

USAID/LAC Regional

Annual Report

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LAC Regional

Performance:

Background: The Latin America and Caribbean (LAC) region has evolved from decades marred by internal wars and authoritarian regimes to relative peace and stability. Colombia continues in conflict, Argentina is not completely past its moment of crisis, and Venezuela and Bolivia have become less stable. Still, on balance, the region has normalized over the last several decades as countries have shifted from authoritarian rule to participatory, constitutional democracy. Even where governments fall due to popular pressure (as in Ecuador, Argentina and Bolivia), they have managed to remain within constitutional constraints. Centralized economies have begun transformations to privatized competitive markets. Today, LAC countries seek trade integration with the U.S. and neighbors rather than conflict. Official human rights abuses have diminished, and there is a growing trend toward civil society oversight. Military corruption is now often exposed and forced recruitment has ended. Elections are the norm and are conducted under the control of professional, national electoral commissions, tied together in mutually-reinforcing networks. Nonetheless, serious problems remain that impede the path toward a full transition to stable, deep-rooted democratic governance and sustainable economic growth. It is, therefore, a time when U.S. foreign assistance is both needed and welcomed and can make a critical difference in achieving these mutually shared goals for the hemisphere.

While the region's gross domestic product shrank by 0.8% in 2002, the worst economic performance since 1983. Last year inflation edged up to 12% after eight years of steady decline, but is on track to return to trend at 8% to 9% this year. Several major countries with worrisome problems in the past are now in good-standing with the International Monetary Fund. LAC's economy overall is expected to grow slightly in 2003, perhaps by 2.8%, and by 3% or more in 2004. The Argentine economy is expected to grow by at least 5% this year. Chile, Mexico, Peru, and the Dominican Republic are expected to show strong growth in 2003, with an expansion of at least 3%, assuming that strong growth resumes and is sustained in the U.S. Countries that have adopted sound fiscal policies and oriented their economies toward foreign investment and rules-based trade under the World Trade Organization have tended to resist the recent downturn better than those which have not taken such steps. These countries stand to benefit more from the nascent world-wide and U.S. economic recovery and the related world-wide bull market in commodities. Further, the North American Free Trade Agreement (NAFTA) has contributed substantially to economic growth in its three partners since 1993. Trade among the NAFTA countries has climbed dramatically and U.S. merchandise exports have nearly doubled.

Despite these promising indicators of economic recovery, mediocre economic performance has caused per capita income in LAC countries to decline significantly since 1998, and overall poverty has increased. These woes have brought political discontent and turbulence, raised questions about the health of democracy in the region, about investment priorities, social sector policies, and the benefits of a decade of liberal reforms, even if sometimes halfhearted. The effects in the poorest countries, such as Haiti, and even regions within countries with generally solid economic performance, such as northeast Brazil, have been even more disheartening.

In education, the quality and equity of primary and secondary education are major problems. In most of Latin America, nearly one-half of the children who enter primary school fail to make it to the fifth grade and only about 30% graduate from secondary school. Moreover, poor, rural and indigenous students are least likely to be enrolled in school at any level and tend to score lower on achievement tests. Instead of reducing income inequality, the education system may be exacerbating the inequality and creating a drag on the region's economies and global competitiveness. Great inequities remain in the access to and delivery of quality health care in the LAC region. Maternal and neonatal mortality rates remain unacceptably high and antimicrobial resistance patterns are on the increase. The Caribbean region has

the second highest HIV/AIDS rate in the world. The entire LAC region has over 2 million people living with HIV, including the estimated 200,000 that contracted HIV in the past year. Other infectious diseases such as dengue are also posing an emerging threat.

Despite continued success in introducing new technologies for clean production in industry and improved practices in park and protected areas management, the environment in LAC suffers from accelerating rates of severe degradation. This degradation is evident in the loss of many coastal reefs, eroded watersheds and polluted water, and it results in increased vulnerability to disasters and health problems, conflicts over natural resources and reduced economic opportunities.

The Summit of the Americas continues to influence the foreign policy agenda in the region and has forged greater commitment among the 34 nations of the hemisphere to mutually agreed-upon priorities for addressing areas of critical concern. A special, interim summit in January, 2004, will solidify a robust set of targets for economic growth, social sector reform and good governance, to which regional program resources will be dedicated.

Beneficiaries of the LAC Regional program include the regional and country institutions that are strengthened to enable policy and other decision makers to address the priority development needs and most critical problems for improving the economic and social well-being of the people living in the LAC region. USAID seeks to mainstream attention to gender issues in all of its programs. The regional human rights program specifically addresses discrimination against marginalized groups, with a particular emphasis on women, including victims of torture and human trafficking.

US Interests and Goals: U.S. national interests in the LAC region include fostering peace, political and social stability, economic prosperity and reducing illegal immigration and narcotics trafficking. The LAC Regional program supports these goals through activities focused on strengthening and consolidating democracy in the region, promoting equitable, trade-led economic growth and reducing poverty. USAID support for democratic processes includes strengthening regional associations of local governments, providing elections assistance, promoting respect for rule of law and human rights through training and technical assistance and fostering strong civil society organizations. In the economic arena, USAID supports the achievement of a Free Trade Area of the Americas (FTAA) by 2005 and a Central American Free Trade Agreement (CAFTA) by 2004 through a range of trade capacity building assistance. The regional program also supports initiatives to improve property registration, establish land markets and improve the opportunities for the rural poor through market access and diversification activities. Regional programs that contribute to the goal of increased economic prosperity include those focused on education, health care and the environment. To develop a skilled workforce that can compete effectively in the global economy, USAID supports reforms to basic and secondary education in LAC countries, teacher training, and scholarships in targeted technical areas. Regional health programs focus on multi-country disease surveillance, disseminating best practices in health care protocols and methodologies and training. Specific initiatives include vaccination, maternal health, malaria and other infectious diseases, Integrated Management of Childhood Illnesses, health reform and HIV/AIDS. To protect the natural resources that underpin the region's health and economic well-being, USAID supports the conservation of parks and protected areas working with local non-governmental organizations (NGOs) to provide income-producing opportunities for the local communities. USAID also promotes the adoption of cleaner production and pollution prevention techniques in LAC industries to reduce harmful environmental effects while recouping investment costs quickly.

Donor Relations: Coordination with the World Bank, the Inter-American Development (IDB), the Organization of American States (OAS), the Pan American Health Organization (PAHO) and other regional and international organizations is critical to our work and helps USAID to promote U.S. foreign policy interests in the region, influence development policy and shape the direction of other donor's programs. In the economic growth area, USAID, the IDB, the OAS and the Economic Commission for Latin America and the Caribbean (ECLAC) are collaborating to help Central American countries identify their trade capacity needs in preparation for the CAFTA. In the environment sector, USAID has partnered with the United Nations (UN) Foundation, various environmental NGOs, and private industry to protect the Meso-American coral reef. In education, USAID is developing a public-private partnership to support the

Presidential Summit Initiative, the Centers of Excellence for Teacher Training. USAID continues to collaborate with the World Bank, IDB, PAHO and the UN to support the Inter-American Coalition for the Prevention of Violence in the Americas to promote national strategies to combat crime and violence. USAID works closely with PAHO, the World Health Organization and UNICEF to implement its health initiatives.

Challenges: High levels of crime, violence and corruption continue to plague the region, which, in turn, tax weak judicial systems, erode citizen confidence and inhibit growth of foreign investment. Chronic poverty and inequality fuel tensions between citizens and their governments, and these tensions are easily manipulated by groups which stand to profit through political instability. Episodes of political turmoil in Bolivia, Venezuela, Haiti and Colombia offer poignant examples of the fragile state of democratic and economic stability.

Narcotics trafficking poses a serious threat to the region given its virtually unlimited capacity to corrupt, particularly in countries where government and law enforcement officials are poorly paid. For Colombia, where anti-democratic insurgents control and depend upon income from the drug trade, the threat is obvious. But even in economically weak countries without revolutionary movements, the drug trade's wealth makes it as great a threat to democratic government as an armed insurgency.

At a time when human resources increasingly constitute the comparative advantage of nations, Latin America is falling behind. Good education is decisive in reducing poverty and promoting equity, responsible participation in democratic institutions, and entrepreneurial activity. Unless Latin America makes a concerted and sustained effort to improve the quality and equity of its schools, it risks losing major social and political benefits and will fall further behind its economic competitors.

While an increasing number of LAC countries are betting that their participation in a free trade agreement with the U.S. will provide expanded opportunities for trade to drive economic growth and reduce poverty, they must first build their capacity to adjust to and fully benefit from economic integration. This process will entail improving economic governance through reform of public sector institutions, building competitive advantage in economic sectors based on comparative market advantages, and fostering increased opportunities for the poor, particularly in the rural areas, through small business development and rural diversification.

Key Achievements: Despite formidable challenges facing the region, USAID has had significant success in helping the region address key development constraints this past year. Progress in the areas of trade, teacher training, childhood vaccination coverage, and environmental protection are particularly noteworthy.

Trade Capacity Building and Access to Markets: USAID assisted the governments of the Central American countries and Brazil in organizing civil society outreach events to raise the level of understanding of the benefits and opportunities afforded by a more liberalized (free trade) environment under the CAFTA and the FTAA. USAID also assisted several LAC countries (Bolivia, Peru, Guyana, and Suriname) in preparing their respective national trade capacity building strategies, and government officials in several Central American countries were provided technical assistance and training in support of the CAFTA negotiation. USAID also played a major role in helping the U.S. Government to shape and launch the FTAA Hemispheric Cooperation Program. USAID also provides targeted technical assistance and supports policy dialogue to contribute to expanding participation in product, financial and property markets. For example, in response to the coffee crisis, the LAC program supported missions in the region to help Central American coffee farmers apply best practices to increase their sales to the high-value niche coffee market through expanding partnerships with U.S. and European coffee traders and roasters. Similarly, the LAC Regional program helped launch an Andean Regional Cocoa Alliance with World Cocoa Foundation members to promote the production and marketing of quality cocoa to increase volumes, sales and incomes for small-scale farmers as an alternative to illicit drug production.

Strengthening Regional Democracy: In FY 2003, the LAC Regional program helped advance U.S. national security and foreign policy objectives by assisting LAC governments consolidate democratic

governance and the protection of human rights. At the regional level, the USAID-supported anticorruption website (www.respondanet.com) provides state-of-the-art information on anticorruption issues and practices in the Americas. Over four million people visit the site annually. In El Salvador, a new USAID-financed emergency 911 service for police led to a 300% increase in calls reflecting a rise in public confidence in the police. The Justice Studies Center of the Americas, has disseminated information on best practices on legal reform, which in turn has generated a major debate in Mexico on updating that country's criminal justice system. The USAID-assisted Inter-American Democracy Network expanded its reach while changing major laws and policies across the region. The network now spans about 250 local civil society organizations across the hemisphere. USAID promoted transparency and participation in the Summit of the Americas and provided strategic analysis and guidance to countries on trafficking in women and children, helping countries to curb this practice and protect vulnerable populations. Working with Inter-American Institute for Human Rights, USAID has fostered new psychological assistance programs for victims of torture, initiating changes in how the system handles such cases and provided support to the Inter-American Coalition for the Prevention of Violence. To make local governments more effective, USAID joined with the Central American Federation of Municipalities to promote electronic networking and increased participation in local government decision-making, taking advantage of best practices and internet connectivity. USAID continued to support efforts to improve the capacity of Central American municipalities to respond effectively to the needs of its citizens.

Improved Health Services and Policies: In FY 2003, LAC Regional activities were focused on addressing the most pressing health problems of hard to reach populations and building capacity to provide quality health services for the people of LAC through a number of initiatives. With USAID support, vaccination coverage has improved, reducing childhood illnesses such as measles, and overall childhood mortality has decreased. Regionally, through LAC support of the Amazon Malaria Initiative, a network for monitoring and containing malaria has been established and continues to prevent mortality and morbidity from malaria in the region. Sustainable models for improving the quality and delivery of health services in light of decentralization have now also been developed.

Education: USAID's Partnership for Education Revitalization in the Americas (PREAL) program continued to serve as the leading voice on education reform in FY 2003. It produced one regional and two national report cards, all of which have received wide recognition among political and education leaders across the hemisphere. PREAL-supported business groups working nationally on education reform have also gained increasing prominence. In Panama and Guatemala, they are producing policy documents for presentation to Presidential candidates. The newly established Civic Engagement for Education Reform in Central America program is creating conditions for parents and local communities to begin holding schools and policy makers accountable for education quality. The three Centers of Excellence for Teacher Training (CETT), a Presidential Summit of the Americas initiative, became fully operational this year and. To date, 1,379 teachers have been trained and more than 45,000 children have benefited from the use of new teaching methodologies in their classrooms. In support of CETT, a strategy and structure were developed to obtain and manage private sector donations that succeeded in securing a large donation from Scholastic Books. The LAC Regional program has also continued support for the successful and long-standing Georgetown Cooperative Association of States for Scholarships program which last year sponsored 250 disadvantaged youth from throughout the region to attend two years of community college in the United States.

Improved Environmental Management: Under the U.S. LAC Environmental Partnership Program, USAID facilitated the formation of a public-private alliance (including General Motors, Banamex/Citigroup, Pemex, Alcoa, Johnson & Johnson, Pfizer, and Nafinsa Securities Inc.) in order to secure major investment bank financing for more efficient and effective manufacturing (greening of the supply chain). This has poised Mexico, in particular, to serve as a model for the LAC region in clean production financial mechanisms. Under the Parks in Peril program, technical assistance was provided to negotiate and secure a \$10 million debt swap with the Panamanian government, which will provide approximately \$375,000 per year to provide source water protection for the Panama Canal watershed.

Country Close and Graduation:

NA

Results Framework

598-002 Improved Human Resource Policies Adopted in Selected LAC Countries

598-003 More Effective Delivery of Selected Health Services and Policy Interventions

SO Level Indicator(s):

- % of participating MAC organizations that have begun a policy within one year of MAC
- Number of countries in which the health reform initiative is actively engaged
- Number of countries that adopt the expanded IMCI clinical algorithm as the national standard for treating children under five
- Number of countries with decreased low coverage municipalities for vaccination
- Number of countries with evidence-based guidelines for the provision of EOC and skilled attendants at birth
- Number of organizations that obtain information from LAC best-practices clearinghouse
- Number of target countries that develop or revise and implement evidence-based malaria treatment
- Number of target countries that develop or revise norms regarding antimicrobial drug prescription and use
- IR 3.1** Improved capabilities to implement expanded routine vaccination delivery systems
- IR 3.2** Country plans and strategies in place to introduce and implement IMCI
- IR 3.3** Intensive implementation of the essential obstetrical care aspects of the regional plan to reduce maternal mortality
- IR 3.4** Information on health reform efforts and experience gathered and made widely available to interested parties in LAC countries and to health sector donors
- IR 3.5** Improved surveillance capacity in target countries to determine the magnitude and impact of AMR
- IR 3.6** Post abortion care regional workshops held
- IR 3.7** Regional exchanges between HIV/AIDS policy makers and program managers facilitated
- IR 3.8** Reliable and standardized malaria drug efficacy information available

598-004 Protection of Selected LAC Parks and Reserves Important to Conserve the Hemisphere's Biological Diversity

598-005 Reinforcement of Regional Trends that Deepen Democracy

SO Level Indicator(s):

- Percentage of items in Summit action plan advanced in LAC
- Regional institutions supporting the Summit of the Americas Plan of Action
- Regional Partners adopting practices as result of exchanges
- IR 5.1** Strengthened Regional Mechanisms to Promote Human Rights and Rule of Law
- IR 5.2** Strengthened Regional Approach in Addressing Public Sector Legitimacy
- IR 5.3** Strengthened Regional Mechanisms to Promote Pluralism

598-006 A Broad Base of Leaders and Potential Leaders in LAC Countries Equipped with Technical Skills, Training and Academic Education

SO Level Indicator(s):

- Leaders and potential leaders from LAC complete U.S. and LAC training successfully
- IR 6.1** Returned students employed in area of expertise and applying skills and leadership
- IR 6.2** Returned trainees active and influential in community service activities
- IR 6.3** Returnees find new jobs or increased responsibility/earning in old job
- IR 6.4** Returnees maintain U.S. ties

598-017 Enabling Environment for Market Access Strengthened

SO Level Indicator(s):

- Index of trade readiness of LAC countries
- Percentage of LAC countries participating in FTAA negotiations
- Polls indicating continued/increased popular support for the FTAA
- IR 17.1** Asset-related Constraints to Broad Participation Reduced

IR 17.2 Trade-related Business Constraints Reduced

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

SO Level Indicator(s):

Replicable models of improved environmental management developed and their adoption promoted

IR 18.1.1 Key policy constraints identified and solutions developed

IR 18.1.2 Use of economic incentives, certification and other market-based instruments promoted

IR 18.1.3 Partnerships between LAC industry, government and NGOs formed for policy reform and compliance

IR 18.2.1 Clean technologies and sound environmental practices introduced and disseminated

IR 18.2.2 Environmental management systems and certification/labeling programs introduced and promoted

IR 18.2.3 Partnerships between US and LAC industry, and USAID and other donors formed for the transfer of technologies and practices

IR 18.3.1 Constraints to capital access for environmentally-sound investment identified and solutions developed

IR 18.3.2 Use of innovative financing tools (CDM, DCA, etc.) introduced and promoted

IR 18.3.3 Partnerships between USAID and other donors, US and LAC industry, and private banks and industry formed to mobilize environmentally-sound investment

598-019 Continued Participation of LAC Sub-Regional Trading Blocs in the FTAA Process Achieved

598-020 Program Development and Learning

598-021 Advancing Development Cooperation Opportunities in the Hemisphere

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

SO Level Indicator(s):

Number and area of targeted parks and protected areas with adequate management

Number of priority parks, protected areas, and reserves identified in conservation portfolios benefiting from improved management

IR 22.1 Increased conservation capacity at selected sites

IR 22.2 Strengthened local and national partners for improved conservation

IR 22.3 Targeted conservation initiatives strengthened

IR 22.4 Innovative conservation financing mechanisms tested and adopted

598-023 Strengthened Regional Initiatives to Improve Equity and Quality of Education and Training

SO Level Indicator(s):

One or more of nine areas crucial to better education improved

IR 23.1 Demand for PREAL publications and electronic products increased

IR 23.2 Number of teachers trained in reading instruction methodologies

IR 23.3 Percent of CASS students employed

598-024 Population, Health and Nutrition Policies and Programs Developed and Advanced in LAC

SO Level Indicator(s):

Number of countries with policies reflecting advances encouraged by this program

Number of countries with programs funded to implement advances encouraged by this program

IR 24.1 Evidence base for LAC PHN priorities increased

IR 24.2 LAC decision makers better informed

IR 24.3 Policy dialog increased

598-aaa DOS Proposed Initiatives

598-bbb Non Presence Countries Initiatives