

USAID/Mexico

Annual Report

FY 2005

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Mexico

Performance:

THE DEVELOPMENT CHALLENGE

Since the signing of the North American Free Trade Agreement (NAFTA) in 1994, Mexico has become the second largest trading partner of the United States, and is among the top ten export markets for more than 40 U.S. states. In 2004, it was ranked as the 10th largest economy in the world. As President Bush has stated on several occasions, NAFTA "is a recognition that the United States has no more important relationship in the world than the one we have with Mexico . . . Good neighbors work together and benefit from each other's successes."

In 2002 with a population of over 100 million, the Government of Mexico (GOM) estimated gross domestic product (GDP) per capita at \$6,884. However, not all Mexicans are yet reaping the benefits that this extensive trade, international visibility, and close U.S. partnership might offer. About 53 percent of all Mexicans--over 50 million people--had an annual income of less than \$720. Given Mexico's proximity to the United States, its geo-political importance in the region, and Mexican illegal immigration to the United States, it is in the U.S. interest to work with Mexico on its economic and political reform agenda and to promote economic growth.

The election of President Vicente Fox in July 2000 began a new era for Mexico, ending 71 years of one-party rule. Since taking office, the Fox Administration has initiated a number of promising programs to reduce poverty, improve accountability and governance, protect natural resources, and expand the benefits of trade to more Mexicans. However, the new Presidential election process has already started in preparation for July 2006. Despite the political posturing and gridlock that seem to be on the rise at the federal level, Mexican states with administrations across all party lines are increasing reform efforts and requesting assistance from USAID/Mexico at unprecedented levels. Mexican states are now providing another avenue of reform for Mexico, with reform at the state level perhaps offering the most direct impact on the lives of Mexicans.

THE USAID PROGRAM

The USAID/Mexico program is designed to help the United States and Mexico collaboratively address shared problems and issues. With close economic and social ties, a common U.S.-Mexico development agenda has emerged that includes trade and investment; environmental protection; strengthening the small and micro enterprise sector; improving public administration, transparency and accountability; preventing infectious diseases; and furthering competitiveness. FY 2004 was a transition year for the USAID program in Mexico, as it moved to implement a new strategic plan under the regional strategy recently approved for Central America and Mexico (CAM). During FY 2004, many activities were completed and closed out under the old strategy. FY 2004 funds were used to initiate the new five year CAM Strategy and Mexico Country Plan that builds on successes to date but focuses USAID/Mexico management and financial resources more effectively. The new strategy has four areas of focus: economic growth, including access to finance and natural resource management; accountable governance and rule of law; infectious disease prevention and control; and educational exchange and scholarships.

Key challenges and achievements during FY 2004. Addressing inequalities in Mexico has been a declared policy priority of President Vicente Fox's administration since taking office in 2000. The Fox Administration has pursued a policy of "socially responsible humanism," which promotes private sector-led trade, complemented with an explicit poverty reduction strategy ("Contigo, or "With You") and an

emphasis on improving government transparency and accountability. Yet, despite key advances and successes achieved in President Fox's transparency and accountability agenda, near and medium-term economic inequality remains, with recent economic analysis citing Mexico as having the starkest contrast between rich and poor among all nations in its economic category. Additionally, despite the gains of NAFTA, Mexico's competitiveness globally has continued to lose ground steadily as evidenced by the World Economic Forum competitiveness rankings.

USAID/Mexico is implementing activities that can help reverse this trend of declining competitiveness through reform of the criminal justice system, increasing transparency and promoting good governance, helping states and municipalities better access the capital markets to rebuild decaying infrastructure, improving education and health care available for the general population, and providing access for farmers to more profitable markets. But there is perhaps a unique opportunity now, over the next few years, given receptivity from many corners of Mexican political and economic society, to sharpen a focus on competitiveness. USAID/Mexico's key challenge remains securing sufficient funding to keep up with Mexican "demand" and maximize opportunities for impact now.

FY 2004 saw the results of the inroads USAID/Mexico has made with a wide range of political and economic actors in Mexico, particularly in justice reform and the transparency and good governance arena. USAID/Mexico's program in FY 2004 continued to contribute significantly to the Mexican reform effort in the drafting and enactment of civil service regulations and implementation of Mexico's first federal government-wide civil service to move away from political patronage to merit-based, non-partisan recruitment and evaluation, effectively revolutionizing the structure and character of public service. Furthering implementation of the new, higher professional standards for key state and local budget officials, USAID/Mexico also provided training to approximately 5,000 auditors.

USAID/Mexico also helped the State of Nuevo Leon develop and now implement the first oral, adversarial code of criminal procedure in Mexico. Following this general model, other Mexican states are starting moves to reform their codes. Preparing the way for justice reform, USAID/Mexico provided training in oral, adversarial procedures to more than 7,000 judges, prosecutors, defense attorneys, mediators and human rights advocates.

The USAID/Mexico Mediation Project has significantly expanded access to justice for poor Mexicans. By the end of FY 2004, the project had set up 18 new mediation centers in 12 states, with more than 150 mediators. Thousands of civil cases in areas ranging from commercial law to family law had been successfully mediated and demand is on the rise in Mexico for this method of increasing access to justice.

USAID/Mexico's environment program completed work on the six-year Wildfire Prevention and Restoration Program implemented through the Mexican Nature Conservation Fund (FMCN). More than 400 Mexican communities and more than 30 local organizations have benefitted from learning improved techniques to prevent and control wildfires in an around critical biodiversity areas. In addition, the GOM is now sharing this expertise with Central American countries in training sessions throughout the region. The FMCN, the implementer of the fires program, is a private NGO that started as an environmental complement to NAFTA with USAID/Mexico and GOM endowment funding in the 1990s. By the end of FY 2004, the FMCN had tripled the original investment with funding raised from other sources and is now the largest conservation NGO in Latin America.

The USAID/Mexico partnership with Mexico's Shared-Risk Trust Fund and the U.S. Energy Department realized over \$31 million in funding from a variety of sources by the end of FY 2004. The funding included a grant from the World Bank, a loan from the Global Environment Facility, as well as substantial contributions from end-users. The partnership was initially launched in 2000 to broadly demonstrate the value of renewable energy technologies in agricultural production across Mexico.

USAID/Mexico also completed two successful and innovative credit guarantee programs under the Agency's Development Credit Authority (DCA). Through DCA, the Mission provided two guarantees to Mexican microfinance institutions (MFIs): \$2.5 million for FinComun, and \$1 million for Union Progreso.

The programs were designed to allow both institutions to leverage the guarantee by capturing savings, especially longer, fixed-term savings (fixed-term savings enhance an MFI's ability to lend for longer terms). Both programs have greatly exceeded expectations. Union Progreso mobilized \$17.9 million in additional savings, a 169% increase, while FinComun mobilized an additional \$8.79 million, an increase of 182%.

Over \$3 million of laboratory instruments, computer and audiovisual equipment, and vehicles were purchased for the GOM TB program. This equipment has been delivered to 12 of the 13 target states, through a series of highly visible public ceremonies involving the Ambassador, USAID/Mexico, and the Mexican Secretary of Health.

USAID/Mexico support for the AIDS Responsibility Project in Mexico spurred the formation of a formal business council of nine prominent U.S. companies, including Federal Express, Eli Lilly, Merck/Sharp/Dome, and Banamex (Citigroup) dedicated to eradicating stigma in the workplace associated with HIV/AIDS. The formation of the new corporate council, the Consejo Nacional Empresarial sobre SIDA, plans to rapidly expand membership in 2005 and was cited by Mexican Secretary of Health, Dr. Julio Frenk, as an important development for Mexico in reducing stigma in the workplace. Work with the AIDS Responsibility Project will continue next year in Mexico, and membership in the council is expected to increase.

Finally, the Presidential Initiative "Training, Internships, Exchanges, and Scholarships" (TIES) continued to draw significant interest in 2004, adding 13 partnerships to the 17 between U.S. and Mexican universities already underway. These partnerships continued to exhibit a greater than 1 to 1 match to USAID funding with contributions from higher education institutions and the private sector and are making real, significant contributions to Mexican competitiveness in a variety of areas. Mexican fisherman in Baja California can now export fish and shellfish to the United States again thanks to the certifying laboratory opened through a TIES partnership. Small entrepreneurs throughout Mexico are benefitting from the 30 small business centers that have been opened with GOM funding and are providing services thanks to the model created by another TIES partnership. In addition, in FY 2004 Georgetown University's CASS program sent more than 40 young Mexicans from poor, rural and indigenous areas to the U.S. for study at community colleges. These scholarship recipients will return to Mexico at the end of their programs, and use their new skills to get a better job, realize a better quality of life and become leaders in their communities.

Beneficiaries. The beneficiaries of the current program range from poor families who are most likely to contract TB and will be receiving improved care; poor, indigenous youth worried about opportunities for themselves and their communities in the future; women concerned with resolving family and community disputes; and indigenous groups trying to manage their land in more sustainable ways; to high risk groups learning how to prevent HIV/AIDS and address stigma and discrimination with the general population and workplace. They are the poor and middle class men and women who live near PEMEX facilities and can breathe cleaner air, those in isolated villages that are receiving electricity from renewable energy sources, and the population in general that will benefit from more transparent and accountable federal, state, and local government institutions. They are the male and female micro entrepreneurs who will have greater access to financial services to expand their businesses. U.S. citizens also will be indirect beneficiaries in several ways. Some will be less at risk from infectious diseases and from smoke from forest fires. Others will have closer academic applied research ties with Mexican institutions and individuals. Still others will benefit from the maintenance of natural resource areas that provide tourist income and an essential winter habitat for a wide variety of bird species and Monarch butterflies. U.S. companies interested in investing in Mexico will find an improved business climate as a result of progress in justice reform and increased transparency in government processes.

Gender. Gender considerations are important, and vary widely by program area. In health, HIV/AIDS prevention efforts take gender into account in order to effectively target high risk groups and slow the spread of HIV/AIDS to the general population. For example, most women are now infected through the risky behavior of their male partners, which points to the need for better prevention among men in order to prevent new infections in women. In the democracy program, Mission and Washington initiatives

support increasing the participation of women in political parties as well as studies to insure gender equity in traditional indigenous municipal governance systems (known as "usos y costumbres" in Spanish). In addition, the Mission is working with women's groups in Ciudad Juarez to address the concerns of women as victims relative to the justice system in the state of Chihuahua and the importance of justice reform. This type of grassroots activity is important in gathering Mexican support for efforts to improve the situation of women in Mexico. The ultimate beneficiaries of microfinance activities are mostly women entrepreneurs. Biodiversity conservation activities have stimulated more equitable inclusion of women in conservation efforts and have specifically targeted the participation of women in resource planning and eco-tourism activities. The education exchange and training program (TIES) is working to include women as more than 50 percent of trainees are disadvantaged and indigenous youth.

Results Framework

523-000 United States - Mexico: Third Country training and technical cooperation program (TTCP)/Partnership for Prosperity

SO Level Indicator(s):

None

IR 1 More third countries benefiting from collective experience of USAID and Mexico development partnerships

IR 2 Mexico's development assistance program strengthened based on alliance with USAID and USAID partners

523-002 Enhanced Quality and Sustainability of HIV/AIDS and STI Services in Targeted Areas

SO Level Indicator(s):

Number of target states with on-going public-private collaborations

IR 2.1 Improved HIV/AIDS/STI policy environment at the national and subnational level.

IR 2.2 Increased capacity of governmental and non-governmental partners to deliver HIV/AIDS/STI services and information

523-003 More Democratic Processes Adopted in Key Government Institutions

SO Level Indicator(s):

Percentage of milestones achieved in a fiscal year

IR 3.1 More effective local governance in target areas

IR 3.2 Permanent structures strengthened to enhance Congress legislative function

IR 3.3 More effective administration of justice in target courts

IR 3.4 Enhanced capacity to increase transparency and accountability in target government institutions

523-006 Critical Ecosystems and Biological Resources Conserved

SO Level Indicator(s):

Number and area of critical ecosystems with adequate management

IR 6.1 Management of target protected areas and other critical ecosystems improved

IR 6.2 Demonstration and implementation of sustainable use activities in biologically important areas

IR 6.3 Improved policy framework for conservation and sustainable use of biological resources

IR 6.4 Improved non-governmental and professional capacity for conservation and sustainable use of biological resources

IR 6.4.1 Mexican Nature Conservation Fund (FMCN) fully operational and fulfilling its environmental mandate

523-007 Carbon Dioxide Emissions and Pollution Reduced

SO Level Indicator(s):

Amount of carbon dioxide emissions (in thousands of metric tons) prevented through selected energy efficiency measures and adoption of renewable energy technologies

IR 7.1 Wide scale replication of resource management systems (RSM) and renewable energy technologies and practices in four key institutions

IR 7.2 Selected policies in place that promote the use of RSM and renewable energy technologies

IR 7.3 Improved Mexican institutional capacity for RSM and renewable energy technologies

523-008 Sustainable and Effective Institutional Capacity Developed to Diagnose, Control, and Monitor Tuberculosis in Target Areas

SO Level Indicator(s):

The proportion of tuberculosis cases detected and the proportion of tuberculosis cases cured

IR 8.1 Improved national and local political and administrative commitment to a tuberculosis control program

IR 8.2 Increased use of laboratory-based diagnosis to identify tuberculosis cases

IR 8.3 Improved directly observed therapy meeting strict case definitions

IR 8.4 Improved mechanisms for monitoring program activities

523-009 Strengthen the Institutional Base for Sustainable Microenterprise Growth by Supporting Mexican Initiatives

SO Level Indicator(s):

Achieving targets in five indicators measuring policy/regulatory improvements and MFI performance

IR 9.1 Increased communication and collaboration among micro enterprise (ME) finance and other service providers to define constraints to ME, growth and organized Mexican initiative

IR 9.2 Selected ME finance institutions' management ability strengthened, to help increase and improve credit and financial services to micro enterprises.

IR 9.3 Increased understanding and appreciation of the role of micro enterprise in the Mexican economy

523-010 Enhanced Capacity of Participating Mexican Scholars and Institutions to Respond to the Common Development Agenda

SO Level Indicator(s):

Participating Mexican Institutions with new programs that respond to common development agenda (CDA) opportunities

IR 10.1 New university partnerships established and functioning

IR 10.2 University-trained scholars prepared to respond to CDA opportunities

IR 10.3 Community-college trained scholars prepared to respond to CDA opportunities

523-021 Ruling Justly: More Responsive, Transparent Governance

SO Level Indicator(s):

To be developed as part of the Central America strategy process

IR 1.1 Strengthened Rule of Law

IR 1.2 More Accountable Policy Making and Implementation

523-022 Economic Freedom: Open, Diversified, Expanding Economies

SO Level Indicator(s):

To be developed as part of the Central America strategy process

IR 2.3 Broader Access to Financial Markets and Services

IR 2.4 Improved Management and Conservation of Critical Watersheds

523-023 Investing in People: Healthier, Better-Educated People

SO Level Indicator(s):

Percentage of TB cases cured in USAID assisted areas.

Policy changes to reduce HIV/AIDS stigma.

To be developed as part of the Central America strategy process

IR 3.3 HIV/AIDS and Other Infectious Diseases Contained and Impact Mitigated