculated from the 150 effluent analyses taken in during early 1996 within different production stages should identify where the greatest efficiencies can be made and result in significant U.S. manufactured pollution prevention technology sales in 1997 and beyond.

Under a complementary EIA-funded activity, the feasibility study (including initial environment examination) for a low-cost fishmeal plant two-stage wastewater treatment system ought to be completed by July 1996. Assuming the system is feasible, the contractor will begin identifying possible funding sources for the construction of a pilot and then a full-scale system in late 1996 following completion of an environmental assessment.

The Lima Comparative Risk Analysis (CRA), which will rank order Lima's environmental problems using a dose-response methodology, will begin mid-1996 and be completed in early 1997. The Mission will ensure that several key Peruvian public and private sector institutions have an opportunity to participate in the CRA process through its' policy and technical advisory committees. This will help guarantee the quality of the work and enhance the chances that several institutions, including donors, consider the CRA results when making key ENR investments in Lima.

The Peri-Urban Solid Waste Management pilot activity in Lima, off to an excellent start, will continue to bear results in 1997-98. Several of the project's systems are now in place (collection transportation system and one of two sanitary model landfills). Community-based awareness campaigns will continue and the household level waste segregation activity will begin by early 1997. With the project's conveyance system in place, peri-urban membership in the fee-based women-owned and operated microenterprise has grown from 400 to 2,000 homes in less than eight weeks proving even the poor will pay for valued services.

## **8. Global Bureau Activities**

There are two relevant Global Environment Center activities which fall outside of the Mission's environment strategic objective, but are still very complementary to it. Under G/ENV/EET's Renewable Energy Applications and Training (REAT) Project, private sector trade missions involving the representatives of U.S. companies and renewable energy trade associations will visit Peru to meet with local developers, financiers, government officials, and NGOs. The purpose of these missions is to help identify projects that could use renewable energy as an alternative in providing energy for development and especially projects in which U.S. companies could be a partner. A later, and additional, mission would concentrate on geothermal resources. Additionally, G/ENV/EET's Energy Training Project with funding from the Environmental Initiative for the Americas will conduct a regional workshop on environmental management in Lima in May, 1996.

## **SPECIAL OBJECTIVE**

## **Reduce Illicit Coca Production in Target Areas in Peru**

### **A. Overview of Linkage to Agency and Host Country Goals**

Alternative Development supports the Agency goal of economic growth within the USAID overarching mission of supporting a specific U.S. foreign policy concern in Peru to reduce coca production. Reducing and ultimately eliminating Peru's production of illicit coca-based products available for export to the U.S. is an essential element of the 1995 U.S. National Drug Control Strategy and a key U.S. foreign policy objective. National Security Directive-18 of 1989 established an Andean Counternarcotics Strategy that sought to reduce the flow of illegal drugs from the Andean region to the United States. That initiative was approved by the Congress with enactment of the International Narcotics Control Act of 1990. At the Cartagena (1990) and San Antonio (1992) Summits, the 1995 Summit of the Americas, and in the bilateral counternarcotics agreement of 1991, the U.S. and Peru committed themselves to an effort to reduce, and ultimately eliminate, coca production in Peru through an integrated set of law enforcement, economic development, coca eradication, demand reduction, drug awareness, and other associated programs. In 1993, by Presidential Decision Directive 14 (PDD-14), a refined and modified approach to USG efforts against cocaine production and trafficking in Latin America was approved. PDD-14 places increased emphasis on efforts to control drug production in source countries, while recognizing that in a period of limited resources, U.S. counternarcotics efforts will be an element of more comprehensive multi-donor support. It emphasizes developing host government institutional capabilities to act against cocaine production and trafficking and places increased importance on coordination of USG activities with those of other bilateral and multilateral donors to support comprehensive host government national counternarcotics plans. Alternative development is a necessary element of a comprehensive approach to deal with the problems of coca production and narcotrafficking.

The Alternative Development and Drug Awareness Special Objective responds to major foreign and domestic policy goals of the USG and is based on sound development principles: to reduce and ultimately eliminate coca production in major coca-producing areas within Peru. Within this context, the special objective is consistent with the Agency sustainable development mission. It directly supports Agency Goal 1, "Broad-based Economic Growth Achieved," in that it promotes alternative licit employment and income sources for those currently involved in the illicit economy in coca-producing areas. More specifically, it supports all three Agency Objectives under this goal by promoting agricultural, export, and investment growth, increasing income and improving primary school enrollment rates of the poor.

Indirectly, this special objective supports three other Agency goals. It promotes the building of sustainable democracies by increasing democratic community participation in governance and helps to promote transparent and accountable governments through the strengthening of local government institutions. Under the Agency's Goal to stabilize world population and protect human health in a sustainable fashion, this special objective seeks to reduce child mortality by strengthening health delivery systems in rural areas where coca is produced. Additionally, through efforts to promote sustainable natural resource management, environmental awareness, and conservation in coca-growing areas, it will help to achieve Agency Goal 4, "Environment Managed for Long-term Sustainability."

The Alternative Development and Drug Awareness Special Objective was developed jointly with the Government of Peru (GOP) and supports all three GOP goals identified in the National Drug Control and Prevention Plan. This Plan has as its goals for the period 1994-2000 to gradually reduce the area planted to illicit coca leaf through alternative development and environmental conservation programs, to reduce drug use and addiction through prevention, awareness, and treatment programs, and to eliminate narcotrafficking through law enforcement activities.

## **B. Special Objective Description**

### **1. Introduction**

The rationale for establishing a special objective for alternative development and drug awareness is based on ADS Section 201.5.10c which states that under exceptional circumstances a special objective can be developed because it produces results to support other USG assistance objectives. Furthermore, a special objective activity should represent a response to a special interest which does not meet the criteria for a strategic objective and is expected to be small in scope. In spite of the fact that this is a special objective, the Mission developed the results framework using the standards and criteria for a full strategic objective.

Although the Alternative Development and Drug Awareness Special Objective is not small in scope, the Mission decided to establish it because of the exceptional circumstances surrounding the activities included under the special objective. The circumstances include the high USG foreign and domestic policy goal of reducing and ultimately eliminating the production of illegal coca-based products in Peru, the targeted nature of the activities, and the directed source of funding for the activities--Counter narcotics Economic Support Funds (CN ESF). Though based on solid development criteria, the special objective is not formulated around the same strategic basis used for the Mission's four Strategic Objectives. It was formulated using criteria needed to achieve the foreign and domestic policy goal of reducing coca production. The alternative development and drug awareness component is a critical part of a two part strategy which also includes law enforcement-- both components have to be implemented together if the objective is to be achieved.

The special objective involves viable sustainable development activities such as integrated rural development including environmental protection as well as drug awareness activities which will contribute not only to coca reduction but to improving the social, political and economic environment in the areas where it is being implemented and for Peru as a whole. These are all areas where the Mission has considerable experience and therefore a comparative advantage. There are activities included in the special objective which support all four of the Mission's Strategic Objectives as well as the following Summit of Americas Initiatives: strengthening democracy, invigorating society, combating the problem of illegal drugs, universal access to education, equitable access to basic health services, strengthening the role of women in society, encouraging microenterprises and small businesses, partnership for sustainable energy use, partnership for biodiversity, and partnership for pollution prevention. Nevertheless, it does not have the same flexibility which a strategic objective has because of its integral ties to a foreign and domestic policy goal.

The strategy was based on the hypothesis that by offering people in coca-growing areas an alternative licit source of income, coupled with an improvement of their quality of life and physical security, the majority will abandon coca production for a licit source of income even though it may be less than that earned from coca. Development assistance will not be provided to those communities who decide to maintain illicit coca production (to date no community has taken this option). The unique conceptual element in this project is its design in a manner such that the process of delivery of viable sustainable development assistance serves also as the operative instrument to elicit verified voluntary reduction of illicit coca cultivation, allowing avoidance of primary reliance on either individual cash compensation (as in Bolivia), or mass crop destruction by government force.

Because Peru supplies the raw materials for 80 percent of the cocaine consumed in the U.S., the USG considers the reduction, and ultimate elimination of the production of illegal coca-based products to be one of the highest USG foreign policy goals for Peru. The GOP has placed narco trafficking as one of its highest priorities because of the social, environmental and economic damage it causes to its institutions and territory. The GOP has demonstrated its resolve in solving the drug problem by implementing law enforcement activities which drove the prices of coca-based products to historic lows in the second half of 1995.

Beginning in 1991, the GOP and the USG began to jointly develop a strategy to control narcotics production and trafficking through an integrated approach involving law enforcement and alternative development activities. Both governments recognize that unless both activities are implemented together, the production of illegal coca products cannot be reduced. In October, 1994, the GOP officially enacted the National Drug Control and Prevention Plan which provides in one comprehensive document the conceptual framework of the GOP's plan to address Peru's drug production, consumption and trafficking problems. A priority aspect of the Plan is sustainable alternative development as a way to address the poverty and social development problems of the population, especially those living in coca-growing areas and on which will provide an opportunity for former coca growers to earn an income to replace that earned from coca.

The USAID/Peru Alternative Development and Drug Awareness Strategy has evolved in the last five years as a crucial part of the USG/GOP strategy to permanently reduce coca production levels. It has taken into account the progress made by the GOP in addressing the narcotics problem, particularly, in controlling and disrupting the alliances between narcotraffickers and terrorist groups in coca-growing areas, as well as in reestablishing the civil authority and access to those areas.

Consistent with the GOP strategy, and given the magnitude of the coca economy and the severe economic deterioration during decades of public mismanagement in virtually all sectors of the Peruvian economy, USAID's economic assistance under the alternative development and drug awareness strategy (formerly referred to as the counternarcotics strategy) has included four areas of action: promotion of a broader-based sustainable economic growth; development needs of coca-growing areas; drug awareness; and, strengthening local democratic institutions and democratic participation in coca-producing areas.

A stable growing licit economy will provide legal employment opportunities for the poor and attract labor force entrants away from the coca industry. At the micro-level, USAID's alternative development and drug awareness strategy seeks to improve alternative economic opportunities for those in coca-growing areas and for potential migrants to those areas, resulting in abandonment or prevention of coca cultivation and leading growers to cooperate in, or consent to, its elimination. This special objective includes activities to meet the special development needs of coca-growing areas and activities to provide market access for legal products.

The other two remaining areas of action help to create the necessary conditions needed to implement a comprehensive alternative development and drug awareness strategy and enable the above mentioned interventions to succeed. Activities to increase drug awareness build a national consensus on the needs to suppress the narcotics industry in Peru. Activities to strengthen local governments and expanding people's participation in decisions affecting Peru's development and their personal well-being will help to create the public environment for development to take place and be sustainable, while creating the institutional competence at the local level in coca-producing regions which forms the base delivery vehicle for alternative development assistance and related voluntary coca reduction measures.

This special objective focusses on reducing illicit coca production in target areas in Peru. It is different than the purpose stated in the Alternative Development Project Agreement signed between the USG and the GOP in 1995 because it is designed around the new USAID Directives for Results Framework which call for inclusion of other U.S. Agencies and development partners in the results framework design process. Therefore, the strategy of this special objective reflects the Alternative Development Project's goal statement: to reduce coca cultivation in the target areas pursuant to the GOP's National Drug Control and Prevention Plan.

Because alternative development and drug awareness are one element of a broader two part USG cocaine production control strategy as defined under PDD-14, it is imperative that to achieve this special objective, the second part of the Strategy, law enforcement, be implemented in harmony with alternative development and drug awareness.

The time frame needed to accomplish this objective in the target areas is eight years. If additional CN ESF funding is provided, activities would be extended into additional coca-growing areas, but more importantly, coverage within each area would be expanded in furtherance of the USG National Drug Control Strategy. Given the magnitude of the problem, current USG thinking is that it will take at least ten years to reduce illicit coca production to levels minimally tolerable to both the GOP and USG.

The following conditions are expected to be present by the year 2001: 1) The social, political, and economic problems caused by narcotrafficking will have been disrupted sufficiently to allow sustainable development to occur in all coca-producing areas of the country; 2) The share of the rural population dependent primarily or exclusively on coca for livelihood will be reduced by 50 percent or more in all areas in which alternative development activities are being implemented, and the availability of raw material (semi-processed coca products) for purchase by drug trafficking organizations will be identifiably and permanently diminished in project beneficiary areas; and, 3) The areas planted to illicit coca will continue to decline due to the USG-GOP counternarcotics strategy and improved social conditions as well as an environment conducive to licit economic growth will exist in target coca-growing and outmigration areas.

During 1995, the special objective established alternative development activity coordination meetings with other donors such as the United Nations Drug Control Programme (UNDCP), Japan, Spain and Germany to avoid duplication of effort and to ensure that other donor activities complement USAID's efforts. This has resulted in joint activities with the UNDCP, Japan, and Spain in the target areas. There also exist good prospects of joint activities with Germany, Holland, and the European Union in the near future. Additionally, the Alternative Development Project established a positive relationship with the local governments and communities in all targeted areas, all of which have expressed a willingness to abandon coca production.

Despite the fact that implementation of the major activity under the special objective, the Alternative Development Project, was started less than a year ago, it has achieved some impressive results. These include approximately 3,000 parcels of land titled, 314 km of farm to market roads rehabilitated with a beneficiary population of 200,000 people and 57 community development activities completed with a beneficiary population of approximately 12,000 rural families. The first measurement of coca reduction in project implementation areas will be completed at the end of CY 96.

Through a concerted USG Mission effort, significant progress also has been made in obtaining other donor support for Alternative Development activities. As a result of USAID-funded project site visits by the Minister of the Presidency, he has called for a donor conference to solicit greater donor support for alternative development. Through USAID leadership, a multi-donor/GOP/NGO task force was organized to speed up activity implementation in the Apurimac River Valley, the second largest Peruvian coca-growing zone and an area hard hit by the drop in coca prices. A German-funded UNDCP project, Doctors without Borders, USAID, and two NGOs are rapidly addressing both social and economic problems in this valley. A survey done by one NGO confirmed that the Valley has very high levels of extreme poverty, acute malnourishment and high infant mortality rates. To date, emergency assistance has been extended to the majority of the valley's population in the form of PL-480 food, tools to rehabilitate existing coffee and cacao plantations, and seeds for home gardens which will provide food to households while licit agriculture is being developed. Other examples of joint donor cooperation exist in Aguaytia where the Japanese Government and USAID are jointly implementing a livelihood activity, in Central Huallaga where the Spanish Development agency and USAID are cooperating in cacao production, and in Upper Huallaga where UNDCP and USAID are in the second stage of another successful livelihood activity.

## **2. Analysis of the Development Problem**

Peru remains the world's leading producer of coca leaf. According to the latest official data, in 1995 183,600 metric tons of coca were grown, far surpassing Colombia and Bolivia, and with an estimated income effect on the economy of at least \$600 million or just under 2 percent of GDP. The expansion of coca production and trafficking continues to cause serious social, economic, political, and environmental harm to Peru. Domestic drug abuse is expanding at a high rate, further compounding

Peru's social problems. Narcodollar liquidity has distorted exchange rates and fed corruption. Links between narco-traffickers and terrorists have critically harmed civil governmental authority in the coca-growing areas, promoting anarchy and seriously impeding democratization and broad-based development efforts. Deforestation, erosion and disposal of toxic chemicals resulting from the processing of coca are causing ecological damage in these areas.

For 25 years, the GOP ignored the areas where coca is grown through misguided agricultural policies, lack of maintenance of critical infrastructure and lack of control of a growing narco- and political-terrorist threat. This resulted in a breakdown of law and order which led to weak or non-existent government presence in coca-growing areas, lack of access to national and international markets, and increasing poverty levels. As illegal drug usage increased in the U.S. during the 1970s and 1980s, the demand for cocaine also increased. Peru and Bolivia were the main producers of the raw material, coca leaf, and the increasingly powerful Colombian drug cartels saw a golden opportunity to step into the vacuum left by the retreating Peruvian Government. They offered farmers a chance to earn an income from a crop which was not dependent on a complicated infrastructure system, provided financing when needed, and had a ready market for all the coca leaf which the farmers could produce.

Although the GOP and USG tried selected interventions during the 1980s, expansion of coca production continued unabated until the first two years of the 1990s. When President Fujimori took office in 1990, he recognized that narco-trafficking was not only a drug problem but also contributed to the political terrorism which was tearing the country apart. In 1991, he made the decision to fight narcoterrorism but did not include farmers producing coca-based products as a cause of the problem. The GOP viewed them as victims of a political and social system which had broken down and who had turned to coca leaf production as their only means of survival. His main targets in the narco-trafficking chain were the local organizations and international cartels which bought coca leaf and paste from the farmers and suppliers.

In late 1991, USAID/Peru accepted the GOP's analysis of the situation and redirected an ongoing project, the Upper Huallaga Area Development (UHAD) Project, to meet the needs of coca-growing areas using an integrated rural development approach. Communities which had previously contacted USAID/Peru were approached and asked if they would be willing to reduce their dependency on coca in exchange for development activities which they themselves defined. Twenty-one communities in the Ponaza Valley agreed to participate and in a 18-month period reduced the area planted with coca from 1,500 hectares to 700 hectares. In exchange, more than 80 development activities ranging from the rehabilitation of a 40 km road to income producing activities were implemented. Before the UHAD Project ended, this approach was validated in several watersheds in the Huallaga Valley and served as the basis for the Alternative Development Project which was signed with the GOP in May, 1995.

The Narcotics Affairs Section (NAS) of the U.S. Embassy also accepted the GOP's concept and sought to elaborate concepts for USG and GOP efforts against illicit drug trafficking toward interdiction and breaking up the cartels. Implementation of such concepts by GOP authorities with USG interagency support thus created the economic conditions (at a level of resources and effort sustainable by both governments), assumed earlier to be essential for alternative development success. There was a dramatic drop in coca product prices starting in May, 1995, which led coca farmers to seek alternative development as demonstrated by the response of a large number of Apurimac River Valley coca farmers in seeking USAID and UNDCP alternative development assistance

### **3. Results Framework Description**

#### ***a. Special Objective Rationale***

Alternative development in Peru has been proven as an effective tool in promoting sustainable development in economically important regions and, at the same time, reducing coca production in targeted areas. It is one element of an integrated USG counternarcotics approach which specifically

**SPECIAL OBJECTIVE**  
Reduce Illicit Coca  
Production in target areas  
in Peru

**INDICATORS:**  
(a) Number of coca hectares in production in targeted areas  
(b) Volume of coca leaf production in targeted areas  
(c) Number of communities committed to support alternative development efforts in target areas

**INTERMEDIATE RESULT**  
5.1  
Increased income and  
employment from licit economic  
activities in target areas

**INTERMEDIATE RESULT**  
5.2  
Improved quality of life in  
targeted areas

**INTERMEDIATE RESULT**  
5.3  
Increased awareness of  
damages caused by drug  
production and use

**INTERMEDIATE RESULT**  
5.4  
Suppressed narcotics  
trafficking through law  
enforcement and interdiction  
efforts

**INTERMEDIATE RESULTS**  
5.5  
Increased other donor and  
GOP activities in alternative  
development

**INDICATORS:**  
1) Number of full time paid jobs generated  
2) Value of production of legal agriculture crops  
3) Value of production of off-farm activities

**INDICATORS:**  
1) Percentage of population in target areas with access to basic services  
2) Percentage of local governments in target areas implementing projects with citizens participation

**INDICATORS:**  
1) Level of drug awareness in target areas  
2) Number of community groups engaged in drug prevention activities in target areas  
3) Percentage of Peruvians who think that drug production, trafficking and abuse is a major problem for Peru

**INDICATORS:**  
1) Price of coca products in target areas  
2) Volume of cocaine base mobilized  
3) Reduced availability of processed coca products or unprocessed coca leaf destined for processing to drug traffickers  
4) Seizure or destruction of illicit drugs and of chemicals used for their processing  
5) Arrest and incarceration of major drug traffickers

**INDICATORS:**  
1) Amount of GOP Public Treasury funds budgeted for target areas  
2) Amount and number of new other donor activities implemented in target areas  
3) Percentage of target areas included in geographic focus of multilateral development bank projects  
4) Completion and presentation of GOP National Alternative Development Strategy

addresses sustainable development interests in rural coca-growing and outmigration areas. The reduction of coca production will be achieved through implementation of both this special objective and indispensable complementary activities to control illicit drug trafficking, while the results framework defined in this special objective will achieve the objective as stated.

The focus of alternative development activities is to provide both monetary and non-monetary incentives for people in coca-growing areas to replace their illicit activities for licit ones. This will be accomplished by re-establishing local government presence in target areas and making it responsive to local communities needs. These needs will be expressed through democratic community participation in governance with the goal being improved basic and social services. Activities will also rehabilitate physical infrastructure, aiming to improve access to markets and lower production costs. By improving production techniques and yields through the provision of technical assistance, training and the provision of better seeds and livestock, licit income and employment will be generated. Teaching improved environmental protection practices will promote soil, forest and water conservation which will also contribute to increased licit income and employment. A strong drug awareness component will facilitate receptiveness for change on the part of the people living in coca-growing areas, promote greater social stability and will reduce illegal drug usage through out Peru .

Drug awareness is another key element of the counternarcotics strategy to decrease drug demand in Peru (and consequently to reduce domestic incentives for continued production) and to build national consensus for combatting the narcotics problem. Activities through the Center for Drug Information and Education (CEDRO) continue stimulating national awareness leading to efforts that counteract drug production, trafficking and abuse. These activities include drug prevention programs (information campaigns and open fora) at national level, but are also directed toward youth in coca-growing areas.

The Narcotics Education and Community Initiatives activities under IR#3, below, and implemented by CEDRO, has established a positive reputation in promoting drug awareness not only in Peru but throughout Latin America. Its activities have raised consciousness of the effects of illegal drug usage in Peru to over 50 percent of the population and CEDRO is viewed as the major Peruvian NGO promoting drug education.

Local government development activities, although under the Mission's democracy strategic objective, also support this special objective by strengthening local governments, expanding people's participation in decision-making, creating the public confidence needed to implement sustainable development in the same five Alternative Development Project areas, and creating or strengthening the institutional mechanisms through which collective voluntary coca reduction commitments will be undertaken and implemented at the producer level.

The main challenge for this special objective is to meet both the political demands of the USG National Drug Control Strategy while implementing sustainable integrated development in some of the most isolated and dangerous, but economically important and poverty stricken, areas of Peru.

The primary customers of this special objective are those people living in participating communities who have voluntarily decided to reduce coca production in exchange for development packages which will provide licit income and employment and improve the quality of their lives. For the drug awareness intermediate result, the primary customers will be the population of Peru as a whole. Secondary customers will include target area local governments, other government institutions, and organizations, institutions, and associations working with the affected communities.

In repeated fact-finding missions in coca-growing areas, potential customers identified access to markets, credit availability and low production as the three most important elements which need to be overcome to provide raise licit income levels. At the community level, health and education, communication and potable water were identified as important needs of the community. If these needs were met, the vast majority of individuals manifested that they would abandon coca production for the alternative of living in a licit society, thereby aiding in the achievement of this special objective.

*b. Intermediate Results*

The Alternative Development and Drug Awareness Special Objective currently has the following intermediate results as part of its framework:

**(IR#1) Increased income and employment from licit economic activities in target areas**

IR#1 activities are designed to address production problems such as customers' inability to market their crops, lack of credit for production and expansion, and inefficient production and post-harvest techniques. This will occur by providing access to markets through rehabilitation of feeder roads and the provision of current domestic and international market information and prices, credit programs through private banks, including land titling, and improved agricultural production techniques and provision of improved varieties of seeds as well as improved harvest and post-harvest techniques. Improved environmental practices are crucial to increased production and conservation of soil and water sources. Commitments to limit new coca cultivation will be required, but as a general matter, voluntary reduction commitments will be defined on the basis that restoration of an adequate degree of licit economic activity is an essential precondition for reduction of economic dependence on coca.

**(IR#2) Improved quality of life in target areas**

IR#2 was established based on experience from past activities which shows that customers place a non-monetary value on an improved environment where they live. This is crucial for this special objective because some of the alternative crops which can be grown in coca-growing areas do not have a one-to-one value in terms of monetary return from coca. Improved schools and quality of teaching, better health services, access to safe drinking water, electricity, etc. all have a value to people. If they live in a secure area where there are minimal problems with political and narcoterrorism and they feel that they have some control over their lives as well as a future for their families, people in coca-growing areas are willing to accept less licit monetary return from their labor. Increasing citizen participation in local governments and improving the later's ability to provide basic services are key to achieving the special objective. Improved physical security will be achieved by citizens understanding their rights and responsibilities and working with the national and local governments to achieve that goal. Compliance with agreed voluntary coca reduction commitments will be the condition for continued delivery of assistance committed by the alternative development activities under this special objective.

**(IR#3) Increased awareness of damages caused by drug production and use**

This IR will measure the impact of the drug awareness portion of the special objective by demonstrating the decline in the deforestation of areas used for coca production, reforestation of old coca-growing areas, and the reduction in the production of coca-based products which use harmful chemicals. Another indicator will measure the level of awareness of the effects of drug usage by students in the schools and youth organizations established by CEDRO in target areas and by the population as a whole in Peru. Because the major political terrorist groups obtain much of their financing from narcotrafficking, a reduction in terrorist activities in target areas, as well as a reduction in crimes related to narcotrafficking will also be achieved through IR#3.

**(IR#4) Suppressed narcotics trafficking through law enforcement and interdiction efforts**

The Alternative Development and Drug Awareness Special Objective has no direct control over this IR but it is considered crucial to success of the special objective. Nevertheless, the special objective will monitor this IR by establishing indicators which will monitor the level of prices paid for coca-based products. Other indicators provided by the law enforcement component will include the numbers of monitored movements of drugs by plane, boat, or road from the area; reduced availability of processed

coca products, or unprocessed coca leaf destined for processing, to drug traffickers; seizure or destruction of illicit drugs and of chemicals used for their processing; and, arrest and incarceration of major drug traffickers. For the special objective to be met, USG and GOP enforcement and interdiction efforts will have to sustain prices paid to primary producers of processed coca products or unprocessed coca leaf which are fluctuating and unpredictable, typically those which pertained in May, 1995 for sustained periods, and ideally but not invariably at levels at which earnings are inferior to those from directly competing licit products.

**(IR#5) Increased other donor and GOP activities in alternative development**

Outside of the direct control of this special objective but crucial to its achievement, IR#5 will depend on the increase in bilateral and multilateral donor participation in coca-growing areas. This will be measured each year by the number of new donor activities which are implemented in coca-growing areas. This will be further disaggregated into activities which support U.S.-funded alternative development and drug awareness activities as well as independent development activities implemented by the donors. Another indicator will measure the participation of multi-lateral donors such as the World Bank and the InterAmerican Development Bank by identifying the number and amounts of loans given to Peru which have components in coca-growing areas and by the percentage of the loans going to the same areas.

GOP participation will be measured by the amount each year which the GOP Public Treasury funds for alternative development-related activities in targeted coca-growing areas as well as co-financing for USAID-funded activities. Examples of this can be co-financing for major roads, irrigation activities, and energy activities. A one time indicator will be the completion of a National Alternative Development Strategy which was identified in the GOP National Plan for the Control and Prevention of Drugs which was approved in November, 1994, and its formal presentation to bilateral and multilateral donors by the GOP.

*c. Illustrative Approaches*

The Alternative Development and Drug Awareness Special Objective is based on the integrated development approach. It views an area as a social, cultural, and economic unit which has characteristics that are unique to the area but also has links to a broader geographic area, i.e. the target areas where the special objective is being implemented. Because of the uniqueness of each area, planning and implementation is developed from the bottom up, with the yearly plans being consolidated for each target area. The special objective will address the totality of development issues including health, education and other basic services, livelihood, governance, environment, drug awareness, security, conflict resolution, infrastructure, and credit.

A basic prerequisite for the special objective to succeed is an awareness of the effects that narcotrafficking and the use of illegal drugs have on Peru as a whole. The Drug Awareness activities which will be implemented by CEDRO will help to create this positive environment at the national and local level.

The alternative development approach is centered around voluntary participation, i.e. communities decide for themselves if they want to participate in a voluntary phased reduction of coca production in exchange for development assistance. This process is formalized through the signing of agreements with local governments. Once a community has decided to participate, no differentiation is made between coca and non-coca producers because the community as a whole pledges not to plant new coca and to reduce existing coca according to a schedule agreed upon between its members and the concerned local government. The various activities will be implemented with individual community members (for activities such as credit, an individual will be required to sign a document pledging not to plant new coca and reduce the area he/she already has) or through existing organizations and associations such as mother's clubs, producer associations, youth groups and other community

organizations which may exist in the area. In all target areas, these types of organizations exist and have played important development roles in the past.

The Special Project for Coca Reduction in the Huallaga Valley (CORAH), funded by NAS, will identify the amount of coca grown in a community. The figure will be agreed upon by CORAH and the community and will serve as the basis for the agreement between the responsible local government and the affected community. The community with the help of the various stakeholders will identify their development needs. This process will be completed each year once their compliance with the coca reduction targets is determined. Non-compliance with the agreement will stop development activities in the community.

To determine progress toward meeting each IR, baseline data for each indicator will be developed for each participating community. This will be done by the various stakeholders such as the technical assistance provider, NGO/PVOs, and the GOP institution involved in activity implementation.

Income and employment generating activities will be private sector-driven. Criteria used for activity investment will be the willingness of the private sector to invest in the activities, market demands, and importance to the overall Peruvian economy. Credit activities will be based on sound banking criteria. To help small farmers avail of credit, a land titling component is one of the activities to be implemented in all target areas.

Given the enormity of the task, the activities directly included in the special objective cannot address all of the problems which an area identifies. Therefore, the special objective will draw upon other USAID-funded activities being implemented in the target areas, other donor activities, and GOP resources to achieve its targets. An example of this type of cooperation and coordination already exists in the Apurimac Valley where UNDCP, Doctors without Borders, PRISMA (a USAID-funded NGO), and the Alternative Development Project are all working toward a common goal with each activity complementing the others. There are other examples of cooperation in Aguaytia, Tocache/Uchiza, and in the Sisa Valley as well.

USAID/Peru and the GOP's National Development Institution (INADE) used this approach in the Ponaza and Biabo Valleys in 1992-93 with excellent success. The Mission is currently using this approach in all of the five major target areas where the Alternative Development Project is being implemented. Every community where the activities are being implemented has given their verbal agreement to coca reduction and the Mission expects to have signed agreements with communities once CORAH finishes its initial coca surveys in April, 1996.

During the past four years, the Mission has experienced a growing number of communities requesting assistance to discontinue coca production. USAID/Peru has received written requests from hundreds of communities for assistance but has not had the resources to work with them. The project is currently working with several hundred communities (ranging from 20 to 100 families, each) and estimates there are at least triple that amount where the activities could be implemented if funds were available.

*d. Assumptions*

There are three critical assumptions inherent in the Alternative Development and Drug Awareness Special Objective results framework, as follows:

- (1) USG-supported GOP efforts to control illicit cocaine traffic continue to result in depressed prices paid to primary producers of refined coca products or unprocessed leaf, maintaining them ideally at or below May, 1995 levels;

(2) Security in the current targeted areas, as well as in possible future target areas, continues to improve so that INADE and USAID project staff are able to provide technical assistance and monitor project activities;

(3) Peru will continue its macroeconomic program to further economic growth.

#### **4. Commitment of Development Partners**

For nearly ten years, USAID was the leader in alternative development activities-- at times the only player in the field along with the UNDCP and the GOP. With the change in USAID's Alternative Development and Drug Awareness Strategy in 1991 and after numerous Mini-Dublin Group meetings, other donors began to change their attitude toward alternative development and by the end of 1995, Germany, Japan, Spain, the European Union, and Holland directly indicated an interest in supporting alternative development activities. The World Bank and the InterAmerican Development Bank, although not willing to get involved in activities solely defined as alternative development, expressed a willingness to support the general development activities in coca-growing areas. UNDCP continues with its excellent work in four major coca-growing areas although it is suffering from a lack of UN member financial support and may have to reduce its activities because of lack of funds.

Coordination of all donor and GOP activities involved in alternative development is achieved through regularly scheduled meetings during which on-going activities are discussed and future interventions are planned. In the past, the USG was the leader for this coordination with the U.S. Embassy convoking meetings of the Mini-Dublin Group on a regular basis. USAID/Peru has played a major role by working with individual donors such as Germany, Japan, Holland, European Union, World Bank, IDB, among others, to develop interest in alternative development and encourage coordination among donors. A recent call by high level GOP officials for a donors group meeting to discuss future alternative development activities increased donor interest and indicated that the GOP will increasingly play a leadership role in alternative development.

One of the achievements of the USAID/Peru operational approach for coca-growing areas has been the leading role played to coordinate and attract other donor funds to the area. Without the support of the international donor community for the rehabilitation of key infrastructure and the provision of complementary production services, necessary to facilitate the production and marketing of legal crops, USAID's impact of alternative development efforts could be diminished. Other donor activities in coca-growing areas are advancing:

- World Bank's and IDB's financed reconstruction of the main highways connecting selva main cities as Pucallpa and Tarapoto with the sierra, Lima and other important markets are in the bidding process stage.
- UNDCP has started an approximately US \$2.2 million three-year project in the Apurimac River valley, mainly working with the coffee and cacao grower associations.
- The German government is also in the evaluation process for financing projects in areas where coca is grown illegally. Through INADE they will invest DM 35 million in Jaen-San Ignacio-Bagua area, and DM 15 million in Alto Mayo area.
- IDB is analyzing the approval of two loans for Peru which will impact on the coca-growing areas: One for US \$ 90 million for rural roads in extreme poverty areas (Departments of Ayacucho, Cajamarca, Cuzco, and Huancavelica), and another loan for US \$ 4 million for public investment upgrading loans.

-- USAID has coordinated with the Japanese Embassy as part of the Common Agenda to define field activities that can be worked out in a complementary way. Some of these will be: agriculture and processing of camu-camu tropical fruit in the Aguaytia area and the provision of rice seed for the Tarapoto area.

The GOP continues to take actions which clearly show its commitment to provide the conditions conducive to the implementation of viable alternative development solutions. Particularly, the GOP has been integrating narcotics control planning at the national strategic level and has been successfully seeking other donor cooperation to finance the physical infrastructure that is necessary to sustain alternative development and drug awareness initiatives and broad economic development goals in coca-producing areas. In this respect, the GOP has successfully negotiated financing agreements with the World Bank and the InterAmerican Development Bank to rehabilitate the road network linking agricultural producing areas to markets and other essential infrastructure, such as power generation, so essential for sustained development.

The Peruvian Police and Armed Forces continue to collaborate in an increasing number and variety of counternarcotics activities. In particular, the Peruvian Air Force and Police have established permanent detachments to control use of numerous legal airports in coca-growing areas for drug trafficking purposes. The Air Force, Navy, and Police continue their program to seize or destroy aircraft engaged in drug trafficking.

The previously mentioned National Plan for the Control and Prevention of Drugs represents the most recent GOP re-affirmation of its commitment to deal with Peru's drug production, consumption and trafficking problems as well as to alternative development as a key element of its strategy.

The GOP actively supports alternative development activities through the provision of more than \$20 million in Host Country Owned Local Currency over the past three years and is currently providing \$4 million for alternative development and \$5 million for local government development from Public Treasury funds. Aside from direct assistance for alternative development, the Peruvian military actively supports USAID and INADE personnel by providing security for project personnel and helicopters when available. INADE maintains a staff of at least 50 people, both in INADE/Lima and through their Special Projects Offices, who directly implement AD activities and have additional support personnel on call, when needed.

Other Peruvian support is provided by local governments who contribute an average of 15 percent of the total cost of basic service development activities and by the communities who provide another 10 percent of most activity costs through the provision of manual labor.

The participation of other USG agencies is also critical to achieve the special objective. These include NAS with a 1997 budget of \$25 million, the Drug Enforcement Agency (DEA), the Military Assistance Advisory Group (MAAG) and the various intelligence agencies. Their participation in the coordination of the USG Counternarcotics Strategy in Peru is achieved through the Counternarcotics Coordinating Board which meets to plan long-range strategy and short-term activities, among them coordination of considerable support provided by USG agencies outside Peru, including the U.S. Department of Defense Southern Command (DOD/USSOUTHCOM), which will lead to accomplishing the special objective. Examples of coordination include programming of law enforcement activities which will help to achieve the Objective, coordinating all activities to avoid interference with other activities in cases where they are being implemented in the same area, and providing logistical support and information on coca cultivation in specific communities which is needed for AD baseline data.

## **5. Sustainability**

At the national level, sustainability will be achieved by the implementation of an approved GOP National Strategy for Alternative Development. This strategy will include both GOP and donor participation and will specify the GOP entity charged with coordination responsibility for achieving its stated objectives.

Due to the increased interest shown by high level GOP officials during the past few months, it is anticipated that the National Strategy for Alternative Development will be completed by the end of CY 1996. Although beyond the purview of this special objective, it should be noted also that absent successful implementation of elements of the U.S. National Drug Control Strategy relating to control and reduction of domestic cocaine demand within the U.S., and corresponding control of demand elsewhere, it is probable that sustained international demand will result in economic pressure that would defeat the goals of this special objective, no matter how effective its implementation within Peru.

Sustainability at the local level will be achieved through strengthening community participation in their economic, social and political life through the provision of training and technical assistance for the various individuals and groups (governmental and non-governmental) who make up society in the target areas. Concrete examples of how sustainability works at the local level were demonstrated during the final year of the UHAD Project, the LGD Project and the first nine months of the AD Project when communities organized committees to operate and maintain activities implemented by the various projects. These include potable water systems, health posts, school buildings and feeder roads. The CN ESF-funded LGD Project, under the Mission's democracy SO, will also play a critical role in developing citizen understanding of the duties, rights and responsibilities as it relates to the functioning of society and the maintenance of security.

In the income and employment intermediate result, sustainability will be achieved by the active involvement of the private sector in any activity in which the strategic objective participates. Activities will be market driven and priorities will be determined by the willingness of the private sector to invest in the proposed activity. Credit activities generally will be coursed through the private banking sector and will include a supervised credit component which will help to ensure its sustainability once strategic objective activities have been terminated. Private sector interest, including willingness to invest, in agricultural production has already been demonstrated for coffee, cacao, beans, cotton, sesame seed, and jute, among other crops. In the credit sector, a private bank is willing to match project funds on a one-to-one basis for several credit activities which will be managed and implemented by them.

The Alternative Development and Drug Awareness Special Objective contributes to the achievement of all four Mission Strategic Objectives while all also support this objective. Other USAID/Peru activities such as local government strengthening under the Mission's democracy objective (SO1), support to microentrepreneurs and small farmers under our increased incomes objective (SO2), environmental and natural resource management within SO4, and child and maternal health interventions under the Mission's improved health strategic objective (SO3), as well as various food security activities under SO2, are complimentary to this special objective. One reason for these synergies is that several activities such as local government strengthening and microentrepreneur and small farmer support are completely or partially funded with Counternarcotics ESF. Even though these efforts are directed toward coca-growing and out-migration areas they can be replicated by the GOP or other donors and thus will have a wider development impact for Peru as a whole. Portions of other activities in the environment, health, food security are complementary in nature and can help the special objective to achieve its overall goal of reducing illicit coca production in Peru.

## **6. Measuring achievement**

Achievement of the special objective will be determined by the number of hectares of coca which has been removed from production in the target areas. The target for the five year duration of the special objective is a 50 percent reduction of coca production in target areas. Although the actual number of hectares to be reduced cannot be determined at this point because of the lack of baseline data for each community where the activities will be implemented, it is estimated that between 10,000 to 15,000 hectares in five major coca-growing areas will be removed from coca production during the next five years. Surveys are being conducted by CORAH with financing from NAS funds to determine baselines for each community. These figures will form the basis for the community/local government agreements

and progress toward agreed upon targets will be measured each year by CORAH. As was mentioned above, achievement of the targets also depend on the effectiveness of the USG/GOP law enforcement/interdiction component, an intermediate result outside of the control of this special Objective, but which, never-the-less, will be closely monitored by the special objective team.

Following are proposed indicator and targets:

**Special Objective: Reduce illicit production of coca in target areas in Peru**

- (a) *Number of coca hectares in production in targeted areas.* CORAH annual surveys. **Target:** 50 percent reduction by 2001 based on 1996 CORAH baseline surveys.
- (b) *Volume of coca leaf production in targeted areas.* CORAH: annual surveys. **Target:** 50 percent reduction based on baseline of 2,000 kg/ha.
- (c) *Number of communities committed to support alternative development efforts in target areas.* Indicator will track new activity starts leading to indicator a and b. **Target:** At least 300 communities and up to 400 communities by 1998 (depends on number of agreements actually signed in 1996 and 1997.)

**I.R. # 1: Increased income and employment from licit economic activities in target areas**

- 1.1 *Number of full time paid jobs generated.* Temporary employment generated by increased legal agriculture activities, and new microenterprises established. **Target:** Employment: 30,000 jobs by 1999 and 50,000 jobs by 2001. Microenterprises: 50 by 1999 and 150 by 2001.
- 1.2 *Value of production of legal agriculture crops.* As a proxy indicator for incomes from licit agriculture sources. **Target:** 25 percent increase by 1999 and 60 percent increase by 2001.
- 1.3 *Value of production of off-farm activities.* **Target:** 15 percent increase by 1999 and 30 percent increase by 2001.

**I.R. # 2: Improved quality of life in targeted areas**

- 2.1 *Percentage of population in target areas with access to basic services.* Health, education, potable water, electricity. **Target:** 50 percent by 1999 and 80 percent by 2001.
- 2.2 *Percentage of local governments in target areas implementing projects with citizens participation.* As a proxy for measuring citizens understanding of rights and responsibilities. **Target:** 70 percent by 1999 and 90 percent by 2001.

**I.R. # 3: Increased awareness of damages caused by drug production and use**

- 3.1 *Level of drug awareness in target areas.* Surveys will be taken every two years. **Target:** 50 percent aware by 1998 and 75 percent aware by 2001.
- 3.2 *Number of community groups engaged in drug prevention activities in target areas.* **Target:** 65 total groups by 1996, 80 total by 1997, and 100 total by 2001. (1995 baseline: 50 groups.)

- 3.2 *Percentage of Peruvians who think that drug production, trafficking and abuse is a major problem for Peru.* National level surveys. Target: 60 percent in 1996, 72 percent by 1997 and 80 percent by 2001. (1995 baseline is 52 percent.)

**I.R. # 4: Suppressed narcotics trafficking through law enforcement and interdiction efforts.**

- 4.1 *Price of coca products in target areas.* Leaf, coca paste, coca base prices as collected by informal surveys. Data to be provided by other U.S. agencies. (non-USAID)
- 4.2 *Volume of cocaine base mobilized.* Such as monitored estimated volume of drugs mobilized by planes. Data to be provided by other U.S. agencies. (non-USAID)
- 4.3 *Reduced availability of processed coca products or unprocessed coca leaf destined for processing, to drug traffickers.* Data to be provided by other U.S. agencies. (non-USAID)
- 4.4 *Seizure or destruction of illicit drugs and of chemicals used for their processing.* Peruvian National Police, National Anti-Drug Directorate (DINANDRO). (non-USAID)
- 4.5 *Arrest and incarceration of major drug traffickers.* Peruvian National Police, National Anti-Drug Directorate (DINANDRO). (non-USAID)

**I.R. #5: Increased other donor and GOP activities in alternative development**

- 5.1 *Amount of GOP Public Treasury funds budgeted for target areas.* Counterpart and regular programs budget. (non-USAID)
- 5.2 *Amount and number of new other donor activities implemented in target areas.* By donor and type of activities, and level of funding. (non-USAID)
- 5.3 *Percentage of target areas included in geographic focus of multilateral development bank projects.* IDB and World bank loans to Peru. (non-USAID)
- 5.4 *Completion and presentation of GOP National Alternative Development Strategy.* Completed by late 1996 and presented to other donors in 1997. (non-USAID)

**7. Expected Progress in FY 97/98**

Progress toward meeting the special objective will be measured on a calendar year basis rather than on a fiscal year basis. The specific target for CY 97 will be set during the preparation of the CY 97 annual work plan, but it is estimated to be a reduction of approximately 5,000 hectares of coca. The target for CY 98 cannot be determined at this time because of the various circumstances and factors influencing its achievement.

Progress toward meeting intermediate results for CY 97 and CY 98 will be determined once the targets have been set for each of these years. The targets will be based on community participation in determining their needs.

**8. Global Bureau Activities**

There are no Global Bureau activities underway in Peru in alternative development and drug awareness of which the Mission is aware.

### **III. RESOURCE REQUIREMENTS**

### **III. Resource Requirements**

#### **A. Introduction**

USAID/Peru's Strategic Framework for the planning period relies substantially on the availability of economic growth, democracy, and P.L. 480 food assistance resources to support activities under five Strategic and Special Objectives.

Despite the benefits that are expected to be derived from reengineering and strategic frameworks, the continued budget restrictions (e.g. Population and Child Survival earmarks) seriously constrain the Mission's ability to respond to Peru's evolving development needs and Agency priorities.

Funding for the FY 1997-2001 Strategic Plan period is fully consistent with USAID/W priorities for sustainable development countries, and reflects careful targeting of projected limited resources within each strategic objective.

USAID/Peru levels for DA, ESF and P.L. 480 for the planning period conform to the levels the Mission was instructed to use for the R4. FY 1997 DA levels have been presented at two scenarios: one utilizing Bureau allocations to the Mission based on the OMB request level for FY 1997, and the other providing for a 20 percent reduction from this base. The two budget alternatives in FY 1998 and beyond are at 10 percent and 30 percent below the FY 1997 OMB request level. The Mission has distributed these resources taking into consideration not only earmarks or Congressionally mandated activities, but also the priority of its SOs under each funding scenario, and estimated expenditure rates of proposed activities to support the achievement of each SO.

As indicated under each SO, close donor coordination is a key element in carrying out the USAID proposed plan. The IMF, IBRD, IDB, several bilateral donors (Germany, Canada, Japan, England), as well as GOP and NGO partners, are providing substantial resources to Peru in areas which are being assisted by USAID. USAID will leverage additional resources and technical expertise to more effectively and efficiently achieve common objectives.

Under each SO narrative, the analysis identifies the effects that each budget scenario will have on achieving the objective.

The Mission requests \$454.9 million in combined development assistance, economic support and P.L. 480 resources to achieve the broader objective of promoting sustainable development. A reduction below this level will seriously impede the Mission's ability to help Peru build a participatory democracy and modern state, reduce poverty and illicit coca production, expand health and family planning services, protect the environment, and better manage the country's natural resources.

Table III. 1  
ALL RESOURCES TABLE  
USAID/PERU  
(\$000)

Funding Category	FY 1996	FY 1997		FY 1998	
		Base	Base - 20%	Base - 10%	Base - 30
<b>Development Assistance/ SEED/FSA/ESF/IDA ***</b>					
Economic Growth	5,428	7,362	7,362	7,100	7,100
Of which: Field Support ****	60	90	90	90	90
Population/Health	24,087	24,985	18,000	20,680	16,000
Of which: Field Support ****	10,150	8,570	7,070	7,750	5,802
Environment	3,900	3,340	3,340	3,500	3,000
Of which: Field Support ****	32	50	50	50	50
Democracy	2,262	1,727	1,727	3,000	2,500
Of which: Field Support ****	-	-	-	-	-
Humanitarian Assistance/Transition	-	-	-	-	-
Of which: Field Support	-	-	-	-	-
PL 480:					
Title II	50,974	43,700	43,700	43,700	43,700
Title III	-	-	-	-	-
Other (HG, MSED,ECA)					
<b>GRAND TOTAL</b>	<b>86,651</b>	<b>81,094</b>	<b>74,129</b>	<b>77,980</b>	<b>72,300</b>

\* The FY 1998 level is from operating bureau allocations based on 75 per cent of the FY 1996 request level, except for PL 480 programs for which appropriations have been enacted.

\*\* Base is defined as operating bureau allocations based on the FY 1997 OMB request level. These allocations shall be ACSI code driven.

\*\*\* FY: SEED= Support for Eastern European Democracy; FSA= Freedom Support Act (NIS countries); IDA= International Disaster Assistance;

HG = Housing Guranty; MSED= Micro and Small Enterprise Development; ECA= Enhanced Credit Authority

\*\*\*\* Refers to all Field Support - both Global-obligated and Mission-obligated.

Table III. 2  
Funding Scenarios by Objective \*  
(000)

OBJECTIVE	FY 1997			FY 1998	
	FY 1996 **	Base ***	Base - 20%	Base - 10%	Base - 30
<b>Strategic Objective # 1: Broader Citizen Participation in Democratic Processes</b>					
Development Assistance/SEED/FSA ****	***** 2,262	1,727	1,727	3,000	2,500
Economic Support Funds *****	8,000	8,000	8,000	8,000	8,000
PL480 Title II	-	-	-	-	-
Title III	-	-	-	-	-
International Disaster Assistance	-	-	-	-	-
Other (HG, MSED, ECA) *****	-	-	-	-	-
<b>Strategic Objective # 2: Increase Incomes of the Poor</b>					
Development Assistance/SEED/FSA ****	5,418	7,362	7,362	7,100	7,100
Economic Support Funds *****	2,000	3,000	3,000	3,000	3,000
PL480 Title II	50,974	43,700	43,700	43,700	43,700
Title III	-	-	-	-	-
International Disaster Assistance	-	-	-	-	-
Other (HG, MSED, ECA) *****	-	-	-	-	-
<b>Strategic Objective # 3: Improved Health, including Family Planning, of High-Risk Populations</b>					
Development Assistance/SEED/FSA ****	***** 24,087	24,965	18,000	20,880	16,000
Economic Support Funds *****	-	-	-	-	-
PL480 Title II	-	-	-	-	-
Title III	-	-	-	-	-
International Disaster Assistance	-	-	-	-	-
Other (HG, MSED, ECA) *****	-	-	-	-	-
<b>Strategic Objective # 4: Improved Environmental Management in Targeted Sectors</b>					
Development Assistance/SEED/FSA ****	3,900	3,340	3,340	3,500	3,000
Economic Support Funds	-	-	-	-	-
PL480 Title II	-	-	-	-	-
Title III	-	-	-	-	-
International Disaster Assistance	-	-	-	-	-
Other (HG, MSED, ECA) *****	-	-	-	-	-
<b>Special Objective: Reduce Illicit Coca Production in Peru's Target Areas</b>					
Development Assistance/SEED/FSA ****	10	-	-	-	-
Economic Support Funds	10,000	9,000	9,000	9,000	9,000
PL480 Title II	-	-	-	-	-
Title III	-	-	-	-	-
International Disaster Assistance	-	-	-	-	-
Other (HG, MSED, ECA) *****	-	-	-	-	-
<b>Total</b>					
Development Assistance/SEED/FSA ****	35,677	37,394	30,429	34,280	28,600
Economic Support Funds	20,000	20,000	20,000	20,000	20,000
PL480 Title II	50,974	43,700	43,700	43,700	43,700
Title III	-	-	-	-	-
International Disaster Assistance	-	-	-	-	-
Other (HG, MSED, ECA) *****	-	-	-	-	-

\* Use all funding spigots, including DA, SEED, FSA, ESF, PL480, IDA, HG, MSED, and ECA.

\*\* The FY 1998 level is from operating bureau allocations based on 75 per cent of the FY 1998 CP request level, except for PL480 programs for which appropriations have been enacted.

\*\*\* Base is defined as operating bureau allocations based on the FY 1997 OMB request level.

\*\*\*\* Please disaggregate by funding category.

\*\*\*\*\* Assumes additional ESF resources as reflected in our Resource Requirements Section.

\*\*\*\*\* Includes \$900,000 Regional Funds for ILD.

\*\*\*\*\* Includes \$ 19.077 million for population related activities as per e-mail guidance from LAC/DP 3/15/98.

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## **B. USAID/Peru Program Funding Request by Strategic Objective**

### **Strategic Objective # 1 - Broader Citizen Participation in Democratic Processes**

The Mission estimates that this SO can be achieved within seven years at a cost of \$41.7 million, the OMB-10% level. \$35.7 million will be required during the 1997-2002 planning period. The SO can be achieved under this scenario to the extent described in the narrative and defined by IR and SO indicators. However, funding is very tight, and the initial low amounts to be provided in FY 1996/97 will limit or postpone the implementation of key activities. Any delays or shortfalls in anticipated funding will further hinder achievement of the SO.

Under this scenario, presented in Table 1, SO1 will address the concerns of our customers and partners, articulated in the following four intermediate results (IRs): (1) More Effective National Institutions, (2) Greater Access to Justice, (3) Local Governments More Responsive to Constituents, and, (4) Citizens Better Prepared to Exercise Rights and Responsibilities. These four IRs and the SO directly support the Agency Goal of "Sustainable Democracies Built." Assistance will be focused on: (1) selected national and local government institutions (controller general, judiciary, congress and electoral bodies); (2) local governments and local government officials, particularly those in targeted areas; (3) individual and community groups who are the most vulnerable and marginalized, including indigenous groups, women, and rural communities in coca producing regions; and, (4) NGOs that provide support to these groups or otherwise foment participation and democratic reform. Achievement of the SO will result in a more vibrant civil society, characterized by increased interaction among citizens and local and national government officials and institutions, thereby influencing reform.

The second scenario, OMB-30%, Table 2, would seriously impede the Mission's ability to achieve the SO, particularly efforts aimed at strengthening local and national government institutions. At the local level, the Mission would be prevented from expanding its program beyond its current eight departments, which are insufficient to: 1) achieve the critical mass needed to provide impetus for a rapid implementation of the decentralization process; 2) develop critical models of resource generation, if local governments are to achieve financial independence; and, 3) establish national and regional training facilities which will help to secure the sustainability of decentralization activities.

At the national level, as political will for democratic reforms increases, USAID/Peru envisions greater opportunities for assistance to the aforementioned institutions, thereby improving the Mission's ability to strengthen and expand the channels of communication necessary for broader citizen participation. Such significant, longer-term efforts would not receive sufficient financing to warrant USAID involvement. More importantly, reduced funding to the SO would deny USAID access to critical targets of opportunity, including support to fledgling institutions such as the Judiciary Council, Judicial Academy, the Office of the Ombudsman, and the Constitutional Guarantee Tribunal. Additionally, USAID assistance to develop an information data base for the Justice System and related activities would, in all likelihood, be curtailed.

This lower level of funding would also require the termination, or forestall the initiation, of assistance to human rights groups and journalists. Assistance to human rights groups, previously focused on those unjustly accused of terrorism and related matters, are just now beginning to be drawn into mainstream human rights issues, including civic education and basic rights of women, minorities, and those unjustly accused of common crimes. Furthermore, USAID will be forced to suspend its support to journalists and the development of a truly effective mass media, one of the bulwarks of any democracy.

TABLE 1

Strategic Objective No. 1  
Resources Request  
(-10%)  
(US\$ 000)

	PD&S	SPECIAL	PARTICIPATORY	JUSTICE	CONGRESSIONAL	LOCAL GOV.	ILD	NEW	TOTAL
		PROJECTS	DEMOCRACY	SECTOR SUPP.	INFORMAT.	DEVELOP.		ACTIVITIES	
<b>DA</b>									
<b>LOP</b>			13,625	5,800	4,000		13,088		
<b>FY 1996 &amp;</b>									
<b>CUMUL</b>	212.3	200	7,625	600	--	--	13,088	--	21,725
<b>FY 1997</b>	127	200	600	300	500	--	--	--	1,727
<b>FY 1998</b>	200	200	800	800	1,000	--	--	--	3,000
<b>FY 1999</b>	200	200	800	600	1,200	--	--	--	3,000
<b>FY 2000</b>	200	200	800	500	1,300	--	--	--	3,000
<b>FY 2001</b>	200	200	1,000	1,000	--	--	--	600	3,000
<b>FY 2002</b>	200	200	1,000	1,000	--	--	--	600	3,000
<b>FY 2003</b>	200	200	1,000	800	--	--	--	800	3,000
<b>Sub-Total DA 97-01</b>	927	1,000	4,000	3,200	4,000	--	--	600	13,727
<b>Sub-Total DA 97-03</b>	1,327	1,400	6,000	5,000	4,000	--	--	2,000	19,727
<b>ESF</b>									
<b>LOP</b>						35,000			
<b>FY 1996 &amp;</b>	--	--	--	--	--	--	--	--	--
<b>CUMUL</b>	--	--	--	--	--	13,000	--	--	13,000
<b>FY 1997</b>	--	--	--	--	--	8,000	--	--	8,000
<b>FY 1998</b>	--	--	--	--	--	8,000	--	--	8,000
<b>FY 1999</b>	--	--	--	--	--	8,000	--	--	6,000
<b>FY 2000</b>	--	--	--	--	--	--	--	--	0
<b>FY 2001</b>	--	--	--	--	--	--	--	--	0
<b>FY 2002</b>	--	--	--	--	--	--	--	--	0
<b>FY 2003</b>	--	--	--	--	--	--	--	--	0
<b>Sub-Total ESF 97-01</b>	--	--	--	--	--	22,000	--	--	22,000
<b>Sub-Total ESF 97-03</b>	--	--	--	--	--	22,000	--	--	22,000
<b>TOTAL 97-01</b>	927	1,000	4,000	3,200	4,000	22,000	--	600	35,727
<b>TOTAL 97-03</b>	1,327	1,400	6,000	5,000	4,000	22,000	--	2,000	41,727

TABLE 2

Strategic Objective No. 1  
Resources Request  
(-30%)  
(US\$ 000)

	PD&S	SPECIAL	PARTICIPATORY	JUSTICE	CONGRESSIONAL	LOCAL GOV.	ILD	NEW	TOTAL
		PROJECTS	DEMOCRACY	SECTOR SUPP.	INFORMAT.	DEVELOP.		ACTIVITIES	
<b>DA</b>									
<b>LOP</b>			12,725	5,000	4,000		13,088		
<b>FY 1996 &amp;</b>									
<b>CUMUL</b>	212	200	7,625	600	--	--	13,088	--	21,725
<b>FY 1997</b>	127	200	600	300	500	--	--	--	1,727
<b>FY 1998</b>	200	200	800	500	1,000	--	--	--	2,500
<b>FY 1999</b>	200	200	700	600	800	--	--	--	2,500
<b>FY 2000</b>	200	200	800	500	1,000	--	--	--	2,500
<b>FY 2001</b>	200	200	700	700	700	--	--	--	2,500
<b>FY 2002</b>	200	200	1,000	1,000	--	--	--	100	2,500
<b>FY 2003</b>	200	200	800	800	--	--	--	400	2,500
<b>Sub-Total DA 97-01</b>	927	1,000	3,200	2,800	4,000	--	--	0	11,727
<b>Sub-Total DA 97-03</b>	1,327	1,400	5,100	4,400	4,000	--	--	500	18,727
<b>ESF</b>									
<b>LOP</b>						20,000			
<b>FY 1996 &amp;</b>									
<b>CUMUL</b>	--	--	--	--	--	9,000	--	--	9,000
<b>FY 1997</b>	--	--	--	--	--	4,000	--	--	4,000
<b>FY 1998</b>	--	--	--	--	--	4,000	--	--	4,000
<b>FY 1999</b>	--	--	--	--	--	3,000	--	--	3,000
<b>FY 2000</b>	--	--	--	--	--	--	--	--	--
<b>FY 2001</b>	--	--	--	--	--	--	--	--	--
<b>FY 2002</b>	--	--	--	--	--	--	--	--	--
<b>FY 2003</b>	--	--	--	--	--	--	--	--	--
<b>Sub-Total ESF 97-01</b>	--	--	--	--	--	11,000	--	--	11,000
<b>Sub-Total ESF 97-03</b>	--	--	--	--	--	11,000	--	--	11,000
<b>TOTAL 97-01</b>	927	1,000	3,200	2,800	4,000	11,000	--	0	22,727
<b>TOTAL 97-03</b>	1,327	1,400	5,100	4,400	4,000	11,000	--	500	27,727

## **Strategic Objective # 2 - Increased Incomes of the Poor**

The Mission estimates that full achievement of SO2 can be reached within the six-year period 1997-2002 at a cost of \$253.8 million at the OMB-10% level. The five-year planning period, 1997-2001, will require \$232.6 million.

With this level of resources, the SO seeks to improve the economic well-being of the poor by focussing development and food assistance on five principal areas of concentration: (1) improved policies; (2) increased market access; (3) improved capacity of the extremely poor; (4) strengthened organizational outreach; and, (5) increased production/productivity. In order to accomplish these intermediate results and achieve the SO, the Mission is proposing to: (a) incorporate the Food Security Strategy into the SO, while targeting corresponding P. L. 480 Title II resources on the extremely poor in the rural areas of the *Sierra*; (b) initiate a new "*Alpaca*" activity which will focus on increased productivity and market access for the poorest populations in the high Andes producing alpaca (wool, meat, hides); (c) implement a follow-on activity to the existing Microenterprise and Small Producers Support project which will focus on microenterprise handicraft development and production by small producers of traditional Andean grains (quinoa, kiwicha) in the *Sierra*, and production and marketing assistance to small producers in coffee and tropical products in the *Selva*; and (d) fund a follow-on activity to the Policy Analysis, Planning and Implementation Project which will focus on state modernization and social sector policy reforms related to human capital development. The above activities are essential to the achievement of the SO and reinforce SO linkages to the Agency's goal of Broad-Based, Sustainable Economic Growth. This SO is supportive and fully consistent with GOP anti-poverty and microenterprise development strategies.

To adequately respond to the needs of the two principal groups of SO2 customers -- food insecure people of the *Sierra*, who cannot meet their minimum nutritional requirements, and the poor in peri-urban areas of Lima and the *Sierra*, who have limited access to credit and markets -- it is essential that the Mission receives the level of DA, ESF, and P. L. 480 Title II resources presented in Table 1.

Table 2 presents the alternative budget scenario at OMB-30%. Critically important activities that would be jeopardized at this reduced level of resources are support to microenterprises and NGO strengthening. This reduction will result in: only 200, rather than the planned 300, institutions strengthened; the reduction of as much as \$50 million in efficient distribution of anti-poverty resources to the poor; and, a reduction of \$20 million in sales in at least five new markets, or the equivalent of \$5,300 for each of 3,700 clients.

Under both scenarios, ESF is a vital resource for critical agricultural and microenterprise activities. If SO2 were not to receive ESF funding during the planning period (including FY 1996), the MSP I project would not be fully-funded by its current PACD, nor would there be sufficient DA resources to undertake a significant follow-on effort in the *Selva* under MSP II. It would require eliminating \$17 million of ESF for production/processing/marketing of microenterprise and agricultural products and, as a consequence, a substantial restructuring of the SO. This is reflected in the target indicators for the year 2000. Volume and value of targeted commodities sold would be reduced by 40 percent, equivalent to a reduction of over \$300 million of sales, or \$6,000 per client for 50,000 clients.

To assist in the development and evaluation of new and existing programs throughout the planning period, the Mission will continue to seek the assistance of LAC TECH II (six person-weeks per year). Likewise, four person-weeks from the Livestock CRSP will be needed annually for the alpaca activity during the first three years of the planning period.

TABLE 1

Strategic Objective No. 2  
Resource Request  
(-10%)  
(US\$ 000)

	PD&S	PAPI	MSP I	MSP II	ALPACA	FOOD	PVO	TITLE II	TOTAL
						SECURITY	SUPPORT		
<b>DA</b>									
LOP		3,000	10,967	18,000	5,700	2,200	13,880		
FY 1996 &									
CUMUL	--	--	8,277	--	739	200	7,380	--	16,596
FY 1997	372	--	2,590	--	1,000	400	3,000	--	7,362
FY 1998	200	1,000	--	3,000	1,000	400	1,500	--	7,100
FY 1999	200	1,000	--	3,000	1,000	400	1,500	--	7,100
FY 2000	200	1,000	--	3,000	1,000	400	500	--	6,100
FY 2001	200	--	--	4,863	500	200	0	--	5,563
FY 2002	200	--	--	4,337	461	200	0	--	5,198
Sub-Total DA 97-01	1,172	3,000	2,590	13,863	4,500	1,800	6,500	--	33,225
Sub-Total DA 97-02	1,372	3,000	2,590	18,000	4,961	2,000	6,500	--	36,423
<b>ESF</b>									
LOP		7,150	17,867	12,000	--				
FY 1996 &									
CUMUL	--	7,150	14,821	--	--	--	--	--	21,971
FY 1997	154	--	2,846	--	--	--	--	--	3,000
FY 1998	--	--	--	3,000	--	--	--	--	3,000
FY 1999	--	--	--	3,000	--	--	--	--	3,000
FY 2000	--	--	--	3,000	--	--	--	--	3,000
FY 2001	--	--	--	3,000	--	--	--	--	3,000
FY 2002	--	--	--	--	--	--	--	--	--
Sub-Total ESF 97-01	154	--	2,846	12,000	--	--	--	--	15,000
Sub-Total ESF 97-02	154	--	2,846	12,000	--	--	--	--	15,000
<b>PL 188</b>									
FY 1996 &									
CUMUL	--	--	--	--	--	--	--	50,974	--
FY 1997	--	--	--	--	--	--	--	43,700	--
FY 1998	--	--	--	--	--	--	--	43,700	--
FY 1999	--	--	--	--	--	--	--	40,000	--
FY 2000	--	--	--	--	--	--	--	37,000	--
FY 2001	--	--	--	--	--	--	--	20,000	--
FY 2002	--	--	--	--	--	--	--	16,000	--
Sub-Total PL188 97-01	--	--	--	--	--	--	--	184,400	184,400
Sub-Total PL188 97-02	--	--	--	--	--	--	--	200,400	200,400
TOTAL 97-01	1,326	3,000	5,436	25,863	4,900	1,800	6,500	184,400	232,823
TOTAL 97-02	1,526	3,000	5,436	30,000	4,961	2,000	6,500	200,400	253,823

TABLE 2

Strategic Objective No. 2  
Resource Request  
(-30%)  
(US\$ 000)

	PD&S	PAPI	MSP I	MSP II	ALPACA	FOOD	PVO	TITLE II	TOTAL
						SECURITY	SUPPORT		
<b>DA</b>									
LOP		3,000	10,967	11,000	4,700		11,880		
FY 1996 &									
CUMUL	--	--	8,277	--	739	200	7,380	--	16,596
FY 1997	372	--	2,590	--	1,000	400	3,000	--	7,362
FY 1998	200	1,000	--	3,000	1,000	400	1,500	--	7,100
FY 1999	200	1,000	--	3,000	1,000	400	--	--	5,600
FY 2000	200	1,000	--	2,000	961	400	--	--	4,561
FY 2001	200	--	--	3,000	--	200	--	--	3,400
FY 2002	200	--	--	--	--	200	--	--	400
Sub-Total DA 97-01	1,172	3,000	2,590	11,000	3,961	1,800	4,500	--	28,023
Sub-Total DA 97-02	1,372	3,000	2,590	11,000	3,961	2,000	4,500	--	28,423
<b>ESF</b>									
LOP		7,150	12,821						
FY 1996 &									
CUMUL	--	7,150	12,821	--	--	--	--	--	19,971
FY 1997	--	--	--	--	--	--	--	--	0
FY 1998	--	--	--	--	--	--	--	--	0
FY 1999	--	--	--	--	--	--	--	--	0
FY 2000	--	--	--	--	--	--	--	--	0
FY 2001	--	--	--	--	--	--	--	--	0
FY 2002	--	--	--	--	--	--	--	--	0
Sub-Total ESF 97-01	--	--	--	--	--	--	--	--	0
Sub-Total ESF 97-02	--	--	--	--	--	--	--	--	0
<b>PL 188</b>									
FY 1996 &									
CUMUL	--	--	--	--	--	--	--	50,974	--
FY 1997	--	--	--	--	--	--	--	43,700	--
FY 1998	--	--	--	--	--	--	--	43,700	--
FY 1999	--	--	--	--	--	--	--	40,000	--
FY 2000	--	--	--	--	--	--	--	37,000	--
FY 2001	--	--	--	--	--	--	--	20,000	--
FY 2002	--	--	--	--	--	--	--	16,000	--
Sub-Total PL188 97-01	--	--	--	--	--	--	--	184,400	184,400
Sub-Total PL188 97-02	--	--	--	--	--	--	--	200,400	200,400
TOTAL 97-01	1,172	3,000	2,590	11,000	3,961	1,800	4,500	184,400	212,423
TOTAL 97-02	1,372	3,000	2,590	11,000	3,961	2,000	4,500	200,400	228,823

### **Strategic Objective # 3 - Improved Health, including Family Planning, of High-Risk Populations**

The total cost through FY 2003 of achieving SO3 is estimated at \$128.4 million. This amount is based on the OMB-10% level, at an average rate of \$18.3 million per year. The Mission estimates it will need \$106.2 million during the planning period 1997-2001. Planned health, population and nutrition interventions directly support the Agency goal of "World's Population Stabilized and Human Health Protected in a Sustainable Fashion." SO3 will pursue four mutually-reinforcing intermediate results based on a new framework that postulates that improved health of high-risk populations will come about if, by themselves or through their health services, people take appropriate preventive, promotive and curative actions, and sustainable institutions and operations are in place. The strategy takes an integrated, primary health care approach, focuses on decentralization and local non-governmental organizations, seeks to remove constraints to demand and improve quality of care, explicitly recognizes reproductive rights, and espouses a pluralistic approach to service provision. Its targeted approach on the peri-urban and rural poor is consistent with current GOP policy and its *Lucha contra la Pobreza* (War on Poverty).

SO3 has proved itself as a strong performer. Consequently, it should be accorded the resources necessary to fund the following proposed new activities: (1) *Nino Sano* (Healthy Children), a follow-on activity to SHIP South; (2) Emerging Diseases, which will focus on prevention and control strategies for emerging and re-emerging diseases; (3) Girls' Education, which will support girls' education through scholarships in targeted areas; and (4) Health Financing, which will build upon and consolidate results achieved under Project 2000.

Under the OMB-10% scenario, Table 1, which includes estimates for central services from the Global Bureau's Center on Population, Health and Nutrition, the Mission will be able to expand SO3 portfolio coverage and reach a very large proportion of the 11.5 million Peruvians living in poverty.

Table 2 presents the alternative budget scenario at OMB-30% level. Under this reduced level, progress toward attainment of SO3 will be severely constrained and indicators will not be achieved at the levels proposed. Illustratively, decreases in contraceptive procurements, currently valued at \$2.0 million annually, a figure the Ministry of Health cannot currently assume, would have serious negative consequences for increasing coverage and lowering Peru's total fertility rate, which presently stands at 3.4 births. A fourth Demographic and Health Survey (DHS), planned for 2000 and budgeted in the amount of \$2.0 million, would be underfunded. The DHS provides vital data to measure the impacts of activities under this SO. Reduced funding to non-governmental organizations that provide family planning services would have a detrimental impact on contraceptive prevalence and, consequently, fertility. Finally, planned Mission activities in girls' education and emerging diseases would go unfunded, with serious concomitant negative consequences for health, nutrition and fertility.

TABLE 1

**STRATEGIC OBJECTIVE NO. 3  
RESOURCES REQUEST  
(-10%)  
(US\$ 000)**

	CHILD SURVIVAL	POPULATION	AIDS	HEALTH	TOTAL
LOP	41,855	117,435	1,000	32,780	
FY 1996 &					
CUMUL	21,321	37,757	200	5,348	64,626
FY 1997	4,144	17,970	800	2,051	24,965
FY 1998	4,755	13,810	--	2,115	20,680
FY 1999	4,375	14,778	--	2,426	21,579
FY 2000	3,400	11,000	--	5,400	19,800
FY 2001	3,060	9,500	--	6,640	19,200
FY 2002	400	8,535	--	5,400	14,335
FY 2003	400	4,085	--	3,400	7,885
TOTAL 97-01	19,734	67,058	800	18,632	106,224
TOTAL 97-03	20,534	79,678	800	27,432	128,444

TABLE 2

**STRATEGIC OBJECTIVE NO. 3  
RESOURCES REQUEST  
(-30%)  
(US\$ 000)**

	CHILD SURVIVAL	POPULATION	AIDS	HEALTH	TOTAL
LOP	40,590	94,913	1,000	28,940	
FY 1996 &					
CUMUL	21,321	37,757	200	5,348	64,626
FY 1997	3,205	12,794	640	1,361	18,000
FY 1998	3,433	10,922	160	1,485	16,000
FY 1999	3,662	10,481		3,408	17,551
FY 2000	5,589	9,374		3,780	18,743
FY 2001	1,580	6,150		4,648	12,378
FY 2002	1,520	5,075		5,180	11,775
FY 2003	280	2,360		3,730	6,370
TOTAL 97-01	17,469	49,721	800	14,682	82,672
TOTAL 97-03	19,269	57,156	800	23,592	100,817

#### **Strategic Objective # 4 - Improved Environmental Management in Targeted Sectors**

The Mission estimates that a total of \$22.1 million will be required to achieve SO4 over the eight-year period 1997-2004. A level of \$17.3 million is required for the planning period 1997-2001. The resources requested are based on the OMB-10% level and will be used for the implementation of the following four new activities which fall within priority areas identified by the Mission Environmental Strategy (MES) and which the Mission considers vital for the attainment of SO4: 1) Biodiversity-Protected Areas; 2) Environmental Health; 3) Industrial Pollution Prevention; and, 4) Consolidation of the Environmental Framework. These activities, described in detail under the Intermediate Results Section for SO4, will be key to the attainment of expected results: a) strengthened institutional capacity of public and private sector organizations (PVOs, grassroots organizations, research institutes, business associations, CONAM, and sectoral ministries); b) mobilization of public support for environmental improvements; c) testing and validation of innovative environmental technologies; d) establishment of sound policies and enactment of effective legislation; and, e) adoption of cost effective sustainable practices. One new activity will be initiated per year. The first three activities are directed to the priority areas of fragile ecosystems/biodiversity conservation and urban and industrial pollution, and will build upon results of the SENREM activity. Implementation of these activities will have a direct impact on the adoption of sustainable environmental practices in Peru. A fourth activity, proposed to be initiated in 2000 upon completion of SENREM, will concentrate on required periodical adjustments for the gradual improvement of the legal, policy, regulatory, and normative framework, guided by lessons learned and experience gained over the SO period.

It is important to note that the proposed activities are consistent and responsive to the Agency's environmental goal and address three of its five objectives. Additionally, Peru, as a key biodiversity country, will respond to the Agency's Biodiversity Strategy through the implementation of the Biodiversity-Protected Areas activity. Investments in this area may leverage additional support from USAID/W and other sources.

The attached Table 1 presents the levels of resources required for the proposed activities. These funding levels conform to budget parameters provided by the LAC Bureau. This is the minimum threshold to fully achieve SO4.

Table 2 presents the SO program impacts at the OMB-30% level. At this level, the scope of key activities to be undertaken in industrial pollution and in the consolidation of the environmental framework would need to be scaled back. This would affect Mission prospects for reducing industrial pollution, and will adversely impact sustainability of the SO, as well as its ability to consolidate national environmental legal, policy, and regulatory frameworks.

USAID/Peru anticipates continued support from World Resources Institute under the Environmental Planning and Management Project II, as well as from the Environmental Law Program, Environmental Health Project and Environmental Pollution Prevention Project. Additionally, the Mission plans to leveraging other donor support to fund pilot activities and to expand successful regional and national practices.

TABLE 1

**Strategic Objective No. 4  
Resources Request  
(-10%)  
(US\$ 000)**

	SENREM	PD&S	Biodiversity Protected Areas	Environmental Health	Industrial P2	Consolidation Environmental Framework	TOTAL
FY 1996	3,800	100	--	--	--	--	3,900
FY 1997	2,200	140	1,000	--	--	--	3,340
FY 1998	1,300	200	1,000	1,000	--	--	3,500
FY 1999	798	200	1,000	1,000	500	--	3,498
FY 2000	--	200	750	1,000	1,000	550	3,500
FY 2001	--	200	750	1,000	1,000	550	3,500
FY 2002	--	200	500	1,000	1,000	650	3,350
FY 2003	--	200	--	--	500	750	1,450
<b>Total 97-01</b>	<b>4,298</b>	<b>940</b>	<b>4,500</b>	<b>4,000</b>	<b>2,500</b>	<b>1,100</b>	<b>17,338</b>
<b>Total 97-03</b>	<b>4,298</b>	<b>1,340</b>	<b>5,000</b>	<b>5,000</b>	<b>4,000</b>	<b>2,500</b>	<b>22,138</b>

TABLE 2

**Strategic Objective No. 4  
Resources Request  
(-30%)  
(US\$ 000)**

	SENREM	PD&S	Biodiversity Protected Areas	Environmental Health	Industrial P2	Consolidation Environmental Framework	TOTAL
FY 1996	3,800	100	--	--	--	--	3,900
FY 1997	2,200	140	1,000	--	--	--	3,340
FY 1998	880	170	500	1,450	--	--	3,000
FY 1999	580	170	700	750	800	--	3,000
FY 2000	638	170	500	600	640	400	2,948
FY 2001	--	170	880	800	750	400	3,000
FY 2002	--	170	880	800	700	450	3,000
FY 2003	--	170	540	600	810	750	2,870
<b>Total 97-01</b>	<b>4,298</b>	<b>820</b>	<b>3,580</b>	<b>3,600</b>	<b>2,190</b>	<b>800</b>	<b>15,288</b>
<b>Total 97-03</b>	<b>4,298</b>	<b>1,160</b>	<b>5,000</b>	<b>5,000</b>	<b>3,700</b>	<b>2,000</b>	<b>21,158</b>

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## **Special Objective - Reduced Illicit Coca Production in Target Areas in Peru**

The Mission has determined that this SO can be achieved within eight years at a total cost of \$103 million, but estimates that to reduce coca production to minimally tolerable levels will require resources beyond 2004, possibly to 2010. The total cost of USAID/Peru's Special Objective for Alternative Development and Drug Awareness during the planning period 1997-2001 is estimated at \$63.0 million, and includes requests for \$2.0 million for drug awareness and \$61.0 million for alternative development activities. This level assumes the additional allocation of \$24.0 million of CN ESF resources above the base level of \$39.0 million.

This special objective is of utmost importance to the USG in that it responds to major foreign and domestic policy goals, is consistent with the Agency's sustainable development mission, and directly supports USAID's broad-based economic growth goal. Furthermore, activities under this special objective are a priority for the Mission and support all four of USAID/Peru's strategic objectives as presented in the Strategic Plan. This special objective also addresses a high priority of the GOP: to curb narcotrafficking because of the social, environmental, and economic damage it causes to the country and its institutions.

Peru is the largest source of cocaine abused by Americans within the U.S. USAID/Peru is currently targeting those areas of greatest concentration of coca leaf production. The additional resources requested under this plan will enable the special objective to cover more coca growing areas, and to expand greatly coverage within those areas. According to current estimates, there are 115,300 ha. of coca under production in Peru, of which approximately 15,000 ha. are for licit purposes. Presently, the special objective is operating in areas where approximately 25 percent of Peru's coca is grown (30,000- 40,000 ha.). With current resource levels, 50 percent, or 15,000- 20,000 ha. (ten percent of the country's total coca hectareage) of that production will be eliminated during the timeframe of this plan. With the additional funding and the active participation of other donors, the special objective will expand to cover 60-75 percent (70,000- 90,000 ha.) of the area where illicit coca is grown, with the same target of 50 percent reduction by the year 2004. This will enable the Mission to eliminate a total of 35,000- 45,000 ha. of coca production, making a large impact on the amount of cocaine available for U.S. consumption. Beyond the timeframe of this plan, but within the scope of this special objective, resources in addition to the requested \$63 million will be required to expand activities yet further to cover 90- 95 percent of the country's illicit coca production.

USAID/Peru has been a leader in promoting alternative development activities in Peru, demonstrating new program ideas and promoting greater donor cooperation. The current strategy was proven effective in the Central Huallaga in 1992-1993 and has been adopted by other donors. The USAID activities under the special objective focus on providing both monetary and non-monetary incentives for people in coca growing-areas to substitute their illicit activities for licit ones. This strategy is based on sound development principles, and includes the following activities: (a) implementation of alternative development/local government strengthening activities; and, (b) drug awareness, health, and family planning programs, and other USAID-financed income-generating activities in some of the most isolated and dangerous, but economically important and poverty stricken, areas of Peru. This will be accomplished by re-establishing local government presence in predetermined target areas and making it responsive to individuals living in participating communities. These actions will lead to a reduction of illicit coca production which will be sufficient enough to sustain a continued decline even after USG support is terminated within eight to ten years. Table 1, attached, presents funding levels required per year for this special objective.

Under the lower scenario described in Table 2 (\$39 million), no special ESF resources for Alternative Development/Drug Awareness and other counternarcotics-related Mission activities will be received. This will reduce the planned coverage to 30,000- 40,000 ha. of coca production in the targeted areas. Although the special objective of 50 percent reduction in targeted areas will still be met, it will not achieve the objectives of foreign and domestic policy goals to reduce coca production, and subsequent cocaine export to the U.S., to minimally tolerable levels. As well, with the present rates of expenditures, the special objective could run out of money by the end of FY 1998.

Table 1

**Special Objective "Reduced Illicit Coca Production  
in Target Areas in Peru"  
Resources Request  
(Request Level)  
(US\$ 000)**

	<b>DRUG AWARENESS</b>	<b>ALTERNATIVE DEVELOPMENT</b>	<b>TOTAL</b>
<b>ESE</b>			
<b>LOP</b>	10,500	140,000	
<b>FY 1996 &amp; CUMUL</b>	8,500	39,000	47,500
FY 1997	2,000	7,000	9,000
FY 1998	--	9,000	9,000
FY 1999	--	11,000	11,000
FY 2000	--	17,000	17,000
FY 2001	--	17,000	17,000
FY 2002	--	17,000	17,000
FY 2003	--	17,000	17,000
FY 2004		6,000	6,000
<b>Total 97-01</b>	2,000	61,000	63,000
<b>Total SO-LOP 97-04</b>	2,000	101,000	103,000

Table 2

**Special Objective "Reduced Illicit Coca Production  
in Target Areas in Peru"  
Resources Request  
(Base Level)  
(US\$ 000)**

	<b>DRUG AWARENESS</b>	<b>ALTERNATIVE DEVELOPMENT</b>	<b>TOTAL</b>
<b>ESE</b>			
<b>LOP</b>	10,500	72,000	
<b>FY 1996 &amp; CUMUL</b>	8,500	35,000	43,500
FY 1997	2,000	4,000	6,000
FY 1998	--	6,000	6,000
FY 1999	--	7,000	7,000
FY 2000	--	10,000	10,000
FY 2001	--	10,000	10,000
<b>Total 97-01</b>	2,000	37,000	39,000
<b>Total SO-LOP 97-01</b>	2,000	37,000	39,000

**PROGRAM RESOURCE REQUIREMENTS BY ACCOUNT BY FISCAL YEAR \***  
**US \$ 000**

	<b>FY97 OMB Request</b>	<b>FY98 OMB</b>	<b>FY99 OMB</b>	<b>FY2000 OMB</b>	<b>FY2001 OMB</b>	<b>Total FY97-FY01</b>	<b>Add. to SO Completion</b>	<b>Total SO</b>
<b>I. Development Assistance</b>								
SO# 1 - Broader Citizen Participation in Democratic Process Mission	1,727	3,000	3,000	3,000	3,000	13,727	6,000	19,727
SO#2 - Increased Incomes of the Poor Mission	7,362	7,100	7,100	6,100	5,563	33,225	5,198	38,423
SO# 3 - Improved Health, including Family Planning, of High-Risk Pop. Mission	16,395	12,930	15,079	13,300	13,600	71,304	13,200	84,504
Global	8,570	7,750	6,500	6,500	5,600	34,920	9,020	43,940
SO#4 - Improved Environmental Management in Targeted Sectors Mission	3,340	3,500	3,498	3,500	3,500	17,338	4,800	22,138
<b>Total Development Assistance</b>	<b>37,394</b>	<b>34,280</b>	<b>35,177</b>	<b>32,400</b>	<b>31,263</b>	<b>170,514</b>	<b>38,218</b>	<b>208,732</b>
<b>II. ESF</b>								
SO# 1 - Broader Citizen Participation in Democratic Process	8,000	8,000	6,000	0	0	22,000	0	22,000
SO#2 - Increased Incomes of the Poor	3,000	3,000	3,000	3,000	3,000	15,000	0	15,000
Special SO - Alternative Development Mission	9,000	9,000	11,000	17,000	17,000	63,000	40,000	103,000
<b>Total ESF</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>100,000</b>	<b>40,000</b>	<b>140,000</b>
<b>III. PL480 - Title II</b>								
SO#2 - Increased Incomes of the Poor	43,700	43,700	40,000	37,000	20,000	184,400	16,000	200,400
<b>TOTALS</b>	<b>101,094</b>	<b>97,980</b>	<b>95,177</b>	<b>89,400</b>	<b>71,263</b>	<b>454,914</b>	<b>94,218</b>	<b>549,132</b>

\* Levels based on the highest scenario  
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**PROGRAM RESOURCE REQUIREMENTS BY ACCOUNT BY FISCAL YEAR \***  
**US \$ 000**

	FY97 Obligations at 20% of OMB 97 Request Level	FY98 OMB	FY99 OMB	FY2000 OMB	FY2001 OMB	Total FY97-FY01	Add. to SO Completion	Total SO
<b>I. Development Assistance</b>								
SO# 1- Broader Citizen Participation in Democratic Process Mission	1,727	2,500	2,500	2,500	2,500	11,727	5,000	16,727
SO#2 - Increased Incomes of the Poor Mission	7,362 **	7,100	5,600	4,561	3,400	28,023	400	28,423
SO# 3 - Improved Health, including Family Planning, of High-Risk Pop. Mission Global	10,930 *** 7,070	10,198 5,802	13,381 4,170	14,453 4,290	8,958 3,420	57,920 24,752	12,830 5,315	70,750 30,067
SO#4 - Improved Environmental Management in Targeted Sectors Mission	3,340	3,000	3,000	2,948	3,000	15,288	5,870	21,158
<b>Total Development Assistance</b>	<b>30,429</b>	<b>28,600</b>	<b>28,651</b>	<b>28,752</b>	<b>21,278</b>	<b>137,710</b>	<b>29,415</b>	<b>167,125</b>
<b>II. ESF</b>								
SO# 1 - Broader Citizen Participation in Democratic Process	4,000	4,000	3,000	0	0	11,000	0	11,000
SO#2 - Increased Incomes of the Poor	154	0	0	0	0	154	0	154
Special SO - Alternative Development Mission	6,000	6,000	7,000	10,000	10,000	39,000	0	39,000
<b>Total ESF</b>	<b>10,154</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>50,154</b>	<b>0</b>	<b>50,154</b>
<b>III. PL480 - Title II</b>								
SO#2 - Increased Incomes of the Poor	43,700	43,700	40,000	37,000	20,000	184,400	16,000	200,400
<b>TOTALS</b>	<b>84,283</b>	<b>82,300</b>	<b>78,651</b>	<b>75,752</b>	<b>51,278</b>	<b>372,264</b>	<b>45,415</b>	<b>417,679</b>

\* Levels based on the lowest scenario

\*\* Includes \$1.0 million for health related activities under PVO Support

\*\*\* Excludes \$1.0 million assigned to PVO Support

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**PROGRAM RESOURCE REQUIREMENTS BY OBJECTIVE BY FISCAL YEAR \***  
**US \$ 000**

	FY97 OMB Request	FY98 OMB	FY99 OMB	FY2000 OMB	FY2001 OMB	Total FY97-FY01	Add. to SO Completion	Total SO
<b>SO# 1- Broader Citizen Participation in Democratic Process</b>								
Development Assistance - Mission	1,727	3,000	3,000	3,000	3,000	13,727	6,000	19,727
ESF	8,000	8,000	6,000	0	0	22,000	0	22,000
<b>Total SO#1</b>	<b>9,727</b>	<b>11,000</b>	<b>9,000</b>	<b>3,000</b>	<b>3,000</b>	<b>35,727</b>	<b>6,000</b>	<b>41,727</b>
<b>SO#2 - Increased Incomes of the Poor</b>								
Development Assistance - Mission	7,362	7,100	7,100	6,100	5,563	33,225	5,198	38,423
ESF	3,000	3,000	3,000	3,000	3,000	15,000	0	15,000
PL 480 Title II	43,700	43,700	40,000	37,000	20,000	184,400	16,000	200,400
<b>Total SO#2</b>	<b>54,062</b>	<b>53,800</b>	<b>50,100</b>	<b>46,100</b>	<b>28,563</b>	<b>232,625</b>	<b>21,198</b>	<b>253,823</b>
<b>SO# 3 - Improved Health, including Family Planning, of High-Risk Pop.</b>								
Development Assistance - Mission	16,395	12,930	15,079	13,300	13,600	71,304	13,200	84,504
Development Assistance - Global	8,570	7,750	6,500	6,500	5,600	34,920	9,020	43,940
<b>Total SO#3</b>	<b>24,965</b>	<b>20,680</b>	<b>21,579</b>	<b>19,800</b>	<b>19,200</b>	<b>106,224</b>	<b>22,220</b>	<b>128,444</b>
<b>SO#4 - Improved Environmental Management in Targeted Sectors</b>								
Development Assistance - Mission	3,340	3,500	3,498	3,500	3,500	17,338	4,800	22,138
<b>Total SO#4</b>	<b>3,340</b>	<b>3,500</b>	<b>3,498</b>	<b>3,500</b>	<b>3,500</b>	<b>17,338</b>	<b>4,800</b>	<b>22,138</b>
<b>Special SO - Alternative Development</b>								
ESF	9,000	9,000	11,000	17,000	17,000	63,000	40,000	103,000
<b>Total SO - Alternative Development</b>	<b>9,000</b>	<b>9,000</b>	<b>11,000</b>	<b>17,000</b>	<b>17,000</b>	<b>63,000</b>	<b>40,000</b>	<b>103,000</b>
<b>TOTALS</b>	<b>101,094</b>	<b>97,980</b>	<b>95,177</b>	<b>89,400</b>	<b>71,283</b>	<b>454,914</b>	<b>94,218</b>	<b>549,132</b>

\*Levels based on the highest scenario  
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**PROGRAM RESOURCE REQUIREMENTS BY OBJECTIVE BY FISCAL YEAR \***  
**US \$ 000**

	FY97 Obligations at 20% of OMB 97 Request Level	FY98 OMB	FY99 OMB	FY2000 OMB	FY2001 OMB	Total FY97-FY01	Add. to SO Completion	Total SO
<b>SO# 1- Broader Citizen Participation in Democratic Process</b>								
Development Assistance - Mission	1,727	2,500	2,500	2,500	2,500	11,727	5,000	16,727
ESF	4,000	4,000	3,000	0	0	11,000	0	11,000
<b>Total SO#1</b>	<b>5,727</b>	<b>6,500</b>	<b>5,500</b>	<b>2,500</b>	<b>2,500</b>	<b>22,727</b>	<b>5,000</b>	<b>27,727</b>
<b>SO#2 - Increased Incomes of the Poor</b>								
Development Assistance - Mission	7,362 **	7,100	5,600	4,561	3,400	28,023	400	28,423
ESF	154	0	0	0	0	154	0	154
PL 480 Title II	43,700	43,700	40,000	37,000	20,000	184,400	16,000	200,400
<b>Total SO#2</b>	<b>51,216</b>	<b>50,800</b>	<b>45,600</b>	<b>41,561</b>	<b>23,400</b>	<b>212,577</b>	<b>16,400</b>	<b>228,977</b>
<b>SO# 3 - Improved Health, including Family Planning, of High-Risk Pop.</b>								
Development Assistance - Mission	10,930 ***	10,198	13,381	14,453	6,958	57,920	12,830	70,750
Development Assistance - Global	7,070	5,802	4,170	4,290	3,420	24,752	5,315	30,067
<b>Total SO#3</b>	<b>18,000</b>	<b>16,000</b>	<b>17,551</b>	<b>18,743</b>	<b>12,378</b>	<b>62,672</b>	<b>18,145</b>	<b>100,817</b>
<b>SO#4 - Improved Environmental Management in Targeted Sectors</b>								
Development Assistance - Mission	3,340	3,000	3,000	2,948	3,000	15,288	5,870	21,158
<b>Total SO#4</b>	<b>3,340</b>	<b>3,000</b>	<b>3,000</b>	<b>2,948</b>	<b>3,000</b>	<b>15,288</b>	<b>5,870</b>	<b>21,158</b>
<b>Special SO - Alternative Development</b>								
ESF	6,000	6,000	7,000	10,000	10,000	39,000	0	39,000
<b>Total SO - Alternative Development</b>	<b>6,000</b>	<b>6,000</b>	<b>7,000</b>	<b>10,000</b>	<b>10,000</b>	<b>39,000</b>	<b>0</b>	<b>39,000</b>
<b>TOTALS</b>	<b>84,283</b>	<b>82,300</b>	<b>78,651</b>	<b>75,752</b>	<b>51,278</b>	<b>372,264</b>	<b>45,415</b>	<b>417,679</b>

\* Levels based on the lowest scenario

\*\* Includes \$1.0 million for health related activities under PVO Support

\*\*\* Excludes \$1.0 million assigned to PVO Support

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Table III.5  
GLOBAL FIELD SUPPORT

Mission Strategic Objective	Field Support: Activity Number & Title	Priority	Duration	Estimated Funding (\$000)									
				FY 1996		FY 1997				FY 1998			
				Obligated by Global Bureau	Obligated by Operating Unit	FY 1997 Base Obligated by Global Bureau	FY 1997 Base Obligated by Operating Unit	FY 1997 Base - 20% Obligated by Global Bureau	FY 1997 Base - 20% Obligated by Operating Unit	FY 1998 Base - 30% Obligated by Global Bureau	FY 1998 Base - 30% Obligated by Operating Unit		
<b>SO # 1 -</b>	<b>Broader Citizen Participation In Democratic Process</b>												
598-0772	ILD Private Sector Inst. Reform			900		--		--		--			--
<b>SO # 2 -</b>	<b>Increase Incomes of the Poor</b>												
598-0807	LAC TECH			60		50		50		50			50
	CRSP			--		40		40		40			40
	TOTAL SO2			60		90		90		90			90
<b>SO # 3 -</b>	<b>Improved Health, including Family Planning, of High-Risk Pop.</b>												
936-3023	DHS III			800		50		--		--			--
936-3030	INOPAL			450		500		440		310			
936-3038	FP Logistics Management			350		300		250		200			
936-3048	Demographic Data Init. BUCEN			--		50		30		--			--
936-3050	POP Council			--		50		30		--			--
936-3051	Social Marketing III			50		30		10		--			--
936-3052	POP Communication Services			400		300		240		200			
936-3055	FP Management Development			300		300		250		200			
936-3057	Contraceptives			3,800		3,280		3,000		2,822			
936-3058	CARE			650		750		600		450			
936-3060	Evaluation of Family Impact			100		150		70		20			
936-3061	Natural Family Planning			200		100		50		--			--
936-3062	Pathfinder International			650		650		500		300			
936-3065	The Transition Project			650		400		300		200			
936-3068	AVS			400		400		300		200			
936-3069	JHPIEGO			450		350		300		200			
936-3070	Population Leadership Fellowship			--		--		--		--			--
936-3072	PRIME (Primary Providers T&ERH)			300		500		400		250			
936-3073	ADOL			250		300		250		150			
936-3078	The Policy Project			100		100		50		20			
936-596607	Mothercare			--		--		--		--			--
936-597228	Sexual Transmitted Diseases			--		--		--		--			--
936-5117	Women's and Infants Nutrition Family F.			50		--		--		--			--
936-6006	Basic Support for Inst.			100		--		--		35			

\*Mission does not have available the project number

Table III.5  
GLOBAL FIELD SUPPORT

Mission Strategic Objective	Field Support: Activity Number & Title	Priority	Duration	Estimated Funding (\$000)									
				FY 1996				FY 1997				FY 1998	
				Obligated by		FY 1997 Base Obligated by		FY 1997 Base - 20% Obligated by		FY 1997 Base - 30% Obligated by			
Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit						
936-5122	Opportunities for Micronutrients Int. OMNI			50		-		-			35		
936-5968	Mother Care			-		-		-			-		
936-5970	TAACS			-		-		-			-		
936-597226	Women and AIDS Research Program			-		-		-			140		
936-5994	Environmental Health			50		-		-			70		
	TOTAL SO 3			10,150		8,570		7,070			5,802		
SO # 4 -	Improved Environmental Management in Targeted Sectors												
936-5559	Env. Law Program			-		10		10			10		
936-5517	Env. Planning & Management II - WRI			32		15		15			15		
936-5994	Environmental Health			-		10		10			10		
936-5559	Env. Pollution Prevention			-		15		15			15		
	TOTAL SO4			32		50		50			50		

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### **C. Program Management Requirements: OE and Staffing**

In FY 95, USAID provided economic assistance in the amount of \$112.4 million to Peru, the second largest program in the LAC Bureau. During the period covered by the strategic plan, USAID/Peru will continue to be one of the largest providers of assistance in the region. Furthermore, USAID/Peru will expand from a strictly bilateral entity to a Regional Sustainable Development Mission.

In FY 96, the Mission significantly reduced its OE dollar and OE-funded workforce levels in concert with the lower LAC Bureau funding level and the liquidation of the post trust fund. In future years, we plan to continue efforts to maintain OE dollar and workforce at minimal levels necessary to achieve and monitor program results. The staffing levels projected in these budgets are satisfactory given the Mission's estimated program levels.

The staffing levels projected in these budgets are satisfactory to implement the mission's requested program levels. Reductions in the numbers of OE and program-funded staffing result from the declining program levels as well as the alternative budgetary scenario of OMB level minus 20%.

Among the factors which may seriously affect our needs are: the conversion of USAID/Peru from a bilateral post to a regional services center for the South American subregion; the anticipated move to the new office building; the implementation of the ICASS by the Embassy; and the Peruvian Soles/U.S. Dollar rate of exchange.

In regard to the rate of exchange, we have utilized estimates based upon the past experience in USAID and consultations with foreign exchange professionals in the GOP.

#### **Overview of FY 96 Budget Level (\$5.269 million)**

Earlier this year, USAID/Peru thoroughly reviewed its OE requirements and took the necessary actions to reduce its level by 10 percent. Post assignment and allowance costs were lowered as a result of extensions by agency officers, two IDI positions were cancelled, the funding source of 7 FSNs was properly reclassified to program, and NXP purchases was postponed, resulting in an OE saving of \$600,000.

USAID/Peru also took further steps to cut recurring costs. As previously reported, the Embassy moved to its new facilities in FY 95 and consolidated all agencies with the exception of USAID. As a result, USAID lost various tenants who were sharing in the cost of the building rent. Subsequently, USAID renegotiated the lease to a significantly lower cost, consolidated its office space by moving from seven floors to five, and subleased excess space in the occupied floors to USAID grantees. The concluding impact on the USAID budget was a reduction in OE building rental expenses from \$634,000 in FY 94 to \$465,000 in FY 96.

As in past years, local salaries are a major operating expense for USAID/Peru. Although the number of OE positions declined by 22 in FY 94-95 and should reduce by an additional 15 in FY 96, this item continues to represent about 50 percent of the operational cost of the post. This is mainly due to the 45 percent increase in salaries in FY 94.

After the belt tightening noted above, the \$5.269 million will be sufficient to support post activities for FY 96 provided that there is not a substantial general FSN salary increase. A survey has been conducted and the Embassy is awaiting authorization from the Department to begin consultations with other agencies. At this point, we do not know what the potential impact may be.

#### **Overview of FY 97 Request (\$5.164 million)**

Our target OE budget level for FY 97 is calculated at the FY 96 approved budget less 2 percent, as stipulated in the R4 LAC Bureau guidance. Although we consider this amount just sufficient to fund

on-going operational costs, there are a number of actions which, if pursued, will demand further budgetary increases.

**New Chancery/USAID move during January 1998:** USAID/W granted approval to USAID/Peru to construct an office building on the new Embassy compound. A design contract was approved for signing to begin Phase I of this planned construction of the building. FBO has reviewed and concurred with the design contract. They will also be in charge of contracting for the actual construction of the building. This project is still on hold pending notification to Congress by the State Department. FBO/USAID still estimates that the building can be completed and occupied by January 1, 1998 provided that Congressional approval is obtained in the immediate future.

As previously reported, FBO has estimated the cost of furniture for the building at \$800,000. USAID has also been advised that failure to purchase the appropriate furniture for the reduced space may result in the need to modify the building plans. Higher construction costs should result. The design of the building may also be affected by a LAC decision to locate regional services in USAID/Peru. A second major cost to be incurred as a result of this move is the procurement of the telephone system at a total cost of \$130,000. Therefore, \$930,000, over and above the FY 97 request level, is necessary to place the advance order for the furniture and telephone system so that relocation of the USAID offices will proceed as planned.

**Regional Sustainable Development Center in Lima:** Our proposal for establishing a regional services capability is fully discussed in this Resource Requirements section. If approved by LAC for implementation in FY 97, the requested budget level above must be augmented. Operational costs for RCO, RLA, Economist, and Controller services are estimated at \$425,500 for the first year and \$177,000 for personnel transfer costs for a total of \$602,500. Depending on when the regionalization would begin, all or a portion of this amount would have to be allocated to USAID/Peru.

**ICASS:** The State Department is pursuing the implementation of the ICASS by October 1, 1996 under the assumption that the program will be approved by the ICASS Executive Board in Washington. Although the services which USAID/Peru obtains from the Embassy are modest (\$55,000 for FY 96), we still anticipate an increase in charges. Assuming that the prior FAAS budget amounts will be distributed to the posts in allowances, our costs may escalate by \$45,000. With the advent of ICASS, our budget will require this upward adjustment by the amount of the FAAS expense and the estimated increase.

#### **Overview of FY 98 Request (\$5.060 million)**

As stated above, we expect to move to the new USAID building in the Chancery compound in January 1998. In this year, we anticipate office rental expenses for only six months. We also expect savings in security costs upon transfer to the new location. These lesser expenses will allow us to operate within the mandated budget level of 2 percent less than the FY 97 budget.

There are three further needs for FY 98. An amount of \$215,000 for the restoration of the present office building prior to its return to the landlord and the physical move of the office, another year of operational costs for the regional services functions (\$455,300) and possible higher ICASS costs as a consequence of sharing the compound with the Embassy. Although we cannot calculate what may result, preliminary findings at testing sites seems to confirm that utilizing ICASS for services generally increase total costs to the USAID.

#### **Outyear Requirements for FY 1999, 2000, and 2001 (\$4.800, \$5.070, and \$5.097 million)**

In FY 1999, 2000 and 2001 USAID will receive full savings on building rent as a result of the move to the new Embassy compound. Operations costs for FY 98 will decline to \$4.800 million. In spite of continued reduction in the workforce level, OE expenses for the years 2000 and 2001 will increase modestly due to salary increases and the seven personnel transfers which will take place in FY 2001. As in previous years, the above estimates do not include increase in costs for regional services and ICASS above the FAAS level.

TABLE VIII (a1) - Operating Expense Request  
 BPC: FOEA9625527U000  
 Mission:PERU

EXPENSE CATEGORY	FC	FY 1996 Estimate			FY 1997 Request			FY 1998 Request			FY 1999 Estimate			FY 2000 Estimate			FY 2001 Estimate		
		OE	TF	TOTAL	OE	TF	TOTAL	OE	TF	TOTAL	OE	TF	TOTAL	OE	TF	TOTAL	OE	TF	TOTAL
<b>OFFICE OPERATIONS:</b>																			
Office Rent	U501	438.0		438.0	428.0		428.0	163.0		163.0									
Office Utilities	U502	130.0		130.0	140.0		140.0	140.0		140.0									
Building Maint/Repair	U503	5.0		5.0	5.0		5.0	1.2		1.2									
Equip. Maint/Repair	U508	27.7		27.7	9.7		9.7	9.7		9.7									
Communications	U509	66.0		66.0	84.0		84.0	96.0		96.0									
Security Guards	U510	136.8		136.8	142.8		142.8	38.7		38.7									
Printing	U511	1.5		1.5	1.5		1.5	1.5		1.5									
Site Visits - Mission	U513	38.0		38.0	40.0		40.0	50.0		50.0									
Site Visits - AID/W	U514	6.2		6.2	7.0		7.0	10.0		10.0									
Information Meetings	U515	10.0		10.0	20.0		20.0	20.0		20.0									
Training Travel	U516	38.3		38.3	36.0		36.0	45.0		45.0									
Conference Travel	U517	18.0		18.0	15.0		15.0	13.0		13.0									
Other Operational Tvl	U518	1.5		1.5	2.0		2.0	12.0		12.0									
Supplies	U519	75.0		75.0	85.0		85.0	95.0		95.0									
Consultant Contracts	U521	0.0		0.0	0.0		0.0	0.0		0.0									
Mgmt/Prof Svcs Cont	U522	0.0		0.0	25.0		25.0	25.0		25.0									
Spec. Studies/Analyses	U523	0.0		0.0	0.0		0.0	0.0		0.0									
ADP H/W Lease/Maint	U525	39.0		39.0	39.0		39.0	39.0		39.0									
ADP S/W Lease/Maint	U526	1.0		1.0	1.0		1.0	1.0		1.0									
Trans/Freight - U500	U598	7.0		7.0	10.4		10.4	10.0		10.0									
Other Contract Svcs	U599	194.5		194.5	209.0		209.0	229.0		229.0									
Subtotal	U500	1,233.5	0.0	1,233.5	1,300.4	0.0	1,300.4	999.1	0.0	999.1	812.4	0.0	812.4	812.4	0.0	812.4	812.4	0.0	812.4
<b>NXP PROCUREMENT:</b>																			
Vehicles	U601	52.0		52.0	27.0		27.0	56.0		56.0									
Residential Furniture	U602	18.2		18.2	0.0		0.0	37.7		37.7									
Residential Equipment	U603	0.0		0.0	0.0		0.0	32.2		32.2									
Office Furniture	U604	17.8		17.8	0.0		0.0	5.3		5.3									
Office Equipment	U605	9.9		9.9	0.0		0.0	9.0		9.0									
Other Equipment	U606	28.1		28.1	9.0		9.0	31.0		31.0									
ADP H/W Purchases	U607	24.5		24.5	40.8		40.8	75.1		75.1									
ADP S/W Purchases	U608	11.1		11.1	34.5		34.5	30.7		30.7									
Trans/Freight - U600	U698	20.3		20.3	20.0		20.0	50.6		50.6									
Subtotal	U600	181.9	0.0	181.9	131.3	0.0	131.3	327.6	0.0	327.6	270.5	0.0	270.5	214.1	0.0	214.1	197.0	0.0	197.0
Real Property Purchase/Const.	U900			0.0			0.0			0.0									
<b>TOTAL OE COSTS</b>		<b>5,269.0</b>	<b>0.0</b>	<b>5,269.0</b>	<b>5,163.6</b>	<b>0.0</b>	<b>5,163.6</b>	<b>5,060.0</b>	<b>0.0</b>	<b>5,060.0</b>	<b>4,800.0</b>	<b>0.0</b>	<b>4,800.0</b>	<b>5,070.0</b>	<b>0.0</b>	<b>5,070.0</b>	<b>5,097.0</b>	<b>0.0</b>	<b>5,097.0</b>
Plus																			
Dollar Funded FAAS		50.0		50.0	100.0		100.0	100.0		100.0	100.0		100.0	100.0		100.0	100.0		100.0
Moving Costs to NOB (*)		0.0		0.0	930.0		930.0	215.0		215.0	0.0		0.0	0.0		0.0	0.0		0.0
Regional Mission (*)		0.0		0.0	602.5		602.5	455.3		455.3	464.6		464.6	475.2		475.2	496.7		496.7
<b>TOTAL OE REQUEST</b>	<b>U000</b>	<b>5,319.0</b>	<b>0.0</b>	<b>5,319.0</b>	<b>6,796.1</b>	<b>0.0</b>	<b>6,796.1</b>	<b>5,830.3</b>	<b>0.0</b>	<b>5,830.3</b>	<b>5,364.6</b>	<b>0.0</b>	<b>5,364.6</b>	<b>5,645.2</b>	<b>0.0</b>	<b>5,645.2</b>	<b>5,693.7</b>	<b>0.0</b>	<b>5,693.7</b>
<b>SPECIAL INFORMATION:</b>																			
Local Currency Usage - %				57.00			56.00			61.00			59.00			58.00			60.00
Exchange Rate used in Calculations				2.35			2.40			2.50			2.80			2.75			2.85
Trust Fund End-of-Year Balance				0.00			0.00			0.00			0.00			0.00			0.00
USDH FTE				18.00			18.00			18.00			18.00			18.00			18.00

(\*) See narrative

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TABLE VIII (a1) - Operating Expenses Request  
 BPC: FOEA9625527U000  
 Mission:PERU

EXPENSE CATEGORY	FC	FY 1996 Estimate			FY 1997 Request			FY 1998 Request			FY 1999 Estimate			FY 2000 Estimate			FY 2001 Estimate		
		OE	TF	TOTAL	OE	TF	TOTAL	OE	TF	TOTAL	OE	TF	TOTAL	OE	TF	TOTAL	OE	TF	TOTAL
<b>U.S. DIRECT HIRE:</b>																			
Other Salary	U105	0.0		0.0	0.0		0.0	0.0		0.0									
Education Allowances	U106	245.6		245.6	255.8		255.8	305.6		305.6									
Cost of Living Allow.	U108	23.1		23.1	27.2		27.2	24.2		24.2									
Other Benefits	U110	7.0		7.0	4.0		4.0	5.4		5.4									
Post Assign Travel	U111	16.1		16.1	10.2		10.2	13.8		13.8									
Post Assign Freight	U112	95.8		95.8	48.8		48.8	65.1		65.1									
Home Leave Travel	U113	40.7		40.7	17.2		17.2	46.9		46.9									
Home Leave Freight	U114	30.5		30.5	7.4		7.4	20.5		20.5									
Education Travel	U115	10.5		10.5	6.0		6.0	6.0		6.0									
R & R Travel	U116	37.1		37.1	38.2		38.2	42.0		42.0									
Other Travel	U117	4.5		4.5	4.5		4.5	4.5		4.5									
Subtotal	U100	510.9	0.0	510.9	419.3	0.0	419.3	533.8	0.0	533.8	426.1	0.0	426.1	704.1	0.0	704.1	604.6	0.0	604.6
<b>F.N. DIRECT HIRE:</b>																			
F.N. Basic Pay	U201	654.4		654.4	606.8		606.8	573.9		573.9									
Overtime/Holiday Pay	U202	18.5		18.5	18.5		18.5	18.5		18.5									
Other Code 11 - FN	U203	5.0		5.0	5.0		5.0	5.0		5.0									
Other Code 12 - FN	U204	44.1		44.1	46.4		46.4	47.3		47.3									
Benefits - Former FN	U205	0.0		0.0	0.0		0.0	0.0		0.0									
Accrued Separation Liability	U206	47.1		47.1	42.6		42.6	40.0		40.0									
Subtotal	U200	769.1	0.0	769.1	719.3	0.0	719.3	664.7	0.0	664.7	676.0	0.0	676.0	703.3	0.0	703.3	746.8	0.0	746.8
<b>CONTRACT PERSONNEL:</b>																			
U.S. PSC - S&B	U302	154.0		154.0	159.0		159.0	159.0		159.0									
Other U.S. PSC Costs	U303	9.5		9.5	9.5		9.5	9.5		9.5									
FN PSC - S&B	U304	1,681.2		1,681.2	1,614.1		1,614.1	1,560.4		1,560.4									
Other FN PSC Costs	U305	0.0		0.0	0.0		0.0	0.0		0.0									
Manpower Contracts	U306	0.0		0.0	0.0		0.0	0.0		0.0									
Accrued Separation Liability	U307	113.5		113.5	108.3		108.3	103.5		103.5									
Subtotal	U300	1,958.2	0.0	1,958.2	1,890.9	0.0	1,890.9	1,832.4	0.0	1,832.4	1,933.6	0.0	1,933.6	1,951.7	0.0	1,951.7	2,050.4	0.0	2,050.4
<b>HOUSING:</b>																			
Residential Rent	U401	385.0		385.0	450.5		450.5	418.6		418.6									
Residential Utilities	U402	54.5		54.5	72.0		72.0	76.5		76.5									
Maint/Repairs	U403	6.0		6.0	6.0		6.0	6.0		6.0									
Living Quarters Allow	U404	0.0		0.0	0.0		0.0	0.0		0.0									
Security Guards	U407	168.0		168.0	172.0		172.0	179.4		179.4									
Official Res. Exp.	U408	0.0		0.0	0.0		0.0	0.0		0.0									
Representation Allow.	U409	1.9		1.9	1.9		1.9	1.9		1.9									
Subtotal	U400	615.4	0.0	615.4	702.4	0.0	702.4	682.4	0.0	682.4	681.4	0.0	681.4	684.4	0.0	684.4	685.8	0.0	685.8

## **Staffing Requirements**

### **Overview of Staffing at Requested Level (FY 1996-2001)**

At the requested level, total annual resources decline from \$100.1 million in FY 97 to \$69.6 million in FY 2001, or about 30 percent. Total workforce falls from 160 to 134 during the same period equivalent to a 16 percent drop. Since the predominant efforts of the mission staff are directed towards the achievements of program results through the new and on-going activities rather than an obligation rate, this is the type of relationship we would expect between these sets of statistics. Furthermore, a certain level of organizational structure in functions such as project development, program, executive and controller is necessary to maintain program operations even with a decrease in the rate of new obligations. This plan reflects a realistic relationship between program and workforce levels which can be attained during the Strategic Plan period.

### **Overview of Staffing at Requested Level Minus 20 Percent (FY 1996-2001)**

At this lesser activity level, total annual resources range from the FY 97 level of \$84.1 million to the FY 2001 budget of \$47.8 million and positions decline from 160 to 129. An annual reduction in OE costs is estimated at \$130,000 at this alternate program level. As the pipeline declines and the focus of the program focus more acute in future years, further modifications in the workforce level will be pursued.

### **Staffing Effects of a Regional Sustainable Development Mission**

As discussed more fully below, the establishment of a capability for providing regional RLA, RCO, Economic, Controller, RHUDO and Environmental services would require 19 additional positions in Lima. The needs of each office are elaborated in the subsequent section.

**MISSION STAFFING AT REQUEST LEVEL**

Mission Staffing Requirement																		
	FY-96						FY-97						FY-98					
	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL
Total Authorized Positions	18*	8	-	134	-	160	18*	8	-	130	-	156	18*	8	-	127	-	153
of which Program funded	-	6	-	35	-	41	-	6	-	40	-	46	-	6	-	40	-	46

\*2 IDIs considered under ceiling.

Mission Staffing Requirement																		
	FY-99						FY-2000						FY-2001					
	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL
Total Authorized Positions	18*	8	-	125	-	151	18*	8	-	122	-	148	18*	8	-	108	-	134
of which Program funded	-	6	-	40	-	46	-	6	-	40	-	46	-	6	-	27	-	33

\*2 IDIs considered under ceiling.

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**MISSION STAFFING AT REQUEST LEVEL LESS 20%**

Mission Staffing Requirement																		
	FY-96						FY-97						FY-98					
	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL	USDH*	USPSC	TCNPSC	FSN	OTHER	TOTAL	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL
Total Authorized Positions	18	8	-	127	-	153	18	8	-	124	-	150	18	8	-	121	-	147
of which Program funded	-	6	-	31	-	37	-	6	-	37	-	43	-	6	-	37	-	43

Mission Staffing Requirement																		
	FY-99						FY-2000						FY-2001					
	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL	USDH*	USPSC	TCNPSC	FSN	OTHER	TOTAL	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL
Total Authorized Positions	18	8	-	119	-	145	18	8	-	116	-	142	18	8	-	103	-	129
of which Program funded	-	6	-	37	-	43	-	6	-	37	-	43	-	6	-	24	-	30

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**MISSION STAFFING WITH ANTICIPATED REGIONAL RESPONSIBILITIES**

Mission Staffing Requirement																		
	FY-96						FY-97						FY-98					
	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL	USDH*	USPSC	TCNPSC	FSN	OTHER	TOTAL	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL
Total Authorized Positions	18	8	-	134	-	160	22*	9	-	144	-	175	22	9	-	141	-	172
of which Program funded	-	6	-	35	-	41	-	7	-	41	-	48	-	7	-	41	-	48

Mission Staffing Requirement																		
	FY-99						FY-2000						FY-2001					
	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL	USDH*	USPSC	TCNPSC	FSN	OTHER	TOTAL	USDH*	USPSC	TCNFSC	FSN	OTHER	TOTAL
Total Authorized Positions	22	9	-	139	-	170	22	9	-	136	-	167	22	9	-	122	-	153
of which Program funded	-	7	-	41	-	48	-	7	-	41	-	48	-	7	-	28	-	35

\*RLA, RCO, ECON, RHUDO.

### **Establishment of a Regional Sustainable Development Mission**

The LAC Bureau's R4 guidance asked USAID to plan for its transformation into a Regional Sustainable Development Mission. USAID/Peru is ready, willing, and able to assume this full role. We believe that this will result in greater efficiencies and a reduction in the level of personnel in the subregion. The following is a preliminary proposal for the relocation of services.

What is needed from the LAC Bureau at this time is threefold:

1. Consensus on timing and functional responsibilities.
2. Workforce level increase of 3 OE-funded USDH, 1 RHUDO USDH, and 1 program-funded USPSC.
3. OE increase of \$425,500 for the first year of operation and of \$165,000 for personnel transfer.

### **LAC Instructions**

Lima is clearly the best location for a regional service mission. It is centrally located in the subregion, it has excellent air communications, a well-developed infrastructure, an experienced staff, and, last but not least, it is at sea level.

We see no administrative impediments to setting up the regional services structure. We suggest however that LAC consult with State/ARA and affected Embassies, and then issue appropriate guidance to Lima and the other South American posts on which services will be relocated to Lima and when.

### **Resource Requirements**

We anticipate that a full service regional development services mission in Lima would include the following: contracting, legal, environmental, and economist services for the subregion. Services in these functions would be provided to Bolivia, Ecuador, Brazil, Paraguay, and Peru. We also expect that controller functions will be moved to Lima for all posts in the subregion with the exception of Bolivia. In addition, we are prepared to accept the responsibility for the regional housing function, although we suggest that a careful review of the options for managing the current RHUDO responsibilities be conducted in advance.

The following is a brief discussion of the resource requirements for each function and a preliminary estimate of the costs for the initial year and transfer of USDH to post. Please note that, with the exception of the personnel transfer costs, the OE requirements for USAID/Peru should be made available through intra bureau transfers. This should also be true for the workforce levels except for possibly the economist.

**Regional Contracting function:** We expect that the office will consist of an RCO, two FSNPSC procurement specialists, and a secretary. We estimate first year costs for salaries and support will total \$159,000. Transfer costs are calculated at \$55,000. We recommend that one local procurement specialist be retained in La Paz to support the RCO in Lima.

**Regional Legal function:** We have estimated resources for one RLA and a local lawyer at a senior FSN grade to assist. A secretary is also in the budget. Anticipated first year costs are \$132,000; transfer costs, \$55,000.

**Regional Controller function:** With expected work savings resulting from NMS installation, we will need to hire only one additional financial analyst at a cost of \$64,000 for the assumption of the regional responsibility. A voucher examiner position which is currently vacant will also be filled. We recommend that a USPSC with a modest support staff be retained in Quito to perform certain operational activities.

We see no administrative impediments to setting up the regional services structure. We suggest however that LAC consult with State/ARA and affected Embassies, and then issue appropriate guidance to Lima and the other South American posts on which services will be relocated to Lima and when.

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**Regional Legal function:** We have estimated resources for one RLA and a local lawyer at a senior FSN grade to assist. A secretary is also in the budget. Anticipated first year costs are \$133,000; transfer costs, \$59,000.

**Regional Controller function:** With expected work savings resulting from NMS installation, we will need to hire only one additional financial analyst at a cost of \$64,500 for the assumption of the regional responsibility. A voucher examiner position which is currently vacant will also be filled. We recommend that a USPSC with a modest support staff be retained in Quito to perform certain operational activities.

**Regional Economist function:** We recommend that a USDH regional economist position be reestablished as there is a need for it in the subregion. Estimated initial year costs are \$69,000; transfer costs \$57,000.

**Regional Environmental function:** One USPSC is included at an annual cost of \$191,500; transfer cost \$55,000. This position is program funded.

**Regional Housing function:** We have roughly estimated the cost of this service in Lima as follows: first year costs are \$249,500; transfer costs \$65,000. This is for a staff composed of one USDH and five FSNs. This cost of this office is covered with RHUDO OE funds.

**Other Regional functions:** There may be additional program-funded functions of a regional nature which should be centralized in Lima. Those should be identified and included to the extent desired.

### **Necessary Steps prior to transfer:**

The first, and most important step, is to consult with each of the Embassies in the affected countries and obtain the agreement of the technical backstop offices in Washington for the relocation to Lima, staff size, and geographic coverage of the RCO, RLA, Controller, Economist, and Environmental

functions. In addition, the proposed changes should be discussed with each of the Embassies in the affected countries.

The transfer of the RHUDO is more complicated. As stated above, clear guidance concerning its future management structure should be issued. If there are RHUDO programs located in Ecuador requiring substantial on-site supervision, consideration should be given to quickly bringing those programs to a reduced level of management intensity that can be handled from a distance. Another alternative is to leave a few staff members in Quito until those resident programs become more manageable.

In preparation for the transfer of the controller function from Quito to Lima, it's advisable that the program size and complexity be reduced in order to limit the risk of off-site financial management. Furthermore, during phase out periods, controller staffs normally concentrate on completing the closing of terminating projects and eliminating outstanding advances and open commitments wherever possible. However, our management plan includes the retention of a USPSC and a support staff of FSN employees in Quito. This core group of experienced employees will be available for continued support of activities until such time as the Ecuador program becomes relatively small and does not require on-site monitoring.

**ANNEX 1**  
**USAID/PERU FY 95 RESULTS REVIEW**

**ANNEX 1**

**USAID/PERU FY 95 RESULTS REVIEW**

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# USAID/PERU FY 95 RESULTS REVIEW

## 1. FACTORS AFFECTING PERFORMANCE

### 1. Introduction

USAID/Peru is submitting a new, five-year strategic plan for fiscal years 1997-2001. The plan provides an overview of the country situation, the Mission's strategy for achieving proposed strategic and special objectives and the resource requirements needed to implement the plan. This Results Review (R4) report provides an assessment of Mission program performance for fiscal years 1995-1996. The report and analysis are based on indicators approved in the FY 1996-97 Action Plan. Given that objectives and indicators have been revised under the new strategic plan, targets beyond 1995 have been deleted from the accompanying tables.

The USAID/Peru program for 1995 pursued four strategic objectives. These responded to four of the five Agency goals to achieve the broader mission of sustainable development. They are: 1) Increased Citizen Participation in Democratic Processes; 2) Increased Incomes of the Poor (which included Mission alternative development efforts); 3) Improved Health of High-Risk Populations; and, 4) Improved Conservation and Use of the Natural Resource Base.

### 2. Recent Developments

The social, economic and political environment in Peru continues to support the achievement of USAID objectives. In 1995, Peru returned to constitutional government. USAID was the primary donor for the April presidential and congressional elections and the November municipal elections. Both were declared free and fair by local and international observers. President Fujimori was reelected by a landslide for a second term that will take him to 2000; and for the first time in Peruvian history, a woman was elected president of the Congress. The high profile municipal election in Lima provided a real test of the president's commitment to the democratic process, as his favored candidate lost in a close election. President Fujimori immediately and publicly accepted the outcome. Also, as the government's counterinsurgency policies became increasingly effective and the threat of *Sendero Luminoso* subsided, the human rights situation continued to improve.

USAID's program has made significant contributions to the consolidation of democracy in Peru. A USAID-assisted non-governmental organization (NGO) promoted adoption of a law that established the constitutionally mandated "Defender of the People" (a human rights ombudsman), who was recently appointed. USAID's pioneering work over the past several years in the area of administration of justice, decentralization and local government strengthening increased the Government of Peru's (GOP) and other donors' commitment to working in these areas. Civic awareness activities, particularly among disadvantaged groups, such as women in peri-urban areas, indigenous communities, and local governments in poor and coca producing areas of the country, have promoted greater citizen knowledge of their rights and responsibilities and has increased community participation in local decision-making.

Peru's economy is rapidly changing, moving away from its historical emphasis on state regulation and intervention to a market orientation. GOP controls on capital flows, prices, and trade have been eliminated. New policy reforms to promote intellectual property rights and increase consumer protection, streamlined property titling procedures, and a new labor code helped improve the functioning of markets and provide incentives to the business sector. The GOP has privatized most state enterprises, and those remaining are scheduled to be sold by the end of 1996. Current gross domestic product (GDP) for 1995 is estimated at \$32.5 billion. Despite the current account deficit, Peru reported a favorable balance of payments in 1995, principally as a result of continued large capital

inflows of direct and portfolio investments, including approximately \$600 million from illegal exports of processed coca. However, the government's successful interdiction of illegal coca products has significantly disrupted the farm gate price for coca leaf and created an historic window of opportunity for alternative development programs in coca-producing and outmigration regions. This permitted USAID's alternative development activity, although only authorized in mid-1995, to rapidly establish its presence in targeted communities, which are among the poorest in the country.

Poverty continues to be a significant problem in Peru both within and beyond coca producing regions. With an estimated GDP per capita of \$1,890 for 1994, Peru is among the poorer countries in the hemisphere. In 1994, 49.6 percent of Peruvians were reported to be living below the poverty line, 20.2 percent in extreme poverty. Income distribution remains highly unequal.

The USAID program has made significant contributions to assisting the GOP combat poverty, which has recently established an anti-poverty program aimed at reducing extreme poverty by 50 percent by the year 2000. The program is in large part based on the pioneering work of USAID's food security strategy. The GOP has adopted the strategy as its own and recently initiated a reorganization of the Ministry of the Presidency, calling for increased support from other donors to implement its poverty reduction program. As a result, during 1995, the Ministry has coordinated its food assistance activities much more closely with those of the Mission's P.L. 480 Title II program, enhancing the impact of our cooperating sponsors on both policy and implementation.

Moreover, the GOP stated in meetings with the Consultative Group for Peru that it is promoting increases in productivity and human capital development as important elements to achieve sustainable recovery of the economy by the end of the century. Notably, the GOP has expanded the construction of new schools and has introduced new educational administration and pedagogical reforms to improve the quality of education. It has also allocated a greater percentage of the national budget to health, both to improve quality and expand the poor's access to quality health care. USAID is assisting the GOP to examine options for modernizing state institutions, including placing greater emphasis on decentralization of social sector delivery systems in health and education. The USAID program was instrumental in other key areas as well: creation of an agricultural commodity exchange to improve marketing of small farmer agricultural production; strengthening consumer protection and intellectual property rights; and promoting new legislation which eliminates all restrictions on land ownership. Both individual investors and firms have hailed these developments as critical for increasing investment. The Inter-American Development Bank (IDB) has financed land titling and registration program with the Ministry of Agriculture (MINAG), which has allowed farmers to gain increased access to formal credit. This has directly impacted on the successful operation of the pilot, USAID-supported, *Caja Rural* (rural bank) in Chiclayo, allowing it to maintain lower reserves for bad debt because it is holding legitimate title to land used for obtaining credits. Additionally, the private banking system expanded lending to agriculture, providing almost \$300 million in credit to this sector during 1995.

USAID efforts to increase incomes of the poor have provided over 200,000 heads of households living in extremely poor areas with short-term employment. In assisted areas, yields of staple crops, such as potatoes, have more than doubled, thereby improving the ability of more than 58,000 small farmers in indigenous communities to meet their minimum food requirements. USAID/Peru activities have opened new markets for apparel and handicrafts, and helped improve production of other products for the domestic market. Over 5,700 microentrepreneurs in peri-urban areas saw an average increase in earned income of between 60-100 percent; approximately 2,400 small farmers experienced an average increase in gross sales of \$4,000 in potatoes, beans, onions, and coffee.

Encouraged by our NGO partners, President Fujimori announced, as part of the GOP's anti-poverty program, an aggressive new policy in family planning. This new policy was first announced by the President during his inaugural address in July 1995, and again when he addressed the Fourth International Conference on Women in Beijing in September. Enunciating this policy was a courageous step in the face of staunch opposition from the Catholic Church. The GOP emphasis on family

planning as a means of achieving improved health reinforces our Mission program and bodes well for sustained performance of the health strategic objective.

USAID support in health has been critical to achieving ambitious targets. Improved donor coordination, better policies, and increased investment by the GOP have contributed to increases in the quality health care services being provided. Recent UNICEF data show a long-term trend in the decline of key health indicators. Infant deaths fell from 73 in 1960 to 43 per 1,000 live births in 1993. Likewise, under-five mortality decreased from 236 in 1960 to 62 in 1993. UNICEF also reported a decline in total fertility (average births per woman over a lifetime) from 4.1 in 1986 to 3.3 in 1994. USAID major child survival and family planning interventions, as well its quick response to emerging diseases, contributed to these gains.

Donor coordination for the immunizations campaign was another key factor for the impressive achievements listed above. Equally important were the sizable investments made by the GOP since 1994 in the coverage and quality of health centers and posts serving peri-urban and rural areas. Many health centers are now open 6-7 days a week, for 12 and even 24 hours per day. Several health posts now feature a physician and/or midwife, in addition to a health technician and nurse, improving the utilization of services.

USAID, in coordination with other donors, NGOs and other interested groups, has also worked with the Ministry of Health (MOH) on the drafting of a policy reform to achieve equity, efficiency and quality of health care. The reform explicitly calls for a multiplicity of providers of health services -- public, NGO and private for-profit -- and favors organizing services in response to demand. Through a mechanism known as CLAS (*Comite Local de Administracion de Salud*, Local Health Administration Committee), 452 MOH centers and posts are now administered at the local level.

In the environmental sector, USAID helped create Peru's National Environmental Council (CONAM), which is fast becoming the leading governmental environmental agency in Peru. Our recent pilot efforts in peri-urban waste management and pollution prevention in the fishmeal industry have already brought additional commitments from other donors as well as the private sector. With our support, CONAM is calling increased attention to the need to address Peru's environmental problems and resolve them through consensus among private and public sectors. With USAID assistance to CONAM, in mid-April, 1996, a first-ever national environmental summit will be held to bring together international, as well as Peruvian organizations. NGOs, the GOP and other private sector institutions, such as grassroots organizations and industrial associations will participate to develop a common agenda to address Peru's most pressing environmental issues.

The GOP has begun to grapple with environmental issues, in large part at the insistence of the donor community and local and international environmental NGOs. Although only recently addressing issues of grave environmental concern, the GOP now realizes that Peru's future growth potential depends greatly on its ability to manage the country's natural resources for long-term sustainable use.

A key factor positively affecting Mission program performance was the convergence of GOP priorities with USAID objectives and those other donors programs, including advances on the common agenda with Japan in family planning and alternative development. In large part, this convergence is due to increased dialogue and coordination among the key development partners.

The GOP is committed to expanding and better focussing its social programs to ensure that the benefits of its macro-economic policies and economic prosperity are widely shared by the poor. Peru's leaders are very sensitive to preventing a recreation of the socio-economic conditions that gave rise to Peru's worst internal security threat -- political terrorism.

Undoubtedly, GOP commitment to our common areas of interest augurs well for achievement of our objectives if no major budget constraints occur. The impact of these issues on future program performance are further discussed in the "USAID Country Development Strategy for Peru."

## **II. PROGRESS TOWARD STRATEGIC OBJECTIVES**

### **1. Strategic Objective No. 1 Increased Participation of Citizens in Democratic Processes**

USAID's strategic objective No. 1 (SO1) of "Increased Participation of Citizens in Democratic Processes" addresses the Agency Goal of "Sustainable Democracies Built." Further it directly supports all Agency objectives under this Goal, through four areas of focus: respect for human rights, responsiveness of local governments, opportunities for participation in public decision-making and the electoral system.

The program seeks to bring about a closer relationship between the state and society that encourages pluralism, inclusion and peaceful conflict resolution. These activities coincide with the values and objectives established by the Summit of the Americas "Declaration of Principles and Plan of Action" under the heading "preserving and strengthening democracy." SO1 activities (and proposed results) most directly relate to the following areas outlined in the plan: 1) strengthening democracy, 2) promoting and protecting human rights, 3) invigorating society/community participation, 4) promoting cultural values (democratic values), 5) combating corruption, and 6) building mutual confidence (respect for the rights of others).

Similarly, SO1 activities are closely aligned with the New Partnership Initiative (NPI). This is particularly evident in relation to bringing together and strengthening local governments, community and NGO networks that promote greater citizen participation in public affairs and greater understanding of citizen rights and responsibilities. In terms of strengthening NGOs, another dimension has been added by the USAID/Peru's Controller's Office, who not only coaches NGOs on how to better respond to USAID accounting requirements, but also how to develop and maintain better financial management systems for all their work, whether or not USAID-funded.

#### **A. Summary of Data (See Table II-1)**

Over the past year, and particularly in recent months while preparing the USAID/Peru strategic plan, it was concluded that many of the indicators, as well as intermediate results (IRs) needed to be revised or dropped altogether. In some cases it has been difficult to gather the data; in others, data simply did not serve as a good measure of the desired result. Therefore, much of what is reported below is anecdotal information that can be used as a proxy for capturing impacts that the indicators were intended to measure.

#### **B. Analysis of Data**

There has been progress towards the accomplishment of the SO, as indicated by the analysis of the data that was possible to collect for this area. The 1995 Freedom House Report showed an improvement in Peru's civil liberties and political rights in 1994 over the previous year, largely the result of severely weakened terrorist groups. While not a direct measure of citizen participation, it is a good measure of the degree to which conditions for participation have improved.

USAID-sponsored NGOs played an increasingly larger role in the drafting of laws issued by the legislative and the executive branches. The USAID-supported local NGO Center for Drug Prevention and Information (CEDRO) participated actively with the Congress in the drafting of the drug prevention and control law. Citizen groups at the community level in areas outside the capital city were consulted in drafting the decentralization law. Groups like the Lima Bar Association, Andean Jurist Commission, and human rights organizations contributed to drafts of legislation establishing the Ombudsman's Office, modifying the anti-terrorist law, and improving legislation affecting electoral processes. In other areas, there has been consultation, although it is difficult to measure the extent to which opinions from non-legislative groups were incorporated into the drafts.

Citizens effectively participating in elections, as a proportion of valid votes to the total number of registered voters, have been increasing over the last five years. Noteworthy, is the case of the 1995 Lima municipal election, where 83.6 percent of citizens participated. This was seen as an indication of increased desire of the population to participate when there is a real choice. The election campaign was heavily covered by the media and there were numerous issues related to quality of life, which citizens reacted to. USAID, through a local university, also sponsored a debate between the two candidates. The debate, not very usual in Peru's electoral processes, helped citizens to make an informed decision.

### IR 1.1 Increased Respect for Human Rights

#### Defending the Innocent

*Jorge Luna Moran is a school teacher at Colegio Alfonso Ugarte in the small town of San Pedro, Chulucanas, Piura. On May 12, 1993, the National Police arrested Mr. Luna based on an accusation by an individual who had been accused of terrorism and who had turned himself in order to obtain protection under the Ley de Arrepentimiento (Repentance Law). The individual signed a sworn statement declaring that Mr. Luna "had meetings with a professor who was a member of Sendero Luminoso." Despite the fact that a search conducted by the National Police found no evidence that Mr. Luna had ever engaged in subversive activity, the accusation alone was enough to convict and sentence him to 20 years in prison.*

*Attorneys of the USAID-supported Instituto de Defensa Legal (IDL) regularly conduct interviews and surveys in prisons across the country to determine which prisoners merit legal representation. When they have information that strongly indicates that a person has been unjustly accused of terrorism or treason, IDL corroborates it with family members, neighbors and co-workers, among others. As part of its program, IDL investigated Mr. Luna's case and ascertained that the purpose of the meeting between Mr. Luna and the SL member (also a teacher), was to review a list of potential candidates for a governing board of the district's teacher's federation. Based on the strength of exculpatory evidence, on October 25, 1995, the Supreme Court declared Mr. Luna's innocence and ordered his immediate release.*

While many issues remain, Peru has continued to make improvements in its human rights situation, as indicated by the USG State Department Human Rights Report for 1995. USAID support to advocacy NGOs was instrumental towards this advancement. Key legislation that promotes better protection of human rights was enacted. Noteworthy was the law establishing the Ombudsman. Recently, a prominent, well-respected lawyer was unanimously selected to head up this important human rights watchdog organization. The Ombudsman will provide citizens with a forum for expressing their concerns about government actions and/or abuse of authority. In addition, passage of a modification of the anti-terrorist law provided more favorable treatment for minors.

The final four national detainee registry offices were established, for a total of thirteen nationwide. These offices provide information regarding individuals who are detained or accused of committing crimes of terrorism and/or treason. Additionally, a draft manual for defense attorneys regarding the practical application of the anti-terrorist law was developed. This will improve representation of those unjustly accused of terrorism. Currently, NGOs, working with USAID support in an effort to strengthen respect

for human rights, estimate that some 1,466 individuals are being held unjustly.

These NGOs took on representation of 661 cases during this reporting period, of which 23 percent were women; 77 percent men; and 29 percent minors. Only 9.2 percent of the total caseload of the NGOs involved human rights violations (lack of due process or threats to the physical integrity of the accused). Forty-six percent of the cases have been ruled on by the courts, resulting in the release of 187 individuals unjustly accused of terrorism.

Our policy dialogue and close coordination with the Congressional Commission for Human Rights has also opened the door for the Coordinadora Nacional de Derechos Humanos (National Coordinator for Human Rights) to work, for the first time, with the Congress on improving the legal framework for the protection of human rights. Likewise, USAID has contributed to increased dialogue between NGOs and GOP on other issues, such as women's rights, domestic violence, and labor rights for women.

With USAID assistance, the 52 human rights organizational members of the Human Rights Coordinator, improved their networking capabilities and have increased their participation in education and legal defense activities. Through focus groups across the country, these NGOs gained a better understanding of citizen needs. For example, one NGO is studying human rights protection in indigenous (*ashaninkas*) communities, and will use the findings to design activities to specifically meet the needs of these communities. Four NGOs trained approximately 1,000 high risk citizens (i.e. people that suffer the most human rights violations or those prone to suffer due to their economic or social status) in basic human rights. The training included a specific focus on gender issues and violence against women. The impact was multiplied as a number of these individuals trained others in their communities.

Although not a USAID financed activity, it is worth noting that the media is playing an important role in bringing attention to the protection of citizen rights. Some elements in the media have become more adept at pointing out human rights abuses. Recently, the media followed closely the case of a person apparently killed by the police while in their custody. The media exposure led to the arrest of the alleged perpetrators. The media coverage of the case included *interalia* information on citizens' constitutional and human rights, and has prompted increased debate in the society over these issues.

### **IR 1.2 Improved responsiveness of Local Government to People's Needs**

During the reporting period, with USAID financing, local governments from some 150 district municipalities, all of them in poorer regions and many in coca producing areas, successfully implemented basic infrastructure works. The most common public works were schools, health posts, potable water, and irrigation systems, benefiting near 31,000 families in 216 communities. Community organizations, including 553 women's organizations, participated in public assemblies where communities discussed the nature and priority of the investments.

In 1995, 93 municipalities used public hearings and town meetings to decide on which projects their constituent's most needed. The GOP has been extremely successful in working with its field office staff and participating communities to promote greater community collaboration with their local governments in planning and implementing citizen-awareness activities.

Citizen participation is producing a better understanding of how the program could meet community needs, while at the same time developing citizen participation skills. This increased participation has resulted in significant adjustments to the program design. Whereas the original design anticipated that communities would prefer schools and health centers, consultations with the communities identified rural roads and drainage systems as better meeting their needs.

### **IR 1.3 Increased Opportunities for Participation in Public Decision-Making**

A growing number of USAID assisted civic groups and NGOs are working to encourage deliberation of public policy issues, monitoring government activities and educating citizens about channels for participation in public decision-making, especially at the local level.

Congressional representatives elected in April 1995 were trained with USAID support on the role and functions of Congress, to permit them to better accomplish their responsibilities and foster mechanisms for communication with citizens. As part of the activity, a local NGO proposed to the Congress a legislative agenda, with suggested public-policy issues of national interest.

Public awareness of drug-related matters increased significantly due to USAID's program. Today, approximately 52 percent of Peruvians now recognize drugs as one of the country's major problems. This greater public concern is moving the GOP to act on the problem. Draft legislation that would create a National System on Drug Prevention and Control was recently published for public discussion

and debate. At the community level, some 65 communities have developed their own drug prevention programs.

A modest amount of USAID support to key local NGOs was shown to be very effective in mobilizing large numbers of citizens nationwide to participate in monitoring government actions. The local NGO Transparencia and the participation of over 8,000 observers in April; and 9,000 in November, 1995; helped ensure the presidential and municipal elections were free and fair. Over 390 community organizations now monitor their local government activities, whereas two years ago none were doing so.

Diverse USAID supported groups initiated promotion of awareness of democratic principles in different areas of Peru. For instance, in poor peri-urban areas of Lima, one NGO worked with 10,000 women from 280 women's organizations to improve their knowledge of how to exercise their rights, and their responsibilities as citizens. They also sponsored public debates on how to promote equal opportunities for participation. Others are promoting civic education through radio programs; and schools, reaching 1,500 children in selected rural and peri-urban areas. Public debates in several regions are being carried out to modify the civic education curricula to include better integration of gender considerations. With USAID support, grassroots organizations, government institutions and NGOs are expanding participatory processes to areas where these organizations traditionally have not worked, such as in Afro-Peruvian communities in the North of Peru. Through 26 small, self-help activities, 7,800 Peruvians from marginal-urban and rural areas participated in community awareness and development activities that served to improve their understanding of their role as change agents in their communities. Women's organizations comprise an average of 30 percent of community groups participating in the program.

In the area of civil-military relations, another USAID-sponsored NGO engaged members of the Peruvian armed forces at all levels in serious discussions on the role of the military in a democracy. AIFLD activities have trained 649 democratic union leaders on how to facilitate labor/management relations.

Another institution promoting democratic participation is the U.S. Participant Training Alumni Association, ABEUSA. Formed under a USAID training activity, the returnees network on a volunteer basis throughout the country to promote greater civic awareness among their members. They make efforts to include traditionally disadvantaged groups, thus expanding the participation of citizens in national and local policy dialogue and public decision-making. For example, grassroots women leaders, trained in the U.S., promoted self-help programs in the marginal urban areas of Northern Cusco, Piura, Trujillo and Lima.

#### **IR 1.4 Improved Electoral System**

A new institutional structure was established in June, 1995, and open forums are being initiated to debate the electoral reform processes, including the new voter re-registration system. With USAID financing, IFES' technical assistance to GOP electoral bodies helped identify the principal strengths and weaknesses of electoral institutions. The information gathered from focus groups shortly after the elections will help to improve the GOP's ability to apply lessons learned to better carry out their responsibilities in future elections. One example is simplifying the ballot to reduce significantly the rate of invalid ballots. A simplified ballot is expected also to increase participation in future elections.

A significant contribution of USAID to the improvement of the electoral system was the establishment and institutionalization of the NGO Transparencia. Transparencia has helped the GOP electoral institutions to train staff, electoral board members, observers, and volunteers from civil society in election process. Transparencia's quick count shortly after elections increased the credibility of electoral process. Citizens respected Transparencia's projections more than those from private polling firms. This was the first time a civil society organization participated closely in the electoral process. This non-partisan NGO, which in less than a year has gain full nationwide respect, is now recognized as an integral part of the electoral system.

**C. USAID contribution to activities**

It is clear that for many years, USAID was the only donor providing significant assistance in the democracy sector. After a decade of experience in this sector, USAID has legitimized the need and paved the way for other donor involvement. USAID is coordinating closely with the World Bank, IDB, the German, Japanese and Canadian Embassies, the Organization of American States (OAS) and the European Union (EU). This coordinations has led many of these to initiate democracy related activities.

Currently, a number of other donor projects are being implemented or designed that will expand or consolidate Mission activities in this area. For example, at the request of the GOP, IDB and the World Bank will provide significant loans for the modernization of the judiciary, the strengthening of the Controller General, local governments, and support for decentralization. The EU is assisting in developing the Judicial Academy and is considering a number of grants to local NGOs and human rights groups. Given the magnitude of the effort required and limited resources, the continued involvement of these donors is critical to achievement of the SO.

TABLE II-1 :SUMMARY OF DATA FOR STRATEGIC OBJECTIVE 1

Note: W = Weight for the indicator

<b>STRATEGIC OBJECTIVE No. 1: Increased Participation of Citizens in Democratic Processes</b>				
<b>Indicator: Change in Freedom House rating</b>				<b>(w = 3)</b>
<b>Unit: Qualitative Rate: a. Political rights, c. Civil liberties</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: Freedom House Annual Report</b>	<b>Baseline</b>	<b>1992</b>		<b>a. 3 b. 5</b>
<b>Comments:</b> <b>a. and b.: Most Free:1, Least Free: 7</b> <b>a.: Political Rights:</b> - Free elections for president and legislative - Allowance for citizen to organize in political parties - Occurrence of significant opposition - Minority rights are considered in the decision-making process (cultural, ethnic, religion, etc.) <b>b. Civil Liberties:</b> - Independent media - Independent, non-discriminatory judiciary - Free business, religion - Gender equality - Freedom from government corruption  1994-95 is the latest data available.		<b>1993</b>		<b>a. 6 b. 5</b>
		<b>1994</b>		<b>a . 5 b. 4</b>
		<b>1995</b>		
<b>Indicator: % of laws issued by the executive and /or the legislative drafted with citizens' participation.</b>				<b>(W = 1)</b>
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: Special studies</b>	<b>Baseline</b>	<b>1994</b>		<b>*</b>
<b>Comments: Include laws drafted from citizens' proposals, or which incorporate the Parliament's opposing and minority points of view, or openly discussed, or incorporate citizens' participation mechanisms. However, it was found that the number of laws issued with participation among the total number of laws issued in the reference year, was difficult to measure. This entails the monumental task of tracking all proposed legislation and the level of citizen participation with respect to each, so it may be better used as a benchmark at the activity level rather than a higher level indicator. Thus, the indicator reflects more the initiative of USAID-supported non-legislative groups, such as the policy oriented think-tanks ILD, CEDRO, GRADE, CAL, as well as grass-roots organizations, of creating new or complementary laws.</b>  * Drug related proposals, CAL proposal for election law. ** National System for Drug Prevention and Control; Ombudsman, Anti-Terrorist laws.		<b>1995</b>		<b>**</b>

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Indicator: % of citizens effectively participating in elections. (W = 3)				
Unit: % of the number of citizens casting valid votes to the number of registered voters.		Year	Planned Actual	
Source: JNE Statistics	Baseline	1992	C: 55.7 R: 66.1	
Comments:  P = president & first round R = referendum C = congress M = municipalities Decrease in valid votes for 1995 congressional elections due to complexity of ballot. • Municipal data for Lima only		1993	M: 48.9	
		1995	P: 70.4 C: 67.2 P: 60.6 C: 35.6 M: 83.6 *	
Intermediate Result No.1.1 Strengthened respect for human rights <sup>1</sup> (W = 2)				
Indicator: Change in State Department Human Rights report assessment				
Unit: change (better/worse/same)		Year	Planned Actual	
Source: Annual State Department Human Rights Reports	Baseline	1994	Better (*) Same	
Comments: (*) Areas to be evaluated: due process, access to justice, respect integrity, less torture, fundamental freedom. Summary: <i>Sendero Luminoso</i> activity has decreased dramatically and security forces continue to arrest the remaining Sendero terrorists. Security forces were responsible for one extrajudicial killing (there where 39 killings reported in 1994.) The passage of the Amnesty law created considerable concern over military and police impunity for past abuses. Congress passed a controversial law stating that the judiciary had no right to review the constitutionality of the amnesty law. Only 10 disappearance cases were recorded during 1995; a vast improvement over the early 1990's. The Constitution prohibits torture and inhuman treatment, but the brutal treatment of detainees is still common, specially by security forces in the emergency zones. A number of constitutional protections are suspended in emergency zones, although in most areas it goes unnoticed. 22.2% (1994-25.3%) of the national territory is categorized as emergency zones-- and 44.2% of the national population lives in these areas (1994-48.2%). As of June 1995, 76% of the country's prison population consisted of accused individuals awaiting trial. New institutions have been created to help create a more effective and independent system of justice-- Judiciary Council, Judicial Academy, Ombudsman, Constitutional Guarantees Tribunal. The Constitutional Tribunal is not conformed. Proceedings in military courts which hear treason and terrorism cases do not meet internationally accepted standards of due process.		1995	Better	Better

<sup>1</sup>Targets are set for 1997. PACD of key activity.

Indicator: % of serious human rights violation allegations in total caseload of implementing NGO's. (W = 2)				
Unit: % of cases involving due process violations and threat to the individual's physical integrity.		Year	Planned	Actual
Source: Collected caseload data of participating NGOs. Judicial Sector Support (JUST) project.	Baseline	1995	9.2%	
Comments: 1466 cases have been detected by the three organizations providing legal defense (IDL, CEAS, CEAPAZ) ; 661 have been assumed (from the 661--512 are men and 149 are women; 193 are minors and 468 are adults). 61 (9.2%) of these cases are considered critical. In 1996, NGOs are expected to assume 1300 cases in total.				
Indicator: % of targeted human rights caseloads a: completed; b: held up for due process reasons (W = 2)				
Unit: From the total number of cases pursued; the % of cases completed; % of cases unfinished or "held up" because of due process reasons.		Year	Planned	Actual
Source: Caseload of NGO implementing legal defense program (CEAS, CEAPAZ, IDL). JUST project.	Baseline	1995		a. 46%
Comments: From the data we cannot determine if the cases in process are being held-up for due process reasons or not. It was decided to drop the b. indicator. From the 661 cases assumed, 306 were completed ( 187 were released and 119 were declared guilty); in process are 355 cases. Supreme Court is revoking absolving sentences and ordering arrest warrants for those individuals who were released by the lower Courts.				
Indicator: Number of organizations involved in defense and human right's education. (W = 3)				
Unit: Number of organizations that have joined the National Coordinator for Human Rights		Year	Planned	Actual
Source: <i>Coordinadora Nacional de Derechos Humanos.</i>	Baseline	1994		47
Comments: The <i>Coordinadora</i> is the national leading organization that stands for the defense of human rights, currently leads a network of 52 organizations. Activities include raise awareness of other local organizations to increase advocacy on human rights. The activities conducted have strengthened the network of human rights organizations who belonged to the <i>Coordinadora</i> . Few new organizations have joined but several activities have been performed in order to train individuals.				
Indicator: Number of pieces of key Peruvian legislation modified that include better protection of human rights. (W = 2)				
Unit: Number and type of laws and regulations.		Year	Planned	Actual
Source: <i>Coordinadora Nacional de Derechos Humanos/Congress.</i>	Baseline	1994		0
Comments: 1995 Key Peruvian legislation include: New Criminal Procedural Code, Ombudsman Law, Constitutional Guarantees Tribunal. The new criminal procedures code has been approved by congress but not signed by the president yet; the legislation for the Tribunal was approved but the individuals for these positions have not been appointed. Anti-terrorist law was modified in order to permit special treatment for minors. Ombudsman has been recently appointed.				

<b>Intermediate Result No.1.2 Improved Responsiveness of Local Government to People's Needs</b>				
<b>Indicator: % of targeted local governments that have better and more basic services</b>				<b>(W = 2)</b>
<b>Unit: % (Cumulative)</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: Local Government Development (LGD) records.</b>	<b>Baseline</b>	<b>1994</b>		<b>29.5%</b>
<p>Comments: Total local governments directly and indirectly reached by the LGD project are 756. Currently, 435 have improved basic services. In 1994 the LGD "bridge program" invested US\$3,500,000 approximately. The 1995 LGD budget for basic services activities is US\$2,666,922. More funding will be needed to reach target of 756 local governments.</p> <p>The actual percentage of local governments with better basic services surpassed the planned figure (47% vs. 28%) due to the type of projects implemented in the communities.</p>		<b>1995</b>	<b>47%</b>	<b>57.6%</b>
<b>Indicator: % of targeted local governments with public town meetings and budget hearings</b>				<b>(W = 3)</b>
<b>Unit: % (cumulative)</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: LGD records</b>	<b>Baseline</b>	<b>1994</b>		<b>5.5%</b>
<p>Comments: 453 targeted local governments for the LOP. Full start of activities are delayed due to the late arrival to the field of the technical assistance provider. Targets for local governments with public town meetings and budget hearings have been somewhat scaled back over the next two years, but are expected to reach 100 percent coverage by the fourth year.</p>		<b>1995</b>	<b>22.5%</b>	<b>20.6%</b>
<b>Indicator: % of targeted local governments that are implementing projects based on constituents' expressed needs</b>				<b>(W = 3)</b>
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: LGD records</b>	<b>Baseline</b>	<b>1994</b>		<b>5.5%</b>
<b>Comments: Current target: 453 local governments.</b>		<b>1995</b>	<b>22.5%</b>	<b>20.6%</b>

<b>Intermediate Result No.1.3 Increased Opportunities for Participation in Public Decision-Making<sup>2</sup></b>				
<b>Indicator: Number of formal mechanisms for communication between citizens and government in targeted areas.(W = 2)</b>				
<b>Unit: Number</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: PARDEM, LGD records. Legislation on government procedures.</b>	<b>Baseline</b>	<b>1994</b>		<b>None</b>
<b>Comments: A formal mechanism may be a part of a law or a government agency's written procedure that can be invoked by citizen groups. A whole set of activities are carried out to improve communication between Executive, Legislative branches and citizens including NGOs' ability to represent needs of the population. There have been three mechanisms to achieve this: - National Electoral Jury (JNE) on public elections. - National Office for Electoral Processes (ONPE), on pollworkers work. - Congress, with a Legislative Agenda</b>		<b>1995</b>		<b>3</b>
<b>Dropped for 1996</b>				
<b>Indicator: Number of target groups that carry out one or more activity to encourage deliberation of public policy issues (W = 1)</b>				
<b>Unit: Number</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: Project records (LGD, PARDEM &amp; NECI)</b>	<b>Baseline</b>	<b>1995</b>		<b>15</b>
<b>Comments: Greater understanding of rights and responsibilities inspire people/group to participate in the deliberation of policy issues. USAID assisted groups include: CEDRO, ILD, Coordinadora, CAL, CAJ, Foro Nacional, APOYO, DESCO.</b>				
<b>Indicator: Number of target groups that carry out activities to monitor government activities (W = 2)</b>				
<b>Unit: Number</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: LGD, PARDEM &amp; NECI's records</b>	<b>Baseline</b>	<b>1995</b>		<b>393</b>
<b>Comments: The NGO TRANSPARENCIA played an active and pioneering role monitoring the electoral processes and 392 community groups are monitoring local government activities.</b>				
<b>Indicator: Number of target groups that carry out activity to educate citizens about channels for participation in public decision-making (w = 1)</b>				
<b>Unit: Cumulative number of groups</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: LGD, PARDEM &amp; NECI's records</b>	<b>Baseline</b>	<b>1995</b>		<b>10</b>
<b>Comments: Under PARDEM, GRADE signed a subgrant agreement with Apoyo to carry out activities oriented to disseminate information on the role of Congressional and to improve citizens participation in Congressional' activities. Also GRADE signed sub-agreements with the following groups for civic education purposes: CEPEI, IPYS, CALANDRIA, TAREA, PERU, VIDA Y PAZ, MINGA, Consorcio Carta de Lima, Consorcio SURCO, and CERP.</b>				

<b>Indicator: Women oriented organizations as a proportion of community groups in target areas that participate in community decision-making processes (w = 2)</b>				
<b>Unit: Percentage</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: LGD, NECI &amp; SDAF records</b>	<b>Baseline</b>	<b>1994</b>		<b>25%</b>
<b>Comments: Number of women oriented organizations divided by the total number of community organizations that participate in decision-making processes. Baseline only includes community level drug prevention activities, and community level initiatives financed through SDAF. 1995 data includes also LGD and PARDEM communities.</b>		<b>1995</b>	<b>25%</b>	<b>30%</b>
<b>Indicator: Number of articles/programs on participatory democracy carried in widely read/received media (W = 2)</b>				
<b>Unit: Number</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: GRADE Project records</b>	<b>Baseline</b>	<b>1995</b>		<b>TBD</b>
<b>Comments: A more technically competent media capable of channeling information between diversity of interest groups and the government will be established. Activity started in 1996 (IPYS subgrant).</b>				
<b>Intermediate Result NO.1.4 Improved Electoral System<sup>3</sup></b>				
<b>Indicator: Electoral System new administrative structure functioning. (W = 3)</b>				
<b>Unit: Implementation schedule</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: IFES</b>	<b>Baseline</b>	<b>1995</b>	<b>Designed</b>	<b>Established</b>
<b>Comments: Implementation of the Reform of the Electoral system. New structure established in June 1995. Electoral reform process began in January 1996.</b>				
<b>Indicator: Proportion of Electoral system administrators trained. (W = 2)</b>				
<b>Unit: % - F: female, M: male</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: IFES, JNE</b>	<b>Baseline</b>	<b>1995</b>		<b>F:49.85 M:50.15</b>
<b>Comments: 100% of electoral system administrators were trained for the 1995 electoral processes.</b>				
<b>Indicator: New Voter Re-registration functioning. (W = 3)</b>				
<b>Unit: Implementation schedule</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: IFES, JNE</b>	<b>Baseline</b>	<b>1995</b>	<b>Design</b>	<b>In process</b>
<b>Comments: Design of the system has started .</b>				

<sup>3</sup> This IR will be incorporated under a more general IR, relating to the effectiveness of key GOP institutions. While an improved electoral system remains a key result, much of the measurement can be made at the activity level.

Indicator: % of citizens with perception of "clean" election				(W = 3)
Unit: %		Year	Planned	Actual
Source: Apoyo Survey	Baseline	1994		48%
Comments: P: presidential, C:congress 51% of the citizens perceived that presidential and Congress elections were "clean." International observers and the NGO Transparencia, certified that elections were clean.		1995	60%	P:51 C:51
Indicator: % of valid ballots cast				(W = 3)
Unit: %		Year	Planned	Actual
Source: JNE Statistics	Baseline	1990		P: 84.8 S: 80.6 C: 72.8
Comments:Proportion of valid ballots to the total number of ballots casted. P = president & first round S = senate C = congress R = referendum M = Municipalities High rate of null ballots in electoral process for 1995 Congress due to the complexity of the electoral ballot. • Data for Lima only.		1992		C: 76 R:91.3
		1993		M: 74.8
		1995	P: 88% C: 84%	P:82.2 C:53 M:91*

## **2. Strategic Objective No. 2 Increased Incomes and Employment of the Poor**

This SO pursues the improvement of economic prospects of the poor through four mutually reinforcing intermediate results (IRs): 1) improved policy environment for broad-based growth; 2) increased market access for microentrepreneurs and small farmers; 3) increased productivity of microenterprises and small farms; and 4) increased licit economic activity in targeted coca and out-migration areas. These efforts focus on the private sector which can generate the necessary investment and employment in a sustainable manner.

These closely address the Agency Goal "Broad-Based Economic Growth Achieved" and its objectives of strengthened markets, expanded access and opportunity for the poor, and increased human productive capacity. Similarly, activities under this SO contribute to the Summit of the Americas Plan of Action of promoting free trade in the Americas, capital markets development, strengthening the role of women in society, and encouraging microenterprise and small business development.

Activities supporting this SO also contributed to the strengthening of civil society, in line with the New Partnership Initiative. Partnerships among NGOs and microenterprises are fostered, as well as linkages with U.S. private voluntary organizations (PVOs) counterparts. Activities also promote the establishment of special development committees at the local level, which pull together local governments, NGOs and business and producers associations, as the preferred organizational framework to work in rural areas. Moreover, NGOs in extremely poor departments are being strengthened to increase their outreach for the delivery of development services.

### **A. Summary of Data (See Table II-2)**

### **B. Analysis of Data**

The main data source for indicators at the SO level is the National Survey of Standards of Living, undertaken every three years. The next survey will be carried out in 1997 and results will be available in 1998. In the meantime, estimates have been made for the 1995 period. These show positive trends in the levels of expenditures of the urban and rural poor, albeit at a slower pace than in previous years.

Nevertheless, through advancements at the intermediate result level, continued policy dialogue with the GOP and greater coordination with other donors, we expect achievements at the SO level, which will be corroborated in the next survey.

### **IR 2.1 Improved Policy Environment for Broad-Based Growth**

In 1995, the GOP announced the goal of reducing extreme poverty by 50 percent by the end of the year 2000. To this end, the government introduced policies to broaden economic opportunity and access to the benefits of growth for the poor. The Ministry of the Presidency, responsible for implementing major, special GOP programs, including those directed at the poor, has adopted the Mission's Food Security Strategy as the basis for its own program. The development of its anti-poverty plan is being coordinated with USAID and its Title II Cooperating Sponsors, thereby improving considerably future achievements of USAID's program in this area.

The GOP has increased the proportion of its total budget directed to the social sectors from 35.3 percent in 1994 to 40.9 percent in 1995. This translates into 7.3 percent of estimated GDP for 1995, surpassing the planned level of 4.6 percent. Investments were made mainly in education and health sectors as part of its strategy to improve human capacity in areas of relatively high concentrations of poverty.

During 1995, USAID assistance to the GOP was directed at the refinement of sectoral policies and modernization of the public sector. This included activities for strengthening institutions needed for the GOP's new role in an increasingly market-oriented economy. The most visible one was the assistance being provided to INDECOPI (*Instituto Nacional de Defensa del Consumidor y de la Propiedad Intelectual*, Intellectual Property Rights and Consumer Protection Institute) to promote information campaigns on consumers protection, intellectual property rights, and anti-trust investigations. INDECOPI is also developing a new set of regulations in these areas in close coordination with private sector business associations. USAID also assisted in the preparation of a draft law for reform of Peru's civil service, which should result in a better paid, more efficient cadre of public servants, and launched activities critical for the administrative reorganization of the ministries of health and fisheries.

Other USAID supported policy actions (studies, dialogue, legislation) promoted by the private and public sectors resulted in policy recommendations. Nearly over 45 percent of recommended reforms are presently being implemented, while an additional 33 percent are under discussion in the Peruvian Congress. Examples of these achievements are: implementation of a methodology followed by the Superintendency of Tax Management (SUNAT) to detect tax evasion, which should result in increased tax collections; implementation by the Superintendency of Customs (SUNAD) of new operating procedures for the use of the GATT system of merchandise valuation, which should result in reduced transaction costs in foreign trade; and promotion of an open policy dialogue between private and public sectors through monthly fora dealing with such topics as tax policy, land ownership, water rights, exchange policy management, and environmental policy. These fora have increased the number of policy recommendations initiated by the private sector.

In addition, two studies were funded on the marketing of agricultural products which recommended modernization of the agricultural marketing system, including the creation of an agricultural commodity exchange in Peru. The Commodity Exchange (*Bolsa de Productos*) has been formally authorized by law and is using P.L. 480 Title III local currencies to undertake the necessary training and feasibility studies to ensure its full implementation. The *Bolsa* should be operational by the end of 1996.

#### **I. R. 2.2 Increased Market Access for Microentrepreneurs and Small Farmers**

Microenterprises and small farmers were able to access new markets as seen by increases in agricultural production and the value of agriculture and non-agriculture commodities sold. Targeted products are dried beans, mangoes, key limes, garlic, yellow onions, yellow potatoes, coffee, cacao, shrimp, apparel and handicrafts. Total increases for agricultural products amounted to 18,823 MT in comparison to planned tonnage of 20,416 in 1995. The shortfall resulted from lower-than-expected plantings and yields due to drought conditions in the northern coastal areas of Peru. Yellow onions and yellow potatoes were major contributors to marketing increases.

A total of \$11.1 million in increased sales of targeted commodities were generated during 1995 as compared to a planned value of \$17.4 million. Apparel and handicrafts produced new sales of \$1.4 million for 612 microentrepreneurs (average additional sales of \$2,288 for each participant). For targeted agricultural commodities, total sales increased to \$9.7 million, providing 2,400 smallholder producers with average additional sales of \$4,000. Yellow onions and coffee were the major contributors to this increase. The shortfall from planned levels was due to drought and lower-than-expected international prices for targeted commodities as well as delays in the implementation of the apparel sector activities.

Twenty-one new markets were opened during 1995 for better designed, higher quality products. Major inroads were made in foreign markets with handicrafts, fresh sweet yellow onions, and pre-cooked, frozen yellow potatoes (produced by indigenous communities in Apurimac). New local markets were opened for apparel produced by microenterprises in Lima peri-urban areas, with the introduction in 1995 of a line of children's clothes to be sold in up-scale stores in Lima.

***From a peasant community to New York***

*Jacinta Mamani is a resident of Atuncolla, a peasant community in Puno. Economic activity in Atuncolla centers principally around alpaca breeding and small-scale production of hand-knitted sweaters from alpaca wool. Jacinta's sweaters, as well as those of other members of the Atuncolla Knitwear Committee, are marketed by MINKA, an alternative trade organization created in 1979 to improve incomes of Puno's rural population. Jacinta was one of many members who benefited from technical training provided by MINKA and financed under USAID's small and microenterprise activity. MINKA also introduced new designs based on the quality demanded by international markets.*

*Prior to receiving training and valuable market information from MINKA, Jacinta received \$15 a sweater and produced up to four sweaters a month. As a result of the technical assistance and training provided by MINKA, she now receives \$25 per sweater, raising her total monthly income from \$60 to \$100. This has permitted her to make small, yet significant improvements in her family's living standard, particularly affecting her children's health and nutritional well being. Moreover, as a result of MINKA's participation in the Private Label Expo in New York in October 1995, Jacinta's sweaters currently are being marketed in the U.S., offering the possibility for increased sales and profits for Jacinta and Atuncolla microentrepreneurs in the future.*

A poignant example of achievement in the marketing area during late 1995 and early 1996 is the yellow onion program. The number of hectares planted to this crop on the north coast region of Supe under a USAID activity tripled during 1995 to 190 hectares. Yields per hectare surpassed those of Georgia, producing 8,000 MT, of which 4,500 MT are sweet. Almost 300 refrigerated containers of onions have been exported, 188 of these to the U.S. and 100 to Germany. Expectations are that a longer export period can be accessed during 1996/97, thereby increasing exports of these onions by up to eight times the level of 1995/96. This marketing achievement has resulted in small producers receiving \$7,000 per hectare of net income from onion production, at least double that which was possible under other crops.

**I. R 2.3 Increased Productivity of Microenterprises and Small Farms**

Small credit activities to increase productivity in very poor communities have been a success. Actual repayment levels are 92 percent due to the use of solidarity (group) loans, financial advisory services, and well-selected products and technologies. Additionally, activities have

resulted in improved production and trading practices of 3,971 women entrepreneurs (2,620 new participants and 1,351 existent participants) who are receiving loans of less than \$300 through their own village banks for productive activities. The program's participant village banks amassed \$1.1 million for credit, in addition to \$87,000 of savings.

As compared to the planned level of 45 percent, actual average productivity of targeted crops increased significantly: potatoes by 150 percent, garlic by 132 percent, dried beans by 89 percent, mangoes by 88 percent, yellow onions by 53 percent, coffee by 50 percent, cacao by 40 percent, and key limes by 40 percent.

Based on previous year results analysis, activities were refocused on more complex technical assistance packages with smaller numbers of people. As a result, only 65 percent of the total planned 13,398 individuals were directly impacted during 1995. Indirect beneficiaries, imitating the improved practices of direct beneficiaries (ultimate customers), could well exceed 20,000.

**IR 2. 4 Increased Incentives for Licit Economic Activities in Targeted Coca Areas**

The main activity supporting this IR, Alternative Development Project, was signed on May 12, 1995. In the limited implementation period, the program has rehabilitated 314 km of 13 farm-to-market roads, which will open up markets for alternative crops such as coffee, cacao, cotton, palm hearts, bananas and other tropical fruits for a total beneficiary population of 200,000 people; initiated 57 community development activities, for an estimated beneficiary population of 12,000 farm families; and initiated titling of 4,000 parcels of land, which will provide a like number of farm families with collateral for credit. Other USAID activities supported improved production and processing technologies on 3,560 hectares of coffee and cacao in coca growing areas, generating 833 new full-time job equivalents, 26 percent of them for women.

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*Palma Pampa, a small town of 4 thousand, is typical of communities living in the Apurimac River Valley, the second largest area for coca production in Peru. As a result of very effective USG-supported GOP law enforcement activities in the Apurimac, prices for illegal, coca-based products fell dramatically during the latter half of 1995. As a result, these poor farmers saw their incomes reduced to almost nothing, and, with no other sources of income, were literally starving.*

*A visit to Palma Pampa in March of this year by a joint USAID/GOP task force, however, has restored hope to villagers. In spite of their very ominous economic outlook, residents convincingly expressed to their interest in working jointly in a partnership with the GOP, supported by USAID, to reactivate economic activity through the adoption of viable, licit crops. USAID has initiated activities with this and several other communities in the Apurimac under the Missions Alternative Development special objective.*

The Mission established an internal task force to coordinate USAID activities among several SOs, and also to coordinate with the U.N. Drug Control Program (UNDCP) the preparation of a multidonor strategy to implement an emergency development plan for the Apurimac River Valley. This concerted action is designed to take advantage of the window of opportunity presented by the recent, dramatic reduction of coca prices.

During 1995, USAID continued to effectively establish closer coordination with other donors such as the UNDCP, Japan, Spain and Germany. These efforts have led to greater acceptance and commitment on the part of other donors to alternative development programs, and to increased joint planning and financing efforts. A recent example is the Government of Japan's grant to a local NGO to complement USAID funding to the same organization to produce a

high citric acid content fruit (*camu-camu*) with an expanding export market.

Given the fact that the project has only recently commenced, it was not anticipated that there would have been any significant reduction in coca production by the end of 1995. However, due to successful interdiction by GOP with the support of other U.S. agencies, in 1995 coca growers experienced a dramatic fall in the price of coca leaf (from \$0.99/lb. in January to \$0.27/lb. in December). It is generally accepted that the current price situation favors the implementation of widespread alternative development activities in coca producing areas of Peru.

## **IR 2.5 Improved Food Security of the Extremely Poor**

This IR reflects the Mission's commitment to improve food production, income, and nutritional status for the extremely poor. This segment of Peruvian society does not meet minimally acceptable nutritional standards. Inadequate nutrition affects the poor's access to greater participation in the economy. Many of the indicators used to measure progress toward this IR decline over time, as would be expected, since the objective of this assistance is to "graduate" the target population into regular income-generation programs.

The Title II program reaches thousands of people in extreme poverty. The original targeting of beneficiaries by the degree of poverty of the department in which they live misrepresents the degree to which benefits reach the target group. The case of the Department of Lima illustrates this well. While the department is classified as having a relatively low poverty rate, the metropolitan area of Lima is home to 6.6 percent of the 4.7 million of Peruvians living in extreme poverty. The reliance on the area indicator to assess targeting of benefits has resulted in gross under reporting of results. The geographic indicator does have relevance for targeting programs to those areas with relatively high concentrations of poverty; but more important is the targeting within those areas to families<sup>4</sup> who are in extreme poverty. While the Mission does not have the final figures to report, preliminary information based on field monitoring, Cooperating Sponsor reports, and assessments indicate that approximately

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<sup>4</sup> As a matter of policy, our customers for food aid in nutrition programs must demonstrate malnutrition based on weight or height measurements, or a minimum combination of high-risk conditions for malnutrition, such as short birth intervals, child mortality or morbidity, high dependency ratios, single parent households, lack of or incomplete primary education, unemployment or underemployment status, among others. Customers in agricultural programs have at least two or more unsatisfied basic needs, which is a widely used proxy measure for "extreme poverty." Among the basic needs considered are: access to basic services, such as potable water and sewage; adequate house construction and space conditions; and primary education.

***Food aid and alternative development***

*In response to the recent, dramatic fall in coca prices, PRISMA, a Peruvian PVO that specializes in maternal child health and nutrition monitoring programs mobilized a team of health workers to undertake a rapid survey of nutritional conditions in the Apurimac river valley. Dozens of workers canvassed 31 small communities, many of which are accessible only by river, and found evidence of the devastating effects of the fall in coca prices, and the negative long-term effects of neglect for adequate food production and social services in the valley. Among 5,185 families surveyed, only 27 percent of the children under 3 years of age had normal growth. Acute malnutrition, low weight for height, or wasting, was as high as 40 percent, while chronic malnutrition, or stunting, was as high as 67 percent in some communities. 78 cases of severe malnutrition were detected.*

*In view of their findings, PRISMA arranged for the shipment of 400 metric tons of Title II food into the valley to be distributed among the highest risk families. It trained 21 Ministry of Health workers and 36 community health promoters in health and nutrition surveillance techniques, immunizations, and food assistance procedures, and provided weighing scales. More importantly, however, was PRISMA's ability to partner with other organizations to provide the coordination of assistance required to meet the dire needs of these communities. In this regard, PRISMA coordinated efforts with the international PVO Medicos sin Fronteras for the provision of vaccines and antibiotics, the U.N. for the provision of food storage space, and the National Development Institute and USAID's Alternative Development counterpart agency (INADE) for distribution of seed.*

75 percent of Title II beneficiaries are in extreme poverty.

During 1995, direct feeding programs impacted some 270,140 children under 3 years who were nutritionally at risk. Improved targeting resulted in a 25 percent increase in the number of children benefitting from the program. At the same time the families of those children improved their knowledge of food utilization. Forty percent of high-risk children showing positive growth tendencies have "graduated"<sup>5</sup> from the program.

Food programs were also directed at expanding opportunities of the extremely poor to increase their access to food. During the reporting period, 59,688 families in rural areas, mainly from indigenous communities, adopted improved technologies for food production. These improvements resulted in an increase in yields of native crops averaging 47 percent over traditional yields, ranging from 21 percent for quinoa to 96 percent for potatoes. The value of production in a typical farm of 0.69 ha of cultivated land, increased from \$261 to \$618, an impressive increase, moving these families out of extreme poverty. However, this income is still not sufficient for a family of five. Women also improved their skills for handicrafts and other small activities to provide them with some additional income. In addition to raising the levels of consumption of these households, farmers' groups have seen their rotating loan funds capitalized significantly, which has encouraged them to permit the fund to grow,

rather than pay out earnings to support current consumption. This fact is important to achieve sustainability after USAID intervention ends.

In peri-urban areas, income generation activities focussed on forming and strengthening more than 5,100 microenterprises. Training to improve management and technical skills of microentrepreneurs and workers, 40 percent of them women, was provided to ensure sustainability of their incomes. Revolving credit funds were established to finance and expand their economic initiatives. The repayment rate on outstanding loans was 95 percent. Efforts during FY 93- FY95 led to increase workers' monthly wages from \$81-\$98 ranges to \$132-\$226, thus improving income available for food purchases of more than 10,670 households.

Food for work is also used in the implementation of small community infrastructure projects, such as small irrigation and potable water systems, schools, etc. The food for work program directly benefited 206,105 families, 70 percent more than planned in 1995. Projects were completed in fewer person-days and with less food wages than predicted, thereby permitting an increase in the number of projects and the number of people benefitting through short-term employment.

<sup>5</sup> Graduation is achieved when positive growth tendencies and complementary child measures (i.e. standard vaccinations) and mothers completing nutrition, family planning and basic health training modules are reached over a minimum participation period of six months and a maximum period of twenty months.

TABLE II-2 : SUMMARY OF DATA FOR STRATEGIC OBJECTIVE 2

<b>STRATEGIC OBJECTIVE NO. 2: Increased Incomes and Employment of the Poor</b>				
Indicator: Value of expenditures of urban poor				(W=3)
Unit: US current dollars per capita per year		Year	Planned	Actual
Source: ENNIV (Living Standard Survey) 1991,1994	Baseline	1991		380
<p>Comments: Broad-based economic growth should be reflected in an increase at the same or higher rate of GDP of the value of expenditures (as a proxy of income) of the poorest population. Data is considering the 40% poorest urban population. Surveys are done every 2-3 years.</p> <p>*Estimated using the real growth rate of manufacturing sector published by the CRBP 93/91 and 95/94 (-8%)</p> <p>Planned data (**) assumed a yearly annual growth of 5% over 1991 base.</p>		1992		--
		1993		354*
		1994	--	507
		1995	390 (**)	529*
Indicator: Value of expenditures of rural poor				(W=3)
Unit: US current dollars per capita per year		Year	Planned	Actual
Source: ENNIV (Living Standard Survey)	Baseline	1991		194
<p>Comments: The poorest population of Peru is located in rural areas, so special monitoring needs to be done for the adequate targeting of interventions.</p> <p>Data corresponds to the 40% lower income rural population. 1991 and 1994 data sources are ENNIV 91 and 94 respectively.</p> <p>* Estimated with the real growth rate of the agriculture sector between 1991-93 and 1994-95 (6%) as published by the CRBP.</p> <p>(**) Assumed a yearly annual growth of 5% over 1991 base.</p>		1992		
		1993		193*
		1994	--	204
		1995	213 (**)	219*
Indicator: Proportion of population (M/F) which is poor				(W=3)
Unit: %		Year	Planned	Actual
Source: ENNIV (Living Standard Survey)	Baseline	1991		55.1
<p>Comments: Number of people that have an expenditure level, as a proxy of income below the World Bank defined basic basket of goods and services divided by the estimated total population in the reference year.</p> <p>1994: a. Male: 49.7% b. Female: 49.5%</p> <p>1995 Household Survey data to be published by June.</p>		1992		
		1993		
		1994	--	49.6
		1995	49	

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<b>Indicator: Level of under-employment (m/f)</b>				<b>(W = 1)</b>																				
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>																				
<b>Source: Ministry of Labor-Cuanto</b>	<b>Baseline</b>	<b>1991</b>		<b>77.8 *</b>																				
<b>Comments: Percentage of economically active population that are under-employed (as defined as people who are currently occupied but earn less than the minimum wage)</b>  <table border="0"> <tr> <td></td> <td><b>Male</b></td> <td><b>Female</b></td> <td></td> </tr> <tr> <td><b>1991</b></td> <td>77.5</td> <td>89.0</td> <td></td> </tr> <tr> <td><b>1992</b></td> <td>76.6</td> <td>76.3</td> <td></td> </tr> <tr> <td><b>1993</b></td> <td>77.4</td> <td>78.6</td> <td></td> </tr> <tr> <td><b>1994</b></td> <td>74.6</td> <td>75.2</td> <td></td> </tr> </table> <p>Latest data available is for 1994. (* ) Data for Lima only</p>		<b>Male</b>	<b>Female</b>		<b>1991</b>	77.5	89.0		<b>1992</b>	76.6	76.3		<b>1993</b>	77.4	78.6		<b>1994</b>	74.6	75.2			<b>1992</b>		<b>77.8*</b>
		<b>Male</b>	<b>Female</b>																					
	<b>1991</b>	77.5	89.0																					
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<b>1994</b>	74.6	75.2																						
		<b>1992</b>		<b>75.4*</b>																				
		<b>1993</b>		<b>76.8*</b>																				
		<b>1994</b>	<b>76</b>	<b>73.6*</b>																				
		<b>1995</b>																						
<b>Intermediate Result No. 1: Improved Policy Environment for Broad-Based Growth</b>																								
<b>Indicator: Social expenditures as percentage of GDP</b>				<b>(W = 2)</b>																				
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>																				
<b>Source: CRBP, Ministry of Economy and Finance (MEF)</b>	<b>Baseline</b>	<b>1992</b>		<b>2.8</b>																				
<b>Comments: Includes GOP budget expenditures in Health, Education and Justice, to assure GOP carries a social stabilization program in the medium term.</b>  <b>1995 data is preliminary, considers GOP budget in social sectors.</b>		<b>1993</b>		<b>4.8</b>																				
		<b>1994</b>	<b>3.8</b>	<b>4.6</b>																				
		<b>1995</b>	<b>4.6</b>	<b>7.3</b>																				
<b>Indicator: Policy Matrix Score</b>				<b>(W = 2)</b>																				
<b>Unit: Index (base = 100)</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>																				
<b>Source: PAPI, Title III records</b>	<b>Baseline</b>	<b>1994</b>		<b>37</b>																				
<b>Comments: PAPI ends in 1997</b>  <b>Items included in the policy matrix are:</b> - Institutional reform and decentralization - Microenterprise and Rural development - Fine-tuning of Macro reforms with impact on social sectors - Development of environmental policies		<b>1995</b>	<b>50</b>	<b>51</b>																				
<b>Indicator: Proportion of studies and technical assistance contributing to policy changes.</b>				<b>(W = 2)</b>																				
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>																				
<b>Source: PAPI, Title III records</b>	<b>Baseline</b>	<b>1994</b>		<b>40</b>																				
<b>Comments: PAPI Activity ends in 1997 .</b>		<b>1995</b>	<b>60</b>	<b>45</b>																				

<b>Intermediate Result No. 2: Increased Market Access for Microentrepreneurs and Small Farmers</b>				
<b>Indicator: Volume of targeted commodities sold</b>				<b>(W = 3)</b>
<b>Unit: Metric Tons (M.T.)</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: Microenterprise and Small Producers Support (MSP), Alternative Development, PVO Support activities' records.</b>	<b>Baseline</b>	<b>1993</b>		<b>1,919</b>
<b>Comments: Targeted agricultural commodities produced by activities' clients include: onions, garlic, grapes, beans, mangoes, cotton, limes, coffee, cacao, rice, corn, shrimp, bananas, and potatoes.</b>		<b>1994</b>		<b>3,433</b>
		<b>1995</b>	<b>20,416</b>	<b>18,823</b>
<b>Current figures only for active activities.</b>				
<b>Indicator: Value of targeted commodities sold</b>				<b>(W = 3)</b>
<b>Unit: \$000</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: MSP, AD, PVO Support activities' records.</b>	<b>Baseline</b>	<b>1993</b>		<b>899</b>
<b>Comments: Targeted commodities produced by activities' clients include agricultural (see above) and handicrafts, apparel, and shoes.</b>		<b>1994</b>		<b>6,005</b>
		<b>1995</b>	<b>17,415</b>	<b>11,084</b>
<b>Current figures only for active activities.</b>				
<b>Indicator: Number of new markets for targeted commodities</b>				<b>(W = 3)</b>
<b>Unit: Number</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: MSP, AD, PVO Support activities' records.</b>	<b>Baseline</b>	<b>1993</b>		<b>--</b>
<b>Comments: New markets refers to sales to new geographic locations by all targeted commodities. 1995 data is for onions, mangoes, handicrafts, potatoes, apparel and coffee.</b>		<b>1994</b>		<b>10</b>
		<b>1995</b>	<b>12</b>	<b>21</b>
<b>Current figures only for active activities.</b>				

<b>Intermediate Result No. 3: Increased Productivity of Microenterprises and Small Farms</b>				
<b>Indicator: Average percentage change in yield per hectare of targeted crops</b>				<b>(W = 2)</b>
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: MSP records, AD records, PVO Support records.</b>	<b>Baseline</b>	<b>1993</b>		
<b>Comments: Targeted crops include: onions, garlic, grapes, beans, mangoes, cotton, limes, coffee, cacao, rice, corn, shrimp, bananas, and potatoes.</b>  <b>1994 and 1995 data only MSP. Target refers to the average increase in yields of MSP targeted crops.</b>		<b>1994</b>		<b>33</b>
		<b>1995</b>	<b>45</b>	<b>65</b>
<b>Indicator: Average percentage change in volume of sales of targeted commodities per worker</b>				<b>(W = 1)</b>
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: MSP records, AD records, PVO Support records.</b>	<b>Baseline</b>	<b>1993</b>		
<b>Comments: Reflects productivity.</b>  <b>This indicator was dropped due to difficult in measurement.</b>		<b>1994</b>		
		<b>1995</b>	<b>30</b>	
<b>Indicator: Number of women/men using activity promoted improved practices.</b>				<b>(W = 2)</b>
<b>Unit: Cumulative number</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: MSP, PVO Support, AD records</b>	<b>Baseline</b>	<b>1993</b>		
<b>Comments: Current data only for MSP. Gender desegregated data only partial for 1994: 386 female clients.</b> <b>1995 : average of 15% were female clients:</b> <b>Coastal farmers: 6%</b> <b>Indigenous farmers in Sierra: 14%</b> <b>Selva farmers: 19%</b> <b>Handicrafts microenterprises: 32%</b> <b>Apparel microenterprises: 77%.</b>		<b>1994</b>		<b>3,111</b>
		<b>1995</b>	<b>13,398</b>	<b>8,589</b>
<b>Indicator: Percentage of loans repaid on schedule (m/f)</b>				<b>(W = 2)</b>
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: MSP, PVO Support, AD activities' reports</b>	<b>Baseline</b>	<b>1993</b>		
<b>Comments: Reflects improvements in management practices of loan users. Data for 1994 is for PVO-Support activity only, all for women.</b> <b>In 1995, village banks type of loans under MSP-APPLE activity, 3,971 women received \$300 average loans with a repayment level of 92%. The Caja Rural type of loan, 1500 loans at an average of \$3000 were provided, (10% for women) with a repayment rate of 96.2%. In other credit programs directed to support 1400 farmers receiving technical assistance in beans, coffee and garlic, loan repayment rate was 100%</b>		<b>1994</b>		<b>88</b>
		<b>1995</b>	<b>90</b>	<b>92</b>

<b>Intermediate Result No. 4: Increased Incentives for Licit Economic Activity in Targeted Coca Growing Areas</b>				
<b>Indicator: Number of hectares devoted to licit crops in targeted areas.</b>				<b>(W = 3)</b>
<b>Unit: Hectares</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: AD, and MSP Activity reports. Ministry of Agriculture Statistics.</b>	<b>Baseline</b>	<b>1993</b>		<b>44,064</b>
<b>Comments: Baseline from AD PP studies. Include all AD target area if activity fully implemented.</b>  <b>* Refers to additional hectares for coffee and cacao crops from MSP activity.</b>		<b>1994</b>		
		<b>1995</b>		<b>*3,563</b>
<b>Indicator: Number of paid jobs in licit activities in target areas. (male/female)</b>				<b>(W = 3)</b>
<b>Unit: Number a. Male, b. Female</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: AD reports, MSP reports.</b>	<b>Baseline</b>	<b>1993</b>		
<b>Comments: AD activity will generate 9,009 full time equivalents jobs by the end of the activity.</b>  <b>MSP generated 833 full time equivalent jobs (616 for male and 217 for female).</b>		<b>1994</b>		
		<b>1995</b>		<b>*833</b>
<b>Indicator: % of households in target areas using basic services made available through USAID assistance.</b>				<b>(W = 1)</b>
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: AD, Local Government Development (LGD) reports.</b>	<b>Baseline</b>	<b>1993</b>		
<b>Comments: Target refers to 12,000 families that will be provided with improved services.</b>		<b>1994</b>		<b>N/A</b>
		<b>1995</b>		<b>N/A</b>
<b>Intermediate Result No. 5: Improved Food Security of the Extremely Poor</b>				
<b>Indicator: Number of high-risk children 0-3 assisted by direct feeding programs</b>				<b>(W = 3)</b>
<b>Unit: Number of children</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: PVOs activity records</b>	<b>Baseline</b>	<b>1994</b>		<b>264,241</b>
<b>Comments: High risk is defined by a set of socio-economic physical and biological characteristics which indicate actual or high risk of malnutrition.</b>		<b>1995</b>	<b>218,510</b>	<b>270,140</b>
<b>Indicator: Number of high-risk families improving their knowledge on food utilization</b>				<b>(W = 2)</b>
<b>Unit: Families participating in Title II nutritional programs.</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: PVOs Activity Records</b>	<b>Baseline</b>	<b>1994</b>		<b>218,000</b>
<b>Comments: High risk is defined by a set of socio-economic physical and biological characteristics which indicate actual or high risk of malnutrition. Baseline refers to current program achievements ending in FY95. Yearly averages are indicated. Actual numbers will be dependent on funding.</b>		<b>1995</b>	<b>218,500</b>	<b>270,140</b>

Indicator: Rate of graduation of high-risk children from program with positive growth tendencies (W = 3)				
Unit: %		Year	Planned	Actual
Source: PVOs activity records	Baseline	1994	-	36
Comments: "Graduation," as defined by the different PVO Title II Programs, is achieved when positive growth tendencies and complementary child health measures (i.e. standard vaccinations and mothers completing training modules) are reached over a minimum participation period of six months and a maximum period of twenty months. Gender is not an issue in malnutrition.		1995		40
Indicator: Number of extremely poor households adopting improved technology (W = 2)				
Unit: cumulative farmers		Year	Planned	Actual
Source: PVOs activity records	Baseline	1994		59,688
Comments: Data for 1994 and 1995 reflects current program accomplishments. Planned data is for yearly averages.		1995		68,006
Indicator: Rate of loan/revolving fund repayment (male/female) (W = 2)				
Unit: %		Year	Planned	Actual
Source: PVOs activity records	Baseline	1994		62
Comments: Baseline data is average men/women for current program. PVO Title II Programs will establish over 2000 credit committees and funds mechanisms for microentrepreneurs.		1995		92
Indicator: Temporary employment created through program (W = 2)				
Unit: Number of persons		Year	Planned	Actual
Source: PVOs Activity Records		1994		209,098
Comments: PVO Title II programs activity the provision of food for work rations to approximately 120,000 workers per year for infrastructure activities, subject to the availability of funds.		1995	121,816	206,105

### **3. Strategic Objective No. 3 Improved Health of High-risk Populations**

This strategic objective directly supports the Agency Goal of "Stabilizing world population and protecting human health." Further, it directly supports three of the four Agency strategic objectives under this goal: sustainable reduction in unintended pregnancies, sustainable reduction in maternal mortality, and sustainable reduction in child mortality.<sup>6</sup>

This SO continues to focus on high-risk populations through interrelated actions. Through greater access to and use of quality, sustainable health care, assistance is directed primarily at reducing infant, child and maternal mortality and fertility in high-risk peri-urban and rural populations. To help ensure that targeted populations are empowered to assume increased responsibility for preventive and first-line curative care in the community and the home, the Mission program emphasizes strong community involvement. Sustainability is being pursued in both programmatic and financial terms, *e.g.*, through human resource development and cost-recovery programs. These activities are also supportive of Initiative 17 of the Summit of the Americas, which calls for *equitable access to basic health services*.

Given imbalances in health indicators among income groups, the SO activities favor indigenous communities -- Quechua, Aymara and Amazonian indigenous populations -- that are in the lowest income-groups, until such time as leveling occurs. USAID concentrates funding on areas of very high need: Huancavelica, Ayacucho, Chanka, Puno and Chavin.

#### **A. Summary of Data (See Table II-4)**

USAID's preferred source of time-series data are the Demographic and Health Surveys (DHS), conducted every five years. The third such survey is scheduled to commence in June 1996, with data available in November 1996. In the interim, the Mission has used UNICEF data collected during 1994 as a proxy to assess its progress towards achievement of the SO. Because the DHS is based on household surveys, in contrast to the estimation techniques used by UNICEF, USAID/Peru considers the DHS to be a stronger data source. Thus, the 1996 DHS results may vary from the UNICEF estimates presented here.

#### **B. Analysis of Data**

Dramatic measurable progress has been made over the past year in achieving this strategic objective, as well as its supporting intermediate results. According to UNICEF data, the significant declines in infant and under-five mortality observed over the last decade appear to continue. These data place infant mortality at 41 per 1,000 live births, a figure that surpasses the Mission's target of 45 for 1995 and virtually reaches the Mission's target of 40 for the year 2000. Taking into account that infant mortality stood at 73 in the 1986 DHS, the new UNICEF figure represents a decline of 44 percent over the past decade.

Under-five mortality shows similarly heartening gains. The same UNICEF data put this figure at 58 per 1,000 children under age five for 1994, surpassing the Mission target of 68 for 1995, as well as the target of 60 for the year 2000. This represents a decline of 45 percent over the past decade.

Total fertility has been estimated by UNICEF for 1994 at 3.3 live births per woman, which approaches the Mission's 1995 target of 3.2. If corroborated by the DHS, this rate will represent a decline of 20 percent over the past decade. Though not quite as dramatic as declines in infant and under-five mortality, fertility has nonetheless clearly undergone a laudable, substantial reduction. The Mission has a target of 3.0 for the year 2000, while the Ministry of Health (MOH), which formerly had the same

<sup>6</sup> The Mission will work directly to support the fourth objective, *sustainable reduction in STI/HIV transmission among key populations*, as of late 1996, when a new activity in HIV/AIDS begins.

goal, has revised its goal downward to an astounding 2.4, which the Ministry admits is an "inspirational" goal.

Maternal mortality remains an elusive indicator in Peru. This is because more than half of births occur at home. Consequently, many deaths go unreported. As shown in the table, estimates for the early part of this decade range between 200 and 300 maternal deaths per 100,000 live births. This is a wide range. USAID's target for the year 2000 is 200; the MOH has a target of 100, based on a baseline estimate of 303. The Mission considers this to be an overly optimistic estimate not grounded in technical considerations.

Through USAID support, a perinatal information system is being implemented almost nationwide; this system will provide valid, timely data on hospital-based maternal mortality at the local level. Non-hospital maternal mortality will remain elusive and subject to estimates. For example, data from one hospital in Ayacucho and another in Juliaca (Puno), where the system has now been functioning for a number of months, reveal a maternal mortality rate of 268. The same data indicate that 63 percent of birthing women had no prenatal care.<sup>7</sup> Equally important, the data show to what the deaths are attributable. Such information will allow the design of locally-tailored preventive responses.

### **IR 3.1 Increased Use of Primary Health Care**

Tremendous advances in immunization coverage have been made in recent years, with USAID as the major donor. Remarkably, results have exceeded 1995 targets on all four indicators. Reliable nationwide immunization data for 1995 indicate that vaccination rates for children under age one for three doses of DPT (diphtheria, pertussis and tetanus) and polio vaccine were 93 and 92 percent, respectively. Measles, which had the lowest coverage at the onset of 1995, about 74 percent, has received particular attention during this reporting period through a house-to-house campaign that raised coverage of under-fives to a markedly high 97 percent, while the infant coverage reached 96 percent. These results exceed targets for the year 2000 of 90 percent. When it is shown that these results can be sustained annually, USAID can consider that its work in immunization has been successfully completed.

The excellent performance of the immunization program reflects the considerable technical and financial assistance that has been invested in that program over recent years through the Expanded Program on Immunization. This program is overseen in Peru by an Inter-Agency Committee chaired by the MOH and comprising, in addition to USAID, the Pan American Health Organization (PAHO), UNICEF and Rotary International. Importantly, USAID has been the major donor in this program, particularly during the last measles campaign.

Another immunization indicator used by USAID/Peru is the percentage of women in high-risk areas who receive two doses of tetanus toxoid vaccine. The 1995 target was exceeded, reaching 71 percent for the period 1993-95 (the vaccine confers long-term immunity after two doses). USAID/Peru will continue to work toward the year 2000 target of 80 percent.

### **IR 3.2 Heightened Sustainability of Primary Health Care**

A major element in sustainability is human resources that are trained to provide quality care, as well as institutions capable of turning out new cadres of well-trained people for work in the health services. Through USAID activities, a total of 10,145 MOH personnel nationwide were trained in four key areas of primary health care: diarrheal diseases, acute respiratory infections, breastfeeding and weaning. This represents 25 percent of MOH primary health care workers.

<sup>7</sup> Some of these cases, however, refer to the absence of prenatal records in the hospital.

**Care for Aymara children**

*In the altiplano districts of Kalluya and Huacullani in southern Puno, 2900 Aymara Indian children, aged 3-5, now attend integrated child development centers called wawa utas, with USAID support through a cooperative agreement with CARE. This program, proposed by the Aymara communities themselves, combines primary health care, nutrition and "head start" type educational activities. It is organized by local mothers' clubs and administered by their multicomunal organization UNCA.*

*The families of these children, among the poorest in Peru, raise alpacas and sheep and have to tend their herds at great distances from their homes. Before the program began, many children were left alone at home, where some died from falling into wells or from untreated diarrheal or respiratory infections.*

*These children now enjoy the benefits of the wawa uta program. Since the program began, Aymara mothers say these children have experienced fewer infectious diseases and deaths have been rare. The mothers themselves take turns cooking and assist program staff in many other ways. UNCA's President, Héctor Velásquez, says that thanks to this program, Aymara women now play a major role in community activities once reserved for men.*

Family planning is also promoted in the home and community through social communications supported by USAID. Title III funds have financed a series of mass media campaigns known as *Los Tromes* (the "with-it" people). The third such campaign, conducted in 1995, reached 3.5 million people through television spots and 1.8 million people through radio messages. A toll-free telephone counseling service received just under 30,000 calls in 1995, surpassing the target for this activity by 75 percent. Importantly, over one-fourth (28 percent) of the callers were men. Further, recognizing that pharmacies are a major source of contraceptives, the Mission supported the development of an informational booklet for free distribution in 4,750 retail pharmacies; over 1.3 people benefitted from this information.

Dramatic strides in couple-years of protection (CYP)<sup>9</sup> have been made recently. Total couple-years of protection in both the public and NGO sector increased from 598,673 in 1993 to 890,551 in 1994, and 1,131,981 in 1995, an 89 percent increase over a two-year period<sup>10</sup>. In consideration that such large jumps are not

sustainable, the Mission has a target of at least 10 percent increment in couple-years of protection each year. In priority areas, 7 of the neediest of Peru's 25 departments, where fertility rates far exceed the national average, substantial increases were registered, ranging from an increase of 15 percent in Ayacucho, a previous stronghold of terrorist groups, to 190 percent in Chavin.

Worldwide, in many cases growth in one contraceptive method means a decline in use of another method, so that the change can be characterized more as substitution than absolute growth. This was not Peru's case. Examining the growth in CYPs by method mix, there has been also an absolute increase in CYPs in all methods during 1994-95. The greatest growth came in IUDs, followed by, in descending order, injectables (Depo-provera), voluntary surgical contraception (tubal ligation and vasectomy), orals (pills), condoms and vaginal tablets.

USAID remains the largest donor in family planning in Peru, investing annually about seven times more than the second largest donor (United Nations Fund for Population Activities-UNFPA). In 1993, USAID imported contraceptives valued at \$721,201; in 1994 that value more than doubled to \$1,562,840; and in 1995 that figure shot up to \$1,976,770. Thanks to an extremely efficient contraceptive logistics system that monitors distribution, maintains stocks not exceeding eight months and provides data for yearly contraceptive procurement tables, this increase in imports corroborates a sharp increase in use.

Regarded as a leader in family planning in Peru, the USAID Mission is regularly consulted by other donors that wish to make marginal complementary investments in family planning and reproductive health. The Mission is also routinely consulted by evaluation and assessment teams visiting Peru. Last

<sup>9</sup> In last year's Action Plan, this indicator was placed under Intermediate Result 1, although it clearly involves results at the level of the home and community, as well as at the health facility. This is because continued use of family planning depends on the everyday actions of its users and on the distribution of contraceptives at the community level. In view of the many indicators on which information exists annually for Intermediate Result 1, this indicator has accordingly been moved to Intermediate Result 3.

<sup>10</sup> Some of this increase may be due to improved reporting, as USAID has supported the strengthening of information systems.

In addition, 2,864 MOH health workers were trained in family planning in 1995, for a total of 4,454 over the 1993-1995 period. Subject areas included contraceptive technology; counseling; such surgical operations as tubal ligations and vasectomies; intrauterine device (IUD) insertion; curriculum development and reform; management; information systems; forecasting contraceptive needs; infection prevention; and other topics. About 50 percent of reproductive health workers in USAID priority regions have been trained in at least two of these areas. At the same time, some 39 percent of reproductive health workers in non-priority regions have received training in at least one subject matter. In total, 36 percent of targeted health personnel have been trained.

Some 900 voluntary health promoters, who form the link between the health post and the community, were also trained this year in coordination with the MOH, while an additional 380 health promoters received training through one partner PVO -- CARE. This training helps ensure that quality services are provided at the community level, thus supporting IR 3.3. CARE also trained the staff of 18 non-governmental organizations in management, administration and computerized information systems.

Given the drawback that formal, Lima-based training removes people from their work environments. USAID has designed a permanent in-service training program that is intended to replace piecemeal, off-site training, beginning in 1996.

Part of the sustainability of non-governmental organizations supported by USAID/Peru lies in their ability to recover a portion of their costs through user fees and other forms of income-generation. This indicator has been monitored for five NGOs that deliver family planning services. In 1994 these five NGOs recovered some 20 percent of their costs. This figure remained constant for 1995, despite a marginal increase in costs. The challenge is for them to move beyond that percentage.

Social marketing of contraceptives is aimed at working people with some effective demand for contraceptives. This activity constitutes the early part of a medium-term strategy to decrease reliance on donated contraceptives. Following negative growth during 1991-92, commercial sector sales of contraceptives grew by 11 percent in both 1993 and 1994, followed by a larger leap of 23 percent in 1995. Eighty percent of the target was reached for sales of oral contraceptives, injectables and vaginal tablets. Sales of the local brand *Piel* condom surpassed the target by 44 percent. Originally donated by USAID, the *Piel* condom is now imported through the working capital generated by previous sales of donated product.

This past year, Project 2000, the project with a mandate to work in cost recovery in the public sector, has just gotten underway. During the year strong linkages have been forged in MOH sub-regions. Accordingly, data will be monitored starting in 1996. This is also the case with the indicator on receipt of required supplies.

### **IR 3.3 Increased Use of Preventive Practices and First-Line Care in the Home and Community<sup>8</sup>**

Key activities to achieve this IR include information, education and communication actions that empower people to have control over their own fertility and other aspects of their health. In Puno, primary health care information broadcast by radio in the indigenous languages of Quechua and Aymara is expected to strengthen people's ability to promote their own good health, as well as seek appropriate services. Courses for health promoters have been conducted exclusively in Quechua and Aymara, thus facilitating communication and forging a better fit between Western ideas of health needs and those of Peru's indigenous communities.

<sup>8</sup> Many indicators under this intermediate result cannot be reported on at this time, because the 1996 DHS will collect that information. Parallel data collection instruments would not make financial sense. These indicators are: average duration of exclusive breastfeeding in targeted areas; percentage of children aged 6-9 months who receive two daily rations of appropriate weaning foods; percentage of caretakers in targeted areas who know the signs and symptoms of acute respiratory infections; percentage of caretakers in targeted areas who know the appropriate in-home treatment for children's diarrheas; and change in contraceptive discontinuation rates in targeted areas.

In view of the new results framework, the Mission would like to drop the indicator on percent of target communities where the health/family planning person or mini-pharmacy is actively providing services.

TABLE II-3 : SUMMARY OF DATA FOR STRATEGIC OBJECTIVE 3

<b>STRATEGIC OBJECTIVE No. 3 Improved health of high-risk populations</b>																				
<b>Indicator: Infant Mortality Rate (IMR)</b>				<b>(W=3)</b>																
<b>Unit: Number of deaths in first year of life per 1,000 live births.</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>																
<b>Source: Demographic and Health Survey (DHS) II 1991-1992. UNICEF: State of World's Children 1996. National Institute of Statistics and Data Processing (INEI)</b>	<b>Baseline</b>	<b>1986</b>	---	73																
<b>Comments: (*) UNICEF estimates.</b>  <b>Urban/Rural differentials:</b> <table border="0" style="margin-left: 20px;"> <tr> <td></td> <td></td> <td align="center"><b>Urban</b></td> <td align="center"><b>Rural</b></td> </tr> <tr> <td><b>1986</b></td> <td><b>DHS</b></td> <td align="center">54</td> <td align="center">101</td> </tr> <tr> <td><b>1991</b></td> <td><b>DHS</b></td> <td align="center">48</td> <td align="center">90</td> </tr> <tr> <td><b>1994</b></td> <td><b>INEI</b></td> <td align="center">36</td> <td align="center">74</td> </tr> </table> <b>Trends will be corroborated with the DHS III, due in 1996.</b>			<b>Urban</b>	<b>Rural</b>	<b>1986</b>	<b>DHS</b>	54	101	<b>1991</b>	<b>DHS</b>	48	90	<b>1994</b>	<b>INEI</b>	36	74		<b>1989</b>		55
			<b>Urban</b>	<b>Rural</b>																
	<b>1986</b>	<b>DHS</b>	54	101																
	<b>1991</b>	<b>DHS</b>	48	90																
	<b>1994</b>	<b>INEI</b>	36	74																
			<b>1991</b>		55															
			<b>1992</b>																	
		<b>1993</b>																		
		<b>1994</b>		41*																
		<b>1995</b>	45																	
<b>Indicator: Under-5 Mortality Rate</b>				<b>(W=3)</b>																
<b>Unit: Number of deaths per 1,000 children under 5 years of age.</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>																
<b>Source: Demographic and Health Survey (DHS) II 1991-1992. UNICEF: State of World's Children 1996. National Institute of Statistics and Data Processing (INEI)</b>	<b>Baseline</b>	<b>1986</b>	---	106																
<b>Comments: (*) UNICEF estimates</b>  <b>Trends will be corroborated with the DHS III, due in 1996.</b>		<b>1988</b>																		
		<b>1989</b>		78																
		<b>1990</b>																		
		<b>1991</b>		78																
		<b>1992</b>																		
		<b>1993</b>																		
		<b>1994</b>		58*																
		<b>1995</b>	68																	

Indicator: Maternal Mortality Ratio (MMR)				(W = 3)
Unit: Maternal deaths per 100,000 live births		Year	Planned	Actual
<p><b>Source:</b> MOH maternal audits. Demographic and Health Survey (DHS) in 1991-1992. UNICEF: State of World's Children 1996. National Institute of Statistics and Data Processing (INEI).</p> <p><b>Comments:</b> Maternal death: death of a woman while pregnant or within 42 days of end of pregnancy, irrespective of the duration and the site of the pregnancy, from any cause related to or aggravated by the pregnancy or its management, but not from accidental or incidental causes.</p> <p>(*) INEI and UNICEF estimates</p> <p>(**) INEI estimates</p> <p>Trends will be corroborated with the DHS III, due in 1996.</p>	<b>Baseline</b>	1991		303*
		1992		200*
		1993		
		1994		261**
		1995	250	
Indicator: Total Fertility Rate (TFR)				(W = 3)
Unit: Married women of reproductive age		Year	Planned	Actual
<p><b>Source:</b> Demographic and Health Survey (DHS) II 1991-1992. UNICEF: State of World's Children 1996. National Institute of Statistics and Data Processing (INEI).</p> <p><b>Comments:</b> The total fertility rate is the average number of births women will have at the end of their childbearing years if fertility patterns at the time of survey prevail. It is a snapshot of current fertility that projects into the future.</p> <p>(*) UNICEF estimates</p> <p>(**) INEI estimates</p> <p>Trends will be corroborated with the DHS III due in 1996.</p>	<b>Baseline</b>	1986	---	4.1
		1989		
		1990		
		1991		
		1992		3.5
		1993		
		1994		3.3*
		1995	3.2	3.2**

<b>Intermediate Result No. 3.1: Increased use of primary health care</b>				
<b>Indicator: Percentage of children who received three doses of DPT vaccine in reference year.</b>				<b>(W = 3)</b>
<b>Unit: Children under one year of age</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: Demographic and Health Survey (DHS) II (91-92). Ministry of Health (MOH): Expanded Program on Immunization (EPI) and General Office of Statistics and Data Processing (OGEI)</b>	<b>Baseline</b>	1986		50%
<b>Comments:</b>  (* In view of the program's achievements, this target has been raised from 90% to 95%.		1989		58%
		1990		72%
		1991	60%	71%
		1992	80%	83%
		1993	80%	87%
		1994	85%	87%
		1995	88%	93%
<b>Indicator: Percentage of children who received three doses of polio vaccine in reference year.</b>				<b>(W = 3)</b>
<b>Unit: Children under one year of age</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: DHS II (91-92). MOH (EPI and OGEI).</b>	<b>Baseline</b>	1987		50%
<b>Comments:</b>  (* In view of the program's achievements, this target has been raised from 90% to 95%.		1989		60%
		1990		73%
		1991	60%	74%
		1992	80%	85%
		1993	80%	88%
		1994	85%	87%
		1995	88%	92%
<b>Indicator: Percentage of children who received one dose of measles vaccine in reference year.</b>				<b>(W = 3)</b>
<b>Unit: Children under one year of age</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: (DHS) II (91-92). MOH (EPI and OGEI).</b>	<b>Baseline</b>	1986		41%
<b>Comments:</b>  (* In view of the program's achievements, this target has been raised from 90% to 95%.		1989		52%
		1990		64%
		1991	60%	60%
		1992	80%	83%
		1993	80%	76%
		1994	85%	74%
		1995	88%	96%

<b>Indicator: Immunization coverage for tetanus toxoid.</b>				<b>(W = 3)</b>
<b>Unit: Women in high risk areas</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: DHS II (91-92). MOH (EPI and OGEI).</b>	<b>Baseline</b>	1986		20%
<b>Comments:</b>  (* Cumulative coverage of years 1993-1995.		1989		
		1990		
		1991		
		1992		13%
		1993		31%
		1994		16%
		1995	60%	71%*
<b>Intermediate Result No. 3.2 Heightened Sustainability of Primary Health Care</b>				
<b>Indicator: Average percentage of costs recovered in targeted private sector facilities.</b>				<b>(W = 2)</b>
<b>Unit: Average percentage of total revenues divided by total costs</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: SHIP activity, USAID sponsored NGOs</b>	<b>Baseline</b>	1994		20%
<b>Comments:</b> Data will be obtained annually on total costs and total revenues from targeted facilities.		1995		20%
<b>Indicator: Percentage of costs recovered in selected MOH sub-regions.</b>				<b>(W = 2)</b>
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Comments: Sub-regions' self-generated revenues (own revenues) divided by total costs per 100. The term "costs" covers total costs. Data will be obtained in 1996 from targeted sub-regions.</b>		1995		
<b>Indicator: Proportion of targeted health personnel trained in primary health care interventions, including reproductive health.</b>				<b>(W = 3)</b>
<b>Unit: % of targeted personnel</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: MOH training statistics and USAID records.</b>	<b>Baseline</b>	1994	30%	30%
<b>Comments:</b> The base number is expected to change over the years to reflect the total number of people in the targeted personnel categories in the selected geographic areas. As such, this reflects sustainability of the system, since it assumes that as new personnel enter the system, they will receive the necessary training. Targeted personnel are nurses, midwives, physicians and other service providers who work in primary health care.		1995		36%

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<b>Indicator: Percentage of priority health sub-regions receiving at least 75% of their required supplies. (W = 2)</b>				
<b>Unit: % of targeted sub-regions</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: MOH logistics reports</b>	<b>Baseline</b>	1994		
<b>Comments:</b> "Required" refers to the amount listed in their local work plans. "Supplies" refers to four general categories: vaccines, pharmaceuticals, micronutrients, and contraceptives. This is a new indicator whose method of calculation will be revised in 1996. Data will be obtained in 1996 from a pre-determined list of sub-regions.		1995		
<b>Indicator: Change in commercial sector sales of contraceptives through social marketing programs. (W = 2)</b>				
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: USAID sponsored NGOs</b>	<b>Baseline</b>	1991		
<b>Comments: Planned target: 10% increase annually.</b>		1992		-5%
		1993		+11%
		1994		+11%
		1995		+23%
<b>Intermediate Result No. 3.3 Increased use of preventive practices and first-line care in home and community</b>				
<b>Indicator: Average duration of exclusive breastfeeding in targeted areas. (W = 1)</b>				
<b>Unit: Months</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: DHS II and IV.</b>	<b>Baseline</b>	1991		2.2
<b>Comments: Exclusive breastfeeding refers to non-use of juices, water or other foods for children under three months. Data will be collected every two years, based on a sample of households in USAID priority sub-regions.</b>				
<b>Indicator: Percentage of children aged 6 - 9 months who received two daily rations of appropriate weaning foods.</b>				
<b>Unit: %</b>	<b>(W = 2)</b>	<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: DHS III and IV.</b>	<b>Baseline</b>	1992		62%
<b>Comments: Appropriate weaning foods are those with density and nutrient content adequate for this age. Data will be collected every two years, based on a sample of households in USAID priority subregions.</b>				
<b>Indicator: Percentage of caretakers in targeted areas who know the signs and symptoms of acute respiratory infections. (W = 3)</b>				
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: DHS III and IV.</b>	<b>Baseline</b>	1995		
<b>Comments: "Caretakers" refers to mothers, fathers older siblings or other household members who care for children. Data will be collected every two years, based on a sample of households in USAID priority subregions.</b>				
<b>Preliminary INEI data for 1994 indicates that 60% of households at national level do not recognize symptoms of acute respiratory infections.</b>				

<b>Indicator:</b> Percentage of caretakers in targeted areas who know the appropriate in-home treatment for children's diarrheas. (W = 3)				
<b>Unit:</b> %		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source:</b> DHS III and IV.	<b>Baseline</b>	1995		
<b>Comments:</b> "Caretakers" refers to mothers, fathers older siblings or other household members who care for children. Data will be collected every two years, based on a sample of households in USAID priority subregions.				
<b>Indicator:</b> Percentage of communities in targeted areas with trained TBAs, CHWs, CBDs and mini-pharmacies (W = 2)				
<b>Unit:</b> % of target communities where the health/FP person or mini-pharmacy is actively providing services.		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source:</b> Data will be collected annually.	<b>Baseline</b>	1995		
<b>Comments:</b> 900 voluntary health promoters received training in family planning. An additional 380 health promoters were trained in basic health.				
<b>Indicator:</b> Change in contraceptive discontinuation rates in targeted areas. (W = 2)				
<b>Unit:</b> % of users in the index/year that stop using a particular method within 12 months of adoption of that method.		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source:</b> DHS, sample surveys in target areas.	<b>Baseline</b>	1991		42%
<b>Comments:</b> High discontinuation rates are correlated with poor quality services and an under-informed public. High rates reduce the cost-effectiveness of contraceptives.				
<b>Indicator:</b> Safe-sex prevalence rate in targeted areas (W = 2)				
<b>Unit:</b> % targeted population that uses condoms in sexual contacts.		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source:</b> Sample surveys in target areas.	<b>Baseline</b>	1994		
<b>Comments:</b> HIV/AIDS activity not started				
<b>Indicator:</b> Couple-years of protection in the public and NGO sectors. (W = 3)				
<b>Unit:</b> CYP		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source:</b> DHS III. MOH (family planning program) and PVOs.	<b>Baseline</b>	1986		
<b>Comments:</b> Planned target: 10% increase annually.		1990		
		1993		598,673
		1994		890,551
		1995		1,131,981

A. Break- down of couple-years of protection in the public and NGO sectors, 1993-1995

Year	Public Sector	% Change	NGO Sector	% Change	TOTAL	% Change
1993	351,385	0.0	247,288	0.0	598,673	0.0
1994	633,853	80.4	256,698	3.8	890,551	48.7
1995	847,295	33.7	284,686	10.9	1,131,981	27.1

B. Couple-years of protection, 1993-1995, in the seven departments of the PASARE Project

Department	1994	1995	% Change
Ancash	11,468	33,236	190%
Ayacucho	15,902	18,254	15%
Huancavelica	5,623	8,741	55%
Ica	20,209	27,857	38%
Moquegua	4,999	6,890	38%
Puno	20,670	26,490	28%
Tacna	12,747	16,852	32%

C. Couple-years of protection by contraceptive method , 1994-1995, per Ministry of Health data.

Method	1994	1995	Change
IUD	393,613	448,154	14%
Injectable	43,414	92,577	113%
Vag. Tablets	13,363	23,365	75%
Condom	23,590	46,399	97%
Orals	57,093	89,100	56%
VSC	102,780	147,700	44%
Total	633,853	847,295	33%

#### **4. Strategic Objective No. 4 Improved Conservation and Use of the Natural Resource Base<sup>11</sup>**

The Mission's "Improved Conservation and Use of the Natural Resource Base" Strategic Objective (SO4) aims at improving the conservation and rational use of Peru's natural resource base for future generations. This will be achieved by improving the regulatory framework for the environment and natural resource base; strengthening protected area management; adoption of improved environmental practices in carefully targeted urban and industrial locations; and establishing a sustainable and productive resource base in fragile ecosystems. Field activities supporting this SO will be directed mostly to poverty areas, where people, particularly women and children, are more affected by the environmental damages.

The SO activities fit squarely within the Agency's goal of "Environment managed for long-term sustainability," and contribute to the Agency's objectives in the areas of biodiversity, pollution reduction, and natural resource management.

Activities under this SO are also consistent with Summit of the Americas concepts dealing with the environment. SO4 promotes community participation, builds mutual confidence, promotes free trade, and supports partnerships for biodiversity, environmental health and pollution prevention as areas of major focus. The New Partnerships Initiative is also supported strongly within SO4 through its efforts to significantly strengthen civil society, support legal and regulatory framework conducive to NGO and local organizations capacity-building, foster partnerships among NGOs, local governments, and linkages with U.S. counterparts, and NGO strengthening.

##### **A. Summary of Data (See Table II-4)**

##### **B. Analysis of Data**

First presented in the FY96-97 Action Plan, the Mission's principal activity, "Sustainable Environmental and Natural Resources Management" (SENREM), was authorized in September 1995. This activity has satisfied six out of its seven conditions precedent; the last one is expected to be satisfied by mid-April, 1996.

There are, however, some significant initial achievements to report, as well as results from other smaller, ongoing environmental activities. The following describes progress made to date.

#### **IR 4.1 Improved regulatory framework for environment and natural resource base**

The National Environmental Council of Peru (CONAM) was formally constituted in May 1995 to guide and coordinate environmental policy and promote conservation and sustainable development. CONAM is the main implementing agency for SENREM and is key to the achievement of this IR. The Mission has established a productive policy dialogue with CONAM, which helped the fledgling institution set up its agenda and define its role as the leading environmental agency of Peru. As a first step towards this end, USAID sponsored a strategic planning seminar, with the assistance of the World Resources Institute, to discuss issues related to CONAM's organization with respect to its policy, public information and consensus building roles. Representatives of different public sector institutions, grassroots organizations and NGOs concerned with environmental issues attended the event.

With USAID support, CONAM is now finalizing its strategic plan, which was developed with the active participation of hundreds of organizations throughout Peru. Over the past few months, CONAM has organized workshops in Lima and in seven regional hubs involving national, regional and local government officials, business and industry representatives, and NGOs and other grassroots

<sup>11</sup>This SO was substantially reformulated and expanded during the 1995-1996 strategic planning process.

organizations. Aside from eliciting ideas from these groups on the principal environmental problems in their respective areas and discussing possible ways in which CONAM could be of assistance, these meetings provided CONAM with an opportunity to begin a process to improve coordination and achieve results. Each regional group has presented CONAM with one modest environment project that they, through a process of consensus, have decided to work on together. Through this process they will share responsibility in protecting the environment, using resources sustainably, and improving environmental conditions. These regional activities and CONAM's proposal for a National Environmental Action Plan will be presented for public debate in a special national forum for environmental dialog in mid-April.

A structured policy agenda per se has not yet been set up by CONAM, although some work is underway by private sector organizations to establish a legislative agenda of major environment and natural resources bills in the Congress. CONAM's regional sessions and the upcoming national environmental forum are mechanisms, albeit initial, of engaging civil society participation on environmental policies. Some other mechanisms are fostered. For example, for a policy that the Ministry of Agriculture (MINAG) had recently published for comment on the creation of ecological protection zones, CONAM specifically requested the opinions of leading NGOs specializing in environmental law and biodiversity matters and incorporated most of their suggestions in its response to the Ministry. CONAM called for major revisions in the draft policy to better protect biodiverse rich areas. The MINAG is now revising its policy to address CONAM's issues. In fact, several ministries are now beginning to consult with CONAM --and CONAM with NGOs-- in advance of the publication of policies.

CONAM has also brokered differences between congressmen in terms of specific bills under consideration. One intervention recently led to the joint sponsorship of a bill expanding the scope of a GOP-sponsored environmental fund previously limited to biodiversity projects. The fund will now have new separate windows for donor funding for urban and industrial pollution projects as well as coastal water management programs. Finally, in several public fora with industry, CONAM has begun to fervently call for increased efforts on the part of industry to adopt pollution prevention measures as opposed to end-of-pipe solutions. More systematic gains in the legal, policy and regulatory framework will be made in FY 97 once specialized technical assistance is in place.

Following our initial steps, other donors are also assisting CONAM. The IDB has approved a \$1.8 million project to assist CONAM in the development of a master plan for the national environmental system and a pilot environmental data system in the Grau Region. Recently, CONAM was designated responsible as the lead entity to represent the GOP on environmental and natural resources international treaties. As such, the UNDP initiated support to CONAM in terms of promoting a national environmental dialogue consistent with Agenda 21, one of the items of the 1992 Rio de Janeiro World Conference.

#### **IR 4.2 Adoption of improved environmental practices in targeted urban and industrial locations**

Through the development of the Mission Environmental Strategy, and the design of the flagship activity -- SENREM, the Mission identified opportunities for testing improved environmental practices and appropriate institutions to implement and support these pilot efforts. Three innovative pilot activities approved under the Environmental Initiative for the Americas (EIA) were launched in November 1995. These leading edge pilot activities in mining and fishmeal industry pollution prevention, and peri-urban solid waste management, address some of the most difficult environmental issues in Peru today. At the same time, these kinds of projects have the greatest potential for replication and long-term, positive environmental impacts.

The \$485,000 solid waste pilot activity in solid waste management is already on the verge of being a resounding success. Other municipalities are exploring the possibilities to apply the same model and the European Union has recently approved a \$1.6 million dollar grant to the same NGO to expand the

***It is worth paying for the service***

*Recently approved in November 1995, the solid waste management pilot project will provide solid waste collection and recycling services to 15,500 households in 36 shanty-towns of the northern, peri-urban area of Lima. Less than six months into project implementation, some 60 percent (20 metric tons) of solid waste produced in the area is being collected daily.*

*This activity employs a microenterprise approach. Four women owned and managed microenterprises, collect domestic household solid waste and, using large, specially-designed tricycles and tractor-hauled carts, transport this waste to new low-cost, model sanitary landfills that employ manual labor. Microenterprises also classify the waste for recycling. One customer expressed her satisfaction with the services provided, commenting:*

*"It saves me time and effort. Before, I had to carry the garbage to the bottom of the hill. Also, we had mountains of garbage that attracted flies and caused odors that presented health dangers, especially to the children who play nearby. Now, I know when the cart is going to come and at what time, and we don't have the piles of uncollected garbage that we had before. The fee that we have to pay for the service is worth it."*

*Customer satisfaction is perhaps best reflected in the demand for services. In the last two weeks of operation, the number of paying customers in one of these services increased from 400 to 2,000.*

scope of our original activity. Other important features of this activity include pilots within a pilot<sup>12</sup> and a comprehensive educational campaign which involves the entire community on the benefits of a cleaner neighborhood through plays, contests for children, and community fund raisers.

Through dialogue during the past several months, the Mission is beginning to influence officials of the mining, oil and fisheries industries to consider adopting pollution prevention measures as opposed to "end of the pipe" treatment or containment. These officials are attracted to the economic advantages of employing clean technologies. For example, one large fishmeal plant was about to install a four kilometer \$1.0 million outfall pipe to discharge effluent into the open sea near a marine reserve. They agreed to temporarily suspended installation preparations until the results of the USAID pilot project are in. The Mission expects that the pilot project will demonstrate increases in production on the order of 20 percent through the adoption of pollution prevention measures, which would make the outfall approach uneconomical. CONAM's intervention on behalf of the project with the fishmeal plant owner was key in their decision to delay the effluent discharge pipe.

Following USAID initiatives in the mining sector, and complementing the Mission's pilot project in Lake Junin, the IDB recently initiated a \$1.4 million study to develop options for the containment of mining-related environmental damage in the Mantaro Valley. After completion of the first phase of our mining pilot project, the GOP-owned CENTROMIN, the largest mine in the area of lake Junin, also announced plans to utilize \$125,000 of its own resources to identify solutions to the pollution affecting Lake Junin. This has allowed the Mission to reprogram the resources it had earmarked for this project to other activities.

Two other pilots projects will be underway by mid-June. A Comparative Risk Assessment of Lima, which will be developed with the participation of the municipality, sectoral public ministries, and the private sector, will provide donors, government, and private entities with a ranking of Lima's worst environmental problems based on dose-response methodology. USAID's environmental programs will have major impact particularly in Lima, where environmental issues are among the top priorities for Lima's new mayor. Under another activity, a pre-feasibility study will be undertaken for a low-cost water treatment facility which employs oxidation/sedimentation ponds and a constructed wetlands will provide final treatment for fishmeal plant effluent (seawater) before returning it to the bay.

<sup>12</sup>

Sub-pilot activities include: waste segregation by type at the household level to foster recycling and the ease of recovering organic waste for community compost sales; ornamental bush and tree raising and planting campaigns; and Lima's first peri-urban hazardous waste collection and disposal program, when the microenterprises begin including local health posts and clinics in their area.

#### **I. R. 4.3 Improved Management of Natural Habitats**

USAID assistance to improve the management of the Pacaya-Samiria reserve is showing important results. Data gathered in 1995 reported that endangered species populations have increased from 1993-1994 levels. Black caiman increased from 0.20 individuals per square kilometer to 0.85 in the Samiria river; and from 2.45 to 2.6 in the Pacaya river. *Charapa* turtle nests increased from 260 to between 270-300. A nearby extinct mammal, the *lobo de rio*, has been found in some areas of the Reserve. Ecosystems in many areas of the reserve are adequately protected now. These results were achieved through improvements in physical infrastructure and training of personnel of the Pacaya Samiria reserve; the promotion of community participation in conservation work; and the adoption of alternative economic activities designed to reduce the indiscriminate use and depletion of important species within the Reserve.

Approximately 1,200 families living in the Reserve and buffer areas are now engaged in sustainable economic activities that will help them to increase their meager incomes. Four community development centers which were constructed under the project are operating. They are supporting agricultural, agroforestry and fisheries activities. Four community fishing units, ten poultry models and two projects for communal management of turtles are operating. Preliminary steps have been taken by our partners to implement a participatory process for zoning and regulation of resource use. As a result of the USAID activity, the GOP is paying greater attention to the management of the Reserve. The operational budget has increased approximately three-fold and the number of government-paid park guards has increased from 12 to 26. Patrol and control of the reserve area is accepted and there is a growing interest of the local population in participating in vigilance and control activities.

The Mission's participatory land classification activities with FADEMAD (the Farmers Federation of Madre de Dios Department) in the Tambopata-Candamo Reserve has concluded. Field data for approximately 65,000 of the planned 130,000 hectares were gathered by the farmers and thematic maps for 26 of the 28 communities were prepared. Genetic production facilities have been established for seeds and stocks, preparing communities for a more sustainable use of this important ecological area. In addition, the establishment of one alternative production system involving the production of jellies and preserves by women was also supported, providing their poor households another source of income, while the improved.

FADEMAD is proceeding with the implementation of follow on systems using funding from other sources. Conservation International (CI) is also supporting some of FADEMAD's activities with PL 480, Title III resources. The Tambopata-Candamo reserve is now receiving attention by key media, in part thanks to USAID support to the CI, which has taken the lead in the advocating for the protection of this rich biodiversity area. CI is recommending that the reserve be upgraded to the "park" category in association with the adjacent *Pampas del Heath* Sanctuary.

#### **IR 4.4 Increased adoption of sustainable use practices in fragile ecosystems**

This is an area where USAID has made more progress during 1995, due to its long history of promoting sustainable agriculture practices in poor rural areas of the country.

Given the participatory approach of the soil management and reforestation activities, and their short term nature (less than a year), it is difficult to set up targets until the community agrees to participate in the activity. In 1995, the communities' prior and successful experiences with USAID environmental activities was an important factor in their commitment to these new activities. This increased commitment led to the planned targets being surpassed. During 1995, 3,812 new hectares were under improved soil management bringing the actual cumulative total to 17,600 hectares, which slightly exceeds the 16,334 hectare target. New areas under reforestation represent 1,913 hectares, slightly higher than the planned 1,780 hectares, bringing the cumulative total to 5,683 hectares. Reforestation and soil management activities under the new Alternative Development activity, which directly contribute to this IR in jungle areas, have not yet commenced.

Integrated control practices for potato production were disseminated in 114 mountain communities. Training and extension materials have been developed and validated and 3,800 families have been trained in pest biology and field recognition and non-chemical pest control practices. These new methods are being applied by 2,000 farmers, one-third of them women, to the 95-96 potato crop season. First records of the previous 94-95 crop season, with training not entirely completed, demonstrated reduction in physical crop loss varying between 5 percent and 18 percent among sites.

Sustainable use practices were disseminated among the populations of the Pacaya-Samiria and Tambopata-Candamo reserve areas. Alternative economic activities are being adopted by several communities, which are reducing the indiscriminate use of rare or depleted species in both protected areas.

**TABLE II-4 : SUMMARY OF DATA FOR STRATEGIC OBJECTIVE 4**

<b>STRATEGIC OBJECTIVE NO. 4 Improved Conservation and Use of Natural Resource Base</b>				
<b>Indicator: Remaining natural forest under sustainable management systems</b>				<b>(W = 2)</b>
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: Conservation Data Center, UNALM, special studies</b>	<b>Baseline</b>	<b>1993</b>		
<b>Comments: Currently there are 7.5 million hectares of Amazonian tropical forests under some form of legal although not effective protection (2 million correspond to Pacaya-Samiria Reserve). Moreover, studies recommend that around 10 million additional hectares should be under a protection regime. Revised indicator is proposed in Strategic Plan (SP)</b>		<b>1994</b>		
		<b>1995</b>		
<b>Indicator: Proportion of targeted watersheds with appropriate management practices</b>				<b>(W = 1)</b>
<b>Unit: Number of watersheds</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: Ministry of Agriculture, INEI, IDB/World Bank</b>	<b>Baseline</b>	<b>1994</b>		<b>TBD</b>
<b>Comments: No data available</b>		<b>1995</b>		
<b>Indicator: Amount of effluent discharge at targeted areas.</b>				<b>(W = 2)</b>
<b>Unit: Metric Tons per unit of time</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: Special studies, CONAM</b>	<b>Baseline</b>	<b>1994</b>		<b>TBD</b>
<b>Comments: SENREM will determine baselines and targets for targeted areas: urban and industrial locations, and effluent such as fishing, mining and peri-urban solid waste processing.</b>		<b>1995</b>		
<b>Intermediate Result No.4.1 Improved Regulatory Framework for the Environment and Natural Resource Base</b>				
<b>Indicator: CONAM effectiveness</b>				<b>(W = 3)</b>
<b>Unit: Score Index (base = 100)</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: CONAM, IDB, SENREM Project</b>	<b>Baseline</b>	<b>1995</b>		<b>0</b>
<b>Comments: CONAM established in late 1995 with IDB funding and supported by Mission under SENREM Project. Matrix for tracking and scoring effectiveness in key areas of CONAM interventions: National Environmental Policy and Plan development, coordination with environmental units in ministries, establishment of technical procedures and methodologies for standards and maximum permissible limits, conflict resolution between sectoral institutions, and others under its responsibility.</b>				
<b>Indicator: Timely implementation of policy agenda</b>				<b>(W = 1)</b>
<b>Unit: Policy Matrix</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: SENREM Project, CONAM</b>	<b>Baseline</b>	<b>1994</b>		<b>Inadequate</b>
<b>Comments: Current legislation needs to be changed or regulated. Legislation also needs to be improved with respect to safeguards for native communities (i.e. Ashaninkas) rights. Key legislation considered: a. National Environmental and Natural Resources Code; b. Water Management Law; c. Forestry Law; d. Management of Protected Areas Law; e. Contamination Law; f. Pesticide use in agriculture Regulation. Key activity started in late 1995.</b>				

<b>Indicator: Percentage of environmental laws and regulations modified/approved with civil society participation(W = 3)</b>				
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: SENREM, PVO Support, PARDEM, LGD, AD Projects, CONAM</b>	<b>Baseline</b>	<b>1995</b>		<b>None</b>
<b>Comments: CONAM has started to ask NGOs inputs for draft pieces of legislation.</b>				
<b>Intermediate Result NO. 4.2 Adoption of Improved Environmental Practices in Targeted Urban and Industrial Locations</b>				
<b>Indicator: Number of pilot efforts implemented to reduce pollution (W = 2)</b>				
<b>Unit: Cumulative number of pilot projects</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: SENREM Project</b>	<b>Baseline</b>	<b>1995</b>	<b>4</b>	<b>4</b>
<b>Comments: Pilot projects initiated in 1995: solid waste management, pollution prevention in fishing industry, pollution prevention in mining, For 1996 a Lima comparative risk assessment, and plant audits are currently planned. Pilot projects are presented by NGOs, private sector or grassroots initiatives.</b>				
<b>Indicator: Proportion of households in peri-urban areas regularly receiving waste management services (W = 3)</b>				
<b>Unit: %</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: SENREM Project</b>	<b>Baseline</b>	<b>1993</b>		<b>6.6% (*)</b>
<b>Comments: Coverage is measured by the percentage of households in targeted areas which have waste management services. Activity initiated in November 1995. Current target area is in two districts of peri-urban Lima servicing 76,000 persons.</b>				
<b>(*) Metropolitan Lima peri-urban districts.</b>				
<b>Intermediate Result NO. 4.3 Improved Management of Natural Habitats</b>				
<b>Indicator: Management plans developed and implemented (W = 2)</b>				
<b>Unit: Number of plans</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: SENREM Project, ENRS Project, PROFONANPE</b>	<b>Baseline</b>	<b>1994</b>		<b>TBD</b>
<b>Comments: 44 protected areas exist in Peru, of which 13 are reserves where plans need to be developed/improved. SENREM Project is currently collecting the data to establish a baseline. A management plan is being developed for Pacaya-Samiria and Tambopata -Candamo Reserves. Management of some areas of Pacaya-Samiria has improved and considered adequate in recent assessments.</b>				

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<b>Indicator: Populations of Endangered Species</b> (W = 2)				
<b>Unit: Numbers of birds/mammals/reptiles</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Data Source: SENREM Project, ENRS Project, PROFONANPE</b> <b>Note: a. Black caiman individuals per km in Samiria River, b. Black caiman in Pacaya river, c. Charapa Turtle nests</b>	<b>Baseline</b>	<b>1994</b>		a.0.2 b.2.45 c.260
<b>Comments: A rare and almost extinct mammal, <i>lobo de rio</i>, has been reported recently in the PACaya-Samiria Reserve. Within selected reserves and in accordance with management plans, populations of endangered species appropriate to each reserve are counted.</b>		<b>1995</b>		a.0.85 b.2.6 c.270
<b>Intermediate Result NO. 4.4 Improved Adoption of Sustainable Use Practices in Fragile Ecosystems</b>				
<b>Indicator: Selected areas under improved soil management</b> (W = 3)				
<b>Unit: Cumulative number of Hectares</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: Title II, Alternative Development, PVO Support</b>	<b>Baseline</b>	<b>1993</b>		8,830
<b>Comments: The Alternative Development project will initiate soil conservation activities in 1996. Includes soil conservation practices for agriculture and protection purposes (terraces and infiltration ditches) implemented by CARE, Caritas and ADRA PL480 projects. Planned levels might vary depending upon communities own decisions to implement the projects.</b>		<b>1994</b>	13,000	13,788
		<b>1995</b>	16,334	17,600
<b>Indicator: Selected areas of Sierra and Selva reforested</b> (W = 2)				
<b>Unit: Cumulative number of Hectares (a) Sierra (b) Selva.</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: Title II, Alternative Development, PVO Support</b>	<b>Baseline</b>	<b>1993</b>		a. 2,012 b. 500
<b>Comments: 1993 b. Data for Upper Huallaga Area Development project. Selva reforestation by the Alternative Development Project will initiate in 1996. Actual levels reported by CARE, Caritas and ADRA/OFASA Planned levels might vary depending upon communities own decisions to implement the projects. In addition, agroforestry systems have been established in 5,272 hectares.</b>		<b>1994</b>		a. 3,770
		<b>1995</b>	a. 5,550	a.5,683
<b>Indicator: Farmers using environmentally sound pest control techniques</b> (W = 2)				
<b>Unit: Cumulative number of farmers (m/f)</b>		<b>Year</b>	<b>Planned</b>	<b>Actual</b>
<b>Source: IPM, MSP Project records.</b>	<b>Baseline</b>	<b>1993</b>		None
<b>Comments: 33% of the farmers currently using environmentally sound pest control techniques are women.</b>		<b>1994</b>	500	1,640
		<b>1995</b>	2,000	2,000

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## **ANNEX 2**

## **ANNEX 2**

### **Special Reporting Requirements**

#### **22CFR216 Issues and Schedule**

##### **Discussion of Issues**

- SO 1:** A Programmatic Environmental Evaluation exists for the Local Government Development Project. It established procedures for environmental analysis for planned minor social infrastructure works. The main GOP implementing agency, INADE, will be responsible for environmental activities through a Special Environmental Unit, which will also be responsible for environmental management of the Alternative Development Project.
- SO 2:** MSP Project No. 527-0349: Although the Project does not fund purchases of pesticides, the Environmental Assessment recommended some measures related to the use of pesticides and fertilizers by Project assisted farmers. In 1995, a total of 30 environmental protection activities such as seminars and field days have been conducted. Main topics include appropriate use of approved pesticides, safe handling, including use of protection equipment, and proper calibration of equipment through field demonstrations.
- SO 3:** A Programmatic Environmental Assessment has been conducted for the construction of approximately 8 health centers. Mitigation measures will be observed during the construction stage.
- SO 4:** Three EIA activities are being implemented. Two of them are directed to pollution prevention and one to solid waste management in peri-urban areas. The activities' design include environmental analysis, formulation of mitigation measures and monitoring.
- SpO** A Programmatic Environmental Evaluation exists for the Alternative Development Project. It establishes procedures for environmental analysis and monitoring. Activities are just being initiated. The main implementing agency, INADE, has already established a Central Environmental Unit, which will be responsible for environmental management of project activities. Environmental Units are also being established in the four areas where activities will be implemented. One environmental expert, under the Technical Assistance Provider contract, will provide technical support to these units.

##### **Preliminary list of Activities that will require IEEs and/or EAs in the coming year**

**SO 2:** ALPACA activity: IIE

**SO 4:** Biodiversity Conservation/Improved Protected Areas Management Activity: EA

FAA Sections 118 and 119: Tropical Forestry/Biodiversity:

USAID continues to combat the threat of biodiversity loss and deforestation through Mission-funded and centrally-funded activities. Under the newly established Strategic Objective No. 4 (SO4), biodiversity and the conservation of natural resources are targeted sectors where efforts, assuming resources are adequate, will be intensified over the next eight years.

Employment and Natural Resources Sustainability Project (ENRS) aims at establishing a balance between natural resource and biodiversity conservation and the economic use of resources in Peru's largest protected area, the 2.0 million hectare Pacaya-Samiria National Reserve in Loreto. ENRS, ending in September 1997, has begun to exceed final targets. The Nature Conservancy reports that thirty percent of the families now participate in the Project's income generation activities, black alligators in both the Pacaya and Samiria Rivers now exceed unit per kilometer targets, and government contributions towards reserve operations have tripled. Assistance continues to Conservation International (CI) working in the 1.5 million hectare Tambopata-Candamo Reserve Zone in Madre de Dios. CI is encouraging the Reserve's inhabitants, through income generation projects, to use the natural resources in a sustainable manner. Two pollution prevention pilot projects in the fishmeal and mining industries got underway in November 1995 that have a green-brown symbiosis. Through the introduction of clean production efforts, they will help preserve two adjacent biodiversity-rich reserves: the 335,000 hectare Paracas National Marine Reserve and the 53,000 hectare 4,000 meter high Lake Junin National Reserve.

Centrally-funded activities include the (a) Mountain Institute's activity in Huascarán National Park designed to improve park management; (b) Parks in Peril Project under which a new master management plan will be drafted for the Yanachaga-Chemillén National Park of Pasco and conservation activities in the Pampas del Heath National Sanctuary in Madre de Dios will continue; and (c) CI's Rapid Assessment Program Mission scheduled for October 1996 to undertake a biological inventory of remote, biodiverse rich areas of the Vilcabamba Mountains in the Department of Cuzco an important first step for its protection and conservation.

Our new SO forms a framework of actions that are necessary to conserve biological diversity and tropical forests in Peru such as an improved legal and policy framework. Under IR#5, the Mission will (a) strengthen institutions such as the new National Environmental Council (CONAM) which has just submitted a dissenting opinion to the Executive Branch on the definition of *protected ecological zone* draft policy which could place parks in jeopardy and (b) support efforts that eliminate gaps, inconsistencies, and contradictions in the legal, policy, regulatory, normative framework including those that impact on the use of natural resources in protected areas and other tropical areas.

Under IR#1 and IR#3, SO4 will also support discrete activities with SENREM resources which will impact on biodiversity conservation and tropical forests such as support for (a) the Annual State of the Environment Report and other public information systems; (b) ecological PVO networks; (c) policy research and normative standardization; and (d) biodiversity-oriented pilot projects to test new methodologies.

An SO-level indicator, "improved management of protected areas and sustainable use of their resources", will annually evaluate the state of the National Protected Areas System as a proxy for measuring biological diversity conservation and sustainable natural resource management. In order to ensure attainment of SO targets and not have to entirely rely on leveraging other donor support for the widespread adoption of successful practices, SO4 will directly fund some core sector activities. One of these activities, "Improved Management and Sustainable Use of Resources in Protected Areas" (biological conservation) will require \$5.0 million over seven years beginning in FY1997. These resources are essential to complying with FAA norms and the Agency's Biodiversity Strategy.

Other donor support for biological diversity and tropical forest protection in Peru is increasing. PROFONAMPE, the national trust for parks and protected areas, has now secured \$16.5 million worth

of donor contributions and pledges (German, Finnish, and Canadian debt swaps and donations from the Global Environment Fund of the World Bank, the German Cooperation Agency--GTZ, the Dutch Government, and the MacArthur Foundation). The European Union recently provided \$6.0 million program to the Ministry of Agriculture's National Institute of Natural Resources (INRENA) and the Inkan (Cuzco) Regional Government for support of activities in the 1.5 million hectare Manu National Reserve, and the Government of Finland has pledged \$3.0 million through FONCODES for activities near the Machu Picchu Historic Sanctuary.

The IDB has approved a \$1.8 million grant to assist CONAM in the development of a master plan for the national environmental system and a pilot environmental data system in the Grau Region. GTZ is helping INRENA develop a master plan for protected areas although it is encountering some delays in getting final INRENA approval. Modest contributions to biodiversity activities are also being made by the World Wildlife Fund, the Canadian International Development Agency, the Food and Agriculture Organization, and the Japanese Government amongst others.

## **ANNEX 3**

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AID/LAC/SPM:JWEBER AID/GC/LAC:AADAMS (DRAFT)  
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TAGS:

SUBJECT: FY 1996-1997 ACTION PLAN FOR PERU

1. THE FY 1996-1997 ACTION PLAN FOR USAID/PERU WAS  
REVIEWED ON MAY 18, 1995. THE DABC MEETING WAS CHAIRED BY  
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PAGE 02 STATE 145324 151711Z  
AA/LAC MARK SCHNEIDER ACCOMPANIED BY DAA NORMA PARKER.  
THE ACTION PLAN WAS PRESENTED BY THE MISSION DIRECTOR FOR  
USAID/PERU, GEORGE WACHTENHEIM. THE MISSION WAS ALSO  
REPRESENTED BY JEFFORY BOYER, CHIEF, PROGRAM AND PROJECT  
OFFICE; AND HARRY WING, CHIEF, OFFICE OF RURAL  
DEVELOPMENT. REPRESENTATIVES OF THE GLOBAL BUREAU, BHR,  
M, PPC, ALL APPROPRIATE LAC BUREAU OFFICES, AND STATE/ARA  
AND STATE/INL WERE PRESENT. THE MISSION WAS COMPLIMENTED  
ON PREPARING AN ACTION PLAN WHICH EFFECTIVELY CAPTURES A  
HIGHLY COMPLEX PROGRAM AND, IN PARTICULAR, INTEGRATES AND  
REINFORCES THE THEME OF USG COUNTERNARCOTICS OBJECTIVES  
THROUGHOUT THE MISSION'S OVERALL PROGRAM. THE ACTION PLAN  
WAS APPROVED BY THE BUREAU, SUBJECT TO THE GUIDANCE  
PROVIDED BELOW.

2. PROGRAM BUDGET: THE DA BUDGET LEVEL FOR USAID/PERU IN  
FY 95 IS DOLS 27.621 MILLION, INCLUDING FIELD SUPPORT,  
PLUS DOLS 450,000 FOR THE INSTITUTE FOR LIBERTY AND

DEMOCRACY (ILD); THE ESF LEVEL IS DOLS 5.5 MILLION.  
CONTROL LEVELS FOR FY 96 ARE DOLS 35 MILLION DA AND DOLS  
17 MILLION ESF EQUIVALENT UNDER THE COUNTERNARCOTICS  
BUDGET REQUEST. SEE PARA 7 ON COUNTERNARCOTICS-RELATED  
FUNDING.

3. FOOD SECURITY STRATEGIC OBJECTIVE. AN ISSUE WAS  
RAISED REGARDING WHETHER THE MISSION SHOULD ADD A SEPARATE  
FOOD SECURITY STRATEGIC OBJECTIVE. THERE HAS BEEN  
CONSIDERABLE DEBATE IN THE AGENCY REGARDING WHETHER  
MISSIONS WITH SUBSTANTIAL FOOD ASSISTANCE PROGRAMS SHOULD  
HAVE SEPARATE FOOD SECURITY OBJECTIVES. IT WAS

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ESTABLISHED THAT CURRENT AGENCY POLICY GUIDELINES REQUIRE

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THAT ALL MISSIONS APPLYING FOR FOOD AID RESOURCES MUST CLEARLY AND EXPLICITLY ARTICULATE THEIR PROPOSED FOOD AID SUPPORTED PROGRAMS IN THE CONTEXT OF ENHANCING FOOD SECURITY. AT THE SAME TIME, BECAUSE THE CONCEPT OF ENHANCING NATIONAL FOOD SECURITY IS USUALLY BEYOND USAID'S MANAGEABLE INTEREST, IT IS MORE USEFUL AND CREDIBLE TO EXPRESS FOOD SECURITY OBJECTIVES IN TERMS OF PRIORITY FOCUS AREAS OF INCREASING AGRICULTURAL PRODUCTIVITY AND/OR IMPROVING HOUSEHOLD NUTRITION. IN THE DISCUSSION, SOME REVIEWERS FELT THAT IT WOULD BE MORE ACCURATE TO PORTRAY FOOD SECURITY AS A HIGHER-LEVEL GOAL TO WHICH THE MISSION'S ECONOMIC GROWTH AND HEALTH OBJECTIVES CONTRIBUTE. SOME FELT THAT THE WORDING OF THE FOOD SECURITY OBJECTIVE AS PRESENTED IN THE ACTION PLAN IS BEYOND THE MISSION'S MANAGEABLE INTEREST, AND THAT, IF THE MISSION DOES HAVE A SEPARATE FOOD SECURITY OBJECTIVE, IT SHOULD FOCUS ON LOWER-LEVEL RESULTS RELATING TO THE PRIORITY AREAS IDENTIFIED IN THE NEW AGENCY POLICY, I.E. INCREASING AGRICULTURAL PRODUCTIVITY AND/OR IMPROVING HOUSEHOLD NUTRITION. SOME ALSO HAD PROBLEMS UNDERSTANDING THE LOGIC BEHIND THE CURRENT DIVISION OF PROGRAM OUTCOMES AMONG THE ECONOMIC, FOOD SECURITY AND HEALTH STRATEGIC OBJECTIVES. HENCE, IT WAS RECOMMENDED THAT THE PROGRAM OUTCOME RELATED TO EDUCATION THAT CURRENTLY SUPPORTS THE FOOD SECURITY STRATEGIC OBJECTIVE BE MOVED TO THE ECONOMIC STRATEGIC OBJECTIVE (SO 2). IT WAS ALSO SUGGESTED THAT PROGRAM OUTCOME 3 OF SO 2, WHICH DEALS WITH INCREASED AGRICULTURAL PRODUCTIVITY, BE MOVED TO THE FOOD SECURITY STRATEGIC OBJECTIVE. ANOTHER REVIEWER POINTED OUT THAT IT IS AGENCY POLICY TO BETTER INTEGRATE FOOD RESOURCES WITHIN

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THE OVERALL MISSION PORTFOLIO AND EXPRESSED CONCERN THAT THE PROPOSED CONFIGURATION, WITH A SEPARATE STRATEGIC OBJECTIVE FOR FOOD SECURITY TO WHICH FEW RESOURCES OTHER THAN FOOD APPEARED TO BE DIRECTED, SEEMED TO BE MOVING IN THE OPPOSITE DIRECTION.

THE AA/LAC DETERMINED THAT THE MISSION SHOULD CONSIDER AGENCY POLICY AND THE COMMENTS MADE IN THE REVIEW IN DECIDING WHETHER OR NOT TO PRESENT A SEPARATE FOOD SECURITY STRATEGIC OBJECTIVE IN ITS NEW STRATEGIC PLAN TO BE DEVELOPED IN THE SPRING OF CY 1996.

4. EXPANSION OF THE JUSTICE SECTOR SUPPORT (JUST) PROJECT. THE ACTION PLAN INCLUDES A NAD FOR AN AMENDMENT TO EXTEND THE JUST PROJECT BY TWO YEARS, TO FY 98, WITH AN ADDITIONAL DOLS 4 MILLION IN ESF. THE PROJECT EXPANSION IS TO INCLUDE TECHNICAL ASSISTANCE AND TRAINING OF PROSECUTORS AND JUDGES RESPONSIBLE FOR THE IMPLEMENTATION OF THE CRIMINAL PROCEDURE CODE, AND DEVELOPMENT OF PUBLIC DEFENDERS AND ALTERNATIVE DISPUTE RESOLUTION PROGRAMS, AS WELL AS AN EXPANSION OF DIRECT ASSISTANCE TO THE GOVERNMENT. BASED ON A PRESENTATION OF THE OUTCOMES OF THE IWG ON PERU BY DAA PARKER, THE DAEC AGREED THAT THE EXPANSION OF THE JUST PROJECT SHOULD PROCEED IN ACCORDANCE WITH A SERIES OF CALIBRATED STEPS. IT WAS AGREED THAT THE MISSION WILL PRESENT THE BUREAU WITH A PLAN OR MATRIX OUTLINING THE TIMING OF PROJECT COMPONENTS IN RELATION TO FULFILLMENT OF KEY STEPS IN JUDICIAL REFORM WHICH ARE STILL PENDING. FOR EXAMPLE, THE MISSION SHOULD SPECIFY WHICH ACTIVITIES WILL GO FORWARD BEFORE AND AFTER THE CRIMINAL PROCEDURES CODE IS PROMULGATED; BEFORE AND AFTER

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THE FACELESS JUDGES ARE ELIMINATED FROM CIVILIAN COURTS; AND BEFORE AND AFTER THE HUMAN RIGHTS OMBUDSMAN'S OFFICE IS ESTABLISHED AND AN INCUMBENT IDENTIFIED. THE MISSION'S PLANNED ACTIVITIES IN SUPPORT OF THE JUDICIAL COUNCIL AND JUDICIAL ACADEMY ARE TO PROCEED TO ADDRESS PRIORITY NEEDS AND OPPORTUNITIES IN FY 95.

5. USDH ECONOMIST POSITION. AN ISSUE WAS RAISED REGARDING THE POSSIBILITY OF REESTABLISHING A USDH ECONOMIST POSITION IN PERU. SOME REVIEWERS HAVE FOUND THE ECONOMIC ANALYSES IN THE ACTION PLAN AND OTHER RECENT MISSION DOCUMENTS TO BE UNCLEAR SINCE THE ELIMINATION OF

THE MISSION'S USDH ECONOMIST POSITION. THESE REVIEWERS ARGUED FOR REESTABLISHMENT OF THE POSITION, BASED ON THE SIZE OF THE USAID/PERU PROGRAM AND THE IMPORTANCE OF SOUND ECONOMIC ANALYSIS. THE MISSION AGREED THAT IT WOULD LIKE TO RESERVE ONE OF ITS USDH POSITIONS FOR AN ECONOMIST, IF ITS NEEDS FOR HEALTH STAFF COULD BE COVERED WITH AN IDI INSTEAD OF ADDING A HEALTH USDH AS CURRENTLY PLANNED. THE BUREAU STATED THAT IT WILL TRY TO PROVIDE THE MISSION WITH ONE OR MORE IDIS AS REQUESTED. IT WAS NOTED THAT THE INCREASE IN 2 USDH IN FY 96 WOULD REQUIRE AMBASSADORIAL AND NSDD-38 CLEARANCE.

6. OPERATING EXPENSES. AN ISSUE WAS RAISED REGARDING WHETHER ADDITIONAL OE RESOURCES CAN BE MADE AVAILABLE IN - FY 96 FOR FURNISHING THE NEW BUILDING WHICH USAID/PERU PLANS TO CONSTRUCT. USE OF FY 95 FUNDS FOR CONSTRUCTION HAS BEEN APPROVED, AND COMPLETION OF CONSTRUCTION AND OCCUPANCY OF THE BUILDING ARE SCHEDULED FOR THE FIRST QUARTER OF FY 98. THE MISSION HAS ESTIMATED COSTS FOR NEW

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FURNITURE AT DOLS 800,000; HOWEVER, ESTIMATES OBTAINED IN WASHINGTON INDICATE THAT THE FURNITURE COULD BE ACQUIRED FOR DOLS 650,000. THE MISSION STATED THAT A NEW TELEPHONE SYSTEM WILL ALSO BE REQUIRED AT A COST OF DOLS 170,000. AS THE MISSION IS NOT SCHEDULED TO OCCUPY THE NEW BUILDING UNTIL FY 98, THE BUREAU CONTROLLER DETERMINED, WITH M BUREAU CONCURRENCE, THAT FUNDING FOR THE FURNITURE AND TELEPHONE SYSTEM PROCUREMENT SHOULD NOT BE INCLUDED IN MISSION BUDGET LEVELS ANY EARLIER THAN FY 97.

7. COUNTERNARCOTICS. STATE/INL SAID THAT THE USAID/PERU ACTION PLAN DID NOT PROVIDE ADEQUATE DISCUSSION OF THE LINKAGES BETWEEN THE U.S. MISSION PROGRAM PLAN FOR PERU AND THE U.S. NATIONAL DRUG CONTROL STRATEGY GOAL OF REDUCING THE PRODUCTION OF COCAINE. THE MISSION DIRECTOR AND DAA POINTED OUT SEVERAL REFERENCES IN THE DOCUMENT TO THE IMPORTANCE OF THE NARCOTICS PROBLEM IN PERU AND THE MISSION'S ROLE IN CONTRIBUTING TO ITS RESOLUTION. FOLLOWING THE MEETING, STATE AND USAID AGREED THAT THE FOLLOWING LANGUAGE WOULD BE INCLUDED IN THE ACTION PLAN CABLE.

CONSISTENT WITH THE U.S. NATIONAL DRUG CONTROL STRATEGY AND PDD/NSC-14 (THE U.S. POLICY ON INTERNATIONAL COUNTERNARCOTICS IN THE WESTERN HEMISPHERE), ONE OF THE FIVE CO-EQUAL GOALS IN THE U.S. MISSION PROGRAM PLAN FOR PERU IS TO REDUCE AND ULTIMATELY ELIMINATE COCAINE PRODUCTION. THE USAID ALTERNATIVE DEVELOPMENT PROJECT WILL INCREASE AND DIVERSIFY VIABLE EMPLOYMENT AND INCOME OPPORTUNITIES IN ORDER TO REDUCE THE EXTENT OF COCA UNDER CULTIVATION. IT IS NOTED THAT A KEY END-OF-PROJECT

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INDICATOR OF THE PROJECT'S GOAL AND SUCCESS IS 50 PERCENT REDUCTION IN MATURE COCA CROPS UNDER CULTIVATION BY BENEFICIARIES IN PROJECT TARGETED AREAS, AS DESCRIBED IN THE PROJECT PAPER AND CORRESPONDING TO GOALS ESTABLISHED BY THE GOP NATIONAL PLAN FOR DRUG PREVENTION AND CONTROL. IT IS RECOGNIZED THAT ACHIEVEMENT OF THE ALTERNATIVE DEVELOPMENT PROJECT'S GOAL WILL DEPEND ON A NUMBER OF FACTORS, SUCH AS EFFECTIVE GOP LAW ENFORCEMENT ACTIONS ASSISTED BY THE U.S. GOVERNMENT (STATE/INL AND OTHER AGENCIES), THE GOP'S CONTINUOUS IMPROVEMENT IN SECURITY AND INCREASED PRESENCE IN THE PROJECT TARGETED AREAS, AND GOP EFFORTS TO MAINTAIN SOUND ECONOMIC POLICIES,

CONTRIBUTE ITS OWN RESOURCES AND TAKE THE LEAD IN SOLICITING OTHER DONOR SUPPORT. OTHER IMPORTANT ELEMENTS OF USAID/PERU'S CONTRIBUTION TO THE U.S. MISSION PROGRAM PLAN FOR PERU IN THE COUNTERNARCOTICS AREA INCLUDE INCREASED DRUG AWARENESS (THROUGH NGOS SUCH AS CEDRO), LOCAL GOVERNMENT STRENGTHENING, AND IMPROVED ADMINISTRATION OF JUSTICE PROJECTS. WITH REGARDS TO FUNDING, STATE/INL'S REPRESENTATIVE EXPRESSED SUPPORT FOR FUNDING THE BUREAU'S ALTERNATIVE DEVELOPMENT PROGRAM FROM COUNTERNARCOTICS-RELATED ECONOMIC ASSISTANCE. FUNDING

LEVELS MENTIONED IN THE DOCUMENT WILL BE SUBJECT TO  
SUBSEQUENT INTERAGENCY BUDGETARY DECISIONS.

6. ENVIRONMENTAL ISSUES. SEVERAL ISSUES REGARDING THE  
MISSION'S ENVIRONMENTAL STRATEGY AND ACTIVITIES WERE  
RAISED AND RESOLVED:

A) AN ISSUE WAS RAISED REGARDING WHETHER THE MISSION  
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SHOULD ADD AN ENVIRONMENTAL STRATEGIC OBJECTIVE, GIVEN THE  
LEVEL OF RESOURCES TO BE DEVOTED TO THIS SO. THE ISSUE  
WAS RESOLVED FOLLOWING MISSION CLARIFICATION THAT  
APPROXIMATELY DOLS 8 MILLION WILL BE DEVOTED TO  
ENVIRONMENTAL ACTIVITIES IN FY 96, INCLUDING NEW AND  
EXISTING ENVIRONMENTAL PROJECTS AND ENVIRONMENTAL  
COMPONENTS OF HEALTH AND ALTERNATIVE DEVELOPMENT PROJECTS.  
THE MISSION'S ADDITION OF AN ENVIRONMENTAL OBJECTIVE WAS  
APPROVED, WHILE SOME RECOMMENDATIONS WERE OFFERED  
REGARDING REFINEMENT OF THE OBJECTIVE.

B) AN ISSUE WAS RAISED REGARDING WHETHER THE NEW  
SUSTAINABLE ENVIRONMENTAL AND NATURAL RESOURCES MANAGEMENT  
PROJECT WILL ATTEMPT TO ADDRESS THE BROAD RANGE OF ISSUES  
IDENTIFIED IN THE MISSION'S RECENTLY COMPLETED  
ENVIRONMENTAL STRATEGY, OR WHETHER THE MISSION HAS  
IDENTIFIED A SET OF KEY CONSTRAINTS TO ADDRESS ON A  
PRIORITY BASIS. MISSION STAFF EXPLAINED THAT THEY INTEND  
TO FOCUS ON THREE PRIORITY AREAS: 1) ENVIRONMENTAL POLICY  
AND LEGAL REGULATORY FRAMEWORK; 2) POLLUTION PREVENTION IN  
PERI-URBAN AREAS; AND 3) BIODIVERSITY AND FRAGILE  
ECOSYSTEMS.

C) QUESTIONS WERE RAISED REGARDING WHETHER THE MISSION  
SHOULD DEVELOP A STRATEGY TO REDUCE THE ENVIRONMENTAL  
IMPACTS OF ILLICIT COCA CULTIVATION. THE MISSION DIRECTOR  
REPORTED THAT THE MISSION INTENDS TO ADDRESS THIS ISSUE BY  
WORKING WITH CONAM, THE NEW GOP ENVIRONMENTAL AGENCY, IN  
CREATING AND ENFORCING APPROPRIATE POLICIES AND  
REGULATIONS. THE COUNTRY TEAM WILL BE WORKING CLOSELY  
WITH THE GOP ON IMPLEMENTATION OF ITS NATIONAL DRUG PLAN,  
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WHICH PLACES A HIGH PRIORITY ON REDUCING ENVIRONMENTAL  
DAMAGE RESULTING FROM ILLICIT COCA CULTIVATION.

D) AN ISSUE WAS RAISED REGARDING WHETHER THE MISSION'S  
PROGRAM SHOULD ADDRESS THE ENVIRONMENTAL CAUSES OF HEALTH  
PROBLEMS SUCH AS CHOLERA, PARTICULARLY THROUGH IMPROVING  
WASTEWATER TREATMENT, RATHER THAN MERELY TARGETING THE  
RESULTING ILLNESSES. THE MISSION RESPONDED THAT THE NEW  
ENVIRONMENTAL SENREM PROJECT CAN ADDRESS THIS ISSUE  
THROUGH SMALL DEMONSTRATION PROJECTS. IN ADDITION, THE  
MISSION'S PROJECT 2000 WILL WORK ON IMPROVING THE MINISTRY  
OF HEALTH'S ROLE IN ADDRESSING ENVIRONMENTAL ISSUES, IN  
CONJUNCTION WITH CONAM. THE MISSION IS COOPERATING WITH  
THE WORLD BANK AND IDB, WHICH HAVE LARGE WATER AND  
SANITATION PROGRAMS FOR PERU'S URBAN AREAS. THE ISSUE  
WILL ALSO BE ADDRESSED THROUGH THE MISSION'S SUPPORT FOR  
CONAM IN THE DEVELOPMENT OF GUIDELINES AND STANDARDS.

E) AN ISSUE WAS RAISED REGARDING WHETHER THE MISSION  
SHOULD DEVOTE MORE EFFORT TO TRAINING NGOS TO ACCESS THE  
INFORMATION NEEDED FOR DIALOGUE WITH THE GOVERNMENT ON  
ENVIRONMENTAL ISSUES. THE MISSION RESPONDED THAT ONE  
COMPONENT OF THE NEW ENVIRONMENTAL PROJECT AIMS TO BUILD  
UP NGOS' CAPABILITIES IN ADVOCACY AND FAMILIARIZE THEM  
WITH ENVIRONMENTAL TECHNOLOGIES. THE PAPI POLICY PROJECT  
ALSO WORKS WITH NGOS ON ANALYZING POLICY ISSUES, INCLUDING  
ENVIRONMENTAL REGULATORY ISSUES.

F) AN ISSUE WAS RAISED REGARDING WHETHER THE MISSION  
SHOULD ASSIST U.S. COMPANIES INTERESTED IN PURCHASING  
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NEWLY PRIVATIZED ENTERPRISES IN PERU, BY IDENTIFYING  
POTENTIAL ENVIRONMENTAL LIABILITIES. THE MISSION DIRECTOR  
RESPONDED THAT THE MISSION INTENDS TO DEAL WITH SUCH  
ISSUES BY WORKING THROUGH CONAM, RATHER THAN WITH  
INDIVIDUAL U.S. INVESTORS.

G) IN RESPONSE TO A REQUEST FOR CLARIFICATION, THE  
MISSION STATED THAT OF OVER DOLS 2.5 BILLION OF DONOR  
FUNDING FROM IDB, IBRD, AND IMF IN 1994-1996,  
APPROXIMATELY 20 PERCENT HAS SOME RELATION TO  
ENVIRONMENTAL AND NATURAL RESOURCE ACTIVITIES. THE  
MISSION IS COLLABORATING CLOSELY WITH OTHER DONORS,  
INCLUDING THE GERMAN AND DUTCH GOVERNMENTS AND THE GLOBAL  
ENVIRONMENTAL FACILITY, ON ENVIRONMENTAL ISSUES.

9. PARTICIPATION OF PVOS/NGOS IN STRATEGIC PLANNING  
PROCESS. THE MISSION REPORTED THAT IT HAS GIVEN  
PARTICULAR EMPHASIS TO INTEGRATING PVOS AND NGOS INTO ITS  
PLANNING PROCESS, AS DESCRIBED IN PAGES 13-14 OF THE  
ACTION PLAN.

10. IMPACT OF OE CUTS ON MISSION MANAGEMENT. AN ISSUE  
WAS RAISED REGARDING THE MISSION'S ABILITY TO MANAGE THE  
PROPOSED PROGRAM IF OE RESOURCES ARE CUT SUBSTANTIALLY.  
THE MISSION NOTED THAT THE PROGRAM IS BASED ON CURRENT  
ASSUMPTIONS REGARDING RESOURCE LEVELS. CURRENT STAFFING  
LEVELS REFLECT THE BUREAU'S AGREEMENT THAT MISSION STAFF  
SHOULD BE INCREASED BY 2 USDH DURING THE AP PERIOD  
FOLLOWING A PERIOD WHEN STAFFING LEVELS WERE SEVERELY  
CURTAILED DUE TO SECURITY CONCERNS. MANY OF THE MISSION'S  
MADS ARE EITHER FOR PROJECT AMENDMENTS, FOLLOW-ON  
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ACTIVITIES, OR AREAS IN WHICH THE MISSION HAS WORKED  
BEFORE, SO THAT THE PORTFOLIO IS NOT AS OVERWHELMING AS IT  
MAY APPEAR. IT WAS ALSO NOTED THAT THE MISSION WILL  
REDUCE ITS NUMBER OF MANAGEMENT UNITS FROM 22 TO 20 OVER  
THE PLANNING PERIOD.

11. STRATEGIC OBJECTIVES AND INDICATORS. A NUMBER OF  
ISSUES WERE RAISED AND DISCUSSED AT THE PERFORMANCE REVIEW  
MEETING REGARDING THE INDICATORS SELECTED FOR MEASUREMENT  
OF THE MISSION STRATEGY AND DATA PROVIDED FOR THE  
INDICATORS. THE MISSION AGREED TO MODIFY A NUMBER OF THE  
INDICATORS, AND TO REVIEW THE ACCURACY OF CERTAIN DATA  
POINTS. A SEPARATE MEETING WAS HELD REGARDING REFINEMENT  
OF THE MISSION'S NEW ENVIRONMENTAL STRATEGIC OBJECTIVE AND  
INDICATORS, AND THE MISSION AGREED TO CONSIDER  
MODIFICATIONS OF THE OBJECTIVE ON THE BASIS OF  
RECOMMENDATIONS OFFERED IN THE MEETING.

12. NEW ACTIVITY DESCRIPTIONS. THE FOLLOWING NEW  
ACTIVITIES ARE PROPOSED IN THE ACTION PLAN:

PROJECT NO.	NAME	LOP	AMOUNT	DECISION
				(DOLS 000)
FY 95				
527-0379	SUSTAINABLE ENVIRONMENT & NAT. RESOURCES MGT.		11,000	APPROVED LAST YEAR

FY 96				
527-0377	TRAINING FOR INNOVATION UNCLASSIFIED		5,000	DEFER
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				AND DEVELOPMENT INITIATIVE
				APPROVAL
527-0371	AMENDMENT NO. 1 TO LOCAL GOVT. DEVELOPMENT PROJECT		5,000	APPROVE/
527-0352	AMENDMENT NO. 1 TO JUSTICE SECTOR SUPPORT (JUST)		4,000	APPROVE/
527-0378	AIDS HELP - HEALTHIER		1,000	APPROVE/

	LIVES THROUGH PREVENTION	DELEGATE
527-0375	POPULATION & FAMILY PLANNING 30,000 PLANNING SUPPORT (APOYO)	APPROVE/ DELEGATE
527-0348	AMENDMENT NO. 1 TO ALT. 8,796 DEVELOPMENT PROJECT	APPROVAL DELEGATE

FY 97

527-0379	CITIZEN AWARENESS AMONG 2,000 DRUG PRODUCERS (CITAD)	DEFER APPROVAL
527-0380	CONGRESSIONAL INFORMATION 4,000 AND RESEARCH	DEFER APPROVAL
527-0382	MODERN AGRICULTURAL 8,000 TECHNOLOGY	DEFER APPROVAL
527-0381	MINO SANO (INTEGRATED CHILD 3,200 DEVELOPMENT PROJECT) UNCLASSIFIED	DEFER APPROVAL

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A. GENDER ISSUES IN WADS. QUESTIONS WERE RAISED REGARDING THE LACK OF TREATMENT OF GENDER ISSUES IN THE MISSION'S WADS. THE MISSION EXPLAINED THAT IT PLACES CONSIDERABLE EMPHASIS ON INTEGRATING GENDER ISSUES IN ITS NEW PROJECT DESIGNS AND IN EXISTING PROJECTS. BECAUSE ATTENTION TO GENDER AND OTHER BENEFICIARY ISSUES IS AN UNDERLYING THEME IN ITS OVERALL APPROACH, THE MISSION FELT THAT EXPLICIT REFERENCE TO GENDER IN THE WADS WAS REDUNDANT.

B. TRAINING FOR INNOVATION AND DEVELOPMENT INITIATIVE. QUESTIONS WERE RAISED REGARDING WHETHER THE MISSION'S TRAINING NEEDS COULD BE COVERED THROUGH EXISTING PROJECTS RATHER THAN THROUGH A SEPARATE TRAINING PROJECT. APPROVAL OF THE PROJECT WAS DEFERRED, PENDING RECEIPT OF INFORMATION FROM USAID/PERU REGARDING THE EXTENT OF TRAINING ACTIVITIES INCLUDED IN OTHER MISSION PROJECTS.

C. AMENDMENT TO LOCAL GOVERNMENT DEVELOPMENT PROJECT. THIS PROJECT WAS APPROVED, WITH THE PROVISION THAT BEFORE PROCEEDING WITH IMPLEMENTATION THE MISSION WILL PROVIDE THE BUREAU WITH INFORMATION REGARDING PROGRESS THAT HAS BEEN MADE TO DATE IN DECENTRALIZATION, SUCH AS CHANGES IN LEGAL CODES AND TRANSFER OF RESPONSIBILITIES TO LOCAL GOVERNMENT, AND INFORMATION ON ANY CONSTRAINTS IMPEDING THIS PROGRESS.

D. AMENDMENT TO ALTERNATIVE DEVELOPMENT PROJECT. AN ISSUE WAS RAISED REGARDING WHETHER THE NEWLY AUTHORIZED ALTERNATIVE DEVELOPMENT PROJECT SHOULD BE EXPANDED INTO

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NEW AREAS BEFORE IT IS DETERMINED THAT THE SELECTED INTERVENTIONS ARE WORKING IN CURRENT TARGET AREAS. THE MISSION DIRECTOR EXPLAINED THAT THE ALTERNATIVE DEVELOPMENT PROJECT WAS ORIGINALLY DESIGNED FOR A DOLS 120 MILLION BUDGET, SO THAT THERE IS CONSIDERABLE POTENTIAL FOR ABSORBING RESOURCES. THE PROPOSED EXPANSION WILL BE WITHIN THE FIVE REGIONS SPECIFIED IN THE ALTERNATIVE DEVELOPMENT PP.

13. CLARIFICATIONS.

A. A QUESTION WAS RAISED REGARDING WHETHER THE MISSION SHOULD PROVIDE PERFORMANCE MEASUREMENTS OF ITS WORK WITH OTHER DONORS. IT WAS AGREED THAT THIS WILL BE ADDRESSED DURING THE REENGINEERING PROCESS.

B. QUESTIONS WERE RAISED REGARDING LACK OF DOCUMENTATION IN THE ACTION PLAN OF THE PROGRAM'S IMPACTS ON DIFFERENT PARTS OF PERUVIAN SOCIETY, SUCH AS MEN, WOMEN, AND ETHNIC GROUPS. THE MISSION PROVIDED A SEPARATE WRITTEN PIECE WHICH ADDRESSES ITS ACCOMPLISHMENTS IN ASSISTANCE TO WOMEN

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TO DATE, AS WELL AS PLANS FOR FUTURE ACTIVITIES.

C. IN RESPONSE TO A REQUEST FOR CLARIFICATION, MISSION REPRESENTATIVES EXPLAINED THAT THE CITIENS AWARENESS AMONG DRUG PRODUCERS (CITAD) PROJECT FOLLOWS ON THE SUCCESSFUL NARCOTICS EDUCATION PROJECT WHILE MODIFYING ITS TARGET GROUP. THE NEW PROJECT WILL FOCUS EFFORTS OF THE NGO CEDRO ON EDUCATION AND AWARENESS ACTIVITIES WITH COCA PRODUCERS.

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E. A QUESTION WAS RAISED REGARDING WHETHER THE MISSION SHOULD WAIT THE EVALUATION OF PRIOR FAMILY PLANNING ACTIVITIES BEFORE EMBARKING ON THE NEW APOYO PROJECT. IT WAS EXPLAINED THAT TWO EVALUATIONS OF THE EXISTING FAMILY PLANNING PROJECTS HAVE SHOWN IMPRESSIVE IMPACT, AND THAT THE PROPOSED NEW ACTIVITIES ARE WELL-FOCUSED, CONCENTRATING ON THREE REGIONS WITH CRITICAL NEEDS. IT WAS FURTHER EXPLAINED THAT ANY DELAY AT THIS TIME WOULD CAUSE A GAP IN SERVICE PROVISION.

F. THE MISSION AGREED THAT THE CITAD PROJECT AND THE TRAINING FOR INNOVATION AND DEVELOPMENT INITIATIVE PROJECT ARE CROSS-CUTTING PROJECTS WHICH CONTRIBUTE TO A NUMBER OF MISSION STRATEGIC OBJECTIVES. THE MISSION WILL REPORT ON THEM IN THIS WAY IN THE FUTURE.

G. IN RESPONSE TO A QUESTION REGARDING ITS INVOLVEMENT IN LABOR ACTIVITIES, THE MISSION REPORTED THAT IT WILL HAVE AN ACTIVITY WITH AIFLD THIS YEAR TO HELP RECONSTRUCT THE LABOR UNION MOVEMENT IN PERU.

H. IN RESPONSE TO A QUESTION REGARDING TRAINING OF COMMUNITY LEADERS, THE MISSION REPORTED THAT IT IS ALREADY DOING THIS AND INTENDS TO DO MORE.

I. THE JUST PROJECT (527-0352) IS LISTED IN SOME PARTS OF THE ACTION PLAN (E.G., P.17) AS THE JUDICIAL STRENGTHENING PROJECT, AND IN OTHERS (E.G., P. 76) AS THE JUSTICE SECTOR SUPPORT PROJECT. THE PROJECT'S CN READS JUSTICE SECTOR SUPPORT PROJECT; OTHER REFERENCES SHOULD BE CORRECTED.

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J. A QUESTION WAS RAISED REGARDING OTHER DONOR INVOLVEMENT IN FEEDING OF POOR CHILDREN MISSION REPRESENTATIVES REPORTED THAT DATA ARE NOT AVAILABLE FOR THE EXTENT OF FEEDING ACTIVITIES BY OTHER DONORS. USAID HAS THE LARGEST DIRECT FEEDING PROGRAM IN PERU.

14. HEALTH INDICATOR CHANGES. A NUMBER OF CONCERNS REGARDING INDICATORS FOR STRATEGIC OBJECTIVE 4 WERE RAISED AND RESOLVED DURING THE ACTION PLAN REVIEW.

A. FOR PO 4, INDICATOR 2, MISSION AGREED THAT THE INDICATOR SHOULD BE STATED AS "UNDER 5 MORTALITY RATE."

B. FOR PO 4.1, INDICATOR 4, THE MISSION EXPLAINED THAT THE COVERAGE OF TETANUS TOXOID APPEARS TO HAVE DROPPED BY 50 PERCENT BECAUSE THE MOH REPORTED USING ALL REPRODUCTIVE AGE WOMEN AS THE DENOMINATOR THIS YEAR, COMPARED TO ONLY WOMEN IN THE TARGET DISTRICTS LAST YEAR. THE MISSION WILL CHECK ON THE REASON FOR THIS CHANGE.

C. FOR PO 4.1, THE MISSION INDICATED IT CHOSE NOT TO USE CONTRACEPTIVE PREVALENCE RATE AS A DENOMINATOR-BASED INDICATOR OF CONTRACEPTIVE USE, BECAUSE OF DIFFICULTY IN COLLECTING THIS INFORMATION ON AN ANNUAL BASIS. THE MISSION IS ENCOURAGED TO DISCUSS CONTRACEPTIVE PREVALENCE IN THE TEXT OF SUBSEQUENT ACTION PLANS WHEN PERIODIC SURVEYS MAKE SUCH INFORMATION AVAILABLE.

D. FOR PO 4.2, INDICATOR 5, THE MISSION INDICATED THAT THE INDICATOR STATEMENT SHOULD BE CHANGED TO "TOTAL CONTRACEPTIVE SALES GENERATED THROUGH SOCIAL MARKETING

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PROGRAMS."

E. FOR PO 4.3, THE MISSION AGREED THAT AN INDICATOR  
WILL BE ADDED: USE OF PREVENTIVE PRACTICES AND FIRST-LINE  
CARE FOR HIV/AIDS IN THE HOME AND COMMUNITY.

F. FOR PO 4.3, THE MISSION AGREED TO ADD AN INDICATOR  
OF USE OF APPROPRIATE CARE FOR CHILDREN'S DIARRHEAS, TO BE  
SPECIFIED BY THE MISSION.

G. REPORT ON DISCOURAGING ABORTION. THE MISSION  
INDICATED THAT THERE IS INFORMATION THROUGHOUT THE PHN  
SECTIONS OF THE ACTION PLAN RESPONDING TO THIS REQUIREMENT  
IN LAST YEAR'S ACTION PLAN CABLE, AND PROVIDED THE AID/W  
PHN TEAM WITH A SHORT, CONSOLIDATED REPORT ON THE  
MISSION'S ACTIVITIES OVER THE LAST YEAR ON THIS TOPIC.YY

ADDITIONAL CLEARANCE:

STATE/ARA/AND:SSPECHT DRAFT DATE 5/26/95  
STATE/INL:RBUCK DRAFT DATE 5/31/95  
BHR/FFP:JPAL-CASTILLO DRAFT - DATE 5/24/95  
AID/IAC/DPB:RMEEHAN DRAFT DATE 5/25/95  
AID/G/PDSP:TMARONEY DRAFT DATE 5/25/95  
AID/G/EG:RSTRYKER DRAFT DATE 5/19/95  
AID/IAC/SAM:JSCHNEIDER DRAFT DATE 5/23/95  
TALBOTT

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