

Regional Strategy for Central America and Mexico FY 2003-2008



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Annex H: Regional Program Plan

Regional Program Plan



In Support of the Regional Strategy for Central America and Mexico FY 2003-2008

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USAID Strategy for Central America and Mexico Regional Program Plan FY 2003-2008

I. Rationale for Assistance and Summary of the Assistance Environment

Summary of Regional Program Plan and Relationship to Regional CAM Strategy: Few issues are of greater collective strategic importance to the peoples of Central America, Panama, Mexico, and the United States than economic integration. The dynamics of this integration process and the potential benefits, both to the countries of the region and to the United States, are as profound as those associated with the integration of Eastern Europe into the European Union. However, to achieve this integration, the Central American countries must overcome a number of critical constraints. First, they must achieve economies of scale by removing artificial barriers to trade and movement of people within the region through creation of a customs union and expedited immigration procedures. Second, key laws, policies, and regulations must be harmonized so as to avoid skewing investments away from real comparative advantages. Third, once harmonized, these laws, policies, and regulations (including labor and environmental policies) must meet international standards within a reasonable period of time or risk the loss of new trading privileges. Fourth, the region's judicial systems and regulatory agencies must demonstrate the capacity to enforce these laws and regulations in order to maintain the confidence of the world trading and investing community. Fifth, the Central American (C.A.) countries must significantly increase their investment in human resource development, sustainable use of resources and construction of economic infrastructure in order to be truly competitive in the world market. And finally, substantial resources must be available to support the transformation associated with the integration process, in order to assist industries and regions that will suffer economic loss as protective tariffs are removed so they can take advantage of the new opportunities created by freer trade.

Helping Central Americans to overcome these constraints to economic integration is in the U.S. national interest, since the flow of illegal immigrants into the United States will decrease and opportunities for U.S. investment and trade will increase with a more prosperous and stable Central America. The economic integration process will also require the C.A. countries to consolidate democratic institutions and respect for human rights, issues that have plagued the region for centuries. The United States has other critical interests in the region, such as containing the growing HIV/AIDS problem in the region. This concern is both humanitarian and self-interested, as containing the further spread of this transmission vector into the United States is clearly in our national interest. Finally, protection of the unique environmental resources in the region's key watersheds, and helping Central Americans to prepare for and mitigate natural disasters, have long been priority concerns for successive U.S. administrations.

The United States cannot address all the issues confronting the region, however, and must select where its investment of development resources can have the greatest impact. Some issues can be most effectively addressed on a bilateral basis, while others are truly regional in nature. The purpose of this document is to describe the strategic options and opportunities for U.S. investment, and propose those regional program initiatives that will be of greatest benefit to Central Americans, and to the United States' national interests.

USAID has supported regional development initiatives in Central America since the formation of the Central American Common Market, over forty years ago. Rarely during this period have the opportunities for improved regional integration and development been as encouraging as they are now. It is also extremely significant that the neighboring countries of Panama and Mexico have been incorporated in many of the Central American regional institutions, in recognition that

resolving the region's problems requires participation of the broader regional community. The elected leaders of the Central American, Mexican, and Panamanian governments today share a common vision of the advantages of jointly addressing the problems that plague each of their societies. They also realize that opportunities created by removal of trade restrictions among themselves and with the United States can only be fully exploited by acting together to remove other artificial national barriers to trade and development. Even more important, dynamic elements of the region's private sector as well as multi-nationals have taken the lead in making integration a fact rather than just theory, as banks and supermarkets become regional competitors. Intra-regional trade in Central America has become almost as significant as trade with the United States, increasing to more than \$3 billion in 2003.

The USAID Strategy for Central America and Mexico (CAM), which fully supports the 2004-2009 Joint State-USAID Strategic Plan, was adopted in 2003 to demonstrate the U.S. Government's (USG) recognition that its assistance could be provided more efficiently through coordinated bilateral strategies. The CAM Strategy creates a common framework to guide all USAID investments addressing issues of common concern across the region, on both a bilateral and regional basis. The six USAID Missions in the region have prepared or are preparing country development plans that specify the investments to be undertaken bilaterally within the context of the CAM strategy. This Regional Program Plan (RPP) describes a focused and concentrated program of USAID investments that will be programmed and managed on a cross-regional and/or sub-regional basis, in order to support integrated initiatives that pursue two of the Millennium Challenge Account objectives in Central America: Economic Freedom, and Investing in People. The Plan will be implemented in ways that maximize potential for impact and efficient management.

U.S. Foreign Policy Interests in the Region: The United States has long considered the CAM region to be closely linked to its national interests, due to the geographic imperatives of our common border and the importance of the Panama Canal to the U.S. economy. Despite its relatively small population, Central America trades more with the United States than does any Latin American country except Mexico and Brazil, and the United States sees the North America Free Trade Agreement (NAFTA), the Free Trade Agreement (FTA) with Chile, the recently negotiated Central America Free Trade Agreement (CAFTA) and the anticipated FTA with Panama as key steps toward achieving the broader Free Trade Area of the Americas (FTAA). Successive U.S. administrations have also highlighted the importance to U.S. interests of stemming natural resource degradation and loss of biodiversity in the region. The continuing Central America-USA Agreement (CONCAUSA) provides U.S. support for the Central American leaders' Alliance for Sustainable Development (ALIDES) environmental and sustainable development objectives. Containing the spread of infectious diseases, especially HIV/AIDS, is also in our common best interest. Over the past two decades, moreover, the region's poverty and political instability have fueled massive illegal migration to the United States, and the area has become a staging ground for narco-trafficking and organized crime. Remittances sent home by Central Americans and Mexicans working in the United States dwarf official and private humanitarian and economic assistance, further demonstrating our common economic ties. To address these issues, the USG is committed to achieving the USAID CAM goal of a more democratic and prosperous Mexico and Central America, sharing the benefits of trade-led growth broadly among their citizens.

Overview of Regional Needs and Development Challenges: The Central American countries have long sought improved comparative advantage by integrating their economies into a larger commercial block, linked by free trade agreements with the global market. Both Mexico and Panama now consider freer trade and economic integration with Central America in their

own development interest. However, achieving this vision requires the CAM countries to take actions that are technically and politically difficult. Some of these actions are national in nature - such as improving educational systems and transformation of firms to be more competitive in world markets -- and will be supported through bilateral USAID investments. Others are regional in nature because the countries have decided to work together to address cross-national concerns such as customs integration and harmonization of tax, fiscal, sanitary and phyto-sanitary (SPS), and environmental policies and standards, and management of the Meso-American Biological Corridor. Other important issues that can be addressed from a regional perspective include containment of communicable diseases such as HIV/AIDS, creation of a food security early warning system, and the management and prevention of forest fires and pests.

The CAM countries share many common attributes, but there are also many differences in their natural resource endowments, economic infrastructure, population size, human resource capacity, role and efficiency of public institutions, and competitiveness of private firms. In addition, there is a large variation in the role that exports play in the different economies (total exports divided by GDP varied in 2001 from a low of 14% for Guatemala to a high of 31% for Costa Rica and Honduras). Central America (23%) and Mexico (25%) have similar ratios of exports to GDP although there is a ten fold difference in the order of magnitude because of the size of the Mexican economy.¹ Exports within Central America as a percentage of total exports varied in 2001 from 13% for Costa Rica to 47% for Nicaragua. Although this RPP identifies issues of common regional concern to public authorities and private sector leaders, the design of the actual activities to be implemented will need to take into account these differences.

Regional Role of Other Donors: Other donors support Central American integration and USAID coordinates closely with them. The other principal donors that provide significant support to regional integration in Central America are the Inter-American Development Bank (IDB); the Central American Bank for Economic Integration (BCIE); the European Union; UNAIDS; and the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM). The IDB has approved significant support for regional integration programs and major infrastructure investments under the *Plan Puebla Panama* project, co-funded by the Mexican Government and BCIE, and under the Central American electrical interconnection project (SIEPAC). BCIE is developing new proposals for support of integration initiatives, at the request of the Central American Presidents, and may establish a \$250 million fund to support the industrial reconversion of Central American firms as they adjust to open markets as well as segments of the population unduly affected in the process (the *Fondo de Cohesion Social*). BCIE also supports the regional Small and Medium-sized Enterprises Competitiveness program for the elaboration of technical standards program being implemented by the Costa Rican Technical Standards Institute. BCIE is providing funding to improve Central America and Dominican Republic small and medium-sized enterprises competitiveness through the promotion of joint programs in the areas of market development and operational efficiency in the agro-industry, tourism, textile, and information technology being implemented by INCAE. The European Union's 2002-2006 regional strategy programs 74.5 million Euros for support for customs integration, strengthening the role of civil society, and reduction of vulnerability and environmental improvement. Collaborating with USAID's regional HIV/AIDS program and Missions, the GFATM has approved up to \$107 million for HIV/AIDS work in the region. A number of European donors supported human rights and democracy programs on a regional basis during the 1990s, but many of these have very limited programs at this time. Both the Germans and Swiss support regional environmental development projects. International

¹ Source: CEPAL, 2003

organizations such as the International Labor Organization (ILO) and other USG agencies such as the Department of Labor are taking a regional approach to harmonizing and building the capacity of the region's labor ministries.

Proposed Regional Program Plan: In developing the Regional Program Plan, USAID/G-CAP² carried out extensive consultations with bilateral Missions (through a formal survey and direct interviews with key staff), and through interviews with representatives of regional institutions, regional donors, and government ministries, and with key members of civil society and the private sector. As a result of these consultations, the following types of initiatives were identified as regional as opposed to bilateral concerns: a) regional integration initiatives proposed by the Central American Presidents; b) support for programs implemented through regional institutions; c) cross-border initiatives involving two or more CAM countries; d) issues that CAM governments decide to manage regionally; and e) issues that USAID/W, in consultation with CAM Missions, decides to address on a regional basis for programmatic or other reasons. These include CAFTA trade capacity building activities (including certain discrete preparedness initiatives and support for the associated Environmental Cooperation Agreement [ECA]), rural diversification, quality coffee, HIV/AIDS, and a regional food security early warning system. In addition, regional programs will only be undertaken if it is clear that USAID has special competence vis-à-vis other donors in providing the assistance and USAID has sufficient staff resources to adequately manage the activity.

The Regional Program Plan, while principally focused on Central America³, builds on the awareness of Mexico and the Central American countries that greater integration and trade serves their respective development interests. Central America's experience in regional integration and sustainable development grew out of the creation of the Central American Common Market in the 1960s and was renewed during the 1990s through the establishment of the Alliance for Sustainable Development (ALIDES) and the Central America Integration System (SICA). While Mexico and the Central American countries already have strong ties, Mexico's own interest in promoting closer economic and development relations with Central America, as expressed in President Fox's *Plan Puebla Panama* and in dealing with cross-border and immigration issues, provide additional impetus for greater collaboration. The regional program will take advantage of these factors as well as the successful negotiation of CAFTA and action toward the creation of the FTAA. It will seek opportunities to involve Mexico in activities such as sharing its experience under NAFTA, promoting closer Central American and Mexican coordination and action on themes of mutual interest including SPS issues, reduction of tariff and non-tariff barriers to trade, fire prevention, and trafficking in persons (TIPS), among possible other areas.

The parameters guidance for the RPP suggested that the regional program consider several initiatives related to CAM Strategic Objective (SO) 1 Ruling Justly: More Responsive, Transparent Governance. The democracy officers working in the CAM Missions recommended and the CAM bilateral Mission Directors concurred that initiatives related to this objective be managed bilaterally, rather than dilute financial and staff resources by also undertaking a regional initiative. However, it is important to note that some of the activities under SO2 will

² While the Central America Program (CAP) is currently managed out of Guatemala by USAID/G-CAP, beginning at the end of FY 2005, it will be transitioning to El Salvador and will be managed by USAID/E-CAM (USAID/El Salvador-Central America and Mexico).

³ Generally intended in this text, as in the CAM strategy, to include Panama. Belize and Costa Rica, as non-presence USAID countries, will principally participate in transnational activities under the Regional Program as members of regional institutions of which they are members.

contribute to achieving the SO1, IR 2: Greater Transparency and Accountability of Governments. Also, considerable regional USAID investment related to SO 1 is managed directly by the LAC Bureau.

The parameters guidance also contemplated creation of a special objective for Improved Country Performance (performance fund). However, the LAC Bureau has eliminated funding for this objective from the FY 2005 budget, and thus it has been omitted from the RPP until the potential for funding is clarified. The RPP therefore focuses and concentrates attention on SO2 (Economic Freedom: Open, Diversified, Expanding Economies), SO3 (Investing in People: Healthier, Better Educated People), and special objective SpO4: (Timely Humanitarian Assistance and Crisis Response).

Cross-Cutting Issues: There are three cross-cutting issues under this RPP: regional institutional reform, global development alliances, and environmental issues. Although USAID will not undertake direct support for institutional development of regional integration organizations, there is considerable interest in the region in addressing the chronic weaknesses of these institutions. If the Central American governments do in fact undertake basic reforms of these institutions to support CAFTA's implementing structure, on a case-by-case basis USAID may provide limited targeted assistance to facilitate these reforms and the implementation of activities proposed in this RPP when these regional institutions have the capacity and are the best choice. However, there are no entitlements. USAID/E-CAM will avoid unduly burdening these institutions with implementation responsibilities as this runs the risk of diverting them from their primary policy-making role.

Recently, a number of alliances have been established with U.S. private sector organizations to jointly fund development initiatives. In most cases, the private sector partners have preferred to work in more than one Central American country, and the regional program has assumed management of these alliance initiatives. As the new activities are developed under this RPP, USAID will make every effort to build on this experience and expand its impact wherever possible through new development alliances. However, given staff and financial resource limitations, USAID/E-CAM will only pursue those alliances that are directly supportive of the objectives described in this document, and a high ratio of contribution from the alliance partner will be required.

Concern for environmental issues crosses all proposed program activities, but particularly the initiatives under SO 2. Activities include assistance with harmonization of environmental policies across the region, adoption of improved enforcement procedures, improved SPS regulations and public and private sector institutional capacity to implement these practices, and management and conservation of critical watersheds. Environmental issues also underlie initiatives under the Special Objective to establish the Mesoamerican Food Security Early Warning System, and to prevent forest fires.

II. Strategic Objectives

A. SO 2: Economic Freedom: Open, Diversified Expanding Economies

Development Challenge: The successfully negotiated CAFTA is only one of various signed and anticipated trade agreements, including existing bilateral free trade agreements between C.A. countries and Mexico, the anticipated U.S. FTA with Panama, and a potential trade agreement between Central America and the European Union. The potential for increased trade between Central America and Mexico is a key priority. The region's public and private

sectors are aware of the need to move quickly and take concrete steps to improve competitiveness by lowering the transaction costs of moving goods and services across borders; harmonizing regional commercial, tax, and environmental policies; increasing the use of modern business services; certifying products destined to niche markets; harmonizing labor statutes and complying with labor standards; and building alliances with modern partners. In addition, improved management of Meso-America's fragile natural resources, including its threatened cross-border watersheds, is essential to the region's growth, the health of its population, and sustaining its competitiveness in world markets.

Making the process of trade more efficient, including improving transparency in government regulatory agencies, and harmonization of standards and conformance to international norms⁴, is recognized as a key priority and challenge by the Central American governments. Without improved "speed to market" of Central American goods and services, little will be gained from CAFTA or other free trade agreements for the region's exporters and workers. The non-tariff cost of moving goods across international borders is now as important as tariffs in determining the cost of landed goods.⁵

While there is great optimism that the pace of integration will accelerate, the historic start-stop nature of this process requires a degree of caution, and activities to be implemented under this RPP may need to be adjusted accordingly. For example, political will to integrate and modernize customs is necessary if USAID assistance to customs operations is to be effective. Elections in the region could undermine the current regional political consensus behind integration, as could a failure by the United States to approve CAFTA in a timely manner. In addition, considerable resources (for example, those being contemplated as part of a "Social Cohesion Fund" to be partly funded and managed by BCIE) must be dedicated to assisting those who will be disadvantaged by the broad opening of the CAM economies, and if these resources are not forthcoming or are not efficiently managed, the integration process could again be stalled.

Central America's rural private enterprises will be particularly challenged by the new open trade relationships. They must become more efficient and productive to remain competitive, or they must shift to other higher value products where Central America enjoys competitive advantage in niche markets. Providing support for this transition process, assisting the potential "losers" to become winners, will primarily be a bilateral Mission concern, but will be supported through regional investments under SO2. Central American firms must meet international SPS requirements, which entails both the adoption of regionally harmonized standards, and the creation of a certified, reliable network of testing laboratories and reference laboratories. Central American companies also need assistance to adopt "clean" production technologies to meet the more stringent requirements of CAFTA and the ECA.

There is increasing concern about the impact of trade-enhanced economic growth on the environment and the governments have decided to work together to improve and harmonize environmental management and standards in Central America. The inadequacy or lack of harmonized environmental laws and regulations compromises their effective application, and could lead to large penalties under CAFTA. In the case of shared resources (e.g., watersheds and coastal areas) the problem is compounded by the lack of resource management agreements based on harmonized cross-border environmental standards and regulations. To be

⁴ John S. Wilson, "Trade Facilitation: New Issues in a Development Context," Trade Note 12, The World Bank Group, December 8, 2003.

⁵ Ibid.

effective regionally, these regulations, norms and standards need to be based on common principles and criteria, but adapted to specific conditions in each country. By the same token, however, Central America's unique natural resource endowments and climate provide comparative advantages that the region should capitalize on to achieve growth. Improved watershed management is also important to economic growth as a base for ecotourism, and in order to manage adequately water resources essential to production.

Development Hypothesis/Proposed Program: Private sector, market-oriented, production of goods and services drives economic growth in Central America and creates jobs. To create the right conditions for private sector-led growth, the region's trade and investment policies must promote greater integration and focus on reducing the costs of doing business, barriers to trade, and impediments to starting new businesses, as well as promoting technological innovation, access to niche markets, and compliance with international environmental, governmental, and commercial SPS standards. To support this process, the RPP will focus on support for creation of a regional customs union and upward harmonization of commercial, environmental, SPS, and other laws, policies, regulations, and standards that are essential to implement international trade agreements. It will also support, along with USAID Mexico, measures to facilitate increased trade between C.A. countries and Mexico. Regional and international attention is often needed to ensure local enforcement of these types of issues. Regional fiscal and financial sector supervision policies also will need to be harmonized and their enforcement improved at the national and supra-national levels. Those sectors most affected by new competition under the trade agreements will need to learn how markets are changing and adapt to their more stringent standards to become more efficient and productive, or to diversify into new activities. Firm level assistance to help meet these challenges falls mainly under the purview of bilateral Missions, within the context of country-level programs. However, on a regional level targeted support will be given to harmonizing overall frameworks and networks for SPS and environmental compliance, cleaner production and private certification systems to access niche markets.

USAID support, on a regional basis in conjunction with bilateral initiatives, for improved management of selected cross-border watersheds will contribute to adequate availability of water resources and promote ecotourism as an incentive to assure long-term biodiversity and resource conservation. This investment will also focus on mitigation measures required to manage the impact on natural resources resulting from accelerated economic growth associated with expanded trade.

By promoting sustainable trade and investment in the region, USAID will be enhancing the prospects for attracting the large scale foreign capital that will be needed to stoke the engine of economic growth and job creation essential for employing those individuals already in Central America who will be entering the workforce over the coming years. In addition, this foreign investment brings technological innovation needed for competitiveness and knowledge of the markets from which the investment comes as well as direct market access in joint ventures. Trade and investment promotion, therefore, will be the means that USAID pursues, both through the RPP and the bilateral programs, to aggressively support poverty reduction in Central America.

The USAID Regional Program Plan for economic growth focuses on creating macro-level policy and structural conditions to support increased investment, trade, and international competitiveness. Macro-level reform is necessary for sustainable growth and job creation. In the same way that poverty affects men and women differently, the ripple effects from macro-changes also may have impacts in terms of gender. Changes in import and export regulations

may eliminate or create a market niche filled by a local micro- or small producer. Employment generation is often (or usually) gender-typed. New jobs, whether for men or women, may have powerful unanticipated social consequences both positive and negative. The location of new jobs, and whether they are held by men or women, will affect social factors like migration patterns and household structure, and the extent of changes in poverty indicators like child welfare, nutrition, and education. Research has consistently shown that income controlled by women has a more direct impact on children and households than income controlled by men.

The SO team in charge of designing the activities will make sure that gender analysis and social monitoring be built into design and implementation of the policy agenda. Individuals with expertise in gender analysis in design teams for new USAID activities will be included and that individuals and/or organizational representatives with an understanding of gender issues and issues related to women's economic roles in key policy and decision-making forums be involved in activity design.

USAID/E-CAM will make sure that indicators for the economic growth strategic objective will track not only women's participation at the project level, but also the impact of the programs for men and women throughout the Central American region, and will support access to information and training on macro-economic issues for civil society groups.

Results Framework Description: USAID CAP proposes in this RPP to address two of the four intermediate results contemplated in the CAM strategy under SO 2 (IRs 2.1 and 2.4), as there is a clear role for the regional program to support regional integration in each of these areas, as described below. USAID does not at this time propose regional activities under Intermediate Results 2 (more competitive, market-oriented private enterprises) and 3 (broader access to financial markets and services) since at present these are more appropriately addressed by bilateral than regional interventions.

Intermediate Result 2.1: Laws, Policies and Regulations that Promote Trade and Investment

The countries of Central America have long aspired to greater economic integration as a means to compete more effectively in international markets by reducing costs and to enlarge the Central American markets for local producers of goods and services. Negotiation of the Central American Free Trade Agreement (CAFTA) with the United States as a regional bloc has strengthened the commitment of the Central American governments to economic integration and regional solutions. The Central American Presidents now consider working together on these initiatives as critical to the region's ability to remain competitive in exports and attract investment. Implementing this political decision will not be easy because of vested interests and will require new, harmonized laws, policies and regulations among the C.A. countries to promote increased trade and investment. Assisting the countries to work in concert on these themes is clearly the purview of the regional program, which will focus under this IR on three sub-Intermediate Results:

Sub-IR 2.1.1: Improved Capacity to Negotiate and Implement Trade Agreements

Emphasis in this sub-IR will be on assistance to implement Free Trade Agreements and international agreements. Assistance will be used to strengthen government-to-business

dialogue on effective trade policy implementation, assist with CAFTA implementation within trade/economy ministries in the region, and continue to help countries meet obligations under WTO, CAFTA and the associated Trade Capacity Building Committee and ECA, and, in the future, the FTAA.

Illustrative activities:

- Sustained support to public-private dialogue on CAFTA and other trade agreement implementation, with technical assistance to overcome identified bottlenecks or policy analysis needs.
- Regional technical assistance and training to support compliance with rules of origin requirements of CAFTA and other free trade agreements.
- Technical assistance to the CAFTA Trade Capacity Building (TCB) Committee and the ECA Environmental Cooperation Commission to help identify resources to address priority trade capacity building and environmental cooperation needs.

Sub-IR 2.1.2: Reduced Barriers to Trade, Investment, and Market Integration

Assistance will be focused on integrating improved customs operations and exchanges with NAFTA countries needed for the creation of a well-functioning customs union, strengthening public and private sector SPS, and reduction of technical barriers to trade. The program will also assist C.A. countries and Mexico to take concrete steps such as removing non-tariff and technical barriers to trade and streamlining customs, to complement what C.A. is doing in the intra-regional market. Assistance will encourage the participation by finance ministers in the region in customs union implementation, particularly as it relates to fiscal changes and distribution of tax and tariff revenues collected regionally.

USAID/E-CAM will seek to expand the availability and use of internationally recognized social, economic, and environmental certification services to support increased market access and sales of certified sustainable and environmentally friendly (“green”) products and niche market products including “quality coffee” in response to international buyer demand. Activities to promote trade in certified timber in the region will advance the President’s Initiative against Illegal Logging and will be duly reported to LAC. The program will help green product enterprises, producer groups and associations expand their markets by facilitating supplier training initiatives and helping link small and medium-sized firms to large buyer operations that source on a multi-country basis. The program will also engage C.A. governments in the adoption of incentives and uniform standards for green and certified products and encourage greater regional integration.

In addition, USAID will support a regional network of Clean Production Centers to make available the specialized technical services needed to increase the use of cleaner production technologies and practices, and renewable energy resources that not only improve efficiency while conserving and maintaining the natural resource base but also help reduce greenhouse gas emissions. The program will complement USAID bilateral cleaner production efforts by strengthening regional partnerships and coordination among industry and governments in specific sectors and by helping facilitate greater access to capital and the increased use of environmental management systems and action plans. Cleaner production and green market activities will improve regional competitiveness and complement watershed activities under IR 4 to maximize the positive impacts of these activities on biodiversity conservation and water resources management.

Illustrative activities:

- Technical assistance and training to customs departments for analysis and implementation of improvements in trade facilitation and the Central American Customs Union where the countries express and demonstrate the political will for meaningful change. Financial support and technical assistance and training will be provided to the regional entity designated to oversee implementation of the customs union. Technical assistance and training may be provided directly to the national entities responsible for implementation of Customs Union trade facilitation measures. Some financial support for commodity purchases, for example, in the information technology area, may also be considered.
- Technical assistance and training to support harmonization of product norms, standards, measurements, and commercial codes, including SPS, cleaner production, and for private certification of sustainable and environmentally-friendly (“green”) products. This assistance will specifically focus on measures required to implement CAFTA and other trade agreements, including between Central American countries and Mexico.
- Technical assistance and training to public and private sector personnel responsible for meeting SPS standards. Assistance may include regionally-integrated SPS regulatory information systems, upgraded laboratory analytical capabilities and reference laboratories, strengthened WTO/SPS enquiry points, and training in inspection and sanitary standards for animal products. These initiatives will complement bilateral USAID Mission assistance to meet SPS and certification standards at the firm-level.
- Technical assistance, training and financial support to expand the regional availability of certification services and fee-for-service technical support entities that promote energy efficiency and the use of cleaner production technologies and practices. These services will improve regional efficiency and competitiveness and help producers effectively compete in the growing markets for certified sustainable and environmentally-friendly (“green”) products, which will also contribute to biodiversity conservation and water resource management.

Sub-IR 2.1.3: Commercial Laws and Regulations More Consistent with International Commitments and Prevailing Practice

Central American countries generally rank poorly in international comparisons of the bureaucratic and legal costs of creating businesses and staying in business.⁶ As is the case in the upward harmonization of norms and standards, the Central American countries have decided to work together toward greater uniformity in commercial laws, codes, and regulations, and greater efficiency in regulating business and competition, in order to stimulate investment and improve competitiveness across the region. Legal and regulatory improvements in this area are expected to aid small and medium-scale businesses to secure financing and to take advantage of increased trade opportunities.

The program will continue to support the creation and application of upwardly harmonized environmental laws standards and policies that directly support the region’s implementation of international treaties and agreements such as CONCAUSA, the Convention on International Trade in Endangered Species (CITES), the Biodiversity Convention, the Ramsar Convention on wetlands, Persistent Organic Pollutants (POPs), Prior Informed Consent (PIC), the Convention on Trans-boundary Movement of Toxic and Dangerous Substances (the Basel Convention), the UN Framework Convention on Climate Change, and the upcoming CAFTA and the ECA, among

⁶ World Bank, the International Finance Corporation, and Oxford University Press, “Doing Business in 2004, Understanding Regulation.”

others. The program will work to strengthen each Party's environmental management systems, including reinforcing institutional and legal frameworks and the capacity to develop, implement, administer and enforce environmental laws, regulations, standards and policies. Particular attention will be given to supporting regional environmental law networks and promoting the adoption and use of voluntary mechanisms and market-based and economic incentives.

Effective inspection of work sites and enforcement of Central America's labor and environmental laws will not only advantage the region compared to competing global exporters (especially in the textile and apparel sectors), but will be crucial to secure support for and approval of CAFTA in the U.S. Congress. Strengthening of the enforcement capacity of the region's labor ministries is a long-term process and is being addressed by international organizations such as the ILO and by other USG agencies such as the Department of Labor. In the medium-term, USAID may, as part of its trade capacity building commitments related to CAFTA negotiations, support one or more models of private sector self-enforcement of voluntary labor codes such as those being successfully applied by VESTEX in Guatemala and under a Global Development Alliance with The Gap, Timberland and Development Alternatives Inc. (DAI), and which will complement and facilitate the longer term objective pursued by ILO and DOL.

Illustrative activities:

- Technical assistance and training to relevant ministries and private sector organizations to revise, harmonize and disseminate commercial laws, codes, and regulations being identified in a joint Central America-USAID diagnostic assessment carried out by the "SELDON" activity of the EGAT SEGIR Project.
- A Global Development Alliance for a regional system of private sector-led, self-enforcement of voluntary labor codes, focused on assembly and manufacturing export sectors.
- Technical assistance to develop legislation, regulations, policies and capacity for the implementation and effective enforcement of key international environmental agreements and standards (with specific emphasis on treaty requirements, including CITES and POPs, in coordination with bilateral justice sector reform support).

Intermediate Result 4: Improved Management and Conservation of Critical Watersheds

Improving the management and conservation of critical watersheds is central to USAID's development objectives for the region and to Central America's own strategy to transform the economies in the region. This concept integrates the promotion of sustainable economic opportunities with the conservation of critical natural resources that are the basis for much of the region's comparative advantage. Threats to biodiversity, habitat and resources have increased as a result of population growth, incursion of rural poor into parks and protected areas, illegal use of resources, and contamination from urban and industrial pollution, as well as from natural and human-caused disasters, including fires. Water resources are the key point of concern in these efforts; water quality and abundance, however, are dependant upon the maintenance and quality of tropical forests and soils in catchments. The establishment by the Central American and Mexican authorities of the Meso-American Biological Corridor recognizes that aquifers and rivers are not bound by political borders, and are often affected by distant land cover use and pollution inputs, thus requiring an integrated regional approach.

Critical watersheds also provide habitat for economically important species, such as the pollinators, seed dispersers, and insectivores necessary for continued agricultural productivity.

The planned interventions support decisions by the Meso-American governments to act jointly to promote conservation and sustainable management of biologically important and diverse areas.

Program activities within selected cross-border watersheds -- with site visits by regional decision-makers as appropriate -- will promote development, coordination, and implementation of harmonized environmental policies related to improved management and conservation of critical watersheds throughout the region. Climate Change policy, particularly regarding adaptation and mitigation of negative impacts in critical watersheds, is of particular importance. Priority will be given to transnational watersheds with high levels of biodiversity. Three watersheds identified provisionally for targeting are the biodiversity rich Cahuita-La Amistad-Río Cañas (Bocas del Toro) watershed on the Costa Rica-Panama border, the Gulf of Honduras watershed, and the Usumacinta River watershed straddling the border between Guatemala and Mexico. Work on these sites will support and complement bilateral efforts under the CAM strategy, as well as the ECA and CONCAUSA.

Interventions under IR 4 to reduce the pressures caused by the threats referred to above include: changes in environmental and financial policies to remove negative incentives and barriers to conservation; coordination of conservation activities in transnational sites; development and dissemination of viable financial mechanisms for conservation of biologically important resources; coordination of sound natural resource management practices, i.e., co-management of protected areas; and the promotion of public awareness of the importance and value of these resources. Fire preparedness and prevention, which relates integrally to sound management and protection of watershed eco-systems, will be addressed in Special Objective 4 below. Activities will emphasize multi-donor collaboration on sustainability, where appropriate, including "leveraging" the Global Environmental Fund (GEF). These will be complemented by efforts under IR 2.1 to support upward harmonization and enforcement of environmental laws and standards, and to develop sustainable sources of income for people living in or near biologically important resources; increase use of certification options for commercially valuable resources that are also biologically important resources; and promote cleaner production.

The improved management and conservation of critical watersheds program will promote conservation and sustainable management of biologically important areas within the selected watersheds. The planned interventions encompass the full diversity of water uses (household, production, community) and users (individuals, households, producers, cities and rural areas). The strategy encompasses the physical and social as well as the economic aspects of water access and use.

In FY 2004, GCAP will receive \$4,900,000 in biodiversity and forestry funds and \$800,000 in natural resource management funds. The program expects to maintain these levels, keeping in mind that budget levels are often uncertain. |

The holistic nature of this objective makes gender considerations a central factor in implementation.

The recommendations for gender mainstreaming under this IR draw on two aspects of gender relations: (1) differences in the roles of men and women, which affect the way they use natural resources and the decisions they make about the use; and, (2) the power relationships between men and women, which affect the relative priority given to competing natural resources uses. The program will focus resources on implementing recommended interventions and strengthening local group's capacity to generate funds to manage their resources. Participation is key to implementation of the program, and women and men should be equally involved at all

levels of implementation. At the same time, representation alone is not sufficient; particular attention should be given to the capacity of different stakeholders to influence management decisions, and assure that proposed practices are sustainable and financially viable.

USAID/E-CAM will maintain a proportional representation of key stakeholders and the full diversity of natural resource users, in all participatory forums involved in program implementation. In particular, women and men will be present in equal numbers. (It also is important to recognize that not all women (or all men) have the same interests.)

All indicators recording the “number of people” will be disaggregated by sex, in order to monitor diversity of participation and to identify particular strengths and/or areas of potential imbalance. In decision making and action forums at the local and municipal level, and in organizational strengthening, USAID/E-CAP will consider the use of training or other mechanisms to redress any imbalance in resources and power between men and women, or for other vulnerable stakeholders. The program will also support the development of extension techniques that are effective in reaching and influencing the behavior of women as well men in rural communities and households.

Sub-IR 2.4.1: Improved End Use Management of Critical Watersheds

The regional program will focus on the first sub-IR under SO2 IR4 -- improved end use management of critical watersheds. As mentioned above, three extensive watersheds are provisionally targeted -- the Cahuita-La Amistad-Río Cañas watershed on the Costa Rica-Panama border; those draining the Gulf of Honduras, which includes the biodiverse Mesoamerican Barrier Reef that stretches from Southern Mexico to Central America; and the Middle Usamacinta on the borders of Guatemala and Mexico. Determination of watersheds and sites will be periodically reviewed based on evolving USG priorities and consultations with CAM regional authorities. The critical issue underlying the selection of specific program initiatives is the financial sustainability of management schemes for the watersheds and their protected areas. USAID will support effective alliances among NGOs, governments, private sector and local communities that have positive impacts on use of transnational resources and management of the watersheds, particularly through the establishment of financial mechanisms that value ecosystem services. Finance opportunities will be explored at key pilot sites in order to encourage sustainable practices and working with national/bilateral programs to strengthen the capacity of local groups to generate funds to manage their resources. This could include fees for environmental services, tax incentives, the establishment of endowments (not with USAID resources) and other financial mechanisms to be determined as appropriate (financial resource management authority will be defined during activity design).

The cross-cutting approach to planned environment interventions will require a concerted effort under all IR's to invest biodiversity funds throughout SO2 for activities that contribute to the improved management of the selected key watersheds. Biodiversity will be a “clearly defined objective” of the program/activity and a “prominent criteria” for site selection.

Direct benefits and incentives for watershed protection will flow from tourism, forestry and cleaner production activities under IR 1. These will help create the enabling market conditions for trans-boundary tourism in selected targeted areas, encourage sustainable tourism practices, and create enabling conditions for certified timber extraction in areas of high potential.

Illustrative activities:

- Promote public/private alliances to generate revenues necessary to sustainably manage key transnational protected areas and to implement management plans in the Mesoamerican Biological Corridor and barrier reef, coastal wetlands and in mangrove areas that are important feeding grounds for fisheries off the coast.
- Build civil society capacity to represent their interests to managers of cross-border cultural and natural resources.
- Complement initiatives under IR 1 by providing design support for use of high traffic tourism destinations, and monitor certification activities in forestry and tourism.
- Support CAM governments in the development and institutionalization of climate change policies regarding adaptation and mitigation to help conserve critical watersheds.

Key partners: As described above, a wide range of regional activities will be supported under SO2 and will involve a number of different partners. One overall partner is likely to be the SICA, the Secretariat for the Central America Integration System. Under IR 2.1, the key partners -- but not necessarily grantees or implementers -- include COMIECO (the Council of Ministers of Economic Integration), the Ministries of Environment acting through the Central American Commission for Environment and Development (CCAD), the Central American Secretariat for Economic Integration (SIECA), the Central American Agricultural Council (CAC), the Office of the U.S. Trade Representative and the U.S. Environmental Protection Agency (USEPA). Activities are likely to be implemented through agreements with U.S. contractors and NGOs. The Pan-American Agricultural School at Zamorano and other regional organizations may play supporting roles under the SPS program. Other likely partners include Mexico as a source of NAFTA-related expertise (the regional program will look for ways to take advantage of Mexico's expertise and experience such as through its South/South program) the emerging network of regional private sector think tanks, and the Central American Council of Bank Superintendents.

Key partner organizations under IR 2.4 will be identified during implementation. Likely partners, however, include Ministries of Environment through CCAD, international bodies like the UN/ICRAN, IUCN, U.S. contractors and/or U.S. and local NGOs.

Sustainability of impact: The activities to be implemented under SO 2 are being undertaken as Central America undertakes historic modifications of its integration and external trade relationships. While success of these efforts cannot be assured, they offer an unparalleled opportunity to put in place sustainable policies that will spur economic growth in the region. By supporting legal, policy, and regulatory reforms, and strengthening the capacity of the responsible public and private institutions to implement these policies, these activities will have an impact on trade and investment in Central America long after assistance is completed. USAID assistance will result in greater competitive capacity to promote and manage trade and investment by the long-term stakeholders in the system, i.e., Central America governments and businesses. Efforts to improve the competitiveness of rural enterprises and the management of cross-border watersheds will be designed to ensure that the activities to be implemented are sound and will have a sustainable impact at the end of the planning period.

Measuring achievement: The indicators that will be used to measure achievement under this strategic objective are (pending final SO 2 team recommendations on CAM SO/IR indicators):

	Results Indicator
SO2	<ol style="list-style-type: none"> 1. Exports as Percentage of GDP 2. Export composition, by key sectors 3. Export composition, by key products 4. Number of hectares under improved management 5. Ranking on growth competitiveness Index (context indicator)
IR 2.1	<ol style="list-style-type: none"> 1. Foreign direct investment as percentage of GDP 2. Gross private domestic investment as percentage of GDP 3. Change in intraregional trade level 4. Change in U.S. share of total Central American exports 5. Trade Policy Rating (IR Context Indicator) 6. Volume/value of product sales under systems of environmental certification 7. Number of alliances for effective commercialization of certified products and services 8. Revenue generated from sustainable use of natural resources for economic growth (disaggregated by products and services) 9. Energy and Water saved and emissions reduced as a result of the adoption of cleaner production practices 10. The number of environmental management systems implemented
IR 2.4	<ol style="list-style-type: none"> 1. Improved management and conservation of critical watersheds 2. Number of environmental best practice protocols implemented across targeted sub-sectors 3. Number of tourists visiting targeted destinations

Most countries in Central America lack adequate data to measure the impact of policy improvements on business efficiency. USAID will play an important role regionally in supporting the development and use of indicators to benchmark and monitor progress in reducing the costs of doing business, and in bringing governments and businesses together in a sustained dialogue on policy development and implementation to improve competitiveness and increase trade and investment under more open economic regimes.

SO start and end dates: Strategic Objective 2 will start in FY 2005 and end in FY 2009 (last year of obligation of new resources will be FY 2008).

B. SO 3: Investing in people: Healthier, better educated people

(The Regional HIV/AIDS program was approved under the CAM strategy on September 5 2003. An unattached summary of the program is available from LAC/SPO. Annex 1, however, contains a discussion of some adjustments being made to the program at this time given resource level changes and other recent developments).

C. Special Objective 4: Timely Humanitarian Assistance and Crisis Response

Development challenge: Recent experiences in Central America with drought, the coffee crisis, and mismanagement of forest resources have highlighted the fragility of the region to economic as well as natural disasters, including fires, and the vulnerability of much of the population in the region to these crises, particularly the food insecure poor. These experiences also exposed an inability in the region to detect and respond to food security problems early enough to protect households from loss of income and to avoid a worsening of the nutritional

situation in the region, creating enormous personal hardship and undermining economic growth. Lack of forest fire preparedness and pest management capacity is a significant contributing factor in regional disasters that affect the economic and social well-being in Meso-America and nearby North America.

Development Hypothesis/Proposed Program: USAID support for preparedness and mitigation initiatives will directly contribute to reduced loss of life and natural resources from economic and natural disasters. Although the governments and donors in the region were caught by surprise by the magnitude of the drought and the coffee crisis and the severity of the impact, this was not due to a lack of information or to a shortage of actors producing food security related information and concerned with food security issues and responses. The more fundamental problem is that there is no system for bringing all the various information sources and actors involved with food security issues together at the country or regional level to focus on vulnerability and the early warning of the emergence of food security problems. Nor is there any one institution in any of the countries or at the regional level⁷ that could serve as a focal point for bringing these actors and data together and knitting them into an effective early warning and vulnerability management network. Therefore, USAID initiated assistance to create an information network, the Mesoamerican Food Security Early Warning System (MFEWS), in FY 2003. By creating such a network and demonstrating its usefulness, USAID expects that countries will adopt measures required to integrate it within each country. The network being established is designed to work with both formal and informal working groups to share more effectively primary and secondary information with key decision makers, both regionally and internationally, including USAID, the World Food Programme and others.

Central American forests are periodically impacted by various destructive agents, including wildfires, insect and disease outbreaks, windstorms, and human activities. It has become apparent in recent years that the high frequency of fires is contributing to environmental and socio-economic problems. Impacts from fire are compounded by several large outbreaks of pine bark beetles, particularly those caused by the southern pine beetle, *Dendroctonus frontalis* (Coleoptera: Scolytidae). Severe southern pine beetle outbreaks occurred throughout much of Central America in 2000 - 2002, killing over 90,000 hectares of mature and developing pine stands in Belize, Nicaragua, Honduras, and Guatemala. These extensive areas are subject to severe wildfires for several years following bark beetle outbreaks due to the excessive fuel loads created by large numbers of dead trees.

The problems associated with forest fire and pest issues are detailed in two regional assessments done in 2002 (Billings & Schmidtke 2002; Schindler et. al. 2002). After consideration of subject matter experts, several of the recommendations from these two assessments have been approved by CCAD. In FY 2004, USAID/G-CAP started supporting activities to help implement these recommendations in collaboration with USAID/Mexico. Continuing support is needed for regional efforts to improve forest fire preparedness and prevention and to strengthen community-based organizational capacity to support forest management, based on their own economic interest.

Results Framework Description: The RPP will focus efforts under the SpO on Intermediate Result 1: Disaster/Crisis Prevention and Preparedness by continuing to support the Mesoamerican Food Security Early Warning System (MFEWS) and forest fire and pest management initiatives. It will not assign resources to Intermediate Result 2, Humanitarian

⁷ Regional institutions such as INCAP were considered during the design of M-FEWS but it was determined that none, alone, could carry out this coordination role.

Relief and Reconstruction, as both the design team and the CAM Missions concurred that responding to disasters and crises is principally a bilateral responsibility, subject to specific country conditions.

Intermediate Result 1: Disaster/Crisis Prevention and Preparedness

Priority attention under the MFEWS will be given to: (1) building formal and informal networks of key actors at the country and regional level and improving vulnerability management; (2) encouraging the more effective use of existing information to provide earlier warning of emerging food security problems and to improve response; and (3) strengthening national capacities to collect, analyze and report on food security information, with special attention devoted to filling the key information gaps that have been identified.

Core activities will include the placement of a coordinator in the regional platform in El Salvador and a country representative in each of the participating countries to carry out these tasks. The regional coordinator will report to the field CTO/CAM Regional Food for Peace Officer⁸ regarding programming and technical coordination. The regional coordinator will provide the overall vision for the activity, backstop the country representatives and liaise with and catalyze the development of networks among the relevant regional organizations. The country representatives will work with the key actors in their countries, encouraging them to work together, to share and integrate their information and to develop new ways of thinking and acting – of looking to the future and monitoring and responding to food security risks and vulnerabilities.

MFEWS builds on previous USAID programs in the region, including the recent investments made in improving vulnerability assessments and management of natural disasters and the development of epidemiological and flood early warning networks using Hurricane Mitch reconstruction funds. MFEWS will contribute to the objectives of USAID's Opportunity Alliance for Central America and Mexico by helping these countries better manage the socioeconomic, climatic and environmental risks and protect the gains expected from trade-led growth. Plus, accessing support through USAID's worldwide Famine Early Warning System Network (FEWSNET) will enable MFEWS to take advantage of the experience gained and lessons that USAID has learned in developing early warning systems for food security in Africa and elsewhere.

MFEWS, has three areas which will specifically integrate women, men and children.

1. Development / implementation of growth rate monitoring indicators of women and children -9 to 36 months for improving early warning of food insecure populations and effective targeting efforts for improved nutrition for both mothers and children. The activity will identify specific groups of vulnerable populations and provide training to PVO's, Host Government Ministries, Local NGO's and community health workers on improving the monitoring and reporting of women and children -9 to 36 months old.
2. MFEWS will provide funds for specific studies pertaining to the livelihoods of vulnerable populations of families considered food insecure to improve targeting efforts of both emergency response and development activities. Families to

⁸ From the USAID/El Salvador hub, the Food for Peace Officer will be doing outreach work with customer Missions on Title II programs and other food assistance and food security issues.

include single/lactating mothers for improving food security relevant to access, availability, and utilization of food within vulnerable populations with primary focus on access to food. The MFEWS proposal to undertake a specific assessment of factors affecting food security (one of a number of projected activities) calls for the need to address gender issues, among other priorities such as natural hazards, socio-economic shocks, nutrition and health issues, and trade policy changes.

Also, the MFEWS activity proposes to improve understanding of the nature of vulnerability in Central America, and the susceptibility of different population groups to economic shocks. In this regard, it will be critical to understand the special risk characteristics of women-headed households, the range of coping mechanisms available to them, including their capacity to access credit, and the particular cultural and social factors that threaten their food security and that of their families. More generally, it will be important to examine the universal need for food security relative to women as producers, entrepreneurs and managers of household economies in Central American societies, and not only as child-bearing mothers.

3. Within the capacity building of food security working groups MFEWS is promoting joint collaboration of men and women to better enhance the implementation and to break down gender barriers relevant to improving food security within vulnerable populations and policy development of the host government.

With regards to the fire and pest management activities, due to the elevated nature of the proposed activities, few significant gender issues have been determined. For more in-depth information, the regional program will include gender impacts in any final qualitative evaluation of activities near the end of the strategy.

The majority of the activities described are policy level, and unlikely to have any direct impacts with respect to gender. Any gender issues that do arise are unlikely to be an important factor for sustainable impact. At the community level, the small grants proposal activity might involve or affect men and women differently by the context or work to be undertaken (e.g., provision of technical assistance to prevent or mitigate fire and pest prevention) and should be considered for managing for sustainable impact. The Regional Program will ask implementers to provide indirect gender data whenever feasible (e.g., number of men and women trained) and the interventions' impact in men and women.

Key outcomes at the end of four years will include:

1. An early warning system that provides timely information and analysis to decision makers so that they can take action to prevent, mitigate and respond to projected food security crises;
2. Yearly national outlook conferences at which information and analyses from across institutions and sectors (agriculture, health, nutrition, meteorological services, economy) are presented and discussed;
3. Strengthened national capacities to collect, analyze and share information on food security, and
4. New types of data that will provide analysts and decision-makers an earlier warning of what is happening to people in the countryside in specific geographic locations, including through the application of remote sensing techniques in the region and the development of an early warning indicator for nutrition.

The ultimate goal is for decision makers in Central America and their donor partners to use food security early warning information and analyses on a routine basis to understand the origins of, prevent, mitigate and respond to food security crises within the region. This information will be collected and integrated and the analyses conducted by country teams that are multi-sectoral and reach agreement on key indicators, monitor these indicators on a regular basis, and produce analyses and reports that are provided to decision-makers for action. The country level analyses will be reviewed annually at a decision maker forum, where the reports are presented and recommendations for action clearly laid out. The country level systems will be supported and integrated via a regional coordination mechanism that provides for: a) sharing country-level studies; b) the development of common indicators and the use of best practices; c) economies of scale in the collection of certain key information; d) the development of regional forecasts; and, e) the prioritization of regional needs.

Finally, as a follow-on to investments under the current USAID CAM strategy, additional resources will be used to identify areas most at risk from fires (due to fuel load, land use, etc.), educate communities, resource users and governments on fire preparedness, prevention and management and support for locally-based forest fire and pest prevention and rapid response initiatives.

Illustrative Activities:

- Rapid assessments of potential food security crisis areas.
- Emergency response training.
- Developing strategies, plans and coordination mechanisms that emphasize preparedness and prevention.
- Educating local groups in fire and pest prevention and developing capacity for suppression activities as necessary.
- Technical assistance and limited equipment to individuals and agencies charged with the development and implementation of national level fire and pest management activities.

Key partners: The MFEWS activity will be implemented through a contractor. Current plans are to access this contractor through the office of Food for Peace FEWSNET activity. Part of the initial work of the contractor will be to further alliances that are being developed within each participating country and explore cost sharing options. The sustainability of the program is one of the issues to be explored during implementation. Continued support for community forest fire and pest management and technical assistance will be implemented in coordination with appropriate regional institutions and a technical assistance provider, which will be defined during the activity approval process.

Measuring achievement: (pending final team review)

Since the activities at the regional level will be limited to the establishment of MFEWS, the following results indicators will be used to measure achievement:

1. Early warning and surveillance systems operating effectively.
2. Improved growth rate monitoring—children under two
3. Improved response to food security crises
4. Degree to which cooperative efforts to deal with forest fire and forest insect problems are coordinated and carried out among the eight countries within the region

5. Number of countries with viable fire and pest management plans, based on the regional strategy

Estimate of required resources: Life of strategy funding \$4 million DA.

SO start and end dates: FY 2005-2009 (funding FY 2005-2008)

III. Program Resources

Funding is distributed among the Strategic Objectives over the FY 2005-2009 Strategy period as follows⁹:

SO-2 Economic Freedom: Open, Diversified, Expanding Economies (596-022):

\$66,000,000 DA

SO-3 Investing in People: Healthier, Better Educated People (596-023):

\$41,000,000 CSH

SpO-4 Timely Humanitarian Assistance and Crisis Response (596-024):

\$4,000,000 DA

SpO-5 Improved Country Performance (596-025):

\$30,000,000 DA
\$10,000,000 CSH

⁹ Levels are estimated and subject to the availability of funds. Amounts are rounded to the nearest \$500,000.

IV. Program and Operational Management

The CAM RPP presents a concentrated and focused regional program for Central America and Mexico that addresses regional initiatives as opposed to bilateral concerns. The selected Intermediate Results and proposed illustrative activities concentrate on doing a few things well to achieve results in the most important areas where it is clear that USAID has special competence *vis-à-vis* other donors and sufficient staff to successfully manage the activity to achieve expected results. The RPP limits the number of management units by consolidating implementing mechanisms across IRs. For example, environmental legislation, cleaner production, certification and watershed activities may be managed through a limited number of cross-cutting implementing mechanisms. Managing efficiently by selecting the most critical interventions and using mechanisms that limit burden in terms of management units and complexity will be critical to success. During implementation, activity selection will be limited to with those with a high potential for impact. CAM SO coordinating teams are working to define multi-country and regional procurement mechanisms that could provide the expertise and assistance required by bilateral and regional activities. Therefore, procurement mechanisms that provide economies of scale and that are open to “buy-ins” and/or transfers from programs in the region will be given preference. Preference will also be given, where in accord with Agency policy, to previously competed mechanisms. In doing so, we will meet Agency requirements in an innovative manner.

Operating Structure. With the transition of the Regional Program to El Salvador beginning in late FY 2005 (See Annex 2 for the "Transition Plan"), the El Salvador Mission will put in place an operating structure that will allow it to provide oversight and management of the CAM Regional Program (or CAM-RP), its bilateral program and regional services. Operating a regional program across presence and non-presence countries requires high levels of coordination and consultation with bilateral counterpart missions, US Embassy colleagues and regional and national level authorities. Coordination as part of the CAM strategic framework will take place between the regional program and the bilateral missions and/or embassies through regular visits, video-conferencing and other “virtual” tools and through the CAM “Board of Directors” structure.

The Regional Program’s operating structure will emphasize an integration of functions to achieve expected economies of scale and implementation of the Agency USDH template. This will mean placing a premium on putting in place fewer and less management intensive implementing mechanisms. This will allow Missions to obligate, notify, and report on a bilateral basis, and El Salvador will report on the Regional Programs.

Program Monitoring and Coordination. The USAID/El Salvador Strategic Development Office (SDO) will pull together a Performance Management Plan (PMP) for the regional program plan within one year after its approval (i.e., by summer of 2005), building on the soon-to-be finalized CAM indicators at the SO and IR levels. The SDO at USAID/El Salvador will establish a Program Monitoring and Coordination Unit (PCMU) that will be responsible for finalizing the PMP for the Regional Program, as well as follow-on monitoring and coordination of the overall CAM PMP to assure that it is kept up to date and that strategy implementation remains on track. On an annual basis, the PCMU will roll up the performance measures from the operating units and submit them as part of an annual report to LAC providing a consolidated view on performance in the region. The PCMU will also coordinate field input for the Intensive Review, which must take place within three years of approval of the strategy and requires submission of the updated PMP to USAID/Washington. This Unit will also track authorized Life of Strategic

Objective funding amounts to ensure that obligations for the region do not exceed authorized levels.

On a periodic basis of not less than once annually, the CAM "Board of Directors" will review progress toward the strategic objectives, look for opportunities to strengthen programs through shared best practices, identify cross-border opportunities, discuss country and regional plan performance, and determine what adjustments, if any, need to be made to the regional strategy. Adjustments at the Strategic Objective level will be forwarded to USAID/Washington for review and approval. The Board of Directors will, through regular meetings, actively focus on improved coordination and prioritizing regional service support. The USAID/EI Salvador Director will serve as Chairman of the Board and make decisions within the delegated authority regarding the regional program and where required make recommendations for Washington decision. The PMCU will coordinate these annual Board of Directors meetings.

V. Crisis Modifier

Pursuant to ADS 201.3.4.4, USAID CAP incorporates the Crisis Modifier approach into this Regional Program Plan. In the event of a major humanitarian crisis, USAID CAP will invoke the Crisis Modifier and seek Bureau approval, where necessary, to modify its activities to account for the crisis. In order to use the Crisis Modifier, the USAID CAP will submit to the Bureau a time-phased plan in accordance with the guidelines set forth in the current CAM Regional Management Agreement. This modifier applies to all of our Strategic Objectives and appropriate "crisis modifier" language will be included, to the extent possible, in all grants, contracts, and agreements (including Strategic Objective Agreements) under these objectives. USAID CAP acknowledges that Congressional Notifications may be required to invoke the modifier and that account and earmark restrictions will remain in force.

VI. Summary of Recommendations of Assessments

Gender assessment: The gender assessment (available from USAID/G-CAP) provides a comprehensive analysis of the multiple gender issues that must be addressed during the design and implementation of activities under this strategy. These issues are primarily related to the role of women in Central American society, and the differential implications of the new development initiatives on their role. By addressing these issues USAID CAP will both increase the probability of program success and promote greater social equity. In fact, gender is a particularly relevant concern to the programmatic themes that will be pursued under this RPP, as the current development context has both positive and negative implications for women. The following highlights some of the principal findings from the assessment:

- Women are more likely to be poor in Guatemala, and female heads of household are very prevalent in the lowest economic strata. They are therefore vulnerable to dislocations that may affect certain segments of the Central American society as they transition to more open trade.
- Women continue to have unequal access to credit, due in part to the fact that they are less likely to own land, as well as unequal access to information and decision makers. This handicaps their efforts to take advantage of new opportunities resulting from further economic integration and trade.
- Over the past decade, women have benefited by a significant increase in employment opportunities associated with production and packaging of non-traditional products and agro-processing. This could continue with further expansion of these industries as remaining trade restrictions are removed.

- At the same time, because they are employed in these industries, women are more likely to be affected by compliance (or lack thereof) with international labor standards.
- Women are more likely to be responsible for water use and waste disposal in the home, while men are more likely to control use of water by agriculture and industry, and municipal works. Watershed management must take into account these differing roles.
- The “machista” culture in Central America is a key factor in sexual relations that facilitate the spread of HIV/AIDS, and places women in a disadvantaged position in avoiding the disease.

The Gender Assessment provides a number of recommendations to assure that gender concerns are adequately taken into consideration in the design of activities under each of the strategic and special objectives contained in this RPP, as well as their implementation and performance monitoring. The Mission will mainstream gender issues to assure that they are addressed as an integral part of activity design and implementation

Environmental assessment Per ADS 201.3.8.2 (Exemption), an environmental assessment is not mandatory for strategies that cover multiple countries; however, the CAM Missions recognize that doing such an assessment would benefit the regional program and so are looking into this possibility. USAID/E-CAM will in any case prepare Initial Environmental Examinations for all activities before obligation of funds.

Legal and institutional assessment: USAID CAP and its predecessor organization ROCAP have maintained close working relationships with the key Central American economic and political integration institutions for four decades. In fact, USAID has directly or indirectly supported the creation of many of these organizations. The opportunities for a more accelerated integration process described in this document have led the Central American Presidents to decide to create a special Commission charged with developing a proposal for the integral redefinition of the Central American institutions. The Commission is to provide its proposals to the Presidents at a meeting scheduled for June 2004. USAID CAP plans to contract an in-depth summary of the legal status, structure, and capacity of selected Central American institutions. However, it will need to await the conclusion of the review by the Central American Presidents before specific conclusions can be reached on the most appropriate legal and institutional mechanisms to be used in the implementation of its programs. This assessment is therefore deferred, and will become an important component of the individual activity design documents.

ANNEX 1

INTERIM ADJUSTMENTS TO THE G-CAP REGIONAL HIV/AIDS PLAN

The purpose of this annex is to explain some interim adjustments to the G-CAP HIV/AIDS plan that were necessitated by recent developments, to be referenced in the management agreement approving the RPP. These adjustments will be in effect until such time as final guidance on resource levels and the development of integrated USG plans for HIV/AIDS is forthcoming from the Office of the Global AIDS Coordinator in the State Department. At that time, we understand there is likely to be a formal review and possible amendment to the current approved HIV/AIDS plan.

I. Background

On September 5, 2003 the AA/LAC signed a Management Letter approving the incorporation of the G-CAP HIV/AIDS Program into the Central America and Mexico (CAM) Regional Strategy under CAM SO 3: IR 4 "HIV/AIDS and Other Infectious Diseases Contained and Impact Mitigated." The Plan contemplated the following three Sub-IRs: 1) Prevention, 2) Policy, and 3) Comprehensive Care. However, since that time the President's Emergency Plan for AIDS Relief (PEPFAR) was initiated under the leadership of the new office of the Global AIDS Coordinator in the Department of State (S/GAC), which is now responsible for all overseas USG activities in HIV/AIDS. The S/GAC office has been focusing its initial efforts on 14 priority countries (soon to be 15) in Africa and the Caribbean. They will be issuing guidance within the next year to the rest of the countries as to how they should develop plans for an integrated USG response to the problem. Until S/GAC guidelines are finalized, however, the approved USAID strategy prevails.

During this time, G-CAP was notified that resource levels for the regional HIV/AIDS Plan would be straight-lined from 2004 for the immediate future, an amount approximately 35% below what was in the approved Plan's budget. Also during the interim, the work we had invested with our regional partners resulted in the approval by the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) of up to \$107.6 million dollars for all of the Central American countries. Panama and Mexico are currently ineligible for GFATM consideration because of their per capita income levels. These recent developments, coupled with the uncertainty over future resource levels and guidelines for developing integrated USG plans, necessitate some interim adjustments to the current Plan.

II. Interim Adjustments to the Regional HIV/AIDS Plan

The reductions in resource levels change both what is within the program's manageable interest or span of control as well as how we will work to achieve the results to which we continue to commit. The Plan will narrow its focus on activities that fall within USAID's core strengths, but also will concentrate even more on resource leveraging and coordination with other donors focusing on core transmitter groups (please see Section III, Increased Resource Leveraging), including the GFATM.

The new comprehensive care component and the Acción SIDA community programming model will have to be eliminated if significant new resources cannot be found. Therefore, the Regional HIV/AIDS Plan on its own will no longer be able to commit to mitigating the impact of HIV/AIDS

at the regional level. The decision to further focus and maintain the integrity of the other components was based on the fact that these other activities--behavior change/prevention and policy including surveillance--represent USAID's core strengths and comparative advantage. They are already underway and achieving significant results, whereas the comprehensive care activity--an area in which we have little experience or comparative advantage--is still in the design stage. Implementation of these priority activities we have chosen to maintain will slow down slightly in the short to medium-term, however, due to the reduced cash flow, although it is our hope that with the increased resource leveraging we have been pursuing, they will not be materially affected over the medium to long-term.

Sub-IR 1: Increased use of prevention practices and services to combat HIV/AIDS

Prevention services will continue as described in the Plan. However, we will not be able to continue the Acción SIDA community model that was to serve as a bridge between care and prevention, even though it received a favorable evaluation. The behavior change activity will carry out the behavioral surveillance studies (BSS) to supply us with the key information necessary for evaluating program effectiveness.

Sub-IR 2: Improved policies implemented

These activities will continue as described in the Plan with an increased emphasis on influencing GFATM activities. The surveillance activity under this Sub-IR will produce the HIV seroprevalence information necessary for us and our other partners, including the GFATM, to track the HIV/AIDS problem and assess overall program impact.

USAID will continue to assist in the implementation of national and regional HIV/AIDS strategic plans as well as strengthen planning and evaluation processes, especially for those matters related to the GFATM. This component will support the GFATM country coordinating mechanisms and principal recipients to ensure that programs are technically sound and financially accountable, adhere to the highest ethical standards, and follow the vision of the Fund of a genuine public-private partnership, including strong representation from civil society, and open, transparent discussions and decision making. The program will make every effort to ensure that the issues of people living with AIDS are adequately addressed.

Sub-IR 3: Effective and efficient delivery of comprehensive care and treatment for people living with HIV/AIDS

The regional program will not be able to continue the development of this new component beyond the completion of one very small activity in collaboration with PAHO to support the development of HIV/AIDS diploma courses in five countries. However, the Mission will continue to work closely with PAHO and our regional partners and contacts for the effective implementation of care and treatment activities under the GFATM. The regional surveillance activity will provide critical strengthening to the clinical laboratory capacity to monitor patient status and outcomes in support of the WHO 3 X 5 initiative.¹⁰

We will also incorporate the following gender considerations into the program:

- The program will give priority to training for adolescents on the topics of gender and health, self-esteem, and empowerment, with a view to change of the high risk behaviors

¹⁰ 3 million patients receiving ART by 2005

of this group that result in a high prevalence of sexually transmitted diseases, HIV/AIDS, and high adolescent pregnancy rates.

- Make sure that all genders are included in program's activities.
- Attention to and documentation of increased access of men to HIV/AIDS prevention services.
- Increase outreach to young men and women for sex education, especially in rural areas.
- Provide health workers with training and information to recognize victims of domestic violence, and to provide them with information on how to seek assistance and legal redress.

III. Increased Resource Leveraging

The regional program has had increasing success at coordinating with and leveraging other donors. We have enjoyed an especially close relationship with UNAIDS for policy activities under a MOU and have worked with PAHO, UNAIDS and other multi-lateral and bilateral donor partners on a regional strategic framework for strategic surveillance. KFW has committed 4.4 million Euros for behavior change, particularly among core transmitter groups, and is about to program an additional 3 million. The Regional HIV/AIDS Program has provided state-of-the art technical expertise to the World Bank, in coordination with PAHO and UNAIDS, to develop a new \$10 million dollar regional program that, among other things, will support the development of a regional laboratory network with a reference lab under the regional surveillance strategic plan. Other donors with which the program is actively engaged include the IDB, UNFPA and JICA. The Mission is, with its regional donor partners, working on the framework for a November 2004 inter-agency donors meeting at a regional forum where we expect more agencies to commit additional resources to contribute to HIV/AIDS prevention and control.

Given the reduction in USAID resource levels available to the region, working to assure the efficient and effective functioning of GFATM activities, particularly in the care and treatment area, takes on increased importance. The policy component will focus very heavily on supporting and strengthening the GFATM country coordinating mechanisms and principal recipients and working with the countries on their monitoring and evaluation programs for their national responses including GFATM activities under the March 4, 2004 guidelines issued by the Assistant Administrator of the Global Health Bureau. The program may also provide some limited bridge assistance for elaborating terms of reference and in other critical areas while the fund gets organized. In some cases, the Fund may implement its supported activities through our partners. The Mission is currently working with UNAIDS on an April 26-30 regional training in monitoring and evaluation (including GFATM activities) and will begin development of a regional strategic plan for monitoring and evaluation similar to the one for surveillance. The Regional HIV/AIDS Program is also initiating a country-by-country assessment of achievements and obstacles to date with the country coordination mechanisms and principal recipients and to develop in conjunction with the bilateral missions and our partners a specific action plan to support GFATM implementation and monitoring and evaluation.

IV. Results

G-CAP will continue to commit to reducing infections in high-prevalence populations as well as to the policy environment (including surveillance) indicators in the attached PMP. Even though we will not be able to commit to the comprehensive care results and targets necessary for guaranteeing impact mitigation, we will continue to work with partners to contribute to this end through the activities mentioned above.

ANNEX 2

RPP Transition Plan

(From USAID/G-CAP to USAID/E-CAM)

FY 2005-2006

Transition Process:

The Regional Program Transition Plan describes the steps needed for USAID/EI Salvador to make the regional platform fully operational and assume management of activities to be carried out under the Central America and Mexico (CAM) Regional Program Plan (RPP). As agreed, the Regional Platform for RCO and Financial Services will begin initial staffing up this summer, but will not be fully staffed up until 2006, when the second RLA and the third Regional Contracting position is moved to El Salvador. On the program side, the plan calls for a progressive transition of programs and positions from USAID/G-CAP to USAID/EI Salvador. This transition will involve the phased termination or transfer of current regional programs and positions concurrent with the start-up of new programs and positions in El Salvador. These actions will establish the El Salvador Regional Platform and full implementation capacity for the Regional Program of the CAM Strategy.¹¹

The Transition Plan calls for the simultaneous start-up of a new CAM Regional Program (or CAM-RP) and shortening of the Central America Program (CAP) Strategy, both in terms of planned obligations (cut back by two years) and implementation (cut back by one year). This will allow for the orderly establishment of capacity within the new El Salvador regional platform to implement the CAM-RP and the phased close-out of Guatemala-based CAP programs. This approach will avoid disruption by not creating gaps between deleting positions in Guatemala and re-establishing them in El Salvador and is in line with the stated goal of managing staffing changes to be least disruptive to employees, families, and programs.¹² It also avoids additional program costs that would be incurred if programs and contractors/grantees were obliged to transfer to El Salvador. The Transition Plan describes activities that will not continue and illustrative activities to be implemented under the proposed program while recognizing that much of the detailed operational information depends on the actual selection of activities to be continued, modified and/or phased out and the design of the new programs and activities under CAM-RP. The transition of regional programming is to occur from approximately June '05 to June '06, with the CAP Strategy reaching completion and close-out not later than September, 2006.

Given USDH staffing availability and to ensure continuity of important activities (e.g., MFEWS, the Quality Coffee program, SPS assistance and GDAs in Trade Capacity Building) the two missions strongly recommend that G-CAP deal with closing out the old strategy while El Salvador focus exclusively on start-up of the new (FY 05-08) CAM-RP, assuming responsibility for those activities under the existing CAM Strategy, as they migrate to El Salvador, that the

¹¹ USAID Central America and Mexico Strategy Update: Report Out of LAC CAM Director's meeting of February 19-20, 2004. Cabled Report: SECSTATE 54234

¹² see page 4. LAC notes from Feb 19-20 meeting, conclusions from discussion on staffing

Board decides to continue on a phased basis beginning in the 4Q of FY 05. G-CAP staff will, in such areas where work will continue, lend their expertise to new AAD preparation. The Missions also recommend that, in the Management Letter approving the RPP and incorporating it into the approved CAM Strategy, LAC delegate to the USAID/EI Salvador Mission the authority to manage the CAM-RP and (per ADS 103.3.14.2) direct the USAID/EI Salvador Mission Director to proceed with obligating funding beginning in FY 2005, subject to the Mission meeting all pre-obligation requirements. The Missions also recommend that, at the same time, LAC direct USAID/G-CAP to proceed with the orderly cost-effective phase out of the CAP activities it currently manages and the transfer to EI Salvador of those activities that will continue and form part of the CAM-RP, as provided in this Transition Plan.

The Transition Plan contemplates migration of SOs/activities to be phased in over four quarters beginning in the 4Q of FY 05 and ending by the end of the 3Q of FY 06. The attached schedule and bar chart depict this graphically. The EI Salvador Mission has begun to identify positions and expects to recruit direct hires in the upcoming Foreign Service Assignment Cycle for assignment by summer of 2005. The Mission will begin recruiting FSN and PSC program management staff to begin work during FY 05 as well. By linking the phasing of programs to the assignment of USDH staff, the Transition Plan ensures an orderly transfer.

The goal of this phased approach is to ensure the smooth transition of activities at lowest cost with minimal loss of results to complete the CAP Strategy while EI Salvador is starting up its new bilateral plan and regional activities under the CAM-RP. Actual SOs/activity transfer dates are being determined by an ongoing pipeline and mortgage analysis and review of end dates, and by what makes most sense on a case-by-case basis and by the staffing in place.

Activity Transition:

The Design Team is very clear on the potential impact on partners. This is one of the reasons that the progressive phasing of the transition works well as it lets USAID wind down successfully and end in an orderly manner those programs that will not be part of the transition to EI Salvador without a loss of results. For some partners, the activities that they implement are coming to their planned end and so there will be no adverse impact. Other partners may need to seek alternative sources of funding to sustain their programs. Yet others may need to relocate their representation to EI Salvador. The G/CAP team is working closely with the RCO and RLA to ensure adequate communication of plans and expectations so they can adjust their activities to accommodate the transition process, either closing out activities or revising activities as instructed by EI Salvador-based CTOs, once assigned.

There are three types of activities treated in this plan. These are:

1. CAP activities that have results to achieve still under the current strategy but which will conclude on or before 9/2006. Guatemala is taking action to complete and close out these activities.
2. CAP activities that will continue under the new RPP. Mechanisms will be transferred to EI Salvador where that Mission will incorporate them into the new Activity Approval Documents it will prepare and approve. Guatemala and EI Salvador will take joint action to ensure the smooth hand-over of these activities. To ensure maximum use of scarce resources during the transition, Guatemala will assist EI Salvador using the program-funded and OE regional staff to develop new AADs.
3. New activities to be established under the RPP. These will be an ongoing EI Salvador action during and after the transition phase.

The RPP presents a tightly focused and concentrated program in economic freedom, HIV/AIDS and the Meso-American Food Security Early Warning System (M-FEWS) and fire prevention and preparedness. The RPP Design Team, in close coordination with USAID/G-CAP and USAID/EI Salvador and CAM SO Teams, used the following rationale to “focus and concentrate” the RPP and to determine provisionally those activities that will phase out, continue, or be established: potential for impact and efficient management (i.e., least burden in terms of management units). Once the RPP is approved, USAID/EI Salvador will take leadership on design and approval of new activities under the CAM-RP. The EI Salvador Mission will, with USAID/G-CAP support from the program and OE funded staff managing PROALCA, PROARCA, Rural Diversification, HIV/AIDS and the MFEWS program, continue to review ongoing CAP activities, assess new ideas and prepare AADs to support Bureau approved SOs for USAID/EI Salvador Director’s approval.

Illustrative activities proposed in the new RPP 2005-2009 include:

- Improved capacity to negotiate and implement trade agreements:
 - Support for compliance with rules of origin requirements of CAFTA and other free trade agreements.
 - Facilitating the work of the CAFTA TCB Committee to identify priorities and sources of support and supporting aspects of the ECA.
- Reduced Barriers to Trade
 - Promoting customs integration and the Central American Customs Union.
 - Harmonizing product norms, standards, commercial codes and procedures, including SPS, clean production and private certification of sustainable and environmentally-friendly products. Improving public and private capacity to meet SPS standards.
- Commercial laws and regulations more consistent with international commitments and practice:
 - Strengthening and harmonizing commercial laws, codes, and regulations.
 - Supporting a regional system of private sector-led, self-enforcement of voluntary labor codes, possibly through the Global Development Alliance approach. Improving capacity (in coordination with bilateral democracy programs) to implement international treaties and key environmental standards most notably CITES).
- Improved management and conservation of critical watersheds:
 - Promote public/private alliances to generate revenues necessary to sustainably manage key transnational protected areas and to implement management plans in the Mesoamerican Biological Corridor.
 - Build civil society capacity to represent their interests to managers of cross-border cultural and natural resources.
 - Promote environmentally management of high traffic tourism destinations; and monitor certification activities in forestry and tourism.
 - Support CAM governments in the development and institutionalization of climate change adaptation and mitigation policies important to conserve critical watersheds.

The selection of activities that will not move to El Salvador is based on several factors. The most important being the need to focus and concentrate limited resources. Some activities do not fit with the results under the proposed RPP. Other ongoing activities, such as development

of IPR legislation, have already accomplished their specified results. In other cases, there are other donors or agencies that have picked up and will sustain G-CAP investments. Support to labor ministries is a good example, where the DOL is taking the lead. Some activities while important — such as site specific investments to assist governments to actually manage protected areas — are not regional in nature and are therefore best managed by bilateral missions.

Activities that are projected to phase out and not move to El Salvador, or which were not included in the RPP in order to tighten the focus, include:

- PROALCA activities on intellectual property rights (IPR), strengthening of labor ministries, assistance to prepare each of the CA-5 country for CAFTA negotiations, and integration of regional energy markets.
- RURAL DIVERSIFICATION activities providing firm-level assistance, harnessing remittances, and developing broker networks, these being bilateral functions.
- PROARCA activities in several trans-border watersheds, including a reduction of assistance from the current five trans-border watersheds, a narrowing of the range of interventions in each watershed to the critical issue of financial sustainability of management plans for watersheds and their protected areas, and no further work pilot waste water treatment sites such as the successful demonstration sites La Union and Livingston.
- HIV/AIDS activities supporting the comprehensive care and treatment of individuals living with AIDS.

The CAM Missions have agreed that it is important to identify programs or groups of activities that should be transferred to El Salvador as promptly as possible. As described below under staffing, USAID/El Salvador will review the programs being transferred and any new regional programs before each phase of the transition. Joint technical teams in trade, rural diversification, watersheds, HIV/AIDS and MFEWS from the two Missions are working under the guidance of the El Salvador and G-CAP Mission Directors to implement the transition and develop new activities. These groups are using USAID/CAP's Implementation Matrix Table of existing activities and the mortgage and pipeline analysis to identify by quarter of the fiscal year when individual programs/activities should transfer to El Salvador. Although final decisions will depend on recruitment of new USDH staff, it is currently proposed that starting in July/August 2005, programs/activities will begin transitioning on a quarterly basis. Watershed and MFEWS activities could transition first; SPS and harmonization of product norms, standards and certification systems next; then trade policy and finally, per previous discussions with the LAC Bureau, HIV/AIDS.

Obligations:

FY '04 will be the last year of obligations under the current CAP strategy. All FY 2005 obligations for regional programs will be obligated under the new strategy.¹³ G/CAP will use the FY '04 obligations to complete and phase out CAP Program activities on or before September 2006. G-CAP is reviewing quarterly pipeline and mortgages by activity to allocate FY 04 funding to achieve key results and complete all activities within the shortened timeframe and to support the Transition Plan. USAID/El Salvador will obligate FY 2005 regional funds to start up the CAM-RP. The G/CAP RLA is examining the possibility of doing a single obligation for SO 2, Economic Freedom: Open, Diversified Expanding Economies, with SICA as a way to

¹³ USAID: Parameters for the Regional Program Plan for the CAM Regional Strategy, SECSTATE 319051, p 10.

consolidate the multiple agreements that were utilized under CAP with the respective regional institutions and the councils of ministers that comprise them.

Managing Human and Financial Resources Efficiently:

Per discussions underway between USAID/EI Salvador and G-CAP concerning the staffing implications of transferring the regional program to EI Salvador, and in accord with previous LAC Mission management assessment recommendations regarding the regional program made for USAID/G-CAP in November 2002, USAID/EI Salvador is proposing a lean and tight organizational structure. The following discussion covers the anticipated organizational structure to manage the CAM-RP. USAID/EI Salvador is creating a combined structure that provides for oversight of regional contracting, legal and financial management services required to implement the regional platform. These changes will require notification and agreement of the respective Ambassadors through the NSDD-38 process. Both Missions have begun consultations with their Ambassadors and are preparing revised staffing patterns that will form the basis of requests to USAID/W to initiate NSDD-38 consultations and approvals.

Under the current G-CAP managed regional program, there are 24 dedicated staff (6 USDH, 3 USPSCs, 1 PASA, 1 TAACS and 13 FSNs). Given the more focused RPP being submitted for Washington approval, the RPP Design Team foresees the need for a reduced staffing structure of 20 dedicated staff for EI Salvador's management of the CAM-RP: 3 USDH, 1 FFP position (USDH or USPSC) 3 USPSCs, 1 PASA, 1 TAACS, and 11 FSNs. USAID/EI Salvador will review the programs being transferred, and any new regional programs, before each phase of the transition to determine specific staffing requirements and how best to incorporate these needs into the Mission organizational structure. The Mission foresees using a combined bilateral-regional structure organized along the lines of the CAM Strategic Objectives. It is estimated that no more than the above staffing total will be required. However, the transition will necessitate the temporary "doubling up" of some USDH positions.¹⁴ Once the regional programs are fully transferred to EI Salvador, the Mission will again review staffing for the bilateral program, the CAM-RP, and for regional support services to determine whether these figures need revision. The EI Salvador Mission is already looking at a leaner organizational structure, consolidating program management offices from five to three along the lines of the new Country Plan, with integrated regional and bilateral management responsibilities.

The proposed phased transition process minimizes the cost (program and OE) to the Agency of transferring programs and staff/positions to EI Salvador. However, it is not possible at this time to fully determine the OE and program costs of the transition because many of the decisions will depend on the final design and selection of activities by USAID/EI Salvador over the course of the next year. As described above, USAID/EI Salvador will manage the program as efficiently as possible and with fewer staff thus keeping cost requirements to the absolute minimum necessary.

Only those programs that clearly fit with the new RPP will transfer to EI Salvador for management, the alternative of transferring all CAP programs and staff being too costly and non-strategic. Furthermore, the decision to progressively transfer activities minimizes financial costs and will be less disruptive to employees, families and programs. Phasing in new

¹⁴ USAID Central America and Mexico Strategy Update: Report Out of LAC CAM Director's meeting of February 19-20, 2004. Cabled Report: SECSTATE 54234

responsibilities in line with increasing El Salvador's management capacity keeps vulnerabilities to a minimum.

Five USDH are currently assigned to USAID/G-CAP's regional trade, environment and rural diversification programs. The Transition Plan proposes maintaining three core USDH positions plus a Food for Peace position, which could be either USDH from FFP or a USPSC, to manage the new program, generating an overall long-term savings in OE support costs. El Salvador will determine what mix of program-funded positions is needed. To the extent that duties remain similar and there is a mutual interest, duty stations of USPSCs and TAACs could be switched. El Salvador is still working to identify its FSN needs. In accordance with its amended rightsizing plan (submitted to LAC in April), G-CAP is already aligning its staff to fit what will be its bilateral responsibilities and to ensure adequate FSN and other capacity for close-out of the CAP strategy and to assist in the transition of regional activities to El Salvador. Regional program and OE-funded positions, including FSNs, will be filled in accordance with the normal assignment cycle so the costs will be part of the Agency's regular process, again minimizing disruption and cost of forcibly breaking tours or shortening contracts. This may result in a temporary doubling up of some positions during the short period from October 2005 to June 2006 when El Salvador will be ramping up new activities and G-CAP will be completing close out actions.

P:\Pdm.pub\DOCS\New Regional Strategy\Regional Programs Plan\RPP Drafts\7/1/04 Draft CAM RPP.doc

Transition Schedule

Guatemala Based Program Management

PROARCA

Through Sept. 30, 2005

MFEWS

PROALCA

Through Jan. 2006

Rural Diversification

April 2006

CAM SO3 - HIV/AIDS

June 2006

El Salvador Based Program Management

SO 2 - Environment Activities

o/a Oct. 1, 2005

SpO - MFEWS/Fires

o/a Oct. 1, 2005

SO 2 - Trade

o/a Jan. 31, 2006

SO 2 - Rural Competitiveness

o/a April 31, 2006

SO 3 HIV/AIDS

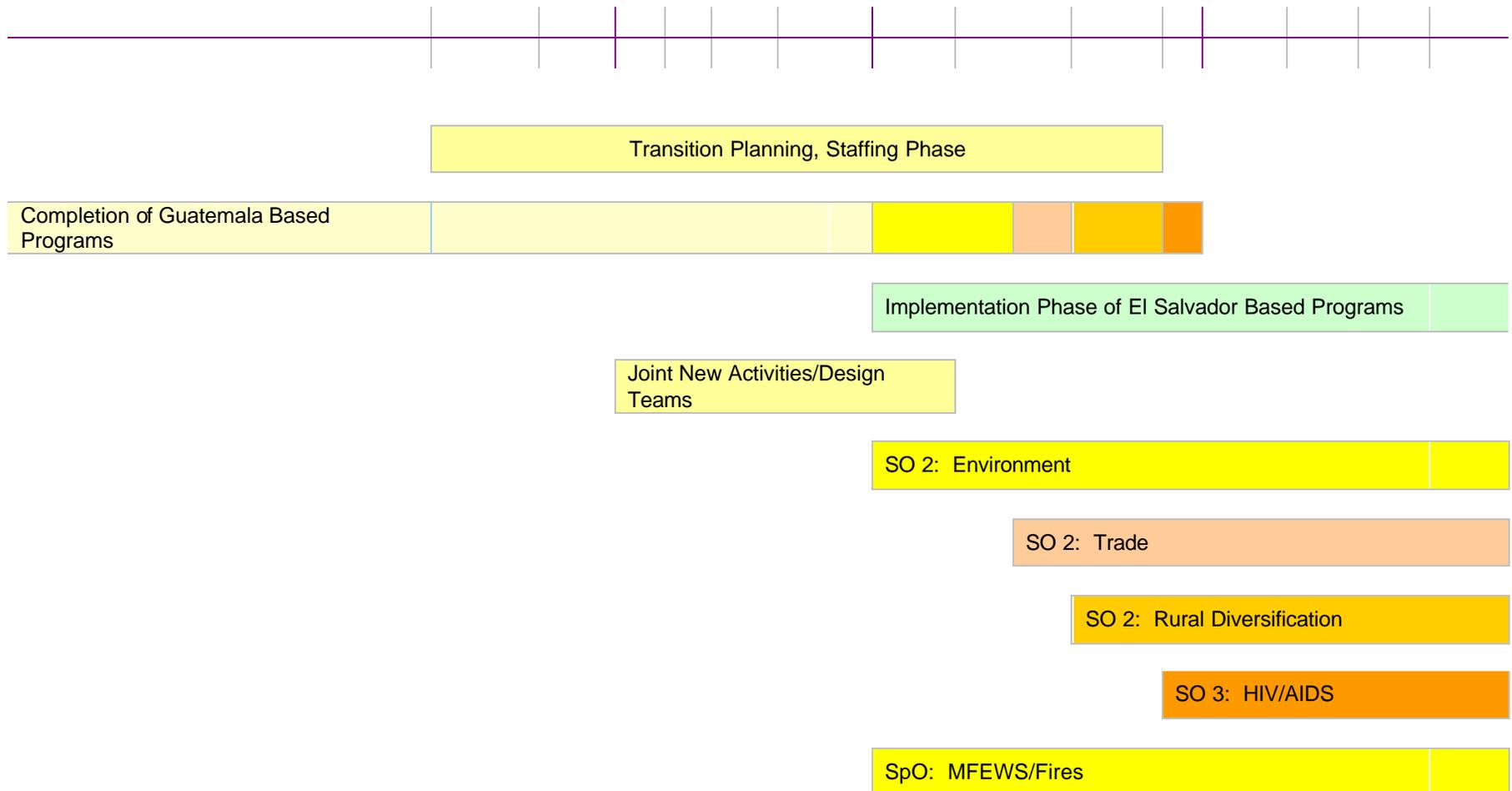
June 30, 2006

FY 2004

FY 2005

FY 2006

FYs 2007 - 2009



ACTION MEMORANDUM

TO: AA/LAC, Adolfo A. Franco

THRU: SDAA/LAC, Mosina Jordan

FROM: Ellen Leddy, LAC/SPO

SUBJECT: Approval of the Regional Program Plan

Action Requested: Your signature to the attached Management Letter is requested to: approve the Regional Program Plan, authorize its incorporation into the approved Central America and Mexico (CAM) Regional Strategy, and allow the Mission to proceed with obligations subject to meeting all preobligation requirements. The Mission's Regional Plan will have an approved funding level of \$151.0 million (including \$5 million FY 2003 and \$40 million for the Performance Fund) for the FY 2004–2008 period.

Background: The Mission has completed and submitted its Regional Plan for FY 2004–2008. The plan was developed with the central objective of supporting the CAM Regional Strategy for the FY 2003–2008 period. Following submission, the Regional Plan was reviewed by the LAC Bureau and relevant offices throughout the Agency. The Mission's Regional Plan is consistent with and strongly supports two out of the three strategic objectives of the CAM Regional Strategy, as well as the Special Objective for Humanitarian Assistance.

Authority: Approval of the CAM Regional Strategy was provided through the Management Agreement that you signed on August 1, 2003 in accordance with ADS 201.3.10.3. You have the authority to approve the Regional Plan and its incorporation into the CAM Regional Strategy pursuant to the authority delegated to you by the AA/PPC for strategic

planning as set forth in ADS 103.3.8.1. The authority for program implementation delegated to you by the AA/PPC in ADS 103.3.8.2 gives you the authority to allow the Mission to proceed with obligations.

Recommendation: That you sign the attached Management Letter indicating your approval of the Mission's Regional Plan and its incorporation into the CAM Regional Strategy. Your signature will allow the Mission to proceed with obligations under the CAM Regional Strategy subject to meeting all preobligation requirements.

MANAGEMENT LETTER

Mr. Mark Silverman
Mission Director
USAID/E-CAM

Dear Mr. Silverman:

This is to express my sincere congratulations to your Mission and in particular to the Regional Program Plan team for the outstanding work in completing the Regional Program Plan for FY 2004–2008. I am pleased with the strategic direction and focus areas emphasized in the Plan.

This Management Letter approves the incorporation of the Regional Program Plan into the Central America and Mexico (CAM) Regional Strategy.

The Regional Program Plan, which includes an approved funding level of \$151 million (including \$5 million FY 2003) for the FY 2004–2008 period, is consistent with and strongly supports the CAM Regional Strategy.

As the Mission moves forward with its activities, it should keep in mind program and staffing resource limitations so as not to overextend the program and dilute potential impact.

With this letter, subject to the Mission meeting all preobligation requirements, you are formally authorized to obligate funds under the CAM Regional Strategy beginning in FY 2004.

Sincerely,

Adolfo A. Franco
Assistant Administrator
Bureau for Latin America and the Caribbean

CC: CAM Mission Directors

