

USAID/Guatemala

Annual Report

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Guatemala

Performance:

The USAID program in Guatemala had a very successful year. USAID programs directly contribute to improving the lives of hundreds of thousands of Guatemalans, and strong partnership with the new Government of Guatemala (GOG) and leadership among international donors helped to jump-start economic, political and social reforms needed for Guatemala to further strengthen its democratic institutions and make sustainable, material changes that will benefit the entire population.

There is a growing sense that Guatemala faces a unique window of opportunity. After Guatemala's third free and fair presidential election since the signing of the 1996 Peace Accords, the peaceful assumption of power by the Berger Administration brings renewed optimism -- and even greater expectation -- to improve on Guatemala's persistent struggles with poverty and social discontent. The new government appears to recognize the multi-faceted challenge ahead and is developing creative approaches, appointing key people and, in some cases, implementing concrete activities to combat crime, reinvigorate the economy and meet the needs of its rural indigenous population. With the closing of the United Nations ten-year Verification Mission of the Peace Accords (MINUGUA), growing hemispheric trade opportunities, and advances in the free movement of Central American people and products, USAID -- Guatemala's largest bilateral donor -- will continue to play an integral leadership role in working with the GOG to build on gains of the Peace Process.

Guatemala's 11.2 million population and \$24.7 billion economy are the largest in Central America, yet, like most of the region, the country is hampered by a lethargic 2% economic growth rate -- a rate far too low to support its poverty reduction agenda. Guatemala also suffers from the region's lowest public investment in social services and lowest tax collection base (under 10% of GDP). In turn, Guatemala's social sector needs are considerable. Massive income inequality as well as access to health care and education mirror Guatemala's urban/rural, Ladino (non-indigenous)/indigenous divide. Guatemala's relatively high per capita income of \$2008 (2003) in contrast with its extremely low social equity indicators highlight the paradox of a country that has substantial resources, yet struggles to transform them into wide-spread increases in the standard of living. Over 56% of Guatemala's population lives in poverty and 17% lives on less than one dollar a day. These disturbing statistics are even worse when looking just at the rural indigenous population. Guatemala ranks lowest in the region in the United Nations Human Development Index and on other key indicators including life expectancy (66 years); infant mortality (39 [ENSMI] per 1,000 births); chronic malnutrition for children under the age of five (49%); and literacy (70%). Guatemala's progress since the 1996 Peace Accords has been laudable, yet the dynamic created by social inequity, corruption and sluggish economic growth serve to perpetuate its enduring fragility.

During 1997-2004, USAID programs in Guatemala have been working to: a) strengthen democratic institutions and advance justice sector reform; b) improve the quality of basic education, especially in rural areas; c) improve the health of women and children with a focus on indigenous families; d) reduce rural poverty by providing economic opportunities for small farmers and micro-entrepreneurs; e) promote natural resource conservation; and f) support the implementation of the 1996 Peace Accords. In 2004, USAID is launching a new five-year program (described further below) that continues to advance most of these efforts.

USAID successfully supported Guatemala in assuring a free and fair second round election in December 2003. This solid exercise of democratic rights provided the new Berger administration with a mandate to address pertinent issues of corruption, rural poverty and indigenous rights as well as opened new opportunities for international support that had been virtually at a stalemate under the previous administration. USAID has been taking a strong leadership role, contributing to high-level policy dialogue as well as implementing concrete and innovative programs that combat corruption and ethnic discrimination and improve public security.

The USAID Civil Society Program worked very closely with many civil society organizations to forge effective, sustainable coalitions that achieved concrete results in several areas including incorporating indigenous customs and practices into judicial proceedings and increasing the number of investigations into alleged National Police ethics violations. USAID's commitment to crime prevention programs was demonstrated by the opening of a self-help and training center for disadvantaged youth. Based on the success of this center, President Berger donated the Presidential Retreat House to serve as a rehabilitation and training center for youth-at-risk. The Program was also successful in reducing the perception of crime in selected areas, through work with a coalition focused on at-risk youth. The program, which coordinates with the USAID-supported Justice Centers, opened the country's first Youth House and has trained more than 600 adult and child civic education facilitators who have reached more than 2,000 citizens through workshops, community theatre and sports activities. USAID was able to help 200 vulnerable youth reinsert themselves into society as productive citizens and escape a life of violence in gangs.

The USAID Local Governance Program sponsored a Presidential visit to one its program sites to witness first hand the methodologies and mechanisms used for participatory strategic planning and transparent use of municipal funds -- methodologies that are now being incorporated into GOG national efforts to standardize planning processes. In selected municipalities, USAID technical assistance helped increase tax/fee rates and improve collection systems which, in turn, increased basic service coverage and raised municipal income by 25%.

One of USAID's best examples of cross-cutting, synergistic programming aimed at reducing corruption and inefficiency emerged from a direct request of the President of Guatemala. At President Berger's request USAID financed institutional assessments of ten key GOG Ministries. Each assessment evaluates the organizational structure, administrative/financial management, and internal/external controls needed to carry out the stated objectives of each organization. USAID envisions providing additional follow-on support that will focus on key institutional strengthening needs. The ten key institutions being assessed account for \$1.3 billion (68%) of the GOG's total national budget for 2004. With the cost of corruption in Guatemala estimated at 10% of the budget (U.S. \$480 million) a year, even a modest reduction of corruption through this effort can help increase the resources to ameliorate the country's critical health, education, and other social and economic needs.

The new Berger administration has identified social investment-including education and health care-as one of the main pillars contributing to the national goal of employment and well-being for all Guatemalan citizens. In both areas, USAID continues to be the country's largest bilateral donor. USAID's performance in improving access to quality education for Guatemala's indigenous people achieved outstanding success in 2004 with remarkable gains at the national policy level, including a clear prioritization of primary education quality as illustrated by the adoption of the USAID pilot program, *Salvemos Primer Grado* (Let's Save the First Grade), as the cornerstone of Ministry initiatives. Well-targeted assistance from USAID addresses fundamental educational needs of school-age indigenous children and youth, focusing most directly on highland areas of Guatemala that suffered most during the nation's 36-year civil war. Resources are concentrated on key elements of educational quality, access, efficiency, and equity, with special emphasis on multi/interculturalism and gender equity. USAID programs also aim to enhance the capacity and commitment of the Ministry of Education and civil society to formulate and carry out education reform strategies.

While the overall education situation in Guatemala remains alarmingly deficient, the USAID program has made outstanding contributions toward a better educated rural society, virtually turning around important trend lines, especially in the geographic areas where activities are focused. Between 1996 and 2003, net primary school enrollment for girls increased an astonishing 118%. Third grade completion rates for rural girls increased by 85%, while boys' enrollment and third grade completion rates also show the same improvement trend. Teachers' mastery of more effective bilingual teaching methodologies increased by over 500% and parents' involvement in education management and learning accelerated, contributing to improved school attendance, retention and promotion.

Although several trends are promising, Guatemala's health statistics lag far behind nearly every other

country in the Latin America and Caribbean region. To improve the health of women and children, USAID's program responds to the principal causes of maternal and child disease and mortality as well as high fertility in Guatemala by assisting public and private sector service providers to increase the use of quality reproductive and child health and nutrition services and practices. Assistance from USAID focuses on rural, indigenous highland populations in order to bridge the enormous health gap between these groups and the rest of the country; however, family planning and immunization assistance are national programs. The health program also works to improve health services management by the Ministry of Health (MOH), and non-governmental organizations, as well as to increase political commitment to women's health.

USAID has made a major contribution towards better health for women and children in Guatemala. Between 1999 and 2002, infant mortality declined from 45 to 39 per 1000 live births, a 50% larger drop than expected. During the same time period the Total Fertility Rate was reduced from 5.0 to 4.4, three times more decline than expected. The contraceptive prevalence rate rose from 38.2% to 43.3% with usage rate for indigenous populations nearly doubling -- meeting the program goals of narrowing the access gap. The program also improved management of public health programs by strengthening HIV/AIDS surveillance and contraceptive logistics systems and removing medical barriers to family planning services. Finally, the program has been able to support over 40 extensive advocacy campaigns that have kept women's health on the agenda after the 2003 elections and led to the Guatemalan Congress issuing a directive that 15% of the revenue from alcoholic beverages tax be transferred to the MOH's National Reproductive Health Program.

Increasing rural incomes and reducing rural poverty are an essential focus of USAID assistance to Guatemala. In recent years, USAID efforts have been affected by the coffee crisis, uncertainties related to the potential impact of the Central American-Dominican Republic Free Trade Agreement (CAFTA-DR), corruption, violence and delinquency-the combination of which creates an extremely difficult environment for economic development. Despite these factors, the rural income program has had profound impact. Program activities have touched an enormous number of rural families. For example, 156,403 small farmers adopted sustainable agricultural practices, 27,994 farmers received land titles, 157,985 jobs were created, and 145,703 micro-enterprises received technical and financial assistance during the program.

Program activities and technical assistance have also led to a dramatic change in public and private sector development paradigms. The program's embrace of alliance principles to promote and support business alliances between small farmers and large investors has opened the door for a more symbiotic approach to rural economic development, with buyers, producers and laborers clearly recognizing the mutual benefits of cooperation. USAID's aggressive promotion of alliances successfully leveraged over \$3 million in private funds for CAFTA trade capacity building and strategic business cluster development, brought 53 new implementing partners to the table, generated over \$30 million in sales and business deals, and created 85,000 new jobs. This support culminated in the 2004 International Regional Trade Convention in Guatemala, where over \$23.8 million in long-term "deals" were negotiated. Improvements in the delivery of banking services to small farmers and the rural poor are allowing for more effective use of growing family remittance income. Small farmer diversification into higher-value crops in response to market opportunities is increasing incomes and reducing land use pressures. Community-based tourism is showing the potential for increasing incomes, while improving the management and protection of extremely fragile natural and cultural resources. USAID pilot efforts and models developed under this program are being used as the foundation for Guatemala's new Rural Development Policy. The experience gained, and successes achieved, by the USAID program provided government leaders with practical examples of how to respond to opportunities and increase rural economic growth.

During FY04, the Food Security Program supported a series of income generation and maternal/child health interventions that enhance food security while improving the family's livelihood and health. The program provided a monthly food ration and health education to 167,845 mothers and children. In addition, Food for Work rations were provided to 46,422 workers and their dependents. The Program also supported the implementation of the Integrated Strategy for Management of Childhood Illness including maternal and child health and nutrition care at the community level.

USAID's natural resource management and biodiversity conservation program benefited enormously from Guatemala's change in administration, which created favorable conditions for making significant progress in the policy arena. USAID technical assistance to the National Council for Protected Areas and the Ministry of Environment and Natural Resources resulted in concrete improvements in the management structure and operations. Numerous resource management policies in key biodiversity regions were implemented with community dialogue and input. USAID continues to support community forestry enterprises (concessions) reinforced by international sustainability certifications in the Peten, and help ten concessions market their forest products and manage their harvest in environmentally sustainable manner, providing economic incentives for responsible use and improved market opportunities.

Through a partnership with the U.S. Department of Interior, USAID established a sister park relationship between Laguna del Tigre National Park and Big Cypress National Park in Florida in addition to working on programs aimed at developing eco-tourism and improving park/protected area security. Other programs were effective in controlling forest fires and increasing the numbers of the highly endangered Scarlet Macaw. Finally, USAID supported the Presidential Global Climate Change Initiative in three geographic locations for protection and sustainable management of forest cover areas.

In its final year of implementation, the USAID programs that support the 1996 Peace Accords continued to post important results, particularly taking into account the challenging political context and the sweeping changes in government authorities. One important aspect of USAID's Peace Accord programming is the widespread adoption of Justice Centers. Justice Centers play a vital role by allowing civil society and justice sector actors to come together within a stable institutional space to formulate policy and oversee its implementation. Justice Centers are now vital hubs for the ongoing development of a national justice system that integrates citizen participation within its institutional fabric, and thus contributes to the perceived and actual legitimacy of the overall justice system. The program also addressed the fundamental issue of municipal reform, particularly fiscal policy. USAID achieved significant progress in establishing the administrative and fiscal conditions for more transparent, accountable, and democratic local governance in 20 municipalities.

In order to alter historic patterns of indigenous participation in public affairs and democratic life, USAID scholarship programs opened access to higher education for nearly 2,000 (over the life of the strategy) indigenous men and women and its non-university scholarship programs provided nearly 4,000 opportunities in university extension courses, primary and bilingual primary education teaching, and vocational training. One of the greatest challenges in a Peace Accords Process is dealing with victims and reconciliation. USAID programming in the area of national reconciliation and human rights has been used as a model by the GOG in the design of its own National Reparations Program. The most significant impact from USAID support in this area has been an increase in community level participation in both formal and informal political spaces, manifest in attitudinal shifts and the beginnings of changes in local practices and norms. An important element has been closer relations between civil society and local state authorities, coupled with a degree of strengthened legitimacy of local authorities. USAID programs also demonstrated impressive results in terms of the number of exhumations carried out, land titles issued, and people benefiting from expanded infrastructure.

Under the new regional strategy for Central America and Mexico (CAM), the USAID Program in Guatemala will begin implementation of its new country plan focusing on the following three areas: 1) Strengthened foundations for democratic governance; 2) a diversified, expanding rural economy; and 3) healthier, better educated young women and children. This plan will feature anti-corruption, food security, indigenous and youth, and conflict prevention as cross-cutting themes. For the first time in USAID's history, a single agreement was signed with the government that includes the total amount of resources provided to a country in support of the full range of USAID's program areas, over a multi-year strategy period. By utilizing a "super" SO agreement, USAID was able to dramatically increase its policy leverage with key public stakeholders and its visibility with the Guatemalan people. The program will also continue its focus on developing alliances with the public and private sector to leverage resources and expand impact.

Results Framework

520-001 More Inclusive and Responsive Democracy

SO Level Indicator(s):

- CSO achievement of identified public policy and oversight results
- Percentage of registered voters who vote on election day
- Target municipalities that are organizationally restructured according to the new Municipal Code
- 2 Broader, more effective citizen participation in the policy process and oversight of public institutions
- 3 Increased citizen participation in strengthened local governments

520-002 Better Educated Rural Society

SO Level Indicator(s):

- Net primary school enrollment in Quiché
- Primary school gender equity ratio in rural Quiché
- 1 Quiché children have increased access to primary intercultural and bilingual education
- 2 Rural communities in the Zonapaz have greater access to educational services
- 3 Education strategies and policies that enhance gender equity and cultural pluralism are implemented

520-003 Better Health for Women and Children

SO Level Indicator(s):

- Infant mortality rate reduced from 51 in 1995 to 39 in 2002
- Total fertility rate reduced
- 1 More rural families use quality MCH services and better household practices
- 2 Public health programs are well managed
- 3 Stronger Guatemalan commitment to integrated women's health

520-004 Increased Rural Household Income and Food Security

SO Level Indicator(s):

- Increase annual household income in selected geographic areas
- Reduced chronic malnutrition in children under five years of age in selected geographic areas
- 1 More Small Farmers Engaged in Higher Value Production and Marketing
- 2 More Microentrepreneurs Expanding their Business
- 3 Market Towns Stimulating Economic Growth
- 4 Improved Family Nutrition

520-005 Improved Natural Resources Management and Conservation of Biodiversity

SO Level Indicator(s):

- Stable or improved ecological integrity
- 1 Improved resource management in selected bioregions
- 2 Improved environmental policies applied
- 3 More responsive and effective institutions

520-006 Support the Implementation of the Priority Peace Accords

SO Level Indicator(s):

- Education Sector Expenditures as a Percent of GDP (Based on FY 2000 sustainability)
- Health Sector Expenditures as a Percent of GDP (Based on FY 2000 sustainability)
- Tax Revenue Increased as a percent of GDP
- 1 National reconciliation process advanced through Historical Clarification Commission Report follow up
- 2 Capacity of indigenous communities developed for broader participation in political, economic and social arenas
- 3 Access to factors of production in ex-conflictive areas broadened
- 4 Key state institutions and policies reformed to sustain the Peace Process

520-007 Rural Economy Recovers from Mitch and is Less Vulnerable to Disasters

520-021 Ruling Justly: More Responsive, Transparent Governance

SO Level Indicator(s):

Government effectiveness

Judicial performance

Judicial responsiveness

1 Strengthened Rule of Law

2 Greater Transparency and Accountability of Governments

520-022 Economic Freedom: Open, Diversified, Expanding Economies

SO Level Indicator(s):

Export composition by key product (tourism, high-value horticultural and specialty coffee exports and certified forest products)

Exports as percentage of GDP

Growth Competitiveness Index score (World Economic Forum)

1 Laws, Policies and Regulations that Promote Trade and Investment

2 More Competitive, Market-Oriented, Private Enterprises

3 Broader Access to Financial Markets and Services

520-023 Investing in People: Healthier, Better-Educated People

SO Level Indicator(s):

Chronic malnutrition rate (low height for age) in children 3-23 months of age (%)

Infant Mortality Rate

Primary Education Completion Rate (Gross) (%)

Public Expenditures on Education as % GDP (Context Indicator)

Total Fertility Rate

1 Increased and Improved Social Sector Investments

3 Increased use of quality maternal-child and reproductive health services