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ENDORSEMENT MEMO FOR DIRECTOR OF U.S. FOREIGN ASSISTANCE  
HENRIETTA FORE

FROM: AMBASSADOR P. Michael McKinley

SUBJECT: Fiscal Year 2008 Operational Plan [and Performance Report on Fiscal Year 2007] for Peru

Peru is on the verge of achieving transforming country status and the trend lines are generally positive, particularly in terms of macroeconomic management and sustained high growth rates. At the same time, the country faces persistent structural obstacles that could impede this goal. These obstacles can be characterized under the broad rubric of the “institutional weakness of the state.” The key elements of Peru’s fundamental structural challenge are: A) the service delivery capabilities of democratic government, at every level, remain weak; B) the country’s solid economic growth has not yet translated into broad social benefits for the whole population; C) transnational narco-traffickers and terrorists continue to operate in swaths of national territory largely free of state control; and 4) key public investment indicators, particularly education and health, are disproportionately low. Tangible progress on each of these fronts is necessary to ensure that Peru crosses a critical threshold, locks in past gains, and advances to the next level of economic, political and social development. Given the country’s surprisingly low levels of citizen confidence in democratic institutions, which many Peruvians perceive as unresponsive to their needs, such concrete progress is essential to building democratic stability and overcoming lingering support for authoritarianism.

The U.S. Government’s Operational Plan starts from the premise that a Peru firmly anchored in its democratic institutions, successfully converting the advantages of economic openness into broad social benefits and asserting state control over its territory, is an important strategic, political and economic interest of the United States. To this end, the Operational Plan seeks to leverage limited resources by reinforcing or supplementing GOP efforts to shore up critical institutional debilities in a number of interconnecting areas:

Consolidating Democracy -- Helping strengthen Peru’s democratic institutions and improving the state’s service delivery capacity is critical to demonstrating that democratic governance can deliver the goods and bring social justice.. The USG has supported the Garcia government’s policy of decentralizing administrative functions, working with all levels of government -- but with particular attention to sub-national entities -- to improve administrative functions, provide

better public accountability and generally move government closer to the people. The vestiges of centralized and inefficient government and limited human capacity in the regions present difficult obstacles to overcome. However, decentralization has already given rise to the emergence of several pragmatic and capable regional leaders with clear potential for national projection.

**Broadening Economic Prosperity** -- With the Peru Trade Promotion Agreement (PTPA) approved, by the House of Representatives, the challenge of making international trade broadly benefit all Peruvians is now front and center. USG programs facilitate the access of rural producers (including in the southern Sierra regions) to national and international markets, help small and medium sized enterprises insert themselves into globally competitive value chains and tap micro-financing sources to expand and formalize informal businesses that are unable to seize existing opportunities. These efforts complement the GOP's own policies and programs to "internalize" and better distribute the benefits of free trade.

**Expanding the Presence of the State to combat narco-trafficking and narco-terrorism** -- Narco-traffickers and coca growers have worked to undermine and limit the state's presence, particularly east of the Andes, in order to pursue their illegal activities free of government control. In response, USG programs have sought to buttress state presence, for example by establishing academies to train special narcotics police for work in target areas. The concrete package of incentives offered to communities where coca is grown has included inducements -- i.e., security, education, and health infrastructure as well as alternative economic opportunities -- coupled with the stick of eradication, voluntary and programmed. As a result, in 2007 a key community in the San Martin region, the front line of growing coca for many years, has turned decisively toward participation into the formal, licit economy and society, with the prospect of similar gains in surrounding areas.

**Increasing Social Investments: Converting Peru's solid macroeconomic growth into palpable social benefits** requires meaningful investment in social infrastructure. USG programs have helped improve the quality of public education, particularly in remote regions, to better prepare Peruvian youth for the opportunities of an open economy. USG health programs have sought to support, and provide incentives that strengthen the GOP's ability to increase the availability and quality of basic healthcare services. Decentralizing fiscal management and service delivery is a major thrust of USG efforts.

The Nethercutt Amendment prohibits using Economic Support Funds to directly assist or benefit host country government entities, including local governments. Should FY 2008 funding for USAID's alternative development program switch from Andean Counter-Drug Initiative to Economic Support Funds, absent issuance of a timely waiver, the Nethercutt Amendment will severely and negatively impact significant USG progress achieved during the past few years.

The GOP's proposal for an MCC Threshold Program is moving through the MCC process. The proposed program focuses on strengthening Peru's performance in several areas, including anti-corruption and basic immunization. . The subsequent addition of a "Natural Resources Management" indicator, which Peru does not pass, coupled with important environmental

protection clauses of the PTPA, underscore the need for further attention to Peru's water and forestry sectors.

# Peru 2007 Performance Report

## Operating Unit Performance Summary

Peru is one of the USG's closest allies in the Andean region's challenging landscape. The USG's primary objectives are to help ensure good governance; improve health standards and education; reduce poverty through trade-driven economic growth; and advance peace and security by combating narco-trafficking and terrorism. Achieving these interdependent goals will help move Peru from developing to transforming country status.

Peru's economic prospects continue to shine, with an estimated 8% growth rate in 2007, following 6 consecutive years of strong growth. With poverty hovering at nearly 45%, the Government of Peru's (GOP's) chief challenge is to translate these positive economic trends into more opportunities and better lives for those who have been. In response, the USG's trade-led economic growth programs focused on helping rural producers in the impoverished jungle and highlands regions to gain access to credit and to national and international markets. The program generated more than 13,200 new jobs and \$62.2 million in new sales among client businesses in FY07.

USG programs have sought to buttress state presence by establishing academies to train special narcotics police for work in target areas. The concrete package of incentives offered to communities where coca is grown has included inducements -- i.e., security, education, and health infrastructure as well as alternative economic opportunities -- coupled with the stick of eradication, voluntary and programmed.

The USG has supported the Garcia government's policy of decentralizing administrative functions, working with all levels of government. In FY07, USG provided technical assistance to seven target regions encompassing approximately 500 municipalities. National level assistance yielded key reforms that helped transfer 185 government functions from the national to the local level and more clearly defining the division of power between all levels of government.

USG programs improved access to health care services and the quality of basic primary education in targeted regions. Targeted assistance reached 35,000 families in Peru's impoverished coca-growing region, improving child nutrition, vaccination and pre-natal health care. Assistance to rural primary schools resulted in improved reading and writing achievement scores and resulted in a completion rate 52% higher than control group schools.

All Mission activities are in full compliance with their CFR216 determinations.

### **Program Area Performance \ 1 Peace & Security \ 1.3 Stabilization Operations and Security Sector Reform**

In 2007, International Military Education and Training (IMET) had a significant impact in Peru. All courses supported military education priorities and supported initiatives related to the War on Terror, Joint Operations and Doctrine, Peace-Keeping Operations and Counter-Narcoterrorism (CNT) initiatives. The FY 07 target for US recommended military training and Border Security officers trained was achieved substantially. FY 08 IMET targets for Peru, as indicators of performance achievement, are currently at the

appropriate target level. IMET enabled over twenty-five Peruvian students to attend training in the United States, along with a Mobile Training Team that provided training to twenty Peruvian students in Peru. Continued development and exposure to professional development via IMET for military officers, especially for company and field-grade officers, and for non-commissioned officers, was achieved in FY 07 via the following courses: Intermediate Level Education Course, Joint Operations Officer Course, Civil Military Operations Course, the IAAFA Squadron Officer School, and the Air Intelligence Course. IMET was the primary tool for ensuring that Professional Military Education (PME) goals were met in FY 07. IMET will continue to be a critical tool for Peru because of the IMET sanctions which prevented use of the program in previous years.

### **Program Element Performance \ 1 Peace & Security \ 1.3 Stabilization Operations and Security Sector Reform \ 1.3.6 Defense, Military, and Border Restructuring, Reform and Operations**

Army International Military Education and Training (IMET) in FY 07 addressed training requirements to increase professionalism and fulfill the Peruvian Army's Professional Military Education (PME) requirements. Courses such as the Intermediate Level Education Course, Resource Management and Logistics Course, Civil-Military Operations Course, and the Joint Operations Course had a significant impact in contributing to increased professionalism, respect for civil authority, establishing jointness, improving readiness, and improving civil-military relations for the Army. The Peruvian Air Force received IMET training in the form of Air Intelligence courses, several Squadron Officer courses, Aircraft Maintenance, Logistics and Supply courses, along with Helicopter Crew Chief courses. This training continues to increase interoperability among the Services and improves the Peruvian Air Force's ability to join the United States on common initiatives related to the War on Terror. The Peruvian Navy benefited from IMET and increased its maritime readiness with a Mobile Training Team on Port Security Vulnerability Assessment. This training benefited the Peruvian Navy by contributing to interoperability, jointness, and improved techniques that provide for modernization of maritime security procedures beneficial to the United States and Peru.

### **Element Indicator Narrative \ 1 Peace & Security \ 1.3 Stabilization Operations and Security Sector Reform \ 1.3.6 Defense, Military, and Border Restructuring, Reform and Operations**

In 2007, International Military Education and Training (IMET) had a significant impact in Peru. All courses supported military education priorities and supported initiatives related to the War on Terror, Joint Operations and Doctrine, Peace-Keeping Operations and Counter-Narcoterrorism (CNT) initiatives. The FY 07 target for US recommended military training and Border Security officers trained was achieved substantially. FY 08 IMET targets for Peru, as indicators of performance achievement, are currently at the appropriate target level. IMET enabled over twenty-five Peruvian students to attend training in the United States, along with a Mobile Training Team that provided training to twenty Peruvian students in Peru. Continued development and exposure to professional development via IMET for military officers, especially for company and field-grade officers, and for non-commissioned officers, was achieved in FY 07 via the following courses: Intermediate Level Education Course, Joint Operations Officer Course, Civil Military Operations Course, the IAAFA Squadron Officer School, and the Air Intelligence Course. IMET was the primary tool for ensuring that Professional Military Education (PME) goals were met in FY 07. IMET will continue to be a critical tool for Peru because of the IMET sanctions which prevented use of the program in previous years.

### **Program Area Performance \ 1 Peace & Security \ 1.4 Counter-Narcotics**

Despite resistance to programmed eradication and interdiction, using violent protests, anti-personnel mines and ambushes that caused deaths and injuries, the Government of Peru (GOP) is poised to achieve its counternarcotics (CN) goals for 2007. Coordination between the GOP and NAS aviation contributed to the mobilization of more than 1000 police and eradicators working on two separate fronts that eliminated 9728 hectares of coca. Coca eradication is measured by calendar year. The Peruvian National Police (PNP) seized 7.2 metric tons (MT) of cocaine HCl, 4.5 MT of cocaine base, 585 MT of precursor chemicals, and destroyed 888 rustic cocaine labs. Eighteen new pilots and 14 maintenance and support personnel were trained and committed to the CN program. Three PNP instructor pilots were certified to conduct transition and recurrent training, reducing the requirement for contract services in aviation training. Maritime and airport seizures tripled last year's efforts. The acquisition of new equipment, use of K-9s, intensive training and initiative enabled GOP tax authority (SUNAT) to make major seizures of cocaine in the airports and seaports. SUNAT initiated international alerts that led to multi-ton seizures of drugs, contraband and currency. Six new community anti-drug coalitions (CAC) were established while existing CACs received technical assistance from a US-based NGO on institution building and development.

USAID's Alternative Development (AD) program contributed directly to the counter-narcotics element by eradicating more than 2000 hectares of coca through its voluntary eradication program. Total cultivation in Peru is currently estimated at nearly 48,000 hectares. The program worked to ensure the sustainability of more than 3719 hectares eradicated by the GOP in Tocache by supporting affected communities with post-programmed eradication alternative development. The program increased incomes and social services for families in over 800 former coca-growing communities while improving local governance, both of which helped make families less susceptible to the pull of narcotrafficking. The program achieved \$39.7 million in new sales and generated 8,749 new jobs. Communications activities helped create a constituency at the national and regional levels to support a strong government stance against narcotrafficking and in favor of eradication of illegal coca, serving as an important counterbalance to the vocal and organized pro-coca lobby.

#### **Program Element Performance \ 1 Peace & Security \ 1.4 Counter-Narcotics \ 1.4.1 Eradication**

Coca eradication operations were conducted in the Upper Huallaga Valley in the regions of San Martin, Huanuco and Ucayali. CORAH eradicators and DIRANDRO security forces encountered more than 70 Improvised Explosive Devices (IED), resulting in 22 injuries and one death in operations on two separate fronts. In addition, CORAH and PNP personnel were confronted by armed cocaleros and remnants of Sendero Luminoso (Shining Path -SL) terrorists. Since coca cultivation and eradication statistics are measured on a calendar year basis, CORAH is on track to surpass its eradication goals for the third year in a row despite a late start in 2007. As of November 9, CORAH had eliminated over 300 million coca plants in 9,729 hectares of coca and 37,895 square meters of seedbeds. CORAH's return to Tocache in support of the AD program has extended the delay between harvests to more than 24 months in some areas.

Using a Cocaine Production Averted (CPA) formula approved by the GOP, DEA and CNC, so far in 2007, CORAH has eliminated the equivalent of over 42 metric tons of cocaine, had it been harvested and processed. Crucial aviation support provided by USG-owned UH-2 helicopters and PNP aviation assets supported by the USG contributed to the overall success of the eradication campaign.

#### **Program Element Performance \ 1 Peace & Security \ 1.4 Counter-Narcotics \ 1.4.2 Alternative Development and Alternative Livelihoods**

USAID's AD program succeeded in laying a foundation for licit development in the coca growing valleys of Peru in the face of continuing challenges from well organized narcotraffickers. Chipping away at the stranglehold narcotrafficking has had in some regions, AD-supported communities are now experiencing burgeoning legal economies bolstered by legal crops, improved local governance, and a strengthened civil society. The program met all of its targets during FY 2007, and nearly 10,000 new families who joined the program during the year received assistance with 8,174 hectares of licit crops. Since 2002, nearly 50,000 hectares of licit crops were supported by the program, many of them now entering their most productive years.

Close coordination between USAID and the Narcotics Affairs Section led to the development of a groundbreaking "post-programmed-eradication" program in Tocache, San Martin in the final months of FY 2006. This program strives to break the repeated cycle of replanting by building viable long-term licit incomes while recognizing the need for immediate income generation following eradication. Although it is still early, field monitoring demonstrates a solid turnaround in attitudes and behaviors among the residents of Tocache. In FY 2007, USAID doubled the number of communities in the Tocache program reaching a total of 87 communities and 5,868 families who are committed to not replant their GOP-eradicated coca. Pro-coca unions and interest groups are finding it increasingly difficult to generate local support for their protests and strikes aimed at paralyzing eradication. Their support base is beginning to weaken as communities spread the word of the benefits and viability of licit livelihoods with USAID assistance.

Efforts continued this year through communications and policy activities to inform public opinion on counternarcotics issues to consolidate a constituency at the national and regional levels in favor of effective counternarcotics policies. Progress is demonstrated by public support from media and opinion leaders for eradication and for the Garcia government's strong stance against narcotrafficking. Despite this posture with limited state presence and weak law enforcement in some hard-core coca growing valleys, the minimum security conditions for a growing legal economy do not exist and, thus, the Mission decided to phase out the AD program in the Apurimac-Ene River Valley where this concern is particularly acute.

#### **Program Element Performance \ 1 Peace & Security \ 1.4 Counter-Narcotics \ 1.4.3 Interdiction**

Utilizing 23 USG-owned UH-2 helicopters, two PNP MI-17 helicopters and an Antonov 32 transport, the Peruvian National Police (PNP) anti-drug Directorate, DIRANDRO, conducted more than 9952 interdiction operations in the Upper Huallaga Valley (UHV) and the VRAE utilizing over 1320 police officers trained in USG-supported academies in Santa Lucia, Mazamari and Ayacucho. During 2007, DIRANDRO seized more than 7.2 MT of cocaine HCl, 4.5 MT of cocaine base, 1.554 MT of coca leaf, 110 kilograms of opium latex, and 74.9 MT of marihuana. DIRANDRO also destroyed 920 maceration pits, 529 cocaine base labs and 14 cocaine HCl labs. Another 727 police officers graduated in March from PNP/NAS Basic Training Academies and 901 new recruits entered training to become CN police serving east of the Andes. More than 585 MT of precursor chemicals were seized in road interdiction operations as coca leaf prices in the illegal markets increased significantly. The price of precursor chemicals also rose in the source zones as a result of sustained interdiction operations.

Interdiction at Peru's airports and seaports resulted in more than 600 arrests and multi-ton seizures cocaine and other drugs. SUNAT (Customs) personnel at Peru's international airport in Lima seized over 3.5 MT of cocaine, more than three times last year's seizures. Over 2.0 MT of drugs were seized at the seaports. The use of container x-ray equipment, pallet scanners, and highly trained personnel at the Manifest Review Unit

(MRU) allowed SUNAT to screen more than 77,000 export containers in the port of Callao in 2007 compared to less than 50 two years ago. An additional 17,000 were screened in the northern port of Paita. Through the MRU, SUNAT issued alerts that led to multi-kilogram seizures in Holland and the seizure of illicit currency. A new body scan machine at Lima airport netted 92 “swallowers” in the first two months of operation.

#### **Program Element Performance \ 1 Peace & Security \ 1.4 Counter-Narcotics \ 1.4.4 Drug Demand Reduction**

The Mission's demand reduction programs center on the establishment and development of Community Anti-Drug Coalitions (CAC) in under-privileged communities in Lima. CACs are operating in six municipalities in Lima, providing after-school activities and programs for youth. Each CAC has a core youth group of 30-40 youth who organize activities for a wider audience. The activities include alcohol-free gatherings and dances, fundraising projects to support the group's activities, a youth drop-in center, and community-service projects to clean up the neighborhood. Community leaders and volunteers participate in these activities and mentor the youth leaders who help to sustain the programs. Each CAC has organized a “neighborhood watch” group to reduce crime and limit the availability of drugs. One CAC has been successful in gaining approval for projects to be included in the municipality's budget. Communities are devoting resources and time to help sustain and expand the current programs.

Six additional CACs have been established with NGOs and community leaders currently undergoing training. A national media campaign focused on shaping public attitudes toward drug use, coca cultivation, and narcotrafficking is underway to raise awareness of the links between crime, corruption and the destruction of families.

#### **Program Element Performance \ 1 Peace & Security \ 1.4 Counter-Narcotics \ 1.4.5 Program Support (Narcotics)**

Program Development and Support (PD&S) is comprised of administrative costs and personnel for the management of and support of NAS Lima counter-narcotics programs, including Eradication (the umbrella for CORAH, CADA, ICT), Interdiction (Police, Aviation, Armed Forces, Ports and Maritime operations, Money Laundering, Customs, Prosecutors, and Chemicals), Policy Development, and Demand Reduction. In FY 2007, administrative arm of PD&S processed just over 3,000 vouchers and procurement requests totaling over USD 41 million. A support staff of seven processed 354 purchase orders (totaling over USD 3 million), 52 delivery orders (USD 1.3 million), monitored 29 grants and cooperative agreements totaling over USD 3 million and administered a credit card program (USD 640 thousand)

The logistical arm, including a large warehouse operation in Lima and several others in forward operating sites, received and cleared 311 shipments totaling 136,000 kg.

#### **Element Indicator Narrative \ 1 Peace & Security \ 1.4 Counter-Narcotics \ 1.4.1 Eradication**

Since coca eradication is measured on an annual basis, the GOP will comfortably meet its eradication goals for 2007. As of November 9, CORAH had eradicated 9,729 hectares of coca and nearly 37,895 square meters of seedbed in San Martin, Huanuco and Ucayali. A goal of the eradication campaign was to link programmed eradication more closely to alternative development (AD) goals. In this regard, CORAH returned to Tocache in support of AD where an additional 1016 hectares of coca was voluntarily eradicated.

The coca eradicated in these regions is equivalent to 42 metric tons of cocaine if harvested and processed.

#### **Element Indicator Narrative \ 1 Peace & Security \ 1.4 Counter-Narcotics \ 1.4.2 Alternative Development and Alternative Livelihoods**

The AD program met all of its targets for FY 2007; and will adjust the definition of some indicators for FY 2008 to better represent the results and changes in the program.

The definition for the indicator “Hectares of Licit Crops” will be broadened to not only count new hectares assisted for the first time during the FY, but also that are receiving ongoing technical assistance. The 2008 target for this indicator is expected to be revised upwards, to incorporate results from a second implementing mechanism under the adjusted methodology.

The indicator “Number of Families Benefited,” used a definition in FY07 that only included families that received direct financial investment from the program. The target for FY 2008 reflects a broader definition to also include families actively receiving support beyond the scope of the initial financial investment.

As the main mechanism for this Program Element has just begun, the methodologies for measuring results are under adjustment; therefore, we expect to revise upwards the targets of the indicators for “Increased sales”, “Number of FTE jobs” and “Number of municipalities strengthened.”

A mechanism contributing to the “Hectares of illicit crops eradicated” indicator was shut down soon after submission of OP in Feb 2007. The Mission documented a resulting change in target for this indicator; therefore, DELETE indicator here; it is RE-ENTERED with new target on custom template.

#### **Element Indicator Narrative \ 1 Peace & Security \ 1.4 Counter-Narcotics \ 1.4.3 Interdiction**

2007 goals for interdiction operations were exceeded in precursor chemical seizures and fell short in actual drug seizures. All drug seizures are reported by DIRANDRO since they are the enforcement authority for counter-narcotics. DIRANDRO conducted nearly 10,000 interdiction operations in the Upper Huallaga Valley (UHV) and the Apurimac-Ene River Valley (VRAE), resulting in the seizure of 8.7 MT of coca leaf, 7.6 MT of cocaine HCl, 5.1 MT of cocaine base, and 83.4 MT of marijuana. DIRANDRO also destroyed 888 maceration pits, 549 cocaine base labs and 14 cocaine HCl labs and either seized, decommissioned or destroyed more than 585 metric tons of precursor chemicals. The price of precursor chemicals rose sharply in the coca source zones as a result of sustained operations. Increased operations in the source zones leading to the destruction of 563 base laboratories contributed to the decrease in seizures of processed drugs. SUNAT conducted numerous ports and border operations which resulted in seizures of over 5.5 metric tons of drugs in airports and seaport operations, more than three times last year’s seizures. The addition of container x-ray scanners and other detection equipment, including doubling the size of the canine corps, allowed SUNAT to screen more than 95,000 export containers nationwide compared to less than 50 two years ago. An additional 1.8 MT of cocaine was seized in Holland and Ecuador based on MRU alerts and SUNAT operations.

#### **Element Indicator Narrative \ 1 Peace & Security \ 1.4 Counter-Narcotics \ 1.4.4 Drug Demand Reduction**

NAS has 3 types of programs: 1) Community Anti-Drug Coalitions (CAC), 2) drug education programs

supporting CACs, and 3) a national media campaign using a variety of media. NAS financed 18 drug prevention programs, one more than predicted. All programs were designed to avoid duplication of effort and to encourage cooperation. Twelve of these programs are CACs located in separate sectors of Metropolitan Lima and Callao. There is one team that provides technical assistance to the CACs based on the findings of their evaluation and monitoring activities. Five programs support the CACs through specialized training in drug abuse, communications, youth activities, and community organizing. More than 10 million people heard drug prevention messages this year through a media and community mobilization program in 6 of the major Peruvian cities in addition to Lima. The CACs also held events, especially involving youth, that reached beyond the communities where they are located.

Two research studies were planned for this year, but only one was completed. The base-line study for the CACs covered 12 areas in poor areas of Lima. The results will be used to track the impact and outcomes of the CAC program. The second study was partially funded by NAS (UNODC, OAS, and the GOP also contributed) and managed by the GOP. The data has been collected and analyzed but the conclusions have yet to be published.

### **Program Area Performance \ 1 Peace & Security \ 1.5 Transnational Crime**

Illicit capital in Peru originates from sources that include intellectual property crimes, smuggling, trafficking in arms and persons, drug trafficking and terrorism. The priority of USG support is to identify a viable program to combat all forms of financial crimes. During 2007, the Garcia Administration sent a package of new laws to the Peruvian Congress that targets organized crime, including money laundering. Among them is a law to establish a non-penal asset forfeiture regime in Peru, modeled after Colombia's law, and one to strengthen Peruvian laws regarding money laundering. One modification eliminated the requirement that illegal activities (e.g. drug trafficking, extortion) that produced illicit funds must be proven before assets are seized. This requirement had been a major roadblock in the successful prosecution of money launderers.

DEA Lima and its Peruvian counterparts have been coordinating with the DEA office regarding ongoing criminal investigations of drug "Kingpin" Fernando Zevallos, whose conviction and 20-year sentence for drug trafficking-related crimes was upheld in September by the Peruvian Supreme Court.

The Financial Intelligence Unit (FIU), which analyzes suspected cases of money laundering and terrorism financing, was incorporated into the Superintendence of Banking, Insurance, and Pensions in 2007. In the first 10 months of the year, the FIU processed 47 suspected cases (totaling USD 13.9 million). Of these, 21 were linked to drug trafficking, 7 involved official corruption, 6 involved tax fraud, and the remaining 13 had fraud, arms trafficking, contraband, kidnapping, or intellectual property violations as the predicate offenses. The FIU participated in 18 joint investigations with the Public Ministry. The Public Ministry presented 7 money-laundering cases to the judiciary but there have been no convictions.

### **Program Element Performance \ 1 Peace & Security \ 1.5 Transnational Crime \ 1.5.1 Financial Crimes and Money Laundering**

The Financial Intelligence Unit investigated 39 and 22 cases in 2006 and 2007 respectively. These cases were passed to the Public Ministry for further investigation and possible prosecution. During FY-2007, a number of prosecutions under Peruvian Anti-Money Laundering laws were initiated that have resulted in indictments, arrest and asset seizures including properties, vehicles, money and river vessels.

The Garcia Administration sent to the Peruvian Parliament a package of new laws that target organized

crime including money laundering. Among them is a law to establish a non-penal asset forfeiture regime in Peru modeled after Colombia's law. More than 500 Peruvian prosecutors, judges and police participated in courses on investigating financial crimes, supervision of non-bank financial entities, terrorist financing and the prosecution of money laundering cases under the auspices of ILEA, CICAD and the UN.

### **Element Indicator Narrative \ 1 Peace & Security \ 1.5 Transnational Crime \ 1.5.1 Financial Crimes and Money Laundering**

Key indicators included the number of money laundering cases identified by the FIU and presented to the Public Ministry for Prosecution, the number of prosecutors and investigators trained in financial crimes investigations and trial preparation. All goals were met. The GOP sent a new package of laws to the Parliament that targets organized crime and money laundering. One law establishes a non-penal asset forfeiture regime modeled after Colombia's law. It eliminated the requirement that illegal activities such as drug trafficking and extortion that produced illicit funds must be proven before assets are seized. As of October 31, the FIU processed 47 suspected cases totaling USD 13.9 million. Of these, 21 were linked to drug trafficking, 7 involved official corruption, 6 involved tax fraud, and the remaining cases had fraud, arms trafficking, contraband, kidnapping, or intellectual property violations as the predicate offenses. Twenty-two cases have been passed to the Public Ministry for further investigation and possible prosecution. More than 500 Peruvian prosecutors, judges and police officers participated in courses on investigating financial crimes, supervision of non-bank financial entities, terrorist financing and the prosecution of money laundering cases under the auspices of ILEA, CICAD and the UN.

### **Program Area Performance \ 2 Governing Justly & Democratically \ 2.2 Good Governance**

A key challenge facing Peru is to show that democracy can deliver to all its citizens -- rich or poor; European descended; native or mestizo; living on the coast, mountain or the Amazon basin. With a long history of centralized and ineffective government, a principle thrust of the GOP's reform efforts is decentralization, the transfer of specific authorities and fiscal resources to the local level. While the challenges to successfully decentralize authority are significant, this reform holds out the promise of bringing government closer to the people, thereby making authorities more responsive to citizen demands and demonstrating that democracy can "deliver the goods."

USAID provided technical assistance to seven target regions covering approximately 500 municipalities. At the national level assistance has been directed towards those leading the GOP's decentralization efforts, including the Prime Minister's Office, the Ministry of Economy and Finance, and Peru's Congress. This assistance has yielded key reforms in helping transfer 185 government functions from the national to the local level and more clearly defining the division of power between all levels of government.

An independent evaluation in October 2007 highlighted USAID's valuable role in moving decentralization forward. In addition to identifying key bottlenecks in the process, the USAID program clarified local interests and on-the-ground realities for national policy makers, while communicating the central government's vision of decentralization to local levels.

Local elections in November 2006 resulted in the turnover of nearly 90% of all elected officials. As the GOP does not have a permanent civil service, elections result in wholesale staff changes, hampering the continuity of development plans. USG resources were used to train the newly elected leaders in six regions and nearly 500 municipalities on good governance practices. Although staff changed after the election,

systems established with USAID assistance, such as a participatory budgeting and open public accountability sessions, survived and were quickly adopted by the new officials -- a key democratic advance for Peru.

Support for the Peruvian decentralization process created a more dynamic and demanding civil society. Training and technical assistance for civil society leaders and citizen oversight networks are creating pressure on elected officials to improve service delivery and increase transparency.

### **Program Element Performance \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.3 Local Government and Decentralization**

A strong decentralization process, emphasizing increased responsiveness of government to its citizens, is a key USG policy goal in Peru. Decentralization is central to reducing poverty and creating sustainable development by bringing public resources closer to the people of Peru. The majority of USAID democracy assistance for Peru addresses this objective.

Following requests from key public sector institutions such as Peru's Congress, the National Decentralization Council, the Ministry of Economy and Finance, and the Prime Minister's Office, USAID responded with technical support. USAID assistance has positively influenced critical GOP decisions relating to the legal framework for decentralization. In FY07, eleven laws or amendments promoting decentralization were drafted with USG assistance.

USAID's timely training after the 2006 local elections helped newly elected authorities and public officials from seven regional governments and nearly 500 municipalities institutionalize good governance practices. As soon as officials took office in January 2007, USAID launched an intensive training component that reached 6,400 elected authorities, public officials, and civil society leaders. As a result, more than 90% of the targeted local governments have institutionalized good governance systems that include participatory planning and budgeting as well as regular public accountability sessions – all involving civil society participation. In addition, intensive training was given to 320 public officials and local experts on a newly mandated E-governance system that approves the expenditure of public funds. This training resulted in quicker preparation and release of much-needed investment projects for some of Peru's poorest municipalities and regions.

Yet despite the progress of recent years, decentralization in Peru is still evolving and there are many challenges which government must address: including, greater investment in building local capacity and establishing a permanent civil service to ensure that well-trained officials will remain in place to sustain decentralization efforts in years to come. In addition, with Peru continuing to benefit from high mineral prices, the government must ensure that royalty income allocated to local government can be spent quickly and transparently where such investment is needed the most – those regions stretching across the highlands and jungle, home to the country's poorest and most disenfranchised.

### **Element Indicator Narrative \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.3 Local Government and Decentralization**

Indicator 1) Training in Decentralization: The original FY 2007 target of 12,000 was not included due to entry error.

Indicator 2) Number of Laws: In recognition of USAID's leading expertise in this area, the Prime Minister

requested the program's assistance. USAID was extremely successful in providing technical analysis to the Secretariat of Decentralization, the President's Council of Ministers, and to the Congress on such critical themes as the 2007 Decentralization Transfer Plan, the accreditation process, the Executive Power Law, and the state reform process.

Indicator 3) Number of Mechanisms: USAID has been supporting the institutionalization of these mechanisms throughout the program. Despite the turnover due to the 2006 local elections, these mechanisms were quickly adopted by the new leaders, reflecting the extent to which they have been institutionalized.

Indicator 4) Number of Local Associations Supported: USAID support provides training and technical assistance to civil society organizations and municipal representatives to strengthen good governance practices, such as participatory budgeting and public accountability sessions.

The only implementing mechanism that will continue to work in this program element is currently under design; therefore, all targets for FY 2008 are TBD, and will be set early in CY 08 and documented in the Mission via a Mission Director-signed target memo.

#### **Element Indicator Narrative \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.4 Anti-Corruption Reforms**

The planned implementing mechanism for providing assistance under this program element did not move forward. A new implementing mechanism is currently being designed. Targets will be defined in early Calendar Year 2008, and documented in the Mission via a Mission Director-signed target memo.

#### **Program Area Performance \ 2 Governing Justly & Democratically \ 2.3 Political Competition and Consensus-Building**

Political competition in Peru is hampered by a fragmented political party system that does not sufficiently channel public interests up to the national level or respond to public demands. Electoral activities implemented this fiscal year represent an important step in helping Peru develop adequate vehicles for debate on public priorities and provide opportunities for citizens to have input into political decisions.

USAID assistance enabled political parties to address key policy issues in their electoral campaigns. By helping political parties develop clear messages and outreach strategies that respond to citizens' needs and demands, the activity also enabled citizens to cast a more informed vote. As a result, Peruvian citizens now have a greater opportunity to hold elected officials accountable to their campaign promises and to demand more accountable and representative governance.

USAID assistance directly engaged political and non-political actors through candidate debates, election fairs and town hall meetings. By supporting fora for candidates to present and defend their policies, and for civil society organizations and candidates to interact directly with the public, our assistance helped open spaces for policy debate and interaction with citizens that did not exist previously.

Political party beneficiaries will continue to enjoy the benefits of the policy development and public outreach assistance we provided long after the electoral cycle has concluded. During the election season, media workshops helped nearly 2,000 journalists improve their techniques at covering electoral campaigns from a policy perspective. Assistance helped journalists better understand the advantages of issue-based, rather than personality-based political coverage. Our investments in both policy development and outreach skills of political parties, as well as issue-based coverage to journalists, will contribute to future efforts in

this program area.

Despite the successful electoral program, many challenges remain in this sector. An atomized political party system featuring many non-responsive political parties does little to adequately channel citizens' interests. USAID's new political party strengthening program will help Peru attain greater political stability by encouraging parties to clearly articulate positions on issues of concern to their constituents and better represent citizens' needs.

### **Program Element Performance \ 2 Governing Justly & Democratically \ 2.3 Political Competition and Consensus-Building \ 2.3.3 Political Parties**

USAID's assistance program supported transformational diplomacy goals by promoting a democratic state that responds to the needs of its people. This program focused directly on the 2006 elections that provided an important opportunity to engage citizens in political life and to build renewed faith in the country's democratic institutions.

Assistance improved political debate on key issues and enhanced the transparency of electoral campaigns. It stimulated debate on important policy issues identified by citizens, such as poverty reduction, access to education and improved healthcare, and provided access to information on candidates and their positions. Our efforts enabled citizens to distinguish between the vast range of political parties and identify those which best represented their interests. As a result, nearly 60% of the Peruvian electorate was exposed to candidate debates, presentations, or materials produced by our program. Over 50% of the electorate confirmed in a public opinion poll that their voting behavior was influenced by one or more of these activities.

Our assistance contributed to the short-term goal identified in the FY07 Operational Plan to strengthen the capacity of parties to engage in effective outreach and to reform the legal regulatory framework for political parties. Prior to the November 2006 local elections, this program trained political parties and regional political movements to identify the electorate's key issues and campaign communication strategies, organized policy debates between candidates, conducted electoral fairs to connect voters with candidates, and broadcasted radio segments on key political issues. Following the elections, USAID assistance contributed to a series of political debates on needed reforms to the electoral and political party legislation. Based on consultations with more than 400 political and civic leaders, the program proposed 40 legislative reforms to Peruvian legislators. Some proposed reforms sought to increase the number and position of women included on party lists.

While the weakness of the political party system contributes to citizen disillusionment with national politics, a new USAID program planned to commence this fiscal year aimed at strengthening political parties is poised to address many of the problems identified. Stronger parties will further the USG long-term goal of developing more representative, inclusive and responsive political parties.

### **Element Indicator Narrative \ 2 Governing Justly & Democratically \ 2.3 Political Competition and Consensus-Building \ 2.3.3 Political Parties**

We planned to report this fiscal year on results achieved exclusively by programs listed in the FY07 OP. Updated OP Performance Report guidance allows us to report on activities not in the OP that received prior-year funding. We, therefore, are reporting on results achieved under our recently concluded elections and

political party strengthening activity implemented by the National Democratic Institute and Transparencia, although, following the earlier guidance, no target had been set. FY 2007 actuals are measuring results from an activity that trained a wide range of regional political groups. Future programs will specifically focus on national-level political parties; targets will therefore be significantly lower.

Notes on Indicators:

Indicator 1) Political Party Training: Nearly 700 candidates and representatives from political parties received training on outreach strategies and message development to improve the quality and reach of their campaign messages. In addition 1,800 journalists received comparative information about candidates and their policy positions.

Indicator 2) Political Parties Assisted to Articulate platforms: 40 political parties received assistance to more effectively articulate platform and policy agendas prior to the regional elections. USG assistance also supported debates between regional gubernatorial candidates in eight target regions.

### **Program Area Performance \ 3 Investing in People \ 3.1 Health**

Peru's health sector presented a mixed picture in FY07. Overall, large disparities in health continue to mirror great disparities in income; the quality of health services and programs remain poor; and public sector health care for the majority of Peruvians continues to be strikingly underfinanced. Recently however, the GOP demonstrated significant new political and financial commitment to making health sector improvements targeted to the poor.

USAID, Peru's largest health donor, addressed a range of key issues in FY07. The program supported the Ministry of Health (MOH) in reversing a recent decline in basic childhood vaccinations, and worked with the national HIV/AIDS program and Global Fund to ensure that anti-retroviral therapy was widely available to people living with HIV/AIDS. Maternal mortality showed little change nationally, but significant declines occurred in three regions where USAID focused maternal health programs. Chronic childhood malnutrition has remained at 25% for a decade. USAID joined with other donors to catalyze an aggressive new GOP strategy using USAID's successful intervention models. With unmet need for family planning services exceeding 12% in many rural areas, USAID continued its efforts to strengthen the MOH's supply chain for contraceptives. Local governments and private firms sought technical assistance to develop community health programs based on USAID models.

To strengthen the capacity of Peruvian institutions to deliver quality health services, USAID coordinates closely with the Ministry of Health, and concentrates fieldwork in the Mission's seven priority coca-growing regions working with decentralized regional health directorates and district level managers. Local elections throughout Peru during FY07 led to a complete turnover in regional and district authorities. USAID's health program rapidly and successfully engaged new actors throughout the sector.

USAID's work on health financing and insurance aimed to increase per capita investment in health. While public health sector expenditures have declined as a percentage of the rapidly growing GDP, per capita investment increased from \$53 in 2004 to \$74 per capita in 2006. In 2007, the GOP increased political and financial commitment to two programs that received extensive technical support from USAID: a new multi-sectoral strategy to reduce childhood malnutrition, and a health insurance program for the poor.

### **Program Element Performance \ 3 Investing in People \ 3.1 Health \ 3.1.1 HIV/AIDS**

HIV/AIDS remains a concentrated epidemic in Peru, and USAID focuses primarily on prevention strategies,

using messages appropriate for target audiences. USAID exceeded three of four HIV/AIDS element indicators in FY07, as well as those for gender. To promote prevention through abstinence/be faithful (AB) behaviors, the program implemented community outreach activities that reached 18,000 high school children and adults, and provided professional training to nearly 500 health and education workers. To promote behavior change beyond “AB,” the program conducted media and community outreach activities that reached approximately 53,000 people and trained nearly 300 health and community workers.

Peru’s national HIV/AIDS program continues to be weak and underfinanced, reflected in the lack of reliable data from the public health sector. USAID co-funded major studies of HIV transmission and risk behaviors in Peru’s 28 largest cities and major ports in the Amazon region (where HIV/AIDS is most prevalent) to improve targeting of HIV prevention and treatment programs (results due in FY08). In the absence of a national plan to confront HIV/AIDS, USAID joined with UNAIDS, multiple ministries, and other donors to develop Peru’s first comprehensive multi-sectoral plan for the control of HIV/AIDS.

Historically HIV prevention and control activities have been concentrated mainly in Lima. USAID partnered with regional health authorities and local NGOs to maximize the impact of prevention programs in the two “hot spot” jungle regions where infection rates among men having sex with men and sex workers are high. USAID also trained a cadre of clinicians in how to prevent the transmission of the virus from mothers to infants and assisted in the development of clinical norms for treating infected patients. Additional interventions included the development of a distance-learning program that attracted hundreds of health workers outside of Lima.

USAID continued to oversee implementation of Global Fund grants that focus primarily on improving access to medical treatment and anti-retrovirals for people living with AIDS. USAID-sponsored training programs for clinicians led to a reduction in stigma and discrimination that impedes the delivery of HIV services and undermines prevention efforts.

USAID worked with the Peruvian National Police and prisons to support HIV prevention and voluntary counseling and testing programs.

### **Program Element Performance \ 3 Investing in People \ 3.1 Health \ 3.1.2 Tuberculosis**

USAID’s TB program emphasizes case finding, accurate diagnosis, and appropriate treatment to reduce a high TB prevalence rate of 130/100,000 in the general population (2006). HIV co-infection is estimated at 1.8% of all TB cases. USAID exceeded indicator targets for this program element. USAID trained over 1100 clinicians, managers, and health promoters in updated protocols for TB treatment, DOTS (Directly Observed Treatment, Short-course) and DOTS-plus (for multi-drug resistant TB infections.) USAID also trained 148 persons in monitoring and evaluating TB programs, key tools for improving service quality.

Overall, Peru’s National TB Program remains weak in the wake of a major MOH reorganization earlier this decade that weakened the country’s previously highly successful TB program. In FY07, with modest funding, USAID continued to provide technical and policy support to the MOH’s small TB team to boost planning and regulatory capacity. USAID helped fund the revision of Peru’s technical norms for TB control in accordance with current guidance from the World Health Organization. The program also provided technical assistance to develop a nation-wide communication strategy to mobilize the public for TB prevention and control. As part of its extensive work with the MOH in developing Peru’s Integrated National Health Plan, USAID ensured the Plan included the requisite critical actions for the control of TB.

Additional workshops for health care personnel helped to reduce stigma and discrimination toward TB patients within the healthcare system.

The GOP's expanding decentralization process is transferring responsibility for health services from national to regional authorities, requiring a complete reorganization of roles and functions for TB control. In response, USAID helped regional health authorities and stakeholders develop regionally-based TB control plans that include staffing analyses, upgraded information systems, and expanded community outreach plans. USAID training programs strengthened bio-safety and infection control (i.e. appropriate handling of contaminated laboratory samples and prevention measures to avoid the spread of infection within health care facilities). Clinical laboratory staffs were trained in early diagnosis of multi-drug resistant TB that will help prevent its spread, and in turn save lives and health care resources.

### **Program Element Performance \ 3 Investing in People \ 3.1 Health \ 3.1.5 Other Public Health Threats**

USAID focused on three areas: (1) developing programs for control of intra-hospital infections, (2) decreasing inappropriate use of antibiotics, and (3) promoting healthy behaviors, specifically related to hand washing and sanitation via communications campaigns financed by public-private partnerships. USAID exceeded the single indicator for this element, training more than 170 hospital staff in the monitoring and evaluation of infection control programs established with USAID technical assistance.

Intra-hospital infections have emerged as a major concern in Peru. USAID funded technical assistance revealed pervasive breaches in infection control standards, leading to increased morbidity and mortality in hospitalized patients. USAID developed technical guidelines for surveillance strategies and infection prevention measures and provided infection control training in 33 hospitals, targeting both managers and clinicians. In 18 large public hospitals Peru, USAID provided technical assistance established permanent infection control committees with explicit protocols based on international standards.

USAID-funded studies also found widespread inappropriate use of antibiotics, which are readily available without prescription and are often prescribed incorrectly by local physicians. This has led to unnecessary patient deaths and reduced effectiveness of the drugs due to bacterial resistance. In FY07 USAID worked with the MOH to establish pharmaceutical committees in 18 hospitals to assess antibiotic use patterns, and provide guidelines in accordance with international standards. In two targeted regions, USAID conducted studies on the use of antibiotics in outpatient settings and worked with regional authorities to promote good prescription practices.

The Hand Washing Initiative is led by the World Bank and comprised of the MOH, USAID, private firms, and other donors. The Initiative continued in FY07 to wage a multi-front campaign to reduce the transmission of diarrheal and other diseases by promoting new behavioral norms with respect to washing hands before preparing food, feeding infants, etc. USAID staff provided technical and communications expertise, and funded production of IEC materials.

### **Program Element Performance \ 3 Investing in People \ 3.1 Health \ 3.1.6 Maternal and Child Health**

Under this program element USAID promotes nutrition and peri-natal health for mothers and young children, and reduction of maternal and infant mortality. In FY07 targets for all MCH indicators were exceeded: over 500 people were trained in child health and nutrition; over 5,700 children under two were reached directly through nutrition activities (including nearly 1,500 infants under 6 months); 87 policies

improving MCH services were drafted with USAID support; over 1,000 people were trained in monitoring and evaluation of MCH health programs; and near 3,000 people were trained in strategic information management.

Through the Healthy Communities and Municipalities (HCM) program, USAID reached 35,000 families in 557 poor communities. Using community mobilization approaches that involve health services and schools, HCM improved child nutrition, vaccination, and peri-natal care for women. Moving to a second phase in FY07, the activity trained 61 district mayors and staff to respond to needs identified through communities' own data reports. Local authorities and constituencies engaged directly to address basic needs, e.g., improving water and sanitation systems and health center services. HCM produced acclaimed communication materials on hygiene and safe drinking water targeted to rural communities.

In FY07, the GOP issued USAID-developed national standards for maternal and peri-natal care. USAID trained providers nation-wide in pre-planning for institutional birth, respect for cultural preferences during delivery, and proactive management of labor during the birthing process. This intervention has led to increased skilled attendance at birth, resulting in reduced maternal deaths USAID target areas.

USAID staff provided technical leadership in the design of Peru's multi-sectoral strategy against chronic childhood malnutrition that was launched in two regions. USAID formed a donor group that provided expertise and policy support to extend coverage of the GOP's health insurance program for the poor to more women and children.

To strengthen health information required for sound management decisions, USAID funded the Continuous DHS survey, providing the most respected and reliable MCH household data in Peru. The DHS shows vast disparities in MCH related to income. USAID support at the regional and district levels improved data collection and analysis for health sector management.

### **Program Element Performance \ 3 Investing in People \ 3.1 Health \ 3.1.7 Family Planning and Reproductive Health**

USAID's work with the public and private health sectors advances the quality, financing, and reach of Peru's FP/RH services, especially for poor and marginalized populations where unmet need remains high. In all aspects of its FP/RH work, USAID seeks sustainability through high levels of involvement and financing from Peruvian partners. USAID exceeded all targets for this program element in FY07 by supporting development of 73 policies and guidelines to improve: access to FP/RH services; improved management information systems in 68 separate operating units; and trained 844 health workers in program monitoring and evaluation.

In FY07, Peru financed all contraceptive commodity purchases for the public sector for the third consecutive year (USAID ended contraceptive donations to Peru in 2004.) Also, with USAID's support for market segmentation, the private sector supplied 23% of contraceptive commodities (up from 8% in 2000), reducing the load on the under-financed public sector. USAID monitored stocking and distribution of contraceptives at the community level to pinpoint supply chain problems.

In FY07 USAID stimulated important changes in national FP policy. USAID research and recommendations were instrumental in the GOP's decision to incorporate payment for FP counseling in its health insurance program for the poor, which previously covered only antenatal and postpartum care.

USAID also helped prepare culturally sensitive counseling guidelines for health providers working with the GOP's new cash transfer program "Juntos".

To strengthen health sector capacity, USAID provided technical and policy support leading to stronger accreditation systems for health professions' training institutions; more rigorous medical and nursing exams; and recertification systems for practicing health professionals. In connection with the decentralization process, USAID supported new human resource policies for health technicians, who staff over 70% of the GOP's 7,000 health facilities.

USAID helped implement protections for key gender-related health rights, including: monitoring compliance with the (Tiahrt Amendment) principle of FP voluntarism; and supporting a new national plan implementing the MoH's Technical Guide for Integrated Care of People Affected by Gender Based Violence.

### **Element Indicator Narrative \ 3 Investing in People \ 3.1 Health \ 3.1.1 HIV/AIDS**

We planned to report this fiscal year on results achieved exclusively by programs listed in the FY07 OP. Updated OP Performance Report guidance allows us to report on activities not in the OP that received prior-year funding. We, therefore, are reporting on results achieved under our HIV and Infectious Disease Programs, which will conclude in early FY 2008, although, following the earlier guidance, no target had been set. FY 2008 targets are TBD or will be revised upwards as a new implementing mechanism is currently under the design phase. Targets are expected to be defined early in Calendar Year 2008 and documented in the Mission via a Mission Director-signed target memo.

Note: "Beyond abstinence/being faithful" prevention activities in most cases are combined with "abstinence/be faithful" messages. Community outreach activities include face-to-face, community events, mass media and printed materials, as well as information from health workers to prevent vertical (mother-to-child) transmission.

### **Element Indicator Narrative \ 3 Investing in People \ 3.1 Health \ 3.1.2 Tuberculosis**

As per earlier FY 07 OP guidance, targets were based on expected results only from those programs included in the FY 2007 Operational Plan, and thus no targets were set for FY 2007. Per recent OP Performance Report guidance, the above results represent achievements from all programs regardless of funding year, even those not included in the FY 2007 OP. Targets for FY08 are TBD pending design of a new technical assistance mechanism for the public health sector. Targets are expected to be defined early in Calendar Year 2008 and documented in the Mission via a Mission Director-signed target memo.

Notes on Indicators: Indicator 1) Training of clinicians and community health workers focused on implementation of individual treatment plans for TB patients integrating community interventions and health care services. Indicator 2) Training in monitoring and evaluation included topics related to measuring program efforts, including performance indicators, qualitative data collection, data analysis, formative or summative evaluation. Individuals trained include: medical personnel, health workers, community workers, etc.

### **Element Indicator Narrative \ 3 Investing in People \ 3.1 Health \ 3.1.5 Other Public Health Threats**

As per earlier FY 2007 OP guidance, targets for FY 2007 were based on expected results only from those

programs included in the FY 2007 Operational Plan, and thus no targets were set for FY 2007. Per recent OP guidance, the above results represent achievements from all programs even those not included in the FY 2007 OP. Indicators 1) Number of baseline studies, and 3) Number of evaluations, should be DELETED from the Operational Plan due to delays in funding and implementation of two activities: the Hand Washing and Sanitation as a Business initiatives managed by the World Bank, and a new health program technical assistance mechanism for the public sector. Given the delays, these studies and evaluations will be carried out by other donors. Indicator 3) Training in monitoring and evaluation, included training in topics such as measuring program effort, performance indicators, qualitative data collection, data analysis, formative or summative evaluation. It focused on monitoring pharmaceuticals and hospital infections, and was directed to doctors, nurses and pharmacists.

### **Element Indicator Narrative \ 3 Investing in People \ 3.1 Health \ 3.1.6 Maternal and Child Health**

Results surpassed targets in part due to the fact that targets were based on expected results only from those programs included in the FY 2007 Operational Plan. Per recent OP guidance, the above results represent achievements from all programs even those not included in the FY 2007 OP. Indicator 1) Children reached: includes children under age 2 reached by programs promoting good infant and young child feeding; target was exceeded due to successful recruitment of families. Indicator 2) Policies: (Special Note: Please DELETE as a data entry error occurred (extra zeroes) when entering the FY 07 and FY 08 targets. The indicator with proper figures is included in the Custom Indicator table. Policies improved include technical guidelines, plans, strategies, policies, approved officially by government institutions receiving USAID/Peru support. Issues included guidelines for nutrition, immunization, integrated care. Strong political buy-in boosted results and surpassed targets. FY08 target is set to 30 due to the fact that the activity will close during FY08. Indicator 3) Training in Child health: Training for health professionals and technicians in 417 health facilities providing care to 557 communities. Indicator 4) Training in M&E: Target was surpassed in part due to increased demand for training by additional health facilities. Indicator 5) Training in Strategic Information: FY08 target is not higher due to the closing of an activity that contributes to the result.

### **Element Indicator Narrative \ 3 Investing in People \ 3.1 Health \ 3.1.7 Family Planning and Reproductive Health**

Results surpassed targets in part due to the fact that targets were based on expected results only from those programs included in the FY 2007 Operational Plan. Per recent OP guidance, the above results represent achievements from all programs even those not included in the FY 2007 OP. Indicator 1) Institutions with Management Information Systems (MIS): MIS are computerized systems (e.g. databases) that allow an organization to store, analyze, report, and use information to correctly understand its situation and support decision making. Indicator 2) Training in M&E: Target was surpassed due to increased demand for training from additional health facilities. FY08 target is lower than FY07 actual due to the closing of an activity that contributes to this result. Indicator 3) Policies: Include technical guidelines, plans, strategies approved officially by government institutions receiving USAID/Peru support. Subjects included: technical guidelines to treat victims of gender based violence (GBV); local policies to prevent and address GBV; inclusion of FP/RH and HIV services in the public insurance system; regional and local policies to protect the rights of health services users; local coordination of health services, et al. Boosted results can be attributed to good local political buy-in.

### **Program Area Performance \ 3 Investing in People \ 3.2 Education**

In light of education's important role in Peru's socio-economic and democratic transformation and persistent problems with low educational quality, USAID continued to support effective education decentralization and efforts to improve learning outcomes in targeted regions. USAID reached 11,245 students from 275 rural, multi-grade primary schools in two regions of Peru.

Public support for education reform has been high, fueled in part by the state's strong stance on teacher evaluation and a new teaching career law, but not without opposition from the teachers' union. USAID assistance helped the National Council on Education complete Peru's long-term National Education Plan. In January 2007, President Garcia declared this as a national policy on education, a significant milestone.

USAID supports the GOP's education decentralization as a means to improve education quality, bringing management and decision-making closer to the schools. Thus, USAID provided technical assistance to the Ministry of Education's decentralization pilot program and the Regional Government of San Martin. With USAID's assistance, San Martin launched its Regional Education Plan in August, and completed and secured national funds for its teacher training plan to expand the program into all primary schools in the region.

In a country where only 2.3% of rural students meet grade-level standards in communications skills, USAID is showing that education quality can be improved despite difficult conditions in remote, disadvantaged areas. In school year 2006, 16% of USAID-assisted AprendeDes students met grade level-standards in communication, twice more than control group schools and the student completion rate is 52% higher than control group schools. All common indicators met their targets, within the 5% allowable margin. Importantly, positive program results are creating growing interest from the public and private sectors to replicate USAID's education program, potentially extending the impact beyond current areas of operation.

Despite strong support for educational reform, change is slow and the capacity to implement reforms is less than optimal. The ongoing process of decentralization creates new opportunities for creativity as well as significant challenges. Nevertheless, Peru's strong and growing economy can fuel further investment in education. Getting there remains to be the challenge.

### **Program Element Performance \ 3 Investing in People \ 3.2 Education \ 3.2.1 Basic Education**

USAID continued to support education decentralization and implemented active learning approaches in 275 rural, multi-grade primary schools in two regions of Peru. The approach, which centers on the student, involves teachers, school administrators, local governments, parents, and the community in helping improve academic performance. In FY2007, USAID reached 11,245 students; trained 540 teachers and principals, and 102 education administrators and officials; supported 275 school boards; and provided 77,696 learning materials. All common indicators were met, within the 5% allowable margin, or exceeded their targets. In these extremely poor communities, USAID's program resulted in 16% of students attaining grade-level standard in communication, twice more than control group schools. The student completion rate is 52% higher than in control group schools, and 80% of the school boards are implementing their annual work plans. New classroom monitoring instruments were also developed to provide continuous feedback on educational quality. These are all noteworthy results in a country where only 2.3% of rural students reach grade-level standards in communication skills.

On decentralization, USAID provided technical assistance to the Ministry of Education's "municipalization" pilot program, and strengthened the capacity of the San Martin region in leading and managing education

reform. USAID's early technical assistance to the region allowed it to launch, with strong political support from its Regional President, its Regional Education Plan in August, and complete and secure national funds for its teacher training plan that will expand USAID's program into all primary schools across the region.

### **Element Indicator Narrative \ 3 Investing in People \ 3.2 Education \ 3.2.1 Basic Education**

USAID trained 84 education administrators and officials, 294 teachers and principals, 5,775 students, supported 140 school boards, and provided 41,095 learning materials. All targets were met, within the 5% allowable margin, or exceeded. Targets were exceeded for the number of administrators trained due to increased capacity-building work. Including 135 more schools in alternative development communities funded with counternarcotics funds, these numbers increase to 102 education administrators and officials, 540 teachers and principals, 11,245 students, and 77,696 materials. In 2006, 16% of students in project schools have reached grade-level standards in communication, twice better than control schools. Student completion rate is 52% higher than control schools. These are noteworthy results in a country where only 2.3% of all rural students reach mastery level.

A key contribution to systems and policy reform is USAID's support for completing the long-term National Education Plan (PEN), adopted as a national policy by President Garcia, a significant milestone.

Decentralization support to the San Martin region also met key goals as it launched its Regional Education Plan, and completed and secured national funds for its teacher training plan, increasing the regions capacity for decentralized management.

FY 2008 targets are tentative as the implementing mechanism is finalized.

### **Program Area Performance \ 4 Economic Growth \ 4.2 Trade and Investment**

Building the capacity of the Government of Peru (GOP), municipalities and small and medium enterprises (SMEs) to respond to international trade and investment opportunities will help achieve the U.S. foreign policy priority of reducing poverty in Peru through trade-led growth. The GOP has responded to this challenge by implementing its own internal free trade initiative to reduce administrative costs for registering businesses, extend business development services to SMEs, expand infrastructure investments in the poorest areas of Peru, and eliminate or greatly reduce tariffs on over one thousand imported products.

USAID's program builds SMEs' capacity to produce and sell higher value, globally competitive products. For the garments, jewelry and handicraft sectors, USAID helped 334 SMEs improve their productive and management capacity to export and supported their participation in a series of important export trade shows held throughout Peru. In addition, USAID is working with the garment sector to enhance productivity and international competitiveness through assistance in trade, design, and management.

Most SMEs in Peru do not benefit from trade since they operate in the informal sector, largely due to lengthy and costly processes to register a business and comply with regulations. USAID assistance to 81 municipalities simplified procedures and reduced costs to start a business. The improvements implemented in these 81 municipalities resulted in a cost reduction for obtaining municipal permits and licenses of 33-76% and a reduction in time to issue the license of 50-95%. The International Finance Corporation (IFC) leveraged this investment, by adopting the USAID-designed tool-kit for simplifying municipal procedures to provide assistance to other municipalities not receiving USAID support. This catalytic effect is expected to help Peru improve its ranking on the Millennium Challenge Corporation "Business Start-up" indicator.

### **Program Element Performance \ 4 Economic Growth \ 4.2 Trade and Investment \ 4.2.2 Trade and**

## **Investment Capacity**

USAID's program strengthened SMEs' ability to compete in more lucrative export markets in the garments, jewelry and handicraft sectors. USAID trained 334 artisan SMEs in negotiation techniques and supported their participation in a series of important export trade shows held throughout Peru. In addition, USAID sponsored workshops, organized in conjunction with local business events, and trained 476 small business owners to develop alternatives to overcome barriers to trade.

USAID helped the GOP and private sector increase Peru's competitiveness and facilitate the access of SMEs to international markets to more equitably distribute the benefits of trade-led growth. For SMEs to register their businesses in the formal economy, they must be convinced that the benefits they would receive in the formal sector (e.g., access to international trade) are greater than those of the informal sector (e.g., freedom to avoid taxes and fees). Reducing SME informality rates in Peru requires a significant reduction in the transaction costs to register a business and simplifying these municipal procedures is a first and integral step towards increasing rates of formality. Given the great number of municipalities in Peru (almost 1,900) and their diverse nature (urban-rural/small-large cities), the Peruvian Congress passed the Municipal Operations law in 2007 to standardize procedures. USAID trained 196 municipal officials from 81 municipalities to adjust procedures to implement the law.

Through an innovative program to reduce the cost to start a business and obtain municipal licenses, USAID partnered with the International Finance Corporation (IFC) to develop competition among municipalities to lower these costs. The 81 municipalities participating in the competition implemented improvements that reduced the cost of a business start-up from 33-76%, a reduction in time to issue the license from 50-95% and a 50-70% reduction in requirements. Furthermore, based on a USAID-designed tool-kit, the IFC trained more than 100 consultants to assist other municipalities in revising procedures to implement the Municipal Operations law and to participate in future municipal competitions to reduce administrative costs for businesses.

## **Element Indicator Narrative \ 4 Economic Growth \ 4.2 Trade and Investment \ 4.2.2 Trade and Investment Capacity**

Indicator 1) Assistance for Certification: Please DELETE: wrong indicator was entered. Please REPLACE by indicator in the Custom Indicator table: Number of firms receiving assistance to export. FY 2007 target: 100. USAID exceeded the target of 100 firms due to the USAID response to a GOP request to assist and train 334 artisan firms to participate in events that included more than 900 participants. These workshops provided information and assistance to adapt production to international standards and employ new marketing techniques.

Indicator 2) Trade Capacity Building Training: Due to delayed start of new implementing mechanisms, the Mission documented a resulting change in FY 07 target for this indicator, from 1000 to 200. Therefore, DELETE indicator here; it is RE-ENTERED with proper information on Custom Indicator Template. Given an increased interest in trade generated by Peru's accelerated growth and the pending Peru Trade Promotion Agreement, business associations and universities organized several seminars and workshops on related themes last year. USAID supported the participation of 476 small business owners in these events. The five events were: Family Business & Internationalization of Small Business Seminar; Opportunities for Peruvian Enterprises Seminar; Foreign Trade Seminar; the Third Economics Congress; and the Lima Chamber of Commerce Annual Economic Forum. These collaborative opportunities helped the Mission exceed the

target of 200 for this indicator.

### **Program Area Performance \ 4 Economic Growth \ 4.3 Financial Sector**

Over the past five years, Peru's microenterprise sector grew 230%, largely fueled by increased credit available to SMEs through micro-finance institutions (MFIs). These institutions account for 9.7 percent of the total amount loaned through commercial banks and 21.4 percent of the total number of loans. MFIs in Peru have flourished in recent years partly as a result of USAID assistance in developing targeted financial services for SMEs and helping the Superintendent of Banks take positive steps to regulate MFIs. These initiatives improved the financial sector policy environment in Peru and opened up the sector to increased MFI private investment.

Through MFIs, USAID provided SMEs with working and risk capital to expand their businesses. With MFI's average loan size of \$1,500, USAID assistance is having a positive impact on poverty reduction in the targeted areas and helping SMEs to significantly increase sales and jobs. Loans made under USAID programs focus on underserved sectors such as small-scale agriculture, manufacturing, and handicrafts that have helped businesses link into higher value supply chains, including export value chains, thereby ensuring that the benefits and opportunities of trade are broadly felt.

USAID assisted a consortium of 60 microfinance and business development NGOs to establish a training and technical assistance unit to provide services to MFIs. In tandem, USAID helped the Superintendent of Banks (SB) establish a regulatory system for MFIs, which will give clients more confidence in investing and borrowing from these institutions. Currently, almost 40% of the country's SMEs (1.2 million) are served by more than 30 microfinance institutions. USAID is working with the SB to identify other biases or obstacles that hinder greater integration of SMEs into the banking sector.

### **Program Element Performance \ 4 Economic Growth \ 4.3 Financial Sector \ 4.3.2 Financial Services**

USAID's financial services program worked with the Superintendent of Banks (SB) to prepare a strategy for the MFI sector and regulate new MFI instruments. SB approved a regulation that includes USAID's Development Credit Authority (DCA) programs as preferred guarantees under Peruvian law, thereby generating lower capital reserves requirement and lowering operational costs. This is a major USAID achievement as it will significantly boost working capital available for SMEs. With less than a \$1.2 million investment, USAID's DCA program leveraged agreements with MFIs for loan portfolios of \$26 million. The agreements include Mibanco (\$10 million), the leading microfinance commercial bank in Peru (signed in FY2007), EDPYME Confianza in Huancayo (\$2 million), Caja Municipal de Piura (\$6 million), Caja Municipal de Sullana (\$6 million), and Caja Rural Señor de Luren in Ica (\$2 million).

USAID evaluated new financial instruments and services tailored to MFI needs and also carried out studies to foster the creation of a new guarantee system for Risk Capital Funds. Analysis of legislation and determination of the role of governments in risk funds in Brazil, Chile, Mexico and the U.S. conducted by USAID will serve as a basis to draft, publicize and present legislation on venture capital and private equity funds as a proposal to the Government. These new risk fund instruments will raise credit availability to innovative SMEs.

Under Program Element 4.2.2 "Trade and Investment Capacity," USAID provided assistance to facilitate the formalization of small and medium enterprises (SMEs). However, once formal, SMEs still face constraints

such as limited access to credit. To alleviate this constraint, USAID works closely with the GOP's financial intermediary (COFIDE) to create a credit line abroad for buyers of Peruvian exports. Demand from SMEs for the existing \$50 million GOP export insurance system was fostered and regulations on the use of letters of credit will be improved to expand working capital from commercial banks for thousands of SME's.

#### **Element Indicator Narrative \ 4 Economic Growth \ 4.3 Financial Sector \ 4.3.2 Financial Services**

The focus of USAID programs in FY07 was to establish the conditions for increased access to credit for SMEs and to revamp MFI regulatory systems to ensure that MFIs follow sound banking and financial management practices. Achievements in these areas have laid the groundwork for increased loans to SMEs in FY08 from USAID financial service programs. With previous year funds, 1,408 loans were placed under the DCA guarantee by all six MFIs with outstanding agreements in the reporting period. The guaranteed amount of these loans was \$1.5 million.

#### **Program Area Performance \ 4 Economic Growth \ 4.6 Private Sector Competitiveness**

USAID is improving private sector competitiveness is carried out through an extensive network of business centers that promote trade capacity building by integrating small-scale farmers and micro-enterprises with larger businesses into formal marketing and supply chains (including for export). These value chains increased jobs for the poor and incomes for micro and small-scale enterprises in FY07. USAID's technical assistance facilitated access to credit, enabled firms to implement supplier development programs, and improved the management practices and technologies of micro-enterprises, former coca-growers, and other suppliers. Using funding from this as well as the Counternarcotics Program Area, the program generated more than 13,200 new jobs and \$62.2 million in new sales among client businesses in FY07.

Successful results have generated significant interest from the GOP and the private sector that extended and expanded public-private alliances in FY07. Through strategic alliances, the program leveraged funds from the GOP's Sierra Exportadora rural businesses development program and from mining companies. By doing so, it expanded into new areas of Peru requiring even fewer USAID resources. These alliances created new economic opportunities in impoverished regions of Peru such as Ancash, where USAID started a business center with the Antamina mining company, and Huancavelica, where we continued operating a business center with the Buenaventura mining company.

USAID leveraged the GOP's commitment to invest in infrastructure in impoverished areas by providing technical assistance for a private concession of the Amazon Central Highway. This is a 30-year, \$109.5 million concession to finance, rehabilitate, construct, operate and maintain 847 kilometers of highway that will connect Lima and a major city in the jungle. The highway will make products grown in the eastern part of the country and the Amazon basin more competitive by greatly reducing travel time and costs to get products to markets. With the upcoming expansion of the Callao Port, which will be rehabilitated and managed under a private concession as a result of technical assistance from USAID last year, products coming out of the jungle regions will also be more globally competitive by significantly reducing transportation cost.

#### **Program Element Performance \ 4 Economic Growth \ 4.6 Private Sector Competitiveness \ 4.6.2 Private Sector Productivity**

USAID's program, comprised of an extensive network of economic service centers operating in poor and

coca-producing regions of Peru, improved the management practices of 38 firms and helped 19 firms invest in improved technologies, exceeding the target of 30 and meeting the target of 19, respectively. New investments have been mostly directed to improved technologies for organic certification of fruit and coffee production, and the development of new plantations for exotic Amazonian fruit. These efforts created 3,477 new jobs, generated new sales of \$14.8 million, and attracted \$743,000 in new private sector investments.

Additionally, nationwide, using funding from this element as well as from the Alternative Development and Alternative Livelihoods element, the USAID's program helped client businesses generate \$62.2 million in new sales and create 13,246 new Full Time Equivalent jobs. Of the total sales generated by program-supported enterprises, 48% were export sales with \$10.8 million sales to the U.S. and \$10.7 million to the European Union. The highest value products were trout, artichokes, fruit, coffee, cacao, and beans. Efforts were directed to consolidate, diversify or expand businesses initiated in prior years, with special emphasis on those businesses linked to micro-enterprises. For example, of the 192 businesses, 50 were micro-enterprises. Program-supported supply chains linked an additional 1,589 micro-enterprises to the benefits of higher value markets. In addition, women occupied 34% of the total number of new jobs created by SMEs receiving USAID assistance. In Puno, Cajamarca, Tarapoto and Huancavelica, USAID-assisted enterprises hired women for more than 50% of the new jobs, especially in the textile, handcraft and trout industries.

USAID provided technical assistance to the GOP entity, ProInversion, to prepare the Amazon Central Highway concession bidding documents. Although the initial request for bids was unsuccessful in July of this year, ProInversion's new leadership is committed to revising the bidding document to make it more attractive to the private sector by providing more clarity on financing commitments from the GOP and revenue management. Although USAID support for the concession has ended, we anticipate that the GOP will award it in FY2008.

#### **Element Indicator Narrative \ 4 Economic Growth \ 4.6 Private Sector Competitiveness \ 4.6.2 Private Sector Productivity**

USAID met or exceeded all of its targets for this element in FY07. In the Peru-Ecuador Border area, USAID improved the management practices of 38 firms and helped 19 firms invest in improved technologies, exceeding the target of 30 and meeting the target of 19, respectively. These efforts created 3,477 new jobs, generated new sales of \$14.8 million, and attracted \$743,000 in new private sector investments, contributing to the economic growth of the Departments along the Ecuadorian border. New investments have been mostly directed to improved technologies for the organic certification of fruit and coffee production and the development of new plantations of exotic Amazonian fruit.

The above results were achieved only with the funding for the PRA project within this program element. Nationwide, using funding from this element, as well as from the Alternative Development and Alternative Livelihood element, PRA has helped client businesses generate new sales of \$62.2 million and 13,246 new full-time equivalent jobs. USAID continued to successfully link micro and small-scale enterprises to export value chains selling products primarily to the U.S. and the European Union. Increased sales and job creation were fueled by the artichoke, trout, textile, specialty coffee, cacao and handcraft value chains, which contributed significantly to the economic growth and diversification of the Peruvian economy, predicted to exceed 7% GDP growth for the second year in a row.

#### **Program Area Performance \ 4 Economic Growth \ 4.8 Environment**

USAID's environment activity is an important complement to the trade capacity building program. The program promotes conservation of biodiversity while helping Peru reduce poverty through trade-led growth. A key component of the program is establishing trade-based incentives for conservation and sustainable management of natural resources, coupled with disincentives for illicit activities that harm the environment.

USAID continued to provide technical assistance for international certification of sustainably managed forests in Peru's Amazon basin. Such certification provides an incentive for sustainable forest management by providing enhanced trade opportunities for timber companies. Among other things, international certification determines whether forestry resources are being harvested sustainably, labor rights are complied with, and social concerns regarding indigenous communities are respected. Since 2006, through this program, 604,367 hectares of Peruvian forest managed by private sector companies and indigenous communities have received international forestry certification. In a country where illegal logging damages natural resources, USAID's program is demonstrating that international certification can provide a strong incentive to manage forests sustainably, while increasing licit trade and providing income and jobs for the poor and indigenous peoples from increased market access for Peruvian forest products.

Working in partnership with the GOP's two most important environmental institutions, INRENA (National Institute of Natural Resources) and CONAM (National Environmental Council), USAID continued to provide assistance to these entities to strengthen their institutional capacity to protect the environment and sustainably manage natural resources. One area where USAID support is making a difference is in improved solid waste management. USAID continued to work with the 41 municipalities, which were certified by CONAM in FY06 under the USAID-sponsored municipal environmental certification activity, to design and implement solid waste management programs. Thus, for the first time in Peru, solid waste management programs managed by municipalities, with technical assistance from national authorities, comply with national standards. USAID assisted CONAM and INRENA in the adoption 16 new policies, agreements, and regulations to conserve and sustainably manage natural resources and the environment, thus exceeding the target of 13.

#### **Program Element Performance \ 4 Economic Growth \ 4.8 Environment \ 4.8.1 Natural Resources and Biodiversity**

Building on a program USAID has supported since FY05, the GOP's National Environmental Council (CONAM) partnered with two other GOP ministries to develop four training modules for solid waste management. Forty-one municipalities certified by CONAM last year participated in the workshops that helped municipalities develop environment projects for approval by the GOP's computerized system for approving capital investment projects. Thus, the workshops built local environmental capacities to develop and obtain funding for solid waste management projects. As trade and investment increases in Peru, this is an important achievement that will help municipalities manage environmental impacts from new industries.

The GOP's National Institute of Natural Resources (INRENA) received USAID assistance to continue to strengthen its oversight and monitoring of forest concessions. USAID trained 94 INRENA administrators and technicians on management of the forestry concession system. In FY07, INRENA issued 12 forestry concessions for timber production and 9 forestry use concessions to indigenous communities. INRENA also successfully completed its management scorecard for the effective management of the National System of Protected Areas after two years of USAID support and trained 74 officials from the National Protected Area unit on its use, exceeding the target of 60 people trained.

Finally, USAID technical assistance to private and indigenous certified forestry concessions netted 194,685 new certified hectares of forest in FY07, bringing the two-year total to 604,367, missing its FY07 target of 305,500 hectares under improved natural resource management. While the program faced set backs in FY07 with two concessions unable to complete certification requirements before the end of the FY, USAID captured the lessons learned from the delays. In one case, INRENA's intervention is required to resolve problems encountered.

#### **Element Indicator Narrative \ 4 Economic Growth \ 4.8 Environment \ 4.8.1 Natural Resources and Biodiversity**

Indicator 1) Hectares under improved NRM: USAID fell short of its target to internationally certify 305,500 new hectares of forests in FY2007. One forest concession failed to get additional financing needed to complete certification requirements of 45,000 hectares. Another concession faced a complicated problem along the Brazilian border. Reportedly, an indigenous group entered the concession and extracted trees. This removal of trees was not included in the company's forest management plan; therefore, the independent auditor could not certify the 80,000 hectare concession. This complicated problem will require the support and intervention of INRENA to resolve it.

Indicator 3) \"Number of people with increased economic benefits\" will be used to report on this program in FY08. This indicator will capture the economic benefits accruing to workers in the certified forestry industry as well as those who benefit from INRENA's improved management of the National System of Protected Areas. This indicator is being included now as the program is at a sufficient level of maturity to begin to impact livelihoods.

Indicator 4) Number of policies. Due to change in leadership at GOP implementing agency, program changed focus and the Mission documented a resulting change in FY 07 target, from 33 to 13. Therefore, DELETE indicator here; it is re-entered with proper information on custom indicator template.

#### **Program Area Performance \ 5 Humanitarian Assistance \ 5.1 Protection, Assistance and Solutions**

FY 2007 was the last year of USAID's food security program under PL 480 Title II Food-for-Peace in Peru. Three partners – the Adventist Development Relief Agency (ADRA), Caritas Peru, and PRISMA - implemented interventions in health and nutrition, agricultural, and microfinance services to improve food security and reduce poverty in highland and jungle communities. Agricultural and microfinance interventions focused on diversifying crops and sources of income for families to stimulate economic growth and shield vulnerable families from economic shocks. Beneficiaries received technical assistance to produce crops to meet expanding domestic and export market demand and improve their competitiveness in these markets. The main goal of the closing year was to transfer lessons learned, strategies, and methodologies to stakeholders at the national, regional and local levels and build their capacity to sustain gains made by the program to decrease child malnutrition.

USAID partners worked closely with national, regional and local officials on programs focused on improving the health and nutrition of woman with children under 3 years old. The health and nutrition component helped to put the issue of child nutrition on the public agenda to direct more public resources to improve child nutrition. At the national level, USAID provided technical assistance to two ministries to restructure social programs and design a national program to reduce chronic malnutrition under the framework of the decentralization process in the country. As a result, the GOP launched a new strategy to reduce chronic malnutrition by 9 percentage points by 2011.

A key to reaching this goal is to ensure that regional and local authorities are equipped to implement programs efficiently at the community level. Thus, USAID used models developed and tested under this program element to train regional governments to prepare food and nutrition security plans and local governments to develop nutrition plans through participatory processes with the communities.

### **Program Element Performance \ 5 Humanitarian Assistance \ 5.1 Protection, Assistance and Solutions \ 5.1.2 Assistance and Recovery**

The final year of USAID's food security program ended with outstanding accomplishments. The percentage of children under three with chronic malnutrition in target areas fell four percentage points to 22.8 percent due to several targeted interventions. Health and nutrition interventions assisted 21,775 children and 21,020 mothers. Children received timely health care, growth monitoring, and immunizations during this period. The program reached rates of exclusive breastfeeding of infants from 87 to 96% among the targeted population, far exceeding the national average from 2004 to 2006, which was only 53 percent.

USAID provided assistance to organize value chains by linking producers with higher value markets, working with 14,470 small-scale farmers and 300 farmers associations, thus exceeding the target of 12,850 farmers receiving extension services,. These farmers continued to diversify into new crops such as artichoke, beans, barley, cacao, coffee, fruits, garlic, maize, rice, palm oil. The program provided technical assistance to build the capacity of existing institutions and develop public-private partnerships to strengthen value chains originating in the highlands and the jungle. These interventions generated \$6.8 million in new sales in the target areas, exceeding the target of \$5.83 million in new sales.

Improvement to the home environment were also significant as USAID provided 337 families with safe drinking water systems, 656 families with new latrines, and 1055 families with improved kitchens to keep smoke away from children. The sustainability and impacts of interventions were increased because of the participation of local governments in cost-sharing schemes with the communities.

Through the microfinance component of the program, USAID reached 23,500 clients (75% women). Through an innovative program that includes a portfolio of loans to individuals (44%), associations (33%) and community banks (23%), the program reduced costs and exceeded by 10 percent its financial sustainability target. The microfinance entity managed by local partner, Caritas, is expected to become a formal institution regulated by the Superintendent of Banks – a major step in ensuring the long-term financial viability of the program.

### **Key Issue Performance \ Local Organization Capacity Development**

In FY07, USAID support to the central MOH led to the development of a participatory Peru's National Integrated Health Plan. With USAID facilitation, regional health leaders developed strategies to manage decentralization. USAID assistance also led to the establishment of a regulatory body to accredit professional training institutions, the development of health quality standards and co-funded training for public health sector workers in those standards.

At the community level, the Alternative Development Program assisted 300 youth groups in targeted communities through training, leadership development and networking with local governments and civil society organizations. The youth groups gained visibility within their communities and promoted

community work, as well as cultural events, championing the values of rejection of illicit activities and ownership of their local development.

### **Key Issue Performance \ Anti-Corruption**

USAID assistance to local governments improved their capacity to effectively use the national public procurement system and increase transparency. In target district municipalities the number of procurement processes published increased from 1,025 in 2005 to 3,946 by the end of 2006. Support provided to the Ministry of Health helped implement the first public solicitation for medications. The process was seen fair and transparent, preventing corruption. USAID also started a program in 4 regions focused on health sector corruption. It has used a participatory process to assess the nature, scope and causes of corruption, and prioritize problems. Interventions to treat the problems and monitor program effectiveness will follow.

USAID also supported the establishment of SISFOH, a system to improve the targeting of social benefits, and controlling the widespread diversion of government funds from social and health programs to inappropriate recipients. The SISFOH was adopted in 2007 by the Ministry of Finance (MEF) for use in GOP welfare programs.

### **Key Issue Performance \ Microenterprise**

In FY07, USAID provided management and business development services to more than 2,000 microenterprises. USAID support expanded market linkages for 1,589 microenterprises related to the agricultural sector. It also provided assistance to 369 small and medium businesses (SMEs) in the garments, jewelry and handicraft sectors to improve their productive and management capacity to export, especially to the U.S. market. In addition, USAID sponsored workshops for 476 small business owners.

To help alleviate the lack of credit available for MSEs, USAID worked closely with COFIDE, the GOP's financial intermediary, to provide technical assistance to create a credit line abroad for buyers of Peruvian exports. Instead of directly financing productive activities, COFIDE will leverage Peru's investment capacity. Moreover, USAID partnered with a consortium of 60 microfinance and business development NGOs, to establish a training and technical assistance unit to provide services to MFIs.

### **Key Issue Performance \ Trade Capacity Building**

In FY 2007, USAID provided assistance to more than 2,000 micro-enterprises and small farmers to, access business development and financial services to access new markets and generate \$62.2 million in new sales. USAID provided micro and small enterprises (MSEs) with productivity, trade, design, and management expertise in the garments, jewelry and handicraft sectors to export. USAID trained 334 artisans in negotiation and marketing techniques. USAID sponsored workshops for 476 small business owners developed alternatives to overcome obstacles to export. To increase competitiveness by reducing costs, USAID helped 81 municipalities to simplify procedures and costs to start a business.

USAID worked closely with COFIDE, the GOP's financial intermediary, to create a new guarantee system for Risk Equity Funds. This achievement expanded access to working capital from commercial banks for thousands of MSEs, providing them with the opportunity to enter higher value export supply chains.

## **Key Issue Performance \ Global Climate Change**

Since 2006, USAID has promoted and provided technical assistance to private entrepreneurs and native communities to help them receive the Forest Stewardship Council (FSC) certification in their forest concessions. The standards set forth by the FSC, are higher than those established under the General Forest Management Plan provided by the Peruvian Forest Law, so its compliance guarantees sustainable forest management. With USAID assistance, two indigenous communities with 82,800 hectares of forest, and 111,800 hectares of forest managed by private concessionaires received the FSC international certification. The creation of the bases for the development of environmentally sustainable forestry businesses in these more than 600,000 hectares of certified forests to date in different regions of the Amazonian forest, constitutes a significant contribution to address global climate change, as it will prevent deforestation of these areas, and reduce the negative impact on the environment.

## **Key Issue Performance \ Applied Research**

USAID continued to fund data collection and analysis for the Continuous Demographic and Health Survey (CDHS), which provides the most reliable population-based information about health in Peru. It has provided annual statistical estimates related to maternal/child health and family planning and reproductive health.

USAID contributes to a fund for small-scale research in infectious diseases under the Peruvian Institute of Health. USAID funded a study of the prevalence of HIV infection in the Peruvian National Police that serves to better design the training for PNP health staff in HIV counseling and testing.

Economic research on the costs of alternative benefit plans for proposed government-funded insurance and the epidemiological research on the “burden of disease” in Peru is helping the GOP advance its efforts to develop health insurance coverage for Peru’s poorer population.

## **Key Issue Performance \ Community Mobilization/Participation**

USAID support to communities helps create the commitment and involvement of its members in their own development. In FY 2007 more than 180 communities were trained in and successfully applied community management skills so they could participate in local government budget and planning processes. An additional 356 communities are in the process of acquiring these skills, which will enhance their ability to take charge of their own development and engage local government officials. Activities led by the program’s Network of Young Journalists reached more than 10,000 youths, strengthening their ability to engage effectively on drug awareness and local development issues.

## **Key Issue Performance \ Public-Private Partnerships**

In FY 2007, USAID leveraged resources from the private sector in the economic and health sectors to expand successful development activities in Peru. USAID partnered with two major mining companies to provide business development services for micro, small, and medium-scale enterprises in poor departments of Peru and enabled these enterprises to enter higher value market supply chains. New private sector investments in USAID’s on-going assisted value chains amounted \$1.5 million in FY 2007.

USAID’s Healthy Communities and Municipalities activity in one of Peru’s coca-growing regions received

substantial support from a local firm that provided computers, training, and other inputs for the program. USAID partnered with the World Bank, the Ministry of Health, and private firms in the Hand Washing Initiative and the Sanitation as a Business Initiative that promotes basic healthy behaviors through information and education disseminated via mass media.

### **Key Issue Performance \ Civil Society**

Peru's health sector has many NGO organizations focused on advancing the rights of health sector users. The health program works with civil society organizations both as grant recipients and as non-financial partners to support their efforts of increasing the voice and participation of health care users in order to improve responsiveness to their needs and the quality of services provided. In FY07, USAID supported NGOs working to reduce stigma and discrimination and improve access to health care services for people living with HIV/AIDS and Tuberculosis. In addition, USAID collaborated with organizations addressing gender-based violence, disabilities, and child welfare issues to strengthen corresponding policies and services. As a result, these organizations have been able to influence targeted regional and local governments to include those issues in their plans and budgets.

### **Key Issue Performance \ Increasing gender equity**

In FY07, USAID sponsored post-electoral roundtable discussions in eight regions focused on the participation of women in politics. More specifically, these discussions informed concrete proposals for legislative reforms to increase opportunities for women to compete for elected positions.

To ensure that broad-based economic growth occurs as a result of increased trade, USAID's program continues to reach out to increase women's access to economic opportunities. USAID provided trade capacity building assistance to 189 women-owned businesses that will improve their management skills to export including adapting production to international standards and employing new marketing techniques. Business development services and increased market access in rural areas generated 4,500 new jobs for women. Microfinance services provided loans to 17,600 women in FY07, helping them with their own micro business initiatives.

### **Key Issue Performance \ Development Research**

USAID's program to increase competitiveness of micro and small enterprises completed a development research study that identified technical regulations that could constitute barriers to trade, and established norms to draft technical regulations to comply with WTO standards. A study was also carried out to identify the Ministry of Labor's specific information needs that were used to prepare materials for workshops for the National Inspections Service.

### **Key Issue Performance \ Food Security**

In FY 07 USAID support provided extension services to 14,470 small farmers. They diversified into new crops such as artichoke, beans, barley, cacao, coffee, fruits, garlic, maize, rice, palm oil to meet the demand of expanding domestic and export markets. This increased market access led to \$6.8 million in new sales and created 2,065 full time jobs. Microfinance services reached 23,500 clients, 75 percent of them were women, complementing their efforts to expand income generating opportunities.

The program assisted 21,020 mothers with children under 3, and provided support for improved nutrition and basic health practices. As a result, the percentage of children under three with chronic malnutrition in target areas was lowered to 22.8%, 4 percentage points lower than the 26.8% measured in FY 2006. Moreover, local and regional governments adopted USAID successful models to develop and implement food and nutrition security plans.

### **Key Issue Performance \ Biodiversity**

The GOP's National Institute of Natural Resources (INRENA) received USAID assistance to strengthen its oversight and monitoring of forest concessions in the biologically diverse Amazon basin. USAID trained 94 INRENA administrators and technicians on management of the forestry concession system. In FY07, INRENA issued 12 forestry concessions for timber production and 9 forestry use concessions to native communities in the Amazon basin. Conserving biodiversity is one of the key criteria that companies and indigenous groups must meet to obtain their certification. INRENA also successfully completed its management scorecard for the effective management of the National System of Protected Areas after 2 years of USAID support and trained 74 officials from the National Protected Area unit on its use.

# 1 Peace & Security - Peru

1.3 Stabilization Operations and Security Sector Reform\1.3.6  
 Defense, Military, and Border Restructuring, Reform and  
**Number of Border Security officers trained with  
 USG assistance**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	6	6	6	-

1.3 Stabilization Operations and Security Sector Reform\1.3.6  
 Defense, Military, and Border Restructuring, Reform and  
**Number of border security upgrades or systems  
 installed with USG assistance**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	6	6	6	-

1.3 Stabilization Operations and Security Sector Reform\1.3.6  
 Defense, Military, and Border Restructuring, Reform and  
**Number of host country military personnel trained  
 to maintain territorial integrity**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	6	6	10	-

1.3 Stabilization Operations and Security Sector Reform\1.3.6  
 Defense, Military, and Border Restructuring, Reform and  
**Number of US trained personnel at national  
 leadership levels**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	6	6	-

1.3 Stabilization Operations and Security Sector Reform\1.3.6  
 Defense, Military, and Border Restructuring, Reform and  
**Percent of US recommended military training need  
 met during the year**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target

**1372 1.3.6 Defense, Military, and Border Restructuring, Reform and Operations narrative (no more than 1500 characters)**

**chars**

In 2007, International Military Education and Training (IMET) had a significant impact in Peru. All courses supported military education priorities and supported initiatives related to the War on Terror, Joint Operations and Doctrine, Peace-Keeping Operations and Counter-Narcoterrorism (CNT) initiatives. The FY 07 target for US recommended military training and Border Security officers trained was achieved substantially. FY 08 IMET targets for Peru, as indicators of performance achievement, are currently at the appropriate target level. IMET enabled over twenty-five Peruvian students to attend training in the United States, along with a Mobile Training Team that provided training to twenty Peruvian students in Peru. Continued development and exposure to professional development via IMET for military officers, especially for company and field-grade officers, and for non-commissioned officers, was achieved in FY 07 via the following courses: Intermediate Level Education Course, Joint Operations Officer Course, Civil Military Operations Course, the IAAFA Squadron Officer School, and the Air Intelligence Course. IMET was the primary tool for ensuring that Professional Military Education (PME) goals were met in FY 07. IMET will continue to be a critical tool for Peru because of the IMET sanctions which prevented use of the program in previous years.

ich prevented use of the program in previous years.

**1.4 Counter-Narcotics\1.4.1 Eradication**

**Hectares of drug crops eradicated in USG-assisted areas**

	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
	10,000	10,000	9,729	7,500	8,000

**621**

**1.4.1 Eradication narrative (no more than 1500 characters)**

**chars**

Since coca eradication is measured on an annual basis, the GOP will comfortably meet its eradication goals for 2007. As of November 9, CORAH had eradicated 9,729 hectares of coca and nearly 37,895 square meters of seedbed in San Martin, Huanuco and Ucayali. A goal of the eradication campaign was to link programmed eradication more closely to alternative development (AD) goals. In this regard, CORAH returned to Tocache in support of AD where an additional 1016 hectares of coca was voluntarily eradicated. The coca eradicated in these regions is equivalent to 42 metric tons of cocaine if harvested and processed.

**1.4 Counter-Narcotics\1.4.2 Alternative Development and Alternative Livelihoods**

**Hectares of alternative crops targeted by USG programs under cultivation**

	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
	46,190	9,342	10,776	-	39,620

**1.4 Counter-Narcotics\1.4.2 Alternative Development and Alternative Livelihoods**

**Hectares of illicit crops eradicated manually or voluntarily in USG-targeted areas**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
13,059	2,300	2,052	-	-

**1.4 Counter-Narcotics\1.4.2 Alternative Development and Alternative Livelihoods**

**Increased sales of licit farm and non-farm products in USG assisted areas over previous year**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
147,000,000	30,000,000	39,729,517	30,000,000	40,130,000

**1.4 Counter-Narcotics\1.4.2 Alternative Development and Alternative Livelihoods**

**Number of families benefited by alternative development or alternative livelihood activities in**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
53,515	51,660	56,289	-	66,379

**1.4 Counter-Narcotics\1.4.2 Alternative Development and Alternative Livelihoods**

**Number of full-time equivalent (FTE) jobs created by USG sponsored alternative development or**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
54,000	8,000	8,749	8,000	9,000

**1.4 Counter-Narcotics\1.4.2 Alternative Development and Alternative Livelihoods**

**Number of municipalities strengthened by USG programs**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
48	320	351	-	45

1448  
chars

1.4.2 Alternative Development and Alternative Livelihoods narrative (no more than 1500 characters)

The AD program met all of its targets for FY 2007; and will adjust the definition of some indicators for FY 2008 to better represent the results and changes in the program.

The definition for the indicator "Hectares of Licit Crops" will be broadened to not only count new hectares assisted for the first time during the FY, but also that are receiving ongoing technical assistance. The 2008 target for this indicator is expected to be revised upwards, to incorporate results from a second implementing mechanism under the adjusted methodology.

The indicator "Number of Families Benefited," used a definition in FY07 that only included families that received direct financial investment from the program. The target for FY 2008 reflects a broader definition to also include families actively receiving support beyond the scope of the initial financial investment.

As the main mechanism for this Program Element has just begun, the methodologies for measuring results are under adjustment; therefore, we expect to revise upwards the targets of the indicators for FY 2008. The change in target for this indicator; therefore, DELETE indicator here; it is RE-ENTERED with new target on custom template.

**1.4 Counter-Narcotics\1.4.3 Interdiction**

**Kilos of illicit narcotics seized by host government in USG-assisted areas**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
21,000	24,150	12,653	28,000	-

**1.4 Counter-Narcotics\1.4.3 Interdiction**

**Kilos of precursor chemicals seized by host government in USG-assisted areas**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
203,573	234,108	585,382	269,224	350,000

**1479  
chars**

**1.4.3 Interdiction narrative (no more than 1500 characters)**

2007 goals for interdiction operations were exceeded in precursor chemical seizures and fell short in actual drug seizures. All drug seizures are reported by DIRANDRO since they are the enforcement authority for counter-narcotics. DIRANDRO conducted nearly 10,000 interdiction operations in the Upper Huallaga Valley (UHV) and the Apurimac-Ene River Valley (VRAE), resulting in the seizure of 8.7 MT of coca leaf, 7.6 MT of cocaine HCl, 5.1 MT of cocaine base, and 83.4 MT of marihuana. DIRANDRO also destroyed 888 maceration pits, 549 cocaine base labs and 14 cocaine HCl labs and either seized, decommissioned or destroyed more than 585 metric tons of precursor chemicals. The price of precursor chemicals rose sharply in the coca source zones as a result of sustained operations. Increased operations in the source zones leading to the destruction of 563 base laboratories contributed to the decrease in seizures of processed drugs.

SUNAT conducted numerous ports and border operations which resulted in seizures of over 5.5 metric tons of drugs in airports and seaport operations, more than three times last year's seizures. The addition of container x-ray scanners and other detection equipment, including doubling the size of the canine corps, allowed SUNAT to screen more than 95,000 export containers nationwide compared to

onwide compared to less than 50 two years ago. An additional 1.8 MT of cocaine was seized in Holland and Ecuador based on MRU alerts and SUNAT operations.

**1.4 Counter-Narcotics\1.4.4 Drug Demand Reduction**

**Number of drug demand research studies completed with USG assistance**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	2	2	2	-

1.4 Counter-Narcotics\1.4.4 Drug Demand Reduction

**Number of drug prevention programs supported with USG assistance**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	17	18	25	-

1.4 Counter-Narcotics\1.4.4 Drug Demand Reduction

**Number of people reached with drug prevention messages in USG-assisted areas**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	10,000,000	10,000,000	20,000,000	-

1421  
chars

**1.4.4 Drug Demand Reduction narrative (no more than 1500 characters)**

NAS has 3 types of programs: 1) Community Anti-Drug Coalitions (CAC), 2) drug education programs supporting CACs, and 3) a national media campaign using a variety of media. NAS financed 18 drug prevention programs, one more than predicted. All programs were designed to avoid duplication of effort and to encourage cooperation. Twelve of these programs are CACs located in separate sectors of Metropolitan Lima and Callao. There is one team that provides technical assistance to the CACs based on the findings of their evaluation and monitoring activities. Five programs support the CACs through specialized training in drug abuse, communications, youth activities, and community organizing. More than 10 million people heard drug prevention messages this year through a media and community mobilization program in 6 of the major Peruvian cities in addition to Lima. The CACs also held events, especially involving youth, that reached beyond the communities where they are located.

Two research studies were planned for this year, but only one was completed. The base-line study for the CACs covered 12 areas in poor areas of Lima. The results will be used to track the impact and outcomes of the CAC program. The second study was partially funded by NAS (UNODC, OAS, and the GOP also contributed) and managed by the GOP. The data has been collected and analyzed but by the GOP. The data has been collected and analyzed but the conclusions have yet to be published.

1.5 Transnational Crime\1.5.1 Financial Crimes and Money Laundering

**Financial Intelligence Unit supported in country with USG assistance**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
1	1	1	-	-

1.5 Transnational Crime\1.5.1 Financial Crimes and Money Laundering

**Number of people in host country trained on money laundering or financial crimes**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	Number of women					Number of men				
					2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
500	500	500	-	-	100	100	100	-	-	400	400	400	-	-

1.5 Transnational Crime\1.5.1 Financial Crimes and Money  
Laundering

**Number of specific improvements in regulatory  
structure supported with USG assistance**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
5	25	25	10	-

**1337  
chars**

**1.5.1 Financial Crimes and Money Laundering narrative (no more than 1500 characters)**

Key indicators included the number of money laundering cases identified by the FIU and presented to the Public Ministry for Prosecution, the number of prosecutors and investigators trained in financial crimes investigations and trail preparation. All goals were met. The GOP sent a new package of laws to the Parliament that targets organized crime and money laundering. One law establishes a non-penal asset forfeiture regime modeled after Colombia's law. It eliminated the requirement that illegal activities such as drug trafficking and extortion that produced illicit funds must be proven before assets are seized. As of October 31, the FIU processed 47 suspected cases totaling USD 13.9 million. Of these, 21 were linked to drug trafficking, 7 involved official corruption, 6 involved tax fraud, and the remaining cases had fraud, arms trafficking, contraband, kidnapping, or intellectual property violations as the predicate offenses. Twenty-two cases have been passed to the Public Ministry for further investigation and possible prosecution. More than 500 Peruvian prosecutors, judges and police officers participated in courses on investigating financial crimes, supervision of non-bank financial entities, terrorist financing and the prosecution of money laundering cases under the auspices of ILEA, CICAD and the UN.

CAD and the UN.

## 2 Governing Justly & Democratically - Peru

### 2.2 Good Governance\2.2.3 Local Government and Decentralization

#### Number of Individuals Who Received USG-Assisted Training, including management skills and Fiscal Management, to Strengthen Local Government and/or Decentralization.

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	Number of women					Number of men				
					2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
49,554	-	12,857	-	TBD	14,335	-	3,838	-	-	35,219	-	9,019	-	-

### 2.2 Good Governance\2.2.3 Local Government and Decentralization

#### Number of Laws or Amendments Promoting Decentralization Drafted with USG Assistance

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
3	2	11	-	TBD

### 2.2 Good Governance\2.2.3 Local Government and Decentralization

#### Number of Local Mechanisms Supported with USG Assistance for Citizens to Engage their Sub-

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
3	3	3	-	TBD

### 2.2 Good Governance\2.2.3 Local Government and Decentralization

#### Number of Local Non-Governmental and Public Sector Associations Supported with USG

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
302	640	773	-	TBD

### 2.2 Good Governance\2.2.3 Local Government and Decentralization

#### Number of Sub-national Government Entities receiving USG assistance to Improve their

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
232	320	476	-	TBD

**1420**  
**chars**

### 2.2.3 Local Government and Decentralization narrative (no more than 1500 characters)

Indicator 1) Training in Decentralization: The original FY 2007 target of 12,000 was not included due to entry error.

Indicator 2) Number of Laws: In recognition of USAID's leading expertise in this area, the Prime Minister requested the program's assistance. USAID was extremely successful in providing technical analysis to the Secretariat of Decentralization, the President's Council of Ministers, and to the Congress on such critical themes as the 2007 Decentralization Transfer Plan, the accreditation process, the Executive Power Law, and the state reform process.

Indicator 3) Number of Mechanisms: USAID has been supporting the institutionalization of these mechanisms throughout the program. Despite the turnover due to the 2006 local elections, these mechanisms were quickly adopted by the new leaders, reflecting the extent to which they have been institutionalized.

Indicator 4) Number of Local Associations Supported: USAID support provides training and technical assistance to civil society organizations and municipal representatives to strengthen good governance practices, such as participatory budgeting and public accountability sessions.

The only implementing mechanism that will continue to work in this program element is currently under design; therefore, all targets for FY 2008 are TBD, and will be set early in CY 08 and documented in will be set early in CY 08 and documented in the Mission via a Mission Director-signed target memo.

### 2.2 Good Governance\2.2.4 Anti-Corruption Reforms

#### Number of Government Officials Receiving USG-Supported Anti-corruption Training

					Number of women					Number of men				
2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	-	-	TBD	-	-	-	-	-	-	-	-	-	-

### 2.2 Good Governance\2.2.4 Anti-Corruption Reforms

#### Number of People affiliated with non-Governmental Organizations receiving USG supported Anti-corruption Training

					Number of women					Number of men				
2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	-	-	TBD	-	-	-	-	-	-	-	-	-	-

**299**  
**chars**

### 2.2.4 Anti-Corruption Reforms narrative (no more than 1500 characters)

The planned implementing mechanism for providing assistance under this program element did not move forward. A new implementing mechanism is currently being designed. Targets will be defined in early Calendar Year 2008, and documented in the Mission via a Mission Director-signed target memo.

### 2.3 Political Competition and Consensus-Building\2.3.3 Political Parties

**Number of Individuals who Receive USG-Assisted Political Party Training**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	Number of women					Number of men				
					2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	688	-	150	-	-	-	-	-	-	-	-	-	-

**2.3 Political Competition and Consensus-Building\2.3.3 Political Parties**

**Number of political parties and political groupings receiving USG Assistance to articulate platform and**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	40	-	4

**2.3 Political Competition and Consensus-Building\2.3.3 Political Parties**

**Number of USG-assisted political parties implementing programs to increase the number of**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	N/A	-	2

**1393  
chars**

**2.3.3 Political Parties narrative (no more than 1500 characters)**

We planned to report this fiscal year on results achieved exclusively by programs listed in the FY07 OP. Updated OP Performance Report guidance allows us to report on activities not in the OP that received prior-year funding. We, therefore, are reporting on results achieved under our recently concluded elections and political party strengthening activity implemented by the National Democratic Institute and Transparencia, although, following the earlier guidance, no target had been set. FY 2007 actuals are measuring results from an activity that trained a wide range of regional political groups. Future programs will specifically focus on national-level political parties; targets will therefore be significantly lower.

Notes on Indicators:

Indicator 1) Political Party Training: Nearly 700 candidates and representatives from political parties received training on outreach strategies and message development to improve the quality and reach of their campaign messages. In addition 1,800 journalists received comparative information about candidates and their policy positions.

Indicator 2) Political Parties Assisted to Articulate platforms: 40 political parties received assistance to more effectively articulate platform and policy agendas prior to the regional elections. USG assistance bates between regional gubernatorial candidates in eight target regions.

### 3 Investing in People - Peru

#### 3.1 Health\3.1.1 HIV/AIDS

Number of individuals reached through community outreach that promotes HIV/AIDS prevention through abstinence and/or being faithful

					Number of women					Number of men				
2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
56,000	-	18,000	-	-	-	-	9,000	-	-	-	-	9,000	-	-

#### 3.1 Health\3.1.1 HIV/AIDS

Number of individuals reached through community outreach that promotes HIV/AIDS prevention through other behavior change beyond abstinence and/or being faithful

					Number of women					Number of men				
2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	52,614	-	35,000	-	-	23,676	-	-	-	-	28,938	-	-

#### 3.1 Health\3.1.1 HIV/AIDS

Number of individuals trained to promote HIV/AIDS prevention programs through abstinence and/or

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	470	-	-

#### 3.1 Health\3.1.1 HIV/AIDS

Number of individuals trained to promote HIV/AIDS prevention through other behavior change beyond

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
60	-	271	-	270

1020  
chars

3.1.1 HIV/AIDS narrative (no more than 1500 characters)

We planned to report this fiscal year on results achieved exclusively by programs listed in the FY07 OP. Updated OP Performance Report guidance allows us to report on activities not in the OP that received prior-year funding. We, therefore, are reporting on results achieved under our HIV and Infectious Disease Programs, which will conclude in early FY 2008, although, following the earlier guidance, no target had been set. FY 2008 targets are TBD or will be revised upwards as a new implementing mechanism is currently under the design phase. Targets are expected to be defined early in Calendar Year 2008 and documented in the Mission via a Mission Director-signed target memo.

Note: "Beyond abstinence/being faithful" prevention activities in most cases are combined with "abstinence/be faithful" messages. Community outreach activities include face-to-face, community events, mass media and printed materials, as well as information from health workers to prevent vertical (mother-to-child) transmission.

### 3.1 Health\3.1.2 Tuberculosis

#### Number of people trained in DOTS with USG funding

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	number of women					number of men				
					2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	850	-	TBD	-	-	581	-	-	-	-	-	269	-

### 3.1 Health\3.1.2 Tuberculosis

#### Number of people trained in monitoring and evaluation

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	120	-	TBD

1135  
chars

#### 3.1.2 Tuberculosis narrative (no more than 1500 characters)

As per earlier FY 07 OP guidance, targets were based on expected results only from those programs included in the FY 2007 Operational Plan, and thus no targets were set for FY 2007. Per recent OP Performance Report guidance, the above results represent achievements from all programs regardless of funding year, even those not included in the FY 2007 OP. Targets for FY08 are TBD pending design of a new technical assistance mechanism for the public health sector. Targets are expected to be defined early in Calendar Year 2008 and documented in the Mission via a Mission Director-signed target memo.

Notes on Indicators: Indicator 1) Training of clinicians and community health workers focused on implementation of individual treatment plans for TB patients integrating community interventions and health care services. Indicator 2) Training in monitoring and evaluation included topics related to measuring program efforts, including performance indicators, qualitative data collection, data analysis, formative or summative evaluation. Individuals trained include: medical personnel, health workers, community workers, etc.

### 3.1 Health\3.1.5 Other Public Health Threats

#### Number of baseline or feasibility studies

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	-	1	-

## Number of evaluations

					process					results				
2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	-	1	-	-	-	-	-	-	-	-	-	-	-

## 3.1 Health\3.1.5 Other Public Health Threats

## Number of people trained in monitoring and evaluation

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	171	-	-

1092  
chars

## 3.1.5 Other Public Health Threats narrative (no more than 1500 characters)

As per earlier FY 2007 OP guidance, targets for FY 2007 were based on expected results only from those programs included in the FY 2007 Operational Plan, and thus no targets were set for FY 2007. Per recent OP guidance, the above results represent achievements from all programs even those not included in the FY 2007 OP. Indicators 1) Number of baseline studies, and 3) Number of evaluations, should be DELETED from the Operational Plan due to delays in funding and implementation of two activities: the Hand Washing and Sanitation as a Business initiatives managed by the World Bank, and a new health program technical assistance mechanism for the public sector. Given the delays, these studies and evaluations will be carried out by other donors. Indicator 3) Training in monitoring and evaluation, included training in topics such as measuring program effort, performance indicators, qualitative data collection, data analysis, formative or summative evaluation. It focused on monitoring pharmaceuticals and hospital infections, and was directed to doctors, nurses and pharmacists.

## 3.1 Health\3.1.6 Maternal and Child Health

## Number of children reached by USG-supported nutrition programs

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
400	2,000	5,746	6,000	6,000

## 3.1 Health\3.1.6 Maternal and Child Health

## Number of improvements to laws, policies, regulations or guidelines related to improved

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target

200	400	-	500	-
-----	-----	---	-----	---

### 3.1 Health\3.1.6 Maternal and Child Health

#### Number of people trained in child health and nutrition through USG-supported health area programs

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	number of women					number of men				
					2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
200	400	521	500	500	-	-	240	-	-	-	-	-	281	-

### 3.1 Health\3.1.6 Maternal and Child Health

#### Number of people trained in monitoring and evaluation

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
70	550	1,038	820	820

### 3.1 Health\3.1.6 Maternal and Child Health

#### Number of people trained in other strategic information management

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
180	180	276	180	180

1495  
chars

#### 3.1.6 Maternal and Child Health narrative (no more than 1500 characters)

Results surpassed targets in part due to the fact that targets were based on expected results only from those programs included in the FY 2007 Operational Plan. Per recent OP guidance, the above results represent achievements from all programs even those not included in the FY 2007 OP. Indicator 1) Children reached: includes children under age 2 reached by programs promoting good infant and young child feeding; target was exceeded due to successful recruitment of families. Indicator 2) Policies: (Special Note: Please DELETE as a data entry error occurred (extra zeroes) when entering the FY 07 and FY 08 targets. The indicator with proper figures is included in the Custom Indicator table. Policies improved include technical guidelines, plans, strategies, policies, approved officially by government institutions receiving USAID/Peru support. Issues included guidelines for nutrition, immunization, integrated care. Strong political buy-in boosted results and surpassed targets. FY08 target is set to 30 due to the fact that the activity will close during FY08. Indicator 3) Training in Child health: Training for health professionals and technicians in 417 health facilities providing care to 557 communities. Indicator 4) Training in M&E: Target was surpassed in part due to increased demand for training by additional health facilities. Indicator 5) Training in Strategic Information: FY08 target is not higher due to the closing of

by additional health facilities. Indicator 5) Training in Strategic Information: FY08 target is not higher due to the closing of an activity that contributes to the result.

### 3.1 Health\3.1.7 Family Planning and Reproductive Health

#### Number of institutions with improved Management Information Systems, as a result of USG Assistance

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	28	68	64	64

### 3.1 Health\3.1.7 Family Planning and Reproductive Health

#### Number of people trained in monitoring and evaluation

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
70	210	844	450	450

### 3.1 Health\3.1.7 Family Planning and Reproductive Health

#### Number of policies or guidelines developed or changed with USG assistance to improve access to

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
10	45	73	130	130

1316  
chars

#### 3.1.7 Family Planning and Reproductive Health narrative (no more than 1500 characters)

Results surpassed targets in part due to the fact that targets were based on expected results only from those programs included in the FY 2007 Operational Plan. Per recent OP guidance, the above results represent achievements from all programs even those not included in the FY 2007 OP. Indicator 1) Institutions with Management Information Systems (MIS): MIS are computerized systems (e.g. databases) that allow an organization to store, analyze, report, and use information to correctly understand its situation and support decision making. Indicator 2) Training in M&E: Target was surpassed due to increased demand for training from additional health facilities. FY08 target is lower than FY07 actual due to the closing of an activity that contributes to this result. Indicator 3) Policies: Include technical guidelines, plans, strategies approved officially by government institutions receiving USAID/Peru support. Subjects included: technical guidelines to treat victims of gender based violence (GBV); local policies to prevent and address GBV; inclusion of FP/RH and HIV services in the public insurance system; regional and local policies to protect the rights of health services users; local coordination of health services, et al. Boosted results can be attributed to good local political buy-in.

### 3.2 Education\3.2.1 Basic Education

#### Does your program support education systems/policy reform? If yes, please describe the

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
1	1	Yes (see narrati	-	Yes

### 3.2 Education\3.2.1 Basic Education

**Number of administrators and officials trained**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	number of men					number of women				
					2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
23	21	84	-	50	7	-	65	-	-	16	-	19	-	-

**3.2 Education\3.2.1 Basic Education**

**Number of learners enrolled in USG-supported primary schools or equivalent non-school-based settings**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	number of women					number of men				
					2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
6,071	6,000	5,775	-	5,500	2,978	-	2,856	-	-	3,093	-	2,919	-	-

**3.2 Education\3.2.1 Basic Education**

**Number of Parent-Teacher Association or similar 'school' governance structures supported**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
140	140	140	-	140

**3.2 Education\3.2.1 Basic Education**

**Number of teachers/educators trained with USG support**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	number of women					number of men				
					2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
282	280	294	-	250	139	-	155	-	-	143	-	139	-	-

**3.2 Education\3.2.1 Basic Education**

**Number of textbooks and other teaching and learning materials provided with USG assistance**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
50,500	38,500	41,095	-	30,000

1406

chars

### 3.2.1 Basic Education narrative (no more than 1500 characters)

USAID trained 84 education administrators and officials, 294 teachers and principals, 5,775 students, supported 140 school boards, and provided 41,095 learning materials. All targets were met, within the 5% allowable margin, or exceeded. Targets were exceeded for the number of administrators trained due to increased capacity-building work. Including 135 more schools in alternative development communities funded with counternarcotics funds, these numbers increase to 102 education administrators and officials, 540 teachers and principals, 11,245 students, and 77,696 materials. In 2006, 16% of students in project schools have reached grade-level standards in communication, twice better than control schools. Student completion rate is 52% higher than control schools. These are noteworthy results in a country where only 2.3% of all rural students reach mastery level.

A key contribution to systems and policy reform is USAID's support for completing the long-term National Education Plan (PEN), adopted as a national policy by President Garcia, a significant milestone. Decentralization support to the San Martin region also met key goals as it launched its Regional Education Plan, and completed and secured national funds for its teacher training plan, increasing the regions FY 2008 targets are tentative as the implementing mechanism is finalized.

nagement.

FY 2008 targets are tentative as the implementing mechanism is finalized.







# 4 Economic Growth - Peru

## 4.2 Trade and Investment\4.2.2 Trade and Investment Capacity

### Number of firms receiving USG assistance that obtain certification with international quality

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	100	-	100	-

## 4.2 Trade and Investment\4.2.2 Trade and Investment Capacity

### Number of participants in USG supported trade and investment capacity building trainings

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	Number of women					Number of men				
					2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
5,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-

1505  
chars

### 4.2.2 Trade and Investment Capacity narrative (no more than 1500 characters)

Indicator 1) Assistance for Certification: Please DELETE: wrong indicator was entered. Please REPLACE by indicator in the Custom Indicator table: Number of firms receiving assistance to export. FY 2007 target: 100. USAID exceeded the target of 100 firms due to the USAID response to a GOP request to assist and train 334 artisan firms to participate in events that included more than 900 participants. These workshops provided information and assistance to adapt production to international standards and employ new marketing techniques.

Indicator 2) Trade Capacity Building Training: Due to delayed start of new implementing mechanisms, the Mission documented a resulting change in FY 07 target for this indicator, from 1000 to 200. Therefore, DELETE indicator here; it is RE-ENTERED with proper information on Custom Indicator Template. Given an increased interest in trade generated by Peru's accelerated growth and the pending Peru Trade Promotion Agreement, business associations and universities organized several seminars and workshops on related themes last year. USAID supported the participation of 476 small business owners in these events. The five events were: Family Business & Internationalization of Small Business Seminar; Opportunities for Peruvian Enterprises Seminar; Foreign Trade Seminar; the Third Economics Congress; and the Lima Chamber of Commerce Annual Economic Forum. These collaborative opportunities helped the Mission exceed the target of 200 for this indicator.

## 4.3 Financial Sector\4.3.2 Financial Services

### Number of USG supported special funds loans issued this year

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	1,000	1,408	1,000	1,500

550  
chars

### 4.3.2 Financial Services narrative (no more than 1500 characters)

The focus of USAID programs in FY07 was to establish the conditions for increased access to credit for SMEs and to revamp MFI regulatory systems to ensure that MFIs follow sound banking and financial management practices. Achievements in these areas have laid the groundwork for increased loans to SMEs in FY08 from USAID financial service programs. With previous year funds, 1,408 loans were placed under the DCA guarantee by all six MFIs with outstanding agreements in the reporting period. The guaranteed amount of these loans was \$1.5 million.

**4.6 Private Sector Competitiveness**  
**4.6.2 Private Sector Productivity**

**Number of firms receiving USG assistance to invest in improved technologies**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
16	19	19	22	15

**4.6 Private Sector Competitiveness**  
**4.6.2 Private Sector Productivity**

**Number of firms receiving USG assistance to improve their management practices**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
26	30	38	34	35

**1490  
 chars**

**4.6.2 Private Sector Productivity narrative (no more than 1500 characters)**

USAID met or exceeded all of its targets for this element in FY07. In the Peru-Ecuador Border area, USAID improved the management practices of 38 firms and helped 19 firms invest in improved technologies, exceeding the target of 30 and meeting the target of 19, respectively. These efforts created 3,477 new jobs, generated new sales of \$14.8 million, and attracted \$743,000 in new private sector investments, contributing to the economic growth of the Departments along the Ecuadorian border. New investments have been mostly directed to improved technologies for the organic certification of fruit and coffee production and the development of new plantations of exotic Amazonian fruit.

The above results were achieved only with the funding for the PRA project within this program element. Nationwide, using funding from this element, as well as from the Alternative Development and Alternative Livelihood element, PRA has helped client businesses generate new sales of \$62.2 million and 13,246 new full-time equivalent jobs. USAID continued to successfully link micro and small-scale enterprises to export value chains selling products primarily to the U.S. and the European Union. Increased sales and job creation were fueled by the artichoke, trout, textile, specialty coffee, cacao ns, which contributed significantly to the economic growth and diversification of the Peruvian economy, predicted to exceed 7% GDP growth for the second year in a row.

**4.8 Environment**  
**4.8.1 Natural Resources and Biodiversity**

**Number of hectares under improved natural resource management as a result of USG**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
410,000	305,500	194,685	300,000	200,000

4.8 Environment\4.8.1 Natural Resources and Biodiversity

**Number of people receiving USG supported training in natural resources management and/or biodiversity conservation**

					number of women					number of men				
2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	60	74	-	85	-	-	31	-	-	-	-	43	-	-

4.8 Environment\4.8.1 Natural Resources and Biodiversity

**Number of people with increased economic benefits derived from sustainable natural resource management and conservation as a result of USG assistance.**

					number of women					number of men				
2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	-	-	2,000	-	-	-	-	-	-	-	-	-	-

4.8 Environment\4.8.1 Natural Resources and Biodiversity

**Number of policies, laws, agreements or regulations promoting sustainable natural resource**

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	33		66	

**1420 4.8.1 Natural Resources and Biodiversity narrative (no more than 1500 characters)**

Indicator 1) Hectares under improved NRM: USAID fell short of its target to internationally certify 305,500 new hectares of forests in FY2007. One forest concession failed to get additional financing needed to complete certification requirements of 45,000 hectares. Another concession faced a complicated problem along the Brazilian border. Reportedly, an indigenous group entered the concession and extracted trees. This removal of trees was not included in the company's forest management plan; therefore, the independent auditor could not certify the 80,000 hectare concession. This complicated problem will require the support and intervention of INRENA to resolve it.

Indicator 3) "Number of people with increased economic benefits" will be used to report on this program in FY08. This indicator will capture the economic benefits accruing to workers in the certified forestry industry as well as those who benefit from INRENA's improved management of the National System of Protected Areas. This indicator is being included now as the program is at a sufficient level of maturity to begin to impact livelihoods.

Indicator 4) Number of policies. Due to change in leadership at GOP implementing agency, program changed focus and the Mission documented a resulting change in FY 07 target, from 33 to 13. Therefore, DELETE indicator here; it is re-entered with proper information on custom indicator template.



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3 USAID assistance reached \$6.8 million in new sales surpassing the target of \$5.83 million by 17.5 percent. In addition the program gener



erated the equivalent of 2,065 full time jobs. The number of farmers receiving extension services totaled 14,470 small farmers, which wa



as 12.6 percent above target of 12,850. Finally, USAID reached its most ambitious target by lowering the percentage of children under th



Free with chronic malnutrition in target areas to 22.8 percent, from 26.8 in FY 2006