

PD-ABE-968
\$10,000

ANDEAN COUNTER-DRUG INITIATIVE
OBJECTIVE IV: ALTERNATIVE DEVELOPMENT

QUARTERLY REPORT
(JANUARY - MARCH 1992)

AGENCY FOR INTERNATIONAL DEVELOPMENT
MAY 1992

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ANDEAN REGIONAL: THE PROBLEM

Coca production and cocaine consumption reached unprecedented levels during the 1980s. Bolivia, Colombia, and Peru, the world's coca-producing countries, increased their economic dependence on coca and the cocaine industry as the decade progressed. A general economic decline during this period, particularly in Bolivia and Peru, created incentives for movement of the work force into coca cultivation, processing, and trafficking. As a result of the rise in coca production, accompanied by a decline in other sectors, an increasing percentage of the jobs, income, and foreign exchange--the vital links of the economic chain--in these countries has been generated by illegal, coca-related activities. Furthermore, inefficient and overburdened judicial systems in the region were unable to address the growth of narco-trafficking.

ANDEAN REGIONAL: ALTERNATIVE DEVELOPMENT STRATEGY

Alternative Development is sound economic development with a special emphasis on reducing the role of illicit drugs in the overall economy. The objective of Alternative Development is to strengthen and diversify the legitimate economies of the Andean nations to enable them to replace coca. The USG Alternative Development strategy in the Andes is the same as A.I.D.'s overall strategy--promoting sustainable, broad-based, economic growth--but it includes specific targeted measures to provide alternative economic opportunities for those involved in or considering the coca industry.

Alternative Development must be distinguished from crop substitution. A.I.D.'s extensive experience with crop substitution in both Latin America and Asia has clearly demonstrated that economic assistance to illicit growing areas alone is not effective. Both illicit labor and illicit crop production are dynamic and mobile. Alternative economic opportunities depend upon sound economic policies that generate demand for agricultural and industrial products, as well as services, thus creating incentives for diversified economic growth and job creation. This can only be accomplished through broad national development.

The USG works in Alternative Development in the Andean countries at both the micro and macro levels. At the micro level, A.I.D. projects deliver agricultural research, marketing assistance, and rural infrastructure to help farmers shift from illicit to licit activities. Also at the micro level, the Alternative Development portfolios attempt to improve the quality of life in non-growing regions to prevent both migration and new coca growth. A.I.D. projects stimulate non-coca jobs, income, and foreign exchange to allow Andean economies to reduce their coca dependency and to make it possible financially for individuals to leave the illegal economy. These projects also promote trade and investment to expand job creation, trade, and alternative income opportunities in the legitimate economy.

At the macro level, the USG engages in an active economic policy reform dialogue with Andean governments so the projects and the overall economy operate within the market-oriented framework that they need for economic growth to succeed in the long run. Balance of payments support cushions these economies during the difficult transition away from coca-derived income. These cash transfers, are conditioned not only on economic performance but also on counter-narcotics performance (eradication, interdiction, and law enforcement), which is essential to the success of Alternative Development.

Alternative Development, like any sound economic development, takes time. Time is required for sound economic policies to build confidence for investment, production, and job creation. Time is also required to identify and expand markets for new products and services. Just as the coca economy did not materialize overnight, neither will an economy based on alternatives to coca.

Alternative Development and the USG Strategy

Alternative Development is only part of a larger, integrated strategy devised by both the United States Government and Andean Governments. The USG strategy, the five-year Andean Counter-Drug Initiative, attacks both the supply and demand sides of the international drug problem.

The success of Alternative Development depends in part on the market price for coca, which is affected by law enforcement beyond the control of institutions implementing Alternative Development. Reduction in the demand for cocaine in developed countries is also a critical factor in lowering the price of coca and making its alternatives more economically competitive. Experience demonstrates that Alternative Development can prosper only if there are both economic incentives and penalties for illicit activities. Therefore, Alternative Development must be supported by narcotics control and demand reduction activities for it to succeed.

To help broaden the base of economic opportunities, the USG's Andean Strategy also includes passage of the Andean Trade Preferences Act (ATPA). The ATPA will provide the Andean countries duty-free access to U.S. markets for ten years for all but a few products. Technical assistance for the ATPA is being provided (as per the Corr Report) in meeting U.S. phytosanitary and zoosanitary requirements for imports. Each of the countries is undergoing substantial economic policy reform, with our help, to attract more investment. Debt reduction packages are under consideration as well.

The USG is also pursuing the possibility of closer collaboration with other donors in Alternative Development. Other donors are supporting Alternative Development. They have preferred to make their contributions through the United

Nations' Drug Control Program (UNDCP), which operates Alternative Development activities in coca-producing areas of Bolivia and Peru. A.I.D. is seeking greater collaboration with other donors on Alternative Development through the Organization for Economic Cooperation and Development (OECD) and the Development Assistance Committee (DAC) mechanism, as well as through the UNDCP.

Administration of Justice

The flourishing drug trade also has taxed the inefficient and already overburdened justice system of the Andes. Part of the USG's Counter-Drug Initiative includes promoting justice sector reform in Bolivia, Colombia, and Peru. The aim of these projects is to increase the effectiveness and fairness of the administration of justice in these countries. As a special emphasis, the projects seek to institutionalize the capacity of the justice systems to prosecute major drug traffickers in their own countries.

Narcotics Awareness and Education

A final component of the regional strategy in all three countries is increasing public awareness and affecting attitudes about the drug problem. These projects aspire to educate the Andean public on the dangers of the drug trade for all involved, thereby creating the necessary public will to sustain counter-narcotics and Alternative Development activities. These projects also address the growing problem of drug abuse in the Andes through public prevention campaigns and education.

Country Strategies

Although there are similarities in the theoretical underpinnings of the three Andean Alternative Development programs, each country's program is tailored to country-specific circumstances and needs. These differences in both the nature of the problem and the strategy to respond to those problems are detailed in the sections that follow. The estimated funding levels for those countries are found directly below.

Andean Regional: Estimated Funding for Alternative Development

(US\$ Millions)

COUNTRY	FY 1991	FY 1992* (REQUEST)	FY 1993* (REQUEST)	FY 1994*
Bolivia	77	100	100	
Colombia	50	50	50	
Peru	60	100	100	
Totals	187	250	250	250

* Contingent on the availability of funds and performance in counter-narcotics and sound economic policy implementation.

* Country levels to be determined.

BOLIVIA: THE PROBLEM

Bolivia is the world's second largest producer of both coca leaves and refined cocaine products. Bolivia cultivates approximately 50,000 hectares of coca, which are concentrated in two main growing areas. The Yungas are the source of 25 percent of all coca, which is used for traditional domestic consumption legally. The tropical lowlands of the Chapare are the source of the other 75 percent of all coca and is destined for illicit international use. Bolivia's coca market is transparent and accessible. Daily coca prices are widely known, and agricultural cooperatives play an active role in marketing. Traditionally a coca leaf and coca paste producer, Bolivia now processes an increasing percentage of its coca leaves into coca base and cocaine.

The cultivation, processing, and trafficking of coca leaves, coca paste, coca base, and cocaine represent the equivalent of eight percent of the national labor force, five percent of legal GDP and 37 percent of legal foreign exchange earnings. Coca industry export earnings that actually remain in Bolivia equal two percent of GDP and 13 percent of foreign exchange earnings, according to A.I.D. estimates. The large illicit economy in Bolivia distorts market incentives, such as those for labor and exports, making the country painfully dependent on the coca industry.

BOLIVIA: ALTERNATIVE DEVELOPMENT STRATEGY

At the core of the Alternative Development strategy in Bolivia is the promotion of sustainable, broad-based, free-market economic growth with a special emphasis on providing viable alternatives to the illegal coca economy. This strategy intends to expedite the transition from a coca-based economy to one which relies on legal non-coca sources for income and growth. The evolution of this strategy is closely linked with the structural changes in the Bolivian economy since 1985. Prior to 1985, the Bolivian economy was plagued by a hyperinflationary spiral that culminated in the world's seventh worst case of inflation in history. Since 1985, Bolivia has stabilized and liberalized its economy as dramatically as any country in Latin America. Economic growth reemerged in the late 1980s and has accelerated in the early 1990s.

The Alternative Development Strategy is based on the mobile nature of labor in Bolivia. The strategy seeks to provide alternative jobs for labor in the Chapare and in the poles of development that the market economy creates nationwide (mainly in El Alto, La Paz, and Santa Cruz). It is recognized that there will always be a pool of labor (potential migrants to the Chapare) that either Alternative Development or any development will not be able to reduce completely. Here, enforcement is the most effective supply-side approach to discourage that unavoidable pool of potential migrants from going to the Chapare. Alternative Development complements that effect on migration by providing alternative jobs in the Chapare, new jobs where the

market determines they are best needed in the longer term, and by "anchoring" some others through improved quality of life and economic opportunities.

Given the mobile nature of labor in Bolivia, the strategy has placed the highest importance on nationwide macroeconomic growth, so that a growing economic pie can attract not only previous coca farmers and laborers but those who would otherwise be potential entrants into the coca labor force. A.I.D.'s own worldwide experience in crop substitution and area development also supports this nationwide approach because illicit crop production is mobile, thereby requiring a national strategy not merely a regional or crop strategy. Policy dialogue and the promotion of new economic opportunities nationwide are the core of the Alternative Development strategy at the macro level. To accelerate macroeconomic growth, the strategy particularly stresses trade and investment. Bolivia is working to meet the conditions of the ATPA, which give it duty-free access to the U.S. market for many goods over the next ten years. Increased stability, improved economic policies, better market opportunities, and economic growth provide the foundation for increased investment and trade.

Increasing economic growth, and heightened enforcement however, are not always enough to induce coca farmers and others involved in the coca trade to opt for alternative economic opportunities. Therefore, A.I.D. presently is executing or designing thirteen projects at the micro level to facilitate the transition for workers already in or seeking to enter the coca industry. The cornerstone of these projects are the Chapare and Cochabamba Regional Development Projects. These projects provide farmers with the agricultural technology, equipment, credit, and the rural infrastructure to help make alternative economic opportunities attractive. These two projects are complemented by a series of projects in both growing and non-growing areas that generate badly needed non-coca jobs and foreign exchange. To avert high potential migrants from cultivating coca, two A.I.D. projects specifically focus on improving the quality of life in labor-surplus areas in the Department of Cochabamba and elsewhere. The remaining projects increase local awareness of the dimensions of the drug problem and improve the efficiency of the justice sector in prosecuting narcotics criminals.

The Alternative Development strategy in Bolivia is closely coordinated with the Government of Bolivia's own Alternative Development strategy, much of which appears in the form of Bolivian Law 1008 (Coca and Controlled Substances Law) of 1988. Under Law 1008, coca farmers are compensated for voluntary eradication of coca. Since Alternative Development is predicated on successful counter-narcotics activities (eradication, enforcement, and interdiction), the approach is to work before, during, and after eradication takes place, with an emphasis on the latter.

A.I.D.-supported projects are listed on the following page.

USAID/BOLIVIA ALTERNATIVE DEVELOPMENT PORTFOLIO

DIRECT IMPACT⁽¹⁾ ALTERNATIVE DEVELOPMENT PROJECTS

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
CHAPARE REGIONAL DEVELOPMENT	511-0543	\$ 38.5 m	FY 1983/92
COCHABAMBA REGIONAL DEVELOPMENT	511-0617	\$ 80.0 m ⁽²⁾	FY 1991/96
ECONOMIC RECOVERY PROGRAM	511-0602	\$264.0 m	FY 1991/94
EXPORT PROMOTION	511-0585	\$ 23.5 m	FY 1989/95
MICRO AND SMALL ENTERPRISE DEVELOPMENT	511-0596	\$ 10.0 m	FY 1988/93
P.L. 480 TITLE II (FOOD FOR WORK)		\$ 78.4 m	FY 1991/94
PRIVATE AGRICULTURAL ORGANIZATIONS	511-0589	\$ 6.7 m	FY 1986/93

ENABLING ALTERNATIVE DEVELOPMENT PROJECTS

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
CARE COMMUNITY DEVELOPMENT	511-0618	\$ 7.0 m	FY 1991/95
COMMUNITY AND CHILD HEALTH	511-0594	\$ 16.5 m	FY 1988/94
DRUG AWARENESS AND PREVENTION	511-0613	\$ 9.2 m	FY 1991/97
ELECTRIFICATION FOR ALTERNATIVE DEVELOPMENT	511-0614	\$ 15.0 m	FY 1991/96
JUSTICE SECTOR	511-0609	\$ 2.0 m	FY 1988/93
NATIONAL RURAL HOUSEHOLD SURVEY	511-0612	\$ 1.0 m	FY 1991/93

¹The criteria for distinguishing between a "direct impact" from an "enabling" project is whether the project directly produces non-coca jobs, income, or foreign exchange and whether the project measures such impact.

² The previous report included \$40 million in counterpart funding, which was not included in any other project; therefore, it is excluded in this report.

BOLIVIA - COUNTER-NARCOTICS OBJECTIVES OF AID FUNDED PROJECTS

PROJECT: Chapare Regional Development - **OBJECTIVE:** To modify and improve the agricultural and forestry systems of farmers in the Chapare and Associated High Valleys sub-regions of Cochabamba to respond better to diverse, profitable marketing opportunities under sustained, environmentally compatible, medium-technology models, and provide economic alternatives to coca production.

PROJECT: Economic Recovery Program - **OBJECTIVE:** To provide balance of payments assistance in support of the Government of Bolivia's (GOB) economic recovery program, to offset foreign exchange losses from reduction in the cocaine trade, and to help pay for investment in alternative industries.

PROJECT: Export Promotion - **OBJECTIVE:** To increase the dollar value of non-traditional exports and related employment by Bolivian and foreign companies to transform the Bolivian economy out of coca activities.

PROJECT: Small Enterprise Development - **OBJECTIVE:** To stimulate the growth and development of the small-scale enterprise sector to provide jobs in non-coca activities, through focusing on institutional development of three local organizations that support this sector.

PROJECT: PL-480 Title II - **OBJECTIVE:** To improve the health and nutritional status of the poor and vulnerable population, and create through short-term employment in non-coca activities. Through enhanced health status and improved quality of life within the project communities, it is hoped that the project will contribute to reduced migration to coca-producing areas.

PROJECT: Private Agricultural Organizations - **OBJECTIVE:** To strengthen and expand the capacity of private agricultural producer organizations to provide services and increase the non-coca incomes and foreign exchange earnings/savings of its members.

PROJECT: CARE Community Development - **OBJECTIVE:** To improve infant and child survival through improved nutritional status and immunization coverage and decreased diarrheal incidence. Through enhanced health status and improved quality of life within the project communities, it is hoped that the project will contribute to reduced migration to coca-producing areas. (Funded with Development Assistance, not NSD-18 money.)

PROJECT: Community and Child Health - **OBJECTIVE:** To improve community health and to reduce infant, child, and maternal mortality in project districts; increase

capability of the Ministry of Health Department and district-level institutions; and facilitate enhanced capacity within community organizations, to plan, implement and sustain child survival interventions. This will produce more favorable living conditions in communities nationwide and thereby reduce migration to the Chapare. (Funded with Development Assistance, rather than NSD-18 money).

PROJECT: Drug Awareness & Prevention - **OBJECTIVE:** To increase public support for the Government of Bolivia's anti-drug programs through the enhanced public awareness of the health, social, political, and economic dangers of drug production, consumption, and trafficking in Bolivia.

PROJECT: Electrification - **OBJECTIVE:** To establish comprehensive implementation mechanisms for national rural electrification (RE) planning, construction, and sustainability in support of the Alternative Development strategy of the Government of Bolivia (GOB). Electrification will be brought both to coca-growing areas and non-coca growing areas; the latter to help prevent migration to the Chapare.

PROJECT: Justice Sector - **OBJECTIVE:** The purpose of the project is to strengthen the administrative and operational capacity of the judicial branch and public prosecution in order to accelerate the judicial process, provide for greater transparency, improve accountability, and offer greater public access to the courts. Achieving these objectives will allow the system to more effectively and efficiently prosecute narcotics crimes.

PROJECT: National Rural Household Survey - **OBJECTIVE:** To develop baseline data on the socio-economic characteristics of the rural population, with emphasis on the Cochabamba Department, in order to measure the transformation of the Bolivian economy from coca to non-coca activities.

BOLIVIA: RESULTS TO DATE

The first quarter of 1992 saw continued progress in USAID's Alternative Development program, but budget cuts and funding delays pose a threat to the program's momentum and success. A reduction in the FY 1992 budget has already forced the cancellation of the Alternative Development Roads project. Now, eight months into the fiscal year, only a small portion of FY 1992 budgeted Alternative Development funds have been allocated to USAID/Bolivia. If funds are not received within the next few weeks, there will be serious implementation slowdowns in the Cochabamba Regional Development, Electrification for Alternative Development, and Drug Awareness and Prevention projects.

At the macroeconomic level there has been substantial and sustained performance on the part of the Government of Bolivia (GOB). The USG can share in these successes because of a continuous high level policy dialogue between the Embassy/USAID and the GOB. The GOB has been pursuing a macroeconomic reform program, that has at its core a three-year extended structural adjustment facility with the International Monetary Fund, which will be completed successfully in July 1992 with a possible one year extension. This program is comprehensive in scope and provides a sound economic policy framework for the specific changes being pursued by the GOB. To date, the program has been conscientiously implemented by the GOB, particularly with respect to its stabilization and structural adjustment components. The GOB also skillfully has managed a process that has resulted in a unified and realistic exchange rate. The abolition of import licensing and quantitative restrictions is another critical policy change adopted in order to make the economy more internationally competitive. Furthermore, virtually all prices in the product, labor and financial markets have been freed.

The economy grew by four percent in 1991, the highest rate in a decade. Renewed growth in 1991 allowed the Bolivian economy to provide jobs for 50,000 new entrants to the labor force and absorb an additional 50,000 unemployed laborers for a total of 100,000 new jobs. As a result, non-coca jobs grew at a faster rate than coca jobs during 1991. This points to initial success for the overall strategy.

At the project level, the A.I.D. Mission to Bolivia is managing a series of projects with the GOB to directly support the strategic objective of creating licit employment, income, and foreign exchange. The Export Promotion project, which has been successful in creating foreign exchange and new jobs, generated its first foreign investments during this quarter. The largest of the four new investments, which total nearly \$1 million overall, was by a U.S. company for the fabrication of Chippendale chairs in Bolivia. To date, the Export Promotion project has directly help produce 1,650 new jobs and \$8.5 million in new exports. Additionally, the project has

accelerated Bolivia's penetration into key regional export markets in Brazil, Peru, and Argentina.

The Chapare Regional Development project once again produced significant outputs this three month reporting period, especially with regard to agricultural research, extension and infrastructure. Most notably, over 7,000 farmers received training or technical assistance during this short period. This included nearly a doubling of the number of farmers receiving demonstration plots, a key intermediate step toward alternative crop production. This progress in reaching increased number of farmers with training and technical assistance demonstrates the acceptance of Alternative Development by the farmers and their recognition of the need to diversify away from the predominant crop, coca.

USAID's PL 480 Title II food for work program created over 165,000 person-months (or roughly 13,750 jobs year long) of short-term employment this quarter. The program, which is active in both rural and urban areas, provides critical jobs to help deter migration to the Chapare and to buffer the transition from coca to non-coca jobs.

COLOMBIA: THE PROBLEM

Colombia is the world's largest processor and trafficker of cocaine and the third leading producer of coca. It imports, processes, and trafficks in most of the coca and coca products originating in Bolivia and Peru. Colombia's cocaine industry is well organized into clandestine crime groups which have made Colombia the hub for most of the world's cocaine production and marketing. At the same time, Colombia has the most severe drug abuse problem of the three Andean countries with estimates of 500,000 drug abusers out of a population of roughly 32 million.

Colombia reaps the greatest profits from the Andean coca industry because of the more lucrative nature of cocaine processing and marketing, compared with coca growing. Despite huge profits, Colombia's diversified economy is less dependent on the coca industry than the smaller and weaker economies of Bolivia and Peru. Nonetheless, huge amounts of drug money have altered the Colombian economy, increasing inflation, distorting financial markets, and causing the overvaluation of the Colombian peso to the detriment of exports. The violence of the narco-traffickers also has slowed economic growth by deterring foreign investment and tourism.

The human and institutional costs of drug profits in Colombia have been extremely high. Cartel-inspired intimidation and violence have resulted in the assassinations of hundreds of judges, high-ranking political figures, police, other public officials, and ordinary citizens. The financial influence of the cartels has corrupted democratic institutions and overwhelmed Colombia's judicial system.

COLOMBIA: ALTERNATIVE DEVELOPMENT STRATEGY

The Alternative Development strategy in Colombia focuses on fostering strong institutions in a free-market setting. The strategy consists of three major components: economic restructuring and growth, strengthening of the democratic system, and alternative economic development.

The Colombian strategy, as throughout the Andes, is predicated on the need to expand economic opportunity in order to create viable alternatives to the cocaine industry. A critical dimension of the strategy is to support Colombia's drive for international markets, a program Colombia calls "Apertura" or "opening". Although Colombia's economic policies have been generally sound, the economy is still too inward-looking in many areas and unable to compete in the global economy. Fundamental policy reforms, reinforced by policy dialogue and balance of payments support on the part of the United States Government, are positioning Colombia to compete better in international markets, thereby creating licit jobs and export earnings. This structural change, however, will cause exacting dislocations of Colombia's economy in the short run. Thus, USG assistance supports and rewards

Colombia's superior economic and counter-narcotics performance on the one hand and cushions the pains of adjustment on the other hand, including assistance toward debt reduction efforts.

Regarding the second component of the strategy, Colombia is in the midst of a profound democratic transition. The country recently adopted a new constitution, engendering a political decentralization process which is bringing democracy to the lowest levels and most remote areas of Colombia. Colombia also has taken a firm stance against narco-traffickers through the prosecution and disruption of the powerful cartels. The centerpiece of A.I.D.'s project activity in Colombia that is directly concerned with strengthening the democratic process is a judicial sector reform project aimed at improving the effectiveness, fairness, and accessibility of the justice system. The \$36 million dollar project proposes to transform the criminal justice system through increasing the independence of the court system and improving the investigative and prosecutorial capacity of the justice system.

The third component of the strategy uses the Colombian peso equivalents of the USG balance of payments support to fund projects in Alternative Development more directly. The major program areas agreed to by the GOC and the USG are Apertura (trade expansion) and decentralization and regional economic growth. The GOC directly manages all local currency projects. (See the list of local currency projects in Annex A).

USAID/COLOMBIA ALTERNATIVE DEVELOPMENT PORTFOLIO

DIRECT IMPACT ALTERNATIVE DEVELOPMENT PROJECTS

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
ESF CASH TRANSFER	514-9001	\$154.0 m	FY 1991/94

ENABLING ALTERNATIVE DEVELOPMENT PROJECTS

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
JUSTICE SECTOR REFORM	514-9002	\$ 36.0 m	FY 1991/96

ALTERNATIVE DEVELOPMENT PROJECTS UNDER DESIGN

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
TRAINING AND TECHNICAL ASSISTANCE	514-9003	\$ 5.5 m	FY 1992/95
DRUG AWARENESS AND EDUCATION	514-9004	\$ 4.0 m	FY 1992/95

COLOMBIA - COUNTER-NARCOTICS OBJECTIVES OF AID-FUNDED PROJECTS

PROJECT: ESF Cash Transfer - **OBJECTIVE:** To provide a cash transfer to assist the GOC's economic revitalization; and provide alternative income opportunities and improved living conditions to help keep people from involvement in drug production and trafficking.

PROJECT: Justice Sector Reform - **OBJECTIVE:** Improve the effectiveness of the justice system, to help increase the rate of drug trafficking conviction.

COLOMBIA: RESULTS TO DATE

PRODUCTION, GROWTH AND ECONOMIC SITUATION

Colombia has made impressive strides at the macroeconomic level, which is a substantial part of the focus of the USG strategy of Alternative Development in this country. At the end of 1990, the Gaviria Administration pushed a complete package of reforms through Congress which touched on practically every facet of economic and social policy: financial and tax laws, the exchange regime, and the labor code. The new laws eliminated almost all prior import license requirements, simplified import/export procedures, established a free market exchange regime, liberalized foreign investment rules, modernized the labor code to enhance job stability, and restructured the tax code. Other structural reforms included the reorganization of the Central Bank to make it more autonomous from the government, conversion of the export promotion agency into an export-import bank, and creation of new ministries for foreign trade and the environment. These measures were complemented with administrative decrees that sharply cut tariff duties and surcharges and strengthened the financial system by reducing forced investments and increasing capital requirements. The GOC also embarked on an ambitious privatization program, targeting the ports, railroads, civil aviation, and financial institutions.

The focus of structural change in the Colombian economy has been on trade and investment policies to open up Colombia to greater international competition. To that end, reforms have resulted in the complete elimination of a prohibited import list, virtual abolition of the prior licensing requirement, replacement of almost all quotas with tariffs, deep reduction in tariffs, and reductions in the import surcharge. The GOC simultaneously has opened up nearly all sectors of the economy to foreign investment, eliminating restrictions in the financial sector and introducing competition into the telecommunications sector. New investment regulations eliminated the ceiling on profit remittances for foreign investors. Foreign capital funds have been authorized to operate in Colombia and may invest in the shares of local companies. Administrative procedures for foreign trade and investment have been streamlined, with the elimination of prior GOC approval for most transactions.

Colombia also has been a driving force in the reactivation of the Andean Pact. The Pact members established a free trade zone between the member countries beginning in January 1992, including a common external tariff and harmonization and reduction of subsidies. The Pact arrangements presently exclude the sensitive iron and steel, automotive, and metal manufacturing industries, which will be phased in more gradually.

As a result of the Apertura program and commitments made in the context of the GOC's adherence to the GATT subsidies code (as well as in compliance with

Andean Pact reforms), Colombia will phase out export subsidy programs that are inconsistent with the code. Specifically, the government has pledged to reduce the export tax rebate program to match the actual incidence of indirect taxes; increase interest rates to exporters to commercial rates; and to eliminate the duty exemption program on imports of capital goods and raw materials used for export production.

JUSTICE SECTOR

At the project level, the Justice Sector Reform Project continues to build momentum. Three new conciliation centers were opened--two in Bogota and one in Cali. These centers are critical to reducing the overall congestion of the justice system by preventing unnecessary cases from entering the court system and providing improved access to legal assistance for low-income groups.

Other important accomplishments attributed to the Justice Sector Reform Project are the strengthening of the Procuraduría through the installation of a personnel management information system; the support for four training seminars in modern investigative methodologies; delivery of equipment for photography, personnel identification, metals detection, and data processing; the execution of a national advertising campaign against corruption; and initiation of the necessary analytical work to establish a Public Defender's Office including legislation.

ESF CASH TRANSFER

The GOC also achieved major progress in the local currency projects that it exclusively manages, as outlined under "ESF Cash Transfer" in Annex A. Highlights of GOC projects follow. The Quality Foundation had begun to introduce the concepts of Total Quality Management (TQM) into the Colombian private and public sectors through entrepreneurship leadership seminars with forty-five Colombian chief executive officers, through the design of a program to train professionals in TQM, and through a series of seminars on quality control in major Colombian cities for eighty-seven middle managers.

Major construction progress was reported on the Pasto Tumaco road from El Diviso to Tumaco which was leveled, constructed, and partially paved. Similar progress was reported for the Magdalena highway from La Lizana to San Alberto which included the construction of a 650 meter bridge.

Medellín, a city devastated by narco-trafficking, is being revitalized through a series of economic and social projects. This included training and technical assistance to the first store-owners Association in Medellín. Research began on a production development center to foster small business development. A comprehensive drug addiction study was performed and non-governmental organizations provided drug

rehabilitation services. Nine secondary schools buildings in the most troubled urban areas were refurbished, and a contract was signed for the construction of a new high-school in the nearby town of Bello. A large urban community, La Esperanza, was completely rebuilt including schools, water systems, and recreation areas.

PERU: THE PROBLEM

Peru is the world's largest producer of coca, accounting for as much as 60 percent of coca cultivation. Peru's currently grows at least 120,000 hectares of coca. Coca cultivation is spread throughout Peru, with its highest concentration, approximately 50 percent of the country's total, found in the jungle areas of the Huallaga Valley. The cultivation and production of coca is illegal in Peru except for a small area near Cuzco, where cultivation is used for traditional domestic purposes. Peru's coca market is neither transparent nor accessible, and the laws concerning coca cultivation are not strictly enforced. In fact, Peruvian guerrilla groups often control or affect marketing decisions, as well as controlling major portions of growing areas, making access to information and growers difficult and dangerous. There is little market for coca leaves domestically, and many of Peru's coca farmers are becoming first stage processors of coca paste to increase their earnings. Peru does not yet have a significant problem of drug abuse among its own citizens, although it is increasing, particularly in coca-growing areas. Over 80 percent of Peruvians have an appreciation of the role that the cocaine trade plays in undermining democratic institutions, though elites do not act on this.

The cultivation, processing, and trafficking of coca leaves, coca paste, coca base, and cocaine represent the equivalent of three percent of the national labor force, four percent of legal GDP, and as much as 16 percent of legal foreign exchange earnings, according to 1991 estimates. Estimates of the economic impact of coca have been revised downward, reflecting reduced prices for local coca. These figures are based on total income generated and not what income necessarily remains in Peru. The large size of Peru's illicit coca economy has distorted wage rates and the exchange rate, and has caused migration to coca growing areas in the jungle. Peru's coca industry also corrupts the democratic process and finances guerrilla groups opposed to constitutional rule.

PERU: ALTERNATIVE DEVELOPMENT STRATEGY

The objective of the Alternative Development strategy in Peru is to revitalize the Peruvian economy and provide viable alternatives to the illegal coca economy. The strategy seeks to accelerate Peru's transition from a coca-based economy to one which relies on non-coca sources for income, jobs, exports, and economic growth. The strategy operates at both the macro and micro levels to achieve macroeconomic growth and Alternative Development.

The strategy places high priority on macroeconomic revitalization given the magnitude of the coca economy and the severe deterioration in virtually all other sectors due to decades of past mismanagement. The long-term goal of the strategy on the macroeconomic front includes three major components. First, the strategy

seeks to stabilize the economy through encouraging macroeconomic adjustments that will reduce inflation and fiscal, monetary, and trade disequilibria. Second, it works to open up the economy so that expanded non-traditional exports and efficient production for a growing domestic market can replace coca exports. Third, it promotes legal employment opportunities to attract labor force entrants away from the coca industry. The Alternative Development portfolio supports these macroeconomic changes through balance of payment support, policy dialogue, and a project dedicated to improving economic policy analysis and implementation.

The strategy complements macroeconomic growth with a series of projects at the micro level to improve alternative economic opportunities for those in coca-growing areas and for potential migrants to those areas. The strategy's key projects are the Upper Huallaga Area Development and its successor project, Selva Economic Revitalization. These projects provide farmers with the agricultural technology, equipment, credit, and, most importantly, the rural infrastructure to make alternative economic opportunities viable. These core projects are supported by a large Selva Coastal Road Rehabilitation project to lower the marketing costs of alternative crops and by a land titling project to give farmers sufficient land security to make investments in alternative crops worthwhile.

These key projects in the coca-growing areas are supplemented by a series of projects which generate jobs and exports nationwide. These include the Investment and Export Promotion Project and the Small Business/Employment Expansion Project which directly encourage investment, job creation, enterprise development, and the expansion of non-traditional exports by the private sector. The remaining projects enable the already mentioned projects to succeed by promoting local awareness of the narcotics problem, improving the administration of justice (particularly against narco-traffickers), and strengthening key democratic institutions that will be essential for Alternative Development to be sustainable in the long run.

Three assumptions are critical if Alternative Development assistance is to be effective in Peru. The first key assumption is that the Government of Peru (GOP) is politically able to implement comprehensive macroeconomic policy reforms, moving its policies and institutions toward a stable market-oriented system. The second assumption is that joint counter-narcotics control efforts result in the fall of coca prices, which makes coca production less attractive. The third assumption key to Alternative Development's success is that security and government authority are reestablished in the coca growing regions (Huallaga Valley) and along the country's national highways.

A.I.D.-supported projects are listed on the following page, but we have to consider that at present Alternative Development activities are affected by the change in relationships between the GOP and the USG due to extra-constitutional changes

made by President Fujimori April 5, 1992. Although UHAD project activities will continue as planned, and the Selva Economic Revitalization (SER) project paper is being prepared, new NSD-18 ESF funding will not be requested for project design, evaluation and other types of pre or post project support (PD&S) for most activities until there is progress in return to democratic rule. Only the Judicial Strengthening and Narcotics Education and Community Initiatives projects will go forward at this time.

USAID/PERU ALTERNATIVE DEVELOPMENT PORTFOLIO

DIRECT IMPACT ALTERNATIVE DEVELOPMENT PROJECTS

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
ECONOMIC STABILIZATION AND RECOVERY	527-0344	\$330.0 m	FY 1991/95
INVESTMENT AND EXPORT PROMOTION	527-0349	\$19.5 m	FY 1991/97
UPPER HUALLAGA AREA DEVELOPMENT*	527-0244	\$27.9 m	FY 1981/92

* Grant amount is \$12.9 million. \$15 million loan.

ENABLING ALTERNATIVE DEVELOPMENT PROJECTS

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
ADMINISTRATION OF JUSTICE	527-0303	\$2.9 m	FY 1986/92
DRUG EDUCATION AND PUBLIC AWARENESS	527-0288	\$6.0 m	FY 1985/92
POLICY ANALYSIS, PLANNING, & IMPLEMENTATION	527-0343	\$7.2 m	FY 1990/95

ALTERNATIVE DEVELOPMENT PROJECTS UNDER DESIGN

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
DEMOCRATIC INITIATIVES	527-0356	\$10.0 m	FY 1993/97
JUDICIAL STRENGTHENING	527-0352	\$10.0 m	FY 1992/96
LAND TITLING/DEMOCRATIC STRENGTHENING*	LCP	\$12.0 m	FY 1992/95
NARCOTICS EDUCATION/COMMUNITY INITIATIVES	527-0347	\$8.5 m	FY 1992/97
SELVA COASTAL ROAD REHABILITATION*	LCP	\$120 m	FY 1992/94
SELVA ECONOMIC REVITALIZATION	527-0348	\$60.0 m	FY 1992/97
SMALL BUSINESS/EMPLOYMENT EXPANSION	527-0350	\$ 5.0 m	FY 1992/96

* Local Currency Project

PERU - COUNTER NARCOTICS OBJECTIVES OF AID-FUNDED PROJECTS

PROJECT: Economic Stabilization/Recovery - **OBJECTIVE:** The objective of the Economic Stabilization and Recovery Program (ESRP) project is to assist the GOP's stabilization and structural adjustment efforts by providing balance of payments support, subject to local currency counterpart procedures established by the Mission.

PROJECT: Upper Huallaga Area Development - **OBJECTIVE:** To support the Alternative Development and Narcotics Control Activities in the Upper Huallaga Valley through the agricultural research on crops which might become economically viable alternatives to coca production; and extension community support through road maintenance; and pilot income generation activities.

PROJECT: Administration of Justice - **OBJECTIVE:** To encourage and provide the means for structural improvements in Peru's legal institutions for improved administration of justice and counter-narcotics performance.

PROJECT: Drug Education/ Public Awareness - **OBJECTIVE:** To develop community education on the production, trafficking, and abuse of illicit drugs to increase support for counter-drug activities in Peru.

PROJECT: Policy Analysis/Planning/Implementation - **OBJECTIVE:** To assist Peru to develop an open market economic policy environment in which legitimate forms of economic activity can compete favorably with the production and commercialization of narcotics.

PERU: RESULTS TO DATE

After the macroeconomic progress achieved by the GOP in late 1991 with stabilization, structural reforms and its reinsertion into the international financial markets, the economic program of Peru entered a difficult stage during this reporting period. Although 1992 started with an optimistic business climate because of increased investments in the emerging equity market, the gross overvaluation of the Nuevo Sol and the precariousness of the fiscal situation were matters of concern. In addition, there was a resurgence of inflation, real GDP growth was barely positive, unemployment increased, and the trade balance shifted from a small surplus to a small deficit. Finally, the April 5th Presidential announcement represented a major step backwards, by moving the economic and political environment into a period of uncertainty.

The economy continues to register weak macroeconomic outcomes. For the first three months of the year, the price index rose by 16.5 percent. Annualized, the inflation rate for the first quarter was 121 percent. Given first quarter inflation of 16.5 percent, the likelihood of holding the 1992 rate to the target of 45 percent is small. The deficits of the Central Government and Consolidated Non Financial Public Sector in the first quarter were around 3.5% of GDP. This represented somewhat higher deficits than recorded for 1991 as a whole. On the external front, external debt payments to international financial institutions amounted to \$138.3 million for this quarter, and the GOP was making progress on its negotiations with international financial institutions and the Support Group.

Near term improvement in macro outcomes continue to depend on addressing three interconnected problems: 1) overvaluation of the exchange rate, 2) weakness in the level and structure of tax revenues, and 3) domestic credit expansion. The solution of these problems poses a dilemma for GOP authorities. For example, compliance with the IMF Rights Accumulation Program requires Peru to keep a tight lid on domestic credit expansion. With interest rates allowed to reach market clearing levels, the tight ceiling on domestic credit has resulted in very high real interest rates in domestic currency. Under these circumstances, borrowing in dollars to meet credit needs has been viewed as an attractive alternative to borrowing in nuevos soles.

Important results at the project level have occurred in the Upper Huallaga Area Development Project (UHAD). Although security concerns have hampered project implementation, the Upper Huallaga Project has maintained an important presence in Peru's major coca-growing area. Agricultural support services and road maintenance provided by PEAH stimulated the slow expansion of legal crops such as rice, maize, banana and yucca, during the life of the project. (See Annex A for more details on project performance). However, security remains a serious obstacle.

Several new pilot activities are being implemented in the UHAD Project in 1992, including a pilot community-based project in Tocache, a pilot comprehensive Alternative Development project in Ponaza Valley, various income generation projects implemented by NGOs, and the financing of the completion of the Picota Bridge, a major structure spanning the Huallaga River. In the first stage of the Tocache project, 31 communities are participating. They have started 18 public works in education infrastructure; seven works in health, three works for potable water systems, and two "oroyas" (baskets hanging from rope bridge for transportation across the river). According to the mayor of Tocache, this project has generated much enthusiasm in the population.

The Policy Analysis, Planning, and Implementation Project (PAPI), has established a strong momentum of policy reform studies that are directly affecting major economic policies of the GOP. For example, PAPI-funded research resulted in new laws for private investment and the privatization of several state-owned enterprises. Further details are provided in the Annex A. Momentum with PAPI-inspired reforms is in jeopardy, due to the current political situation.

As the political events of April were directly aimed at the judiciary, the Mission decided to suspend activities in the Administration of Justice (AOJ) area. The major AOJ output during the previous period was the creation of the National Registry of Detainees. Although the Registry is not fully operational, the Ministry of Defense has begun to provide the Registry, located within the Public Ministry, with daily lists of those detained by the armed forces. Progress also was reported with respect to the development of a parallel registry within the Ministry of Interior of persons detained by the police as terrorism/narcotics suspects. Presently the design of future AOJ activities, namely, the Judicial System Strengthening Project, is also restricted to emphasizing the development of the Peruvian Judicial Center, human rights programs, and other activities outside the GOP.

Through the Drug Education and Public Awareness Project, the Center for Drug Education and Public Awareness on Drug Abuse (CEDRO) dedicated the fourth facility for the Street Children Program (the first of three facilities that are being constructed with US Congress funds under the Disabled Children Program). CEDRO launched its ninth television campaign on drug prevention and carried out its Fourth International Workshop on Production, Trafficking and Use of Illicit Drugs. Distinguished personalities from the U.S., Venezuela, Colombia, Ecuador, Bolivia and Peru participated in this event. The Ministry of Education reported that it is a third of the way toward its 1992 goal of reaching 117 schools with the Drug Prevention Program.

As no new project funding levels will be authorized, for the time being the Investment and Export Promotion Project institutional contractor selection and the

Selva Coastal Road Rehabilitation project have been postponed. However, UHAD activities will proceed as approved by the Policy Coordinating Committee as will the lessons learned evaluation and the design of the Selva Economic Revitalization (SER) project. Should the hiatus of US assistance continue, a decision will need to be made in August on whether to obligate new funds for PEAH or for some or all of SER if the USG is to continue to have an Alternative Development presence in the Huallaga Valley.

ANNEX A

A.I.D. ALTERNATIVE DEVELOPMENT PROJECT ACCOMPLISHMENTS TO DATE

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BOLIVIA

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Chapare Regional Development	511-0543	1983-1992	\$38.5 million	\$37.0 million

PROJECT PURPOSE: To modify and improve the agricultural and forestry systems of farmers in the Chapare and Associated High Valleys sub-regions of Cochabamba to respond better to diverse, profitable marketing opportunities under sustained, environmentally compatible, medium-technology models.

PROJECT DESCRIPTION: The project supports coca eradication efforts by providing technical assistance to Bolivian institutions in the Chapare and/or High Valleys in the following areas: 1) development of research, extension, and production services for non-traditional crops grown in the Chapare; 2) development of a credit program; 3) improvement of rural infrastructure; 4) improvements of living conditions in the High Valleys; and 5) marketing of non-traditional alternative crops.

GENERAL COMMENTS: The Union of Banana Producers Association (UNABANA) was legally constituted, the Board of Directors elected, the staff contracted and the 1992 work plan drafted and approved. In San Luis 12 small packing sheds were constructed, 6 were put into operation and funds approved by USAID/B to contract 10 more. Construction of the first cooling center was completed and final designs were made for the second one. More than 10,000 banana plants of the Grande Nay variety were produced. USAID/B approved the construction of a pineapple packing plant for the Pineapple Producer Association (ASPROPI) which will serve 100 producers in Mariposas-Paraiso. A Community nursery, with 250,000 suckers, was completed at Eteramasama. Communal nurseries with 20,000 palm seedlings were established in San Gabriel and Eterezama.

Construction of eleven major bridges was initiated: Chipiriri, Mambuelo, Eterezama and Cristal (4) in the Chapare area: Chaque Mayu, Kullku Mayu, Sapanani, Marjayumayu, Millumayu, Cury and Lampasillos (7) in the High Valleys area with an average length of 48 meters each. 10.2 Km. of stone paving (cobble-stoning) were completed in the Punata-Arani road.

Several other projects were concluded in the following categories: high impact community projects, urban development, education, irrigation and river erosion control.

In January one of the project's "bus-stops" (road-side seating areas of heavy-duty steel found on any stretch of "runway-like" road) sheared off the wing of a suspected drug runner's light plane, as was designed. After the pilot escaped into the underbrush, the irate community leaders demanded payment for repairs to their "bus-stop".

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INDICATOR	Oct. - Dec. 1991	Jan. - Mar. 1992	CUMULATIVE	COMMENTS
PURPOSE INDICATORS				
Exports (TOTAL) (\$)	\$41,515	\$3,906	\$154,137	
- Processed Tumeric	\$7,288*	\$0	\$16,868*	*Figures revised by marketing unit
- Bananas	\$29,784	\$3,906	\$119,226	
- Pineapples	\$4,443	\$0	\$18,043	
Agricultural Production (metric tons)				
- Processed Tumeric	11.43*	0	23.12	*Figures revised by marketing unit
- Bananas	112.02	16.79	343.81	
- Pineapples	9.83	0	41.83	
OUTPUT INDICATORS				
Varieties tested or in process	87	53*	273*	148% of LOP ⁽³⁾ target. *Revised figures.
Farm animal improvements tested or in process	2	4	23	68% of LOP target
Post-harvest technologies tested or in process	2	2	2	
Number of Farmers trained by type of training (short term) (TOTAL)	1,212	3,689	25,233	81% of LOP target
- Agricultural training	728	3,451	13,388	86% of LOP target
- Animal Husbandry	484	238	11,845	76% of LOP target

³ LOP is Life of Project.

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INDICATOR	Oct. - Dec. 1991	Jan. - Mar. 1992	CUMULATIVE	COMMENTS
- Agricultural Demonstration Plots	1,716	3,244	19,033	153% of LOP target
- Animal Husbandry	1,894	277	7,070	168% of LOP target
Alternative Development human resources up-graded (TOTAL)	10	10	610	
- Technical areas (short term)	10	10	536	112% of LOP target
- Technical areas (long term)	0	0	4	100% of LOP target
- Administrative areas (short term)	0	0	70	No target anticipated.
Community Projects Constructed				
- Health Posts	0	0	4	
- Schools	0	3	16	
- Water Systems (Multi-purpose)	6*	4	38	*Correction of last report
- Auditoriums	0	0	14	
- Erosion and Flood Control (cubic meters)	1,598	354	5,092	
Rural Roads Upgraded (kilometers)	66	10	540	
Bridges Constructed	0	0	4	11 bridges initiated during reporting period

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INDICATOR	Oct. - Dec. 1991	Jan. - Mar. 1992	CUMULATIVE	COMMENTS
Agricultural Credit Indicators				
Number of loans	70	-25 (2)	1,188	Because of a change in the institution managing the credit portion of the project, credit numbers for this reporting period are an aberration caused by the reassessment of the loan portfolio by the new credit manager.
Amount Approved	\$309,730	-\$82,160 (2)	\$6,050,522	
Amount Disbursed	\$247,156	\$67,721	\$4,973,881	
Average Loan	\$4,425	\$0	\$5,093	
Total area financed (hectares)	340	-8 (2)	4,782	
Total area of coca eradicated by recipients of credit (hectares)	42	-5 (2)	1,033	

(2) Reflects approved loans that have subsequently been rejected.

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Economic Recovery Program	511-0602	1991-1994	\$264 million	\$44 million

PROJECT PURPOSE: To provide balance of payments assistance in support of the Government of Bolivia's (GOB) economic recovery program, to offset foreign exchange losses from reduction in the cocaine trade, and to help pay for investment in alternative industries.

PROJECT DESCRIPTION: The \$66.0 million will be used to finance 1) The payment of U.S. official bilateral debt or multilateral debt owed by the GOB, 2) the payment or repurchase of commercial debt owed by the GOB or 3) private sector imports from the U.S., including raw materials, equipment, machinery or spare parts. The local currency proceeds of the program are being used to finance local currency counterpart to selected USAID and multilateral development organizations' (MDOs') projects in support of the Alternative Development program, and the USAID Trust Fund.

GENERAL COMMENTS: The ECB (Central Bank) has used a total of \$24.4 million for official debt service to the U.S. and MDO's by the end of March, 1992 (\$1.3 million in this reporting period). During the next month, we expect the GOB/ECB to generate the amount of Bolivianos necessary to use \$3.9 million for reimbursement for imports from the U.S.

Progress on meeting the conditions precedent and covenants, as noted in the attached narrative on progress in fulfilling covenants, has been satisfactory. The one area where the GOB has fallen behind is coca eradication. Eradication for the last three months of the extended ESF FY 1992 counting period has been 439 hectares (November), 446 hectares (December), and 524 hectares (January), for a total of 6,012 hectares through January 31, 1992. Based on the GOB's request, we had agreed to allow an additional month, through the end of January, to meet the target. We had also agreed to propose to A.I.D./Washington a proportional disbursement of the remaining \$22 million assuming that the eradication figures for January demonstrated a serious effort, which was the case. We are awaiting completion of consultations by A.I.D./Washington with the U.S. Congress to authorize the proposed proportional disbursement of \$15.8 million.

INDICATOR	Oct.- Dec.'91	January '92	CUMULATIVE (1/91 - 1/92)	COMMENTS
PURPOSE INDICATORS				
Foreign Exchange Earnings	\$0	\$0	\$44 million	67% of LOP target
Inflation Rate	2.7%	6.3%	16.25%	15% target for CY 1991
Fiscal Deficit as a % of GDP	2.0%	2.0%	3.0%	2.6% target for CY 1991
Private Investment as a % of GDP	1.9%	1.9%	7.6%	7% target for CY 1991

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INDICATOR	Oct.- Dec.'91	January '92	CUMULATIVE (1/91 - 1/92)	COMMENTS
Foreign Exchange Rate (% difference between official and parallel rates)	0.3%	0.3%	0.3%	Less than 1% is the target
OUTPUT INDICATORS⁽⁴⁾				
Hectares of coca eradicated (both forced and voluntary)	1,205*	1,244	6,012 ⁽⁶⁾ 720 ⁽⁶⁾	86% of target *Revised figures
Square meters of coca seed beds eradicated	7,149	4,501	42,547	
Implementation of Law 1008				
- Labs ⁽⁷⁾ destroyed	651	487	1,982	
- Seizures of drug assets				
• Airplanes	3	8	57	
• Vehicles	18	11	66	
- Well-known traffickers incarcerated	10*	0	21	*Revised figures
Repayment of US or multilateral debt	\$9.5* million	\$1.3 million	\$25.7* mil- lion	39% of LOP target *Revised figures

⁴ The period for these indicators is three months: January - March 1992. However, funding for activities from February 1, 1992 through December 31, 1992 will be from ESF FY 1992.

⁵ For extended CY 1991 (until January 31, 1992).

⁶ This figure represents February and March 1992 which will begin the new period for hectares of coca eradicated with ESF FY 1992 funding.

⁷ These include labs producing coca paste, coca base, and hydrochloride (cocaine).

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NARRATIVE ON PROGRESS IN SATISFYING ECONOMIC RECOVERY AGREEMENT COVENANTS		
1.	Economic stabilization and recovery program maintained	USAID's assessment indicates that the stabilization program is on track. USAID/B receives data regularly.
2.	Flexible Exchange Rate - Real value of Boliviano maintained	According to USAID/B assessment, the Boliviano maintained its value in real terms from 1/1/91 to 3/31/92 ⁽⁸⁾ .
3.	Increase of GOB resources to Judicial Sector	GOB/DIFAD has disbursed \$7.1 million to Justice Sector Project, during Jan - Aug '91. This represents a 32% increase over the previous year.
4.	Simplified export procedures and determination of free zones.	Two free zones have been identified: El Alto and Oruro. GOB/DIFAD funds are being assigned for El Alto free zone (\$850,000). The GOB's National Council for Economic Planning has approved a simplified Export procedure called the "Ventanilla Unica" ("single window").
5.	Information exchange on currency transactions	Under negotiation
6.	Tax information Exchange Agreement negotiated	Under negotiation
7.	Anti-terrorism efforts	8 Zarate Wilka terrorists convicted: 3 in absentia for 30 years, 1 for 20 yrs. 2 for 15 yrs., 1 for 14 yrs., and 1 for 5 yrs. They have the option to appeal.
8.	Extradition	First two extradition requests submitted to GOB. These were received by the Executive and sent to the Supreme Court. Awaiting decision of Supreme Court.
9.	No Taxation of the Agreement & Grant	Met satisfactorily

⁸ This narrative goes beyond the January 31, 1992 date of the other indicators.

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Export Promotion	511-0585	1989-1995	\$23.5 million	\$5.1 million

PROJECT PURPOSE: To increase the dollar value of non-traditional exports and related employment by Bolivian and foreign companies to transform the Bolivian economy out of coca activities.

PROJECT DESCRIPTION: The project includes technical assistance to exporters, export financing, and foreign investment promotion. Technical assistance is directed toward production, quality control, marketing, policy dialogue, and export finance. Foreign investment promotion encouraged U.S. and other third country manufacturers to produce in and export from Bolivia.

GENERAL COMMENTS: The project has generated a total of \$10.4 million of new or expanded exports and the number of jobs to date as the result of the increased exports stands at 1,650. Of the total of \$10.4 million of exports generated, approximately \$8.5 million are directly attributable⁹ to project assistance. The project continues to find markets for the products described in the previous report. The strongest sector is non-traditional minerals where large contracts will soon carry the project far beyond 1992 targets. New products exported during the period include gold chain to the U.S., boric acid to Brazil, medicinal alcohol to Peru, and achiote (Bixine) to Argentina. Contracts have been signed that will generate an additional \$6.6 million of exports in 1992.

The investment promoters generated 14 visits for the period (5 above the target.) No foreign investment was expected until the next period; however, four companies have invested a total of \$930,000. The largest investment is by an American company which will manufacture and export Chippendale chairs. The second largest is a Dutch firm that has invested in gladiolus bulb production. Other investments are in copper mining and the production of natural colorants for the food and cosmetics industries.

An informal survey of commercial banks concerning their interest in using the credit line to reach the "almost bankable" market showed a less than enthusiastic response. USAID intends to implement the credit component of the project through Latin American Agribusiness Development Corporation (LAAD), a private investment and development company. Counterpart funds (PL-480 and ESF Local Currency) will be removed from this project component and redistributed among the others because the use of GOB funds would require a deposit of \$3.2 million in the Central Bank up front. The GOB would view LAAD as a commercial bank and \$3.2 million is the initial capital requirement for new banks. The consequence for this report is that the loan portfolio was reduced from \$9.1 to \$6.0 million. LAAD has investigated the demand for credit by the agribusiness sector who fall into the "almost bankable" category and has identified over \$2.0 million of credit-worthy loans at present.

⁹ The amount "directly attributable" to project assistance is gross exports discounted by the amount of export likely to have occurred without project assistance according to exporters.

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Construction has begun on the industrial park in El Alto and others are in process in various parts of the country. USAID has provided some technical assistance for the formation of a national association of industrial parks/free trade zones. USAID continues to assist the Ministry of Industry, Commerce and Tourism on the issues of procedures for duty free, temporary importation for re-export; "one-window" simplified export procedures; and intellectual property rights.

An informal evaluation of contractor reporting was conducted and resulted in some changes in data gathering procedures. USAID will conduct a financial and administrative assessment of the contractor in April and the mid-term evaluation was postponed to January of 1993 with the mid-term audit shortly thereafter.

INDICATOR	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
PURPOSE INDICATORS				
Non-traditional Exports Generated	\$428,000	\$3,872,000	\$10,426,000	10.4% of LOP target
New Jobs Created	446	321	1,650	16.5% of LOP target
Foreign Investment in Export Capacity Generated ⁽¹⁰⁾	\$0	\$900,000	\$900,000	1.8% of LOP target
OUTPUT INDICATORS				
Companies Strengthened	12	23	94	37.6% of LOP target
Investor Visits	10	14	24	10.9% of LOP target
Size of Loan Portfolio	\$0	\$0	\$0	LOP target dropped to \$6 million and USAID plans to contract LAAD to manage loan portfolio. (See General Comments above.)
Free Trade Zone Established	1	0	1	100% of LOP target

¹⁰ No foreign investment had been projected for this period. Despite being half way through the project with less than 2% of LOP target realized, foreign investment is on schedule with \$4 million projected by the end of FY 92.

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INDICATOR	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
Overseas Investment Promotion Offices Established	2	0	2	100% of LOP target
Export Reference Libraries Established	0	0	3*	100% of LOP target *Revised figures

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Micro and Small Enterprise Development	511-0596	1988-1993	\$10 million	\$3.5 million

PROJECT PURPOSE: To stimulate the growth and development of the small-scale enterprise sector to provide jobs in non-coca activities, through focusing on institutional development of three local organizations that support this sector.

PROJECT DESCRIPTION: The project provides credit, training, technical assistance, and policy formulation to the National Federation of Savings and Loan Cooperatives (FENACRE) and its constituent credit unions; PRODEM; and FEBOPI and its constituent affiliates, Departmental Small Industries Associations (ADEPIs). Project components include: 1) Institutional Strengthening. Accion International (AITEC) provides technical assistance to the Foundation for the Promotion and Growth of Micro Enterprises (PRODEM). The World Council of Credit Unions (WOCCU) provides FENACRE with technical assistance: a) to strengthen the credit union system and to conform with new bank superintendency regulations; b) to expand the capacity of participating credit unions to channel credit to small enterprises; and c) to mobilize deposits. WOCCU also assists the Bolivian Federation of Small Industry (FEBOPI) and ADEPIs to develop technical assistance, training and services for small businesses. 2) Credit: USAID/Bolivia will donate approximately \$1,800,000 to PRODEM and \$4,200,000 to FENACRE/Credit Unions to capitalize credit funds for micro and small enterprises. Credit resources for PRODEM provide loans primarily to production-oriented, micro enterprises. Credit is also made available to small producers through FENACRE and its affiliated credit unions. 3) Policy Research: This component includes research concerning micro and small-scale enterprise sector issues, impediments to sector growth, and training needs. FEBOPI implements this component.

GENERAL COMMENTS: FEBOPI has completed a study of the llama and alpacas industry, which clarified the nature and constraints of this industry (both the animals and their products), from production to marketing. FEBOPI hopes to disseminate the study widely and contribute to an in-depth analysis of GOB policy towards the fledgling sector. FEBOPI has initiated a study on a producers consortium and another on a raw materials bank. Both studies will be directed to improve the production and lower costs. FEBOPI is helping to organize the participation of the small industry sector in the 1992 Seville World Fair. FEBOPI hopes to introduce Bolivia's small industry products to visitors at the Fair, to promote future trading operations. FEBOPI is a member of the "De-bureaucratization Committee," created by the Ministry of Industry, Commerce and Tourism, which is currently determining where to establish one-stop business services in Bolivia.

PRODEM has been heavily involved in initiating operations of BancoSol, the first for-profit micro-enterprise private bank in the hemisphere. BancoSol was inaugurated on February 10 and the La Paz office of PRODEM has already been transferred.

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INDICATOR	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
PURPOSE LEVEL INDICATORS				
New Jobs ⁽¹¹⁾	471	753	NA *	*These jobs are based on a calculation using the outstanding balances in PRODEM and FENACRE on the last day of the quarter and therefore are not cumulative.
Number of Paying Affiliates in FEBOPI	1,802	1089*	NA	*Reduction due to 60% increase in fees.
Number of Active Borrowers in PRODEM	5,245	6,082	NA	
OUTPUT INDICATORS				
Loan Portfolio Outstanding (PRODEM)	\$942,000	\$1,427,585	NA	
Loan Portfolio Outstanding (FENACRE)	\$0	\$100,000	NA	1.9% of LOP target
Training Courses (FEBOPI)	22	33	243	58% of LOP target
Number of Policy Studies (FEBOPI)	1	0	2	33% of LOP target

¹¹ According to a recent study on job creation by the Association of Small Industries and Handicraft Producers of Cochabamba (ASPIPAC), micro-enterprise programs on average create one job per each \$1,000 of loan funds invested. Small enterprise programs, similar to FENACRE, generate one job per \$2,500 of loan funds invested. These formulas will be subject to verification through a study of PRODEM and FENACRE borrowers. The LOP employment created for PRODEM was estimated by dividing \$1,525,000 (50% loan portfolio outstanding) by 1,000 which equals 1,525 jobs. For FENACRE, \$5,400,000 (loan funds) was divided by 2,500, yielding 2,160 jobs to be generated.

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES ⁽¹²⁾
PL-480 Title II ⁽¹³⁾	PL-480 Title II	FY 1991-1994	\$73 million ⁽¹⁴⁾	

PROJECT PURPOSE: To improve the health and nutritional status of the poor and vulnerable population through short-term employment in non-coca activities.

PROJECT DESCRIPTION:

A. Catholic Relief Services (CRS) Cáritas

This is a highly successful urban food for work program in twelve cities and rural towns. In addition to the food resources, USAID has provided local currency funding equivalent to \$1.4 million for the urban infrastructure and rural production projects. Also, under the monetization program, \$1.3 million is being invested in the purchase of local commodities used in all feeding programs.

B. Adventist Development and Relief Agency (ADRA)

This is successful urban food for work program in fifteen cities and rural towns. Some 463 projects were executed during this reporting period. The most significant of these is a major street paving project in Santa Cruz with \$1.2 million in local currency from ESF funds matched by \$3.6 million provided by the city and the beneficiaries. ADRA is also constructing a three kilometer peripheral road in the city of La Paz with \$500,000 from ESF and \$200,000 contributed by the municipality. During the reporting period, ADRA built twenty-two kilometers of a feeder road in the Department of La Paz under the food for work program with \$300,000 provided under the Title III program. Through the monetization program, ADRA is investing the equivalent of \$1 million in urban infrastructure and rural production projects and \$.8 million in the purchase of local commodities which are used in all feeding programs.

C. Food for the Hungry International (FHI)

FHI works in 210 rural communities in seven provinces in the Departments of La Paz, Oruro, and Potosi. Its major emphasis is providing technical assistance and training to approximately 3,500 families to increase agricultural production and to improve the health of mothers and their children

¹² Since project expenses involve the cost of donated food products distributed through multiple implementing agencies, expenditures are calculated annually.

¹³ This project is reported on every six months. These data represent accomplishments in the October '91 to March '92 time period.

¹⁴ This figure represents the Commodity Credit Corporation price plus transportation for FY 1991, FY 1992, FY 1993, and FY 1994 (estimated).

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under five years of age. It has a very successful program of constructing shallow wells for drinking water and greenhouses, which have enabled the introduction of vegetable production in the highlands. FHI is sponsoring Pro Women, a U.S. PVO, in an innovative program to provide 960 women organized into 24 groups with small community bank loans to fund women owned businesses in EL Alto. The program provides training and technical assistance to the women in business administration in order to make their commercial activities more profitable. In addition to the food resources, FHI is investing monetization funds, equivalent to \$1.2 million, in their rural development, child survival, and the Pro Women programs and \$252,366 in the purchase of local commodities for distribution in the supplementary feeding programs.

D. Inter-Agency Monetization Program

A total of 2,919 metric tons of rice, beans, cornmeal, vegetable oil, and iodized salt was purchased from local producers at a cost of \$1,154,000 for distribution by the PVOs.

GENERAL COMMENTS: Under the new Title II strategy, the municipal/urban food for work program is the major activity of both CRS and ADRA. This continues to be an important component of the Mission's Alternative Development strategy by creating temporary jobs in both rural and urban areas. The infrastructure program presently reaches nine major cities and eighteen rural towns. This temporary employment helps reduce migration to coca growing areas.

The program gives poor neighborhoods access to municipal decision-making on needed infrastructure and in social services in their communities, thus supporting the democratic initiative objective of the Mission. The municipal food for work program also increases property values in these poor neighborhoods, thereby improving the equity of the poor, the tax base of the municipalities, and the tax base of the central government. In several of the cities, the municipalities are increasing their financial contributions to infrastructure creation in the marginal areas of the city.

In the city of Santa Cruz, the food for work program started a massive effort on the part of the municipality to build storm drainage canals, which led to a major loan from the Inter-American Development Bank of \$3 million to continue the construction activity. The channels being built have begun to alleviate the annual flooding problems in the city. Also, in this city a major effort is being carried out to construct labor-intensive street building projects in low-income areas. The poor neighborhoods also contribute to the financing of the projects under a cost recovery system. Other cities are studying this experience to determine whether it can be replicated in their municipalities. The food for work program also is improving the basic sanitation conditions of the poorest neighborhoods, thus contributing to improving the health of the population.

In June the municipal food for work program will be evaluated to determine its impact on food security and nutrition.

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INDICATOR	May -Sep.'91	Oct. '91 - Mar. '92	CUMULATIVE Since May'91	COMMENTS
PURPOSE LEVEL INDICATORS				
Short-term Jobs Created (person-months) (Figures are based on average month long jobs over the six month period)	168,978*	165,354	334,332	Roughly four family members benefit from each job, making potential people-level impact as high as 128,149 people benefitting at some time during the period. *Revised figure because prior reported figure did not include entire six months.
OUTPUT INDICATORS				
Community Forestation Subprojects	0	42	42	
CARITAS	0	18	18	
ADRA	0	24	24	
Garbage Collection Services	4	22	26	
CARITAS	4	10	14	
ADRA	0	12	12	
Greenhouses constructed	491	0	491	
ADRA	21	0	21	
FHI	470	0	470	
Irrigation Channels Built	86	103	189	
CARITAS	0	28	28	
ADRA (Storm drainage)	7	75	82	

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INDICATOR	May -Sep.'91	Oct. '91 - Mar. '92	CUMULATIVE Since May'91	COMMENTS
FHI	79	0	79	
Latrines constructed	25	12	37	
CARITAS	0	12		
ADRA	25	0		
Potable Water and Sewage Systems Built	53	230	283	
CARITAS	52	27	79	
ADRA	0	76	76	
FHI	1	127	128	
Streets Paved	29	119	148	
CARITAS	29	86	115	
ADRA	0	33	33	
Water tanks constructed	1	14	15	
CARITAS	0	14	14	
ADRA	1	0	1	
Adventist Development and Relief Agency Projects (Only)				
Wood Footbridges	67	0	67	
Tree Nurseries	7	2	9	
Retaining Walls Constructed	17	2	19	

INDICATOR	May -Sep.'91	Oct. '91 - Mar. '92	CUMULATIVE Since May'91	COMMENTS
Food for the Hungry International Projects (Monetization funds)				
Animal Drinking Ponds/Corrals	324	3	327	

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Private Agricultural Organizations	511-0589	1986-1993	\$6.7 million	\$5.0 million

PROJECT PURPOSE: To strengthen and expand the capacity of private agricultural producer organizations to provide services and increase the non-coca incomes and foreign exchange earnings/savings of its members.

PROJECT DESCRIPTION: The project provides management assistance, technical assistance, training, feasibility studies, and financial support to strengthen participating private agricultural organizations. The original participating institutions include: Association of Bolivian Flower Producers, National Association of Oil Producers, Federation of Beef Cattle Producers in the Beni and Pando departments, and the Cooperative of Integrated Services of Punata. Three new private agricultural organizations have been included under the project: the Beef Cattle Producers in Santa Cruz, the Banana Producers in the Chapare, and the small farmers around Lake Titicaca.

GENERAL COMMENTS: Until 1989 Bolivia imported 90% of its wheat needs. Since 1990, Santa Cruz has produced more than the equivalent of \$8,000,000 of wheat yearly. This constitutes a direct import substitution savings of foreign exchange. This project, in conjunction with other PL-480 activities, significantly has contributed to these increases.

As a result of activities directly attributable to the project, the latest transportation prices and consumer prices in La Paz, Cochabamba, and Santa Cruz are made available through radio broadcasts. As a consequence, farmers now can bargain for higher sales prices from middlemen.

INDICATOR	Oct.-Dec.'91	Jan.-Mar.'92	CUMULATIVE	COMMENTS
PURPOSE INDICATORS				
Foreign Exchange (US\$)	\$8,290,000	237,238	\$17,548,418	
Hot pepper	\$0	\$12,200	\$12,200	
Roses and Carnations	\$100,000	\$42,250	\$542,250	
Soy	\$0	\$182,788	\$182,788	
Wheat (substituted for exports)	\$8,190,000	0	\$16,811,180*	*Revised figure
OUTPUT INDICATORS				
Hectares of New Crops under Cultivation				

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INDICATOR	Oct.-Dec.'91	Jan.-Mar.'92	CUMULATIVE	COMMENTS
Flowers			15.5	12 hectares in 1988
Wheat			36,000	13,316 hectares in 1989
Corn			42,000	32,000 hectares in 1990
Soy			195,000	66,378 hectares in 1986
Number of active members	5,000	28,301 ⁽¹⁶⁾	NA	Figures reflect total active membership in PAOs at end of each period.
Increased number of non-traditional crops being farmed by member PAOs	0	3	5	100% of LOP target. For this period were pepper, roses, and carnations.
Non-agricultural enterprises for processing or marketing created	0	2	3	75% of LOP target
PAO Project Bulletins Published	3	3	15	63% of LOP target
Institutional Studies Prepared	1	0	7	117% of LOP target
Policy Studies Prepared	1	0	5	125% of LOP target
Product Studies Prepared	0	0	5	100% of LOP target
Individuals Trained	20	80	460	230% of LOP target

¹⁶ The marked increase in membership is due to the inclusion of the active members of three additional private agricultural organizations mentioned in the project description: Cattle Producers of Santa Cruz (19,794), Banana Producers in the Chapare (1,000) and the Lake Titicaca small farmers (200).

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
CARE Community Development	511-0618	1991-1995	\$7 million	\$2.0 million

PROJECT PURPOSE: To improve infant and child survival through improved nutritional status and immunization coverage and decreased diarrheal incidence. Through enhanced health status and improved quality of life within the project communities, it is hoped that the project will contribute to reduced migration to coca-producing areas.

PROJECT DESCRIPTION: The CARE Community Development Project is aimed at improving the health, well-being, and self-development capacity of 48,000 people in 160 rural Bolivian villages in the departments of La Paz, Cochabamba and Chuquisaca. The project works with four sub-systems. The first is a primary health care delivery system, providing preventive and curative health services through a community health worker. The second is a water and sanitation component providing potable water and excreta disposal in these communities. The third is an agricultural development sub-system providing home gardens. The fourth is to sub-system to strengthen community organizations.

GENERAL COMMENTS: The Care Community Development Project's objectives support the Mission's Alternative Development objectives through improving the health of mothers and children under five years of age. Specifically, the construction of infrastructure within the departments of La Paz, Cochabamba and Chuquisaca will enhance the quality of life and health benefits available within communities where the project is involved. Through enhancing the available health practices and services within these communities, the community residents are provided an incentive to stay in the communities where they currently reside and not migrate to coca-growing areas.

INDICATOR	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
OUTPUT INDICATORS*				
Number of community water systems installed and operating.	0	0	0	30 systems have been designed.
Number of latrines installed	537 ⁽¹⁶⁾	338	338	4.2% of LOP target
Percentages of 10-24 months olds with complete vaccinations	0%	0%	0%	

¹⁶ These are carried over from previous project (511-0599) and should not be counted toward current project's LOP of 8,000.

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INDICATOR	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
Number of functioning household gardens promoted	0	100	100	2.5% of LOP target
Number of functioning community organizations promoted	0	37	37	23% of LOP target
Training (persons)	0	350	350	55% of LOP target

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Community and Child Health	511-0594	1988-1994	\$16.5 million	\$8.5 million

PROJECT PURPOSE: To improve community health and to reduce infant, child, and maternal mortality in project districts; increase capability of the Ministry of Health Department and district-level institutions; and facilitate enhanced capacity within community organizations, to plan, implement and sustain child survival interventions. This will produce more favorable living conditions in communities nationwide and thereby reduce migration to the Chapare.

PROJECT DESCRIPTION: The project provides an integrated package of child survival interventions, institutional development, and community participation. Project implementation is composed of four components: National Diarrheal Disease Control; National Immunization Program Support; Integrated Child Survival; and National Chagas' Disease Control. Activities that have the most impact on the Mission's Alternative Development program are the construction of community water and sanitation systems and the improvements of houses to control the vinchuca bug vector of Chagas disease in the Departments of Cochabamba and Chuquisaca.

GENERAL COMMENTS: Five more water systems were inaugurated during this period, making a total of seven systems completed. During the next semester, 30 more systems will be completed, many of these were almost finished during this reporting period. Materials slated for purchase in the U.S. will begin arriving in Bolivia at the beginning of the next semester.

The first phase of the Chagas' Disease component has been completed with over a thousand houses in 11 communities improved. Two Investigations in process, congenital transmission of Chagas' and prevalence of non-domestic (wild cycle) "vinchucas", were about 50% completed during this period. A technical evaluation of the Chagas' component will be conducted in May and June. A cost study will determine the cost of each improved home and of each of the pilot projects. An additional \$1,000,000 will be requested for the Chagas' component based on the results of the technical evaluation.

The indicator information reported in the table below concerning the numbers of water systems and latrines constructed, and houses improved nationally indicate progress made in community improvements which will impact on individuals decision to migrate.

During the recent inauguration of improved houses in Candelaria, Chuquisaca, mention was made that two families returned from the Chapare in order to participate in the Chagas' program. By making these rural communities healthier and more livable, the Community and Child Health Project is contributing to the Mission's Alternative Development program.

During the next period the project will decide on its sixth district. The Chapare area is being given serious consideration.

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INDICATOR	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
OUTPUT INDICATORS				
Community water systems constructed	0	5	7	5.8% of LOP target
Latrines installed	0	1,200	1,375*	15.6% of LOP target *Revised figures
Number of pilot houses improved	401*	0	1030**	98.4% of LOP target *Revised figures **Includes nationwide figures

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Drug Awareness & Prevention	511-0613	1991-1997	\$9.2 million	\$0.71 million

PROJECT PURPOSE: To increase public support for the Government of Bolivia's anti-drug programs through the enhanced public awareness of the health, social, political, and economic dangers of drug production, consumption, and trafficking in Bolivia.

PROJECT DESCRIPTION: The project purpose is to be achieved through nationwide dissemination of mass media anti-drug messages, public education programming, local anti-drug training in urban and rural communities, and a national network of private and public organizations against drug production, trafficking, and use.

The project has two main components: (1) the private sector, implemented by the Educational System Against Drug Addiction and for Social Mobilization (SEAMOS) and the Narcotics Education Center (CESE); and (2) the public sector, implemented by the National Directorate Against Illegal Drug Use and For Treatment, Rehabilitation, and Social Reinsertion (DINAPRE) and the Sub-Ministry for Alternative Development (SUBDESAL). The project receives additional technical assistance through the contracted services of a private U.S. firm with extensive experience in drug awareness and prevention, which will assist USAID/Bolivia. Coordination among Bolivian public and private institutions will be managed by a National Coordinating Unit created specifically for this project.

The project is an extension and expansion of the activities of all four organizations. SEAMOS is the leading mass media drug campaign organization in Bolivia. It was supported (1986-1991) by the Narcotics Awareness and Education Project (511-0592). This included sponsorship by the Confederation of Bolivian Private Entrepreneurs (CEPB)--evidence of the commitment of Bolivian private sector institutions in the struggle against drugs. CESE is the leading educational program against drugs in Bolivia and has been supported since 1986 by the Narcotics Assistance Section (NAS) of the U.S. Embassy. CESE is now a private voluntary organization (PVO), supported by this project. The National Council Against the Illegal Use of Drugs and for Treatment, Rehabilitation, and Social Reinsertion (CONAPRE) and SUBDESAL previously depended on the Bolivian Treasury and occasional PL-480 support to carry out anti-drug activities. The project will regularize and systematize their operations in coordination with the other Private and Public Sector components.

GENERAL COMMENTS: A Pre-implementation Workshop was held for all project elements in February 1992 followed by the Drug Prevention Communication & Education Workshop.

The GOB approved the Personería Jurídica (legal status document) for CESE in October 1991. CESE signed a Cooperative Agreement with the USAID in December 1991. Detailed implementation and financial plans were prepared and approved by the Project Committee in February 1992. CESE contracted a Social Communicator and began negotiations to establish a graduate program in drug prevention at the Bolivian Catholic University. Plans are also underway to expand their Documentation Center and the telephone hot-line service, "A..Ti" ("to you"). CESE also sponsored a national

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workshop for teachers on drug prevention and co-sponsored a national drug prevention workshop for police (with NAS support) and an Andean region drug awareness workshop (with USIA support).

A detailed implementation plan for SUBDESAL was approved by the Project Committee in December 1991 and approved by the GOB in January 1992. The first disbursement is expected in April 1992.

A proposal for restructuring CONAPRE in accordance with the Conditions Precedent in the grant agreement was developed in December 1991. During this period the GOB reorganized CONAPRE as DINAPRE. The U.S. Mission Drug Prevention Policy Committee accepted this action, but the key recommendation in the December proposal, the formation of a National Advisory Committee, to broaden the basis of support for DINAPRE will be pursued by the Project Coordinating Unit in coming meetings. The detailed implementation and financial plan for DINAPRE was approved in January 1992. The first disbursement is expected in April 1992.

A one-week workshop on research design and implementation was held for the staff of DINAPRE in October 1991. All project elements were briefed on the National Prevalence Study in a full-day session in November 1991. A follow-up workshop on computer use in drug-related research was also held in March 1992. The project introduced DINAPRE staff to the Statistical Package for the Social Sciences (SPSS), including its basic data entry and analysis techniques. DINAPRE is designing an anthropological study of "street kids" in urban centers of Bolivia, and a follow-up to the National Prevalence Survey now underway.

The Cooperative Agreement with SEAMOS was signed in December 1991. The SEAMOS detailed Implementation and Financial Plan for the first year of the project was approved December 1991. SEAMOS has a number of communication and evaluation activities in progress. A series of animated cartoons on ecological problems were produced and broadcast. A national workshop of radio broadcasters in indigenous languages (Quechua, Aymara, and Guaraní) was held. A new field office in Cochabamba was opened. A series of opinion studies on Alternative Development, and coca eradication were begun. A national contest for radio-novela ("soap-operas") scripts on the theme of drug prevention was also begun.

Design of the National Prevalence Study was completed in December 1991 after extended discussion and coordination with other U.S. Government agencies involved in drug prevention in the United States and Bolivia. Field work for the study began in March. Data analysis is underway and the full report should be available in May 1992. A complementary study on attitudes on Alternative Development in the Chapare was subcontracted in February 1992. Data should also be available in May 1992.

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INDICATOR	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
PURPOSE INDICATORS				
Increased number of people who believe drug production and trafficking constitutes a problem for Bolivia				
Level of drug abuse in Bolivia				
Increased popular understanding of Bolivian Law 1008 (the Bolivian anti-drug law)				
OUTPUT INDICATORS⁽¹⁷⁾				
SEAMOS				
Number of departmental level anti-drug organizations mobilized and assisted				
Number of local level anti-drug organizations mobilized and assisted				
Number of TV and Radio spots produced and broadcast	0	3		6% of LOP target
Number of promoters trained				
CESE				
Number of parents, students, and community institutions trained				
Number of user hot-line calls handled				
DINAPRE				

¹⁷ Since this project has been designed, indicators are still be developed.

INDICATOR	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
Number of epidemiological studies completed				
SUBDESAL				
Number of communication workers trained				
Number of community workers trained				
Number of radio spots broadcasted in Spanish, Quechua, and Aymara in the Chapare.				

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Electrification for Alternative Development	511-0614	1991-1996	\$15 million	\$0.61 million

PROJECT PURPOSE: To establish comprehensive implementation mechanisms for national rural electrification (RE) planning, construction, and sustainability in support of the Alternative Development strategy of the Government of Bolivia (GOB), together with direct investment support for selected Alternative Development projects and sub-strategies.

PROJECT DESCRIPTION: The project is aimed at 1) expanding the use of electricity in rural industry activities to provide jobs and economic opportunities; 2) constructing new rural electrification projects to serve approximately 15,000 new customers, serving a beneficiary population of approximately 80,000 (30,000 adults and 50,000 children); 3) improving the operational standards of rural electric distribution entities to provide a level of service quality acceptable to productive use customers; 4) establishing a solid institutional basis for support to the rural electric sub-sector to develop a sustained flow of investment capital for rural electrification in Bolivia; and 5) achieving RE policy reforms with the GOB to create a positive environment for the successful implementation sustainable RE sector development activities.

GENERAL COMMENTS: During this reporting period, the Electrification for Alternative Development Project (ADEP) identified four sites for evaluation, and selected two of these four sites for construction projects. In this process ADEP has utilized the appropriate methodologies to select viable and sustainable RE projects. Moreover, the projects have been selected so as to complement other Alternative Development efforts in the Cochabamba region.

Procurement activities began with the writing of specifications for equipment and materials and drafting of the Invitation for Bid (IFB) documents. The IFB's will be issued at the start of the next reporting period.

Analytical activities to determine the financial and legal viability of the Empresa Financiera de Electrificación Rural, also began. This is the proposed institution to provide loans to the electrification sector in the years following the completion of the ADEP project. Discussions were held with potential contributors to the institution, including the World Bank, the Inter-American Development Bank, and the Netherlands Directorate General for International Affairs.

A data tracking program was initiated through the completion of surveys in two of the selected project areas. Each project will be pre-evaluated, so as to provide a sound basis for post-project evaluation in terms of economic activity and level of electric energy use. Data from the Rural Household Survey supplemented the primary data collected by the ADEP team.

In addition to the activities contributing directly to the goals and purpose of the project, ADEP initiated two special studies. At the request of the Empresa Nacional de Electricidad ("National Electric Company"), ADEP began a load management study to determine ways in which investments in

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demand side management can contribute to increased energy and financial efficiency of the national interconnected grid. Secondly, ADEP began an isolated generation project to provide electric energy via renewable energy technologies to remote areas of Bolivia. Caranavi in the North Yungas and Santa Cruz were selected for this activity.

Foreign currency funds will be necessary to procure equipment and materials for the larger distribution and generation projects selected for development in the Cochabamba Region. The IFB's written (to be published in April) cannot be executed without these funds. If the delays in the release of funds are not resolved during the next reporting period, significant project implementation delays are likely.

INDICATOR	Oct.-Dec.'91	Jan.-Mar.'92	CUMULATIVE	COMMENTS
OUTPUT INDICATORS				
Rural Electrification (RE) expansion sites selected	0	4	4	20% of LOP target
- Cochabamba Department	0	4	4	40% of LOP target
RE pilot projects selected	0	21	2	17% of LOP target
- Cochabamba Department	0	2	2	33% of LOP target
Personnel trained	0	69	69	14% of LOP target
- Men (total)	0	67	67	14% of LOP target
- Cochabamba Department	0	41	41	41% of LOP target
- Women (total)	0	2	2	10% of LOP target
- Cochabamba Department	0	2	2	14% of LOP target

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Justice Sector	511-0609	1988-1993	\$2.0 million	\$0.98 million

PROJECT PURPOSE: The purpose of the project is to strengthen the administrative and operational capacity of the judicial branch and public prosecution in order to accelerate the judicial process, provide for greater transparency, improve accountability, and offer greater public access to the courts. Achieving these objectives will allow the system to more effectively and efficiently prosecute narcotics crimes.

PROJECT DESCRIPTION: The project promotes and supports institutional reform of the courts and the public prosecution of criminals. One component of the project also supports policy reforms intended to streamline and modernize the legal process. A second component of the project uses law reform to create alternative dispute resolution opportunities to reduce court congestion.

In the area of counter-narcotics strategy, USAID and the Narcotics Assistance Section (NAS) of the U.S. Embassy carry out complementary actions. NAS pursues a short-term approach by providing assistance exclusively to the controlled substances jurisdictions in Bolivia. In general, USAID's Justice Sector Project takes a broader, long-term approach designed to achieve sustainable institutional improvements in the judicial system as a whole. USAID's long-term approach is expected to enable systemic improvements interrelated to more effective performance of the special narcotics courts that cannot be resolved in the short term. These improvements will promote a continuing, evolutionary process of judicial reform for the changing social, economic, and political needs of Bolivian society over time. Moreover, because the controlled substances courts are linked constitutionally to the entire judicial branch, the ultimate success of the NAS program in the controlled substances jurisdictions is dependent on the development of the judicial branch as a whole.

USAID project assistance in training, technical assistance, and policy dialogue is provided to the Supreme Court, the Attorney General, and a National Council for Judicial Reform through the Instituto Latinoamericano de la Naciones Unidas para la Prevención del Delito y el Tratamiento del Delincuente (ILANUD), ILANUD/San Jose, ILANUD/Bolivia, The National Chamber of Commerce, and direct USAID management via the Democratic Initiatives Division. The activities managed under the project are: (1) the development of a modern system of court management based on an analysis of criminal case flow and the implementation of a pilot case tracking and management system; (2) an institutionalized judicial training program for judges and court personnel based on a training and personnel needs assessment; (3) technical assistance support to streamline criminal and civil procedures and other operational reforms to a National Committee for the Improvement and Modernization of the Administration of Justice; (4) procurement of legal libraries and equipment to produce and disseminate judicial decisions and other legal reference materials; (5) promotion of alternative dispute resolution forums, such as arbitration, and (6) a program to improve financial management of the court system.

GENERAL COMMENTS: Project actions over the reporting period have emphasized:
(1) support for the developing law reform process in Bolivia, especially with regard to the Judicial Organization Law and Public Ministry Law, under the responsibility of the National Council for Reform and Modernization of the Judicial Power; (2) seminars, policy dialogue, and presentation of data promoting an improvement in the administrative infrastructure of the judicial branch; and,

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(3) further development of consensus on the form and curriculum of an institutionalized training program for judges, court administrators, and prosecutors.

A number of seminars have provided a fora for presenting and discussing the comparative and technical experience of legal opinion leaders and reformers in Bolivia in the three emphasized areas above. These actions include:

1) Two U.S. court administrators, Jesse Casaus and Henrik Montygierd-Loyba conducted a seminar on modern court administration to promote the advantages of dividing judicial administration between professional administrators and judges. The seminar addressed what are the structural features of a modern administrative system and how it could be applied in Bolivia. The U.S. technicians also presented model draft legislation to guide members of the National Council on appropriate changes to the draft Judicial Organization Law.

2) Uruguayan Supreme Court Judge Luis Torello and Argentine legal consultant Alberto Binder presented a seminar on judicial reform experiences in the region. About 50 professionals--lawyers, judges, and advisors of the National Council for Reform and Modernization of the Judicial Branch--attended this event.

3) A group of U.S. lawyers and judges conducted a three-day seminar/workshop on the transferable features of the oral trial to an audience of approximately 180 participants, most of them lawyers, university professors, judges, legal advisors, national representatives, and law students. The seminar scrutinized aspects of both the U.S.-style oral trial and the Bolivian-style written system. The seminar generated significant political interest and a series of discrete procedural modifications. The proposed modifications, endorsed by Bolivian participants, were presented to the chairman of the National Council, the Vice-president of the Republic, Luis Ossio.

A set of personal computer equipment was delivered to the Supreme Court of Justice to complete the installation of a complete computer network that would facilitate and integrate the legal process of Supreme Court resolutions, jurisprudence, and doctrine consultation. In addition, three personal computers were delivered to the judicial branch to improve the financial and administrative performance of the Potosí, Tarija, and Oruro District Courts.

INDICATOR	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
OUTPUT INDICATORS				
Prosecutor Law Drafted	1	0	1	100% of LOP target
Pilot Case Tracking System in Place	0	0	1*	100% of LOP target * Revised figures
Financial accountability System Designed and Implemented for the court system.	0	0	0	

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INDICATOR	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
Operational Management Information Systems functional	0	0	0*	* Revised figures
Training (TOTAL) (persons)	62	213	770	124% of LOP target
- In-country (short term)	50	210	755	126% of LOP target
- Out-of-country (short and medium term)	12	3	15	75% of LOP target

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
National Rural Household Survey	511-0612	1990-1993	\$1 million	\$0.51 million ⁽¹⁸⁾

PROJECT PURPOSE: To develop baseline data on the socio-economic characteristics of the rural population, with emphasis on the Cochabamba Department, in order to measure the transformation of the Bolivian economy from coca to non-coca activities.

PROJECT DESCRIPTION: To develop a data collection system (sampling survey) that will generate accurate, timely and objective information on the basic socioeconomic characteristics of the rural population.

The survey is implemented by the US Bureau of Census in close cooperation with the PL-480 Title III Executive Secretariat (ES). (Originally the US Bureau of the Census was to work closely with the National Statistics Institute (INE), but because of INE's inability to commit adequate resources and personnel to carry out the project at the national level, the decision was made for USAID and the ES to take over direct survey management).

The survey is designed to analyze detailed agricultural characteristics of rural households, such as farm inputs, income, access to markets, credit, etc., and to compare the socio-economic characteristics of farm and non-farm rural households. The socioeconomic characteristics of coca producing and non-coca producing households will also be compared, and the data will be disaggregated by gender, where possible.

Post-survey analysis was to be conducted under a Title XII University agreement, but as a result of the last minute cancellation of the Joint Career Corps assignment for Title XII analysis, the Mission is having the data analyzed locally, and through the LAC/TECH and GENESYS centrally funded projects in Washington.

This project represents a discrete end-product, a one-time survey. However, the sampling frame designed by BUCEN and put into place under this project can be used for additional surveys that will track program impact and furnish data that will permit effective planning of future programs at relatively low additional cost.

GENERAL COMMENTS: The survey was scaled down in July 1991 to include only the Cochabamba Department, because of the inability of INE to commit adequate resources and personnel. Cochabamba Department is the site of the Cochabamba Regional Development Project, which is the Mission's central Alternative Development project. To increase the precision of the data, the sampling level in Cochabamba Department was doubled from 48 to 96 segments (each containing about 14 households), with 17 segments in the coca-growing zones of the Chapare. The field work was conducted in September 1991, and the manual coding and editing of the questionnaires was done in October 1991. Data entry and the initial verification was completed in November.

The keyed data passed through several steps before tabulations could be produced. First they were concatenated, then reformatted. Next, variables to impute were identified, and the imputations performed. Finally, recoded variables were generated and expansion factors applied. Throughout this

¹⁸ This represents a correction of last quarter's reported \$.52 million.

process, programs were written to check specific relationships and consistencies among the data. Missing data or data inconsistencies were reverified and corrected.

Preliminary estimates for some items were produced by the end of December. Final estimates, as well as many variances, were tabulated by March 1992. Tables and graphs illustrating survey results have been developed for a brochure which will describe survey findings. A draft of the brochure was completed by the end of March. The brochure is expected in final by June 15, 1992. A more in-depth analysis of the survey results has also been started and will be finished in the next reporting period.

One very interesting statistic was the 71% higher *household* income of the non-coca producing farmer over the coca producing farmer in the Chapare area. A special run was requested to seek a possible explanation for this phenomenon, which would compare and sort various statistical information on subject farmers. The socio-economic information produced from the survey is data of known reliability and will be invaluable for both Alternative Development program design and evaluation.

Full results of the survey will be reported in the next quarterly report.

USAID/Bolivia Alternative Development Projects in Design

PROJECT NAME/NUMBER	PRELIMINARY DESIGN DOCUMENT APPROVED	MAJOR DESIGN DOCUMENT APPROVED	RFP ⁽¹⁹⁾ ANNOUNCED	CONTRACTOR SELECTED	TECHNICAL ASSISTANCE TEAM IN THE FIELD
Cochabamba Regional Development (511-0617)	■	■	■	■	

¹⁹ "Request for proposal"

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COLOMBIA

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
ESF Cash Transfer	514-9001	1991-1994	\$154.0 million	\$41 million

PROJECT PURPOSE: To provide a cash transfer to assist the GOC's economic revitalization and anti-narcotics program.

PROJECT DESCRIPTION: The \$41 million obligated in FY 1991 supports the GOC program of Apertura and specifically finances the servicing of the official GOC debt to the United States and to multilateral financial institutions. The local currency generated by the GOC counterpart from this transaction in turn finances projects described below, which are managed by the GOC's National Planning Department (DNP). These projects support the GOC's economic revitalization/anti-narcotics program. Presently the program is composed of three investment categories: Apertura (trade expansion or the internationalization of the Colombian economy), decentralization and regional economic growth, and development of the human resource base. Macroeconomic performance is outlined in a table on the following page. The local currency counterpart of the \$37 million to be obligated in FY 1992 will be programmed in the areas of Apertura and Alternative Development. An illustrative list of local currency projects follows two pages below.

GENERAL COMMENTS: By March 31, 1992, the GOC had used all the funds provided to pay part of its external debt's service (\$ 21.5 million in this reporting period). During this period, the GOC also utilized \$20 million in local currency to support the local currency projects listed below. The GOC expects to use the other \$21 million equivalent in local currency during April-June 1992.

MACROECONOMIC INDICATORS - COLOMBIA

BASIC MACROECONOMIC INDICATORS	1990	1991	March 1992
Real GDP Growth Rate	4.1 %	2.2 %	NA
Inflation Rate	32.5 %	26.8 %	9.4% (Jan-Mar)
Unemployment Rate	10.6 %	9.6%	10.7%
External Trade Balance (\$m)	1,474	1,971	NA
Current Account Balance (\$m)	699	1,432	NA
Net International Reserves (\$m)	4,595	6,500	6,748
Total External Debt Outstanding (\$m)	17,556	16,629	NA
Debt Outstanding/GDP	37.8 %	37.2 %	NA
Debt Service/Exports of Goods and Services	35.1 %	38.1 %	NA
Central Government Fiscal Deficit (% of GDP)	1.2 %	0.9 %	NA
Interest Rate on 90 CDs	38.6 %	36.6%	NA
Growth of Money Supply (M1)	25.8 %	34.1 %	11.0 % (Feb)

NA: Not Available

An Illustrative List of DNP Projects

A. APERTURA

1. Micro-entrepreneurs Development
2. Micro-enterprise Promotion
3. Entrepreneurial Development/NGO's
4. The Magdalena Highway
5. The Pasto-Tumaco Highway
6. The Quality Foundation
7. Pork Pests Control
8. Cattle Tuberculosis Control
9. Aftosa Control
10. Aftosa Research
11. Sigatoka Plantain/Banana Disease
12. Fruit Flies
13. Commercialization of Apples
14. Agricultural Modernization

B. DECENTRALIZATION AND REGIONAL ECONOMIC GROWTH

15. The Medellin Advisory Council
16. Rehabilitation Plan Water Systems
17. Water Systems Improvement/Cholera Prevention
18. The Cartagena Channels and Lagoons

C. DEVELOPMENT OF HUMAN RESOURCE BASE

19. Socio-economic Opportunities for Youth at Risk
20. Business Administration Assistance

The following are a sample of the accomplishments to date for some of the projects listed above. The numbers below correspond to the numbers above:

4. THE MAGDALENA HIGHWAY:

OBJECTIVE: To improve the Magdalena Highway to lower transportation costs for agro-industrial producers who supply both domestic and foreign markets.

ACCOMPLISHMENTS:

- Of the 271 km segment between the towns of La Lizana and San Alberto, 35 km were leveled, 65 km were graveled, 9 km were paved, and a 650 meter bridge was built.

5. THE PASTO TUMACO ROAD

OBJECTIVE: To improve the Pasto-Tumaco highway which connects Colombia's second largest port on the Pacific Ocean (Tumaco) with the fertile Andean region.

ACCOMPLISHMENTS:

- Of the 93.2 km between the towns of La Verbena and El Diviso, 68% was leveled, 5% was paved, and .26 km. were completely built. The 109 km. between the towns of El Diviso and Tumaco was paved.

6. THE QUALITY FOUNDATION

OBJECTIVE: To introduce the concept of quality control to the private and public sectors in order to increase competitiveness in the production of goods and services. This should have the positive impact of contributing to promoting exports, rationalizing imports, and additional positive environmental impacts.

ACCOMPLISHMENTS:

- The first entrepreneurial Leadership Seminar for CEO's and top managers of the main Colombian companies was undertaken. 45 top Colombian executives attended to learn modern managerial techniques designed and to enhance quality control mechanisms in their corporations.
- The first program to train professionals in designing, installing, and monitoring quality mechanisms within private organizations was developed and implemented. The program trained 120 professionals from 70 companies.
- Seminars on the subject of quality control were conducted in principal Colombian cities for 87 middle managers.

15. THE MEDELLIN ADVISORY COUNCIL

OBJECTIVE: To revitalize Medellin.

ACCOMPLISHMENTS:

- Training and Technical Assistance to Improve and Increase Employment
 - The first Store-Keepers Association was created, and the members were given training. This a key economic group of employers.
 - NGO programs provide medical assistance and rehabilitation for drug addicted persons.
 - A comprehensive study on drug addition including alcoholism was financed. The published work was used to focus strategies and policies in this field.
- Rehabilitation of Secondary School Buildings
 - Nine secondary school buildings, located in highly troubled zones, were restored and furnished.
- Enhancement of Urban Areas
 - A large, urban community, La Esperanza, was completely rebuilt. This activity included restoration of school buildings, construction of a water channel, improvements of athletic fields, and building of a theater.
- Assistance to Create and Strengthen Small Businesses
 - Studies were undertaken to develop a Production Development Center which will become the biggest and most specialized institution to support small business development.
- Support to Small Towns Which Belong to Medellin's Metropolitan Area
 - The contract to construct the high-school building of the town of Bello was signed.

17. WATER SYSTEMS IMPROVEMENT/CHOLERA PREVENTION

OBJECTIVE: To improve the water and sewage systems of Pacific coast municipalities near the border with Peru to prevent the spread of cholera.

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ACCOMPLISHMENTS:

- The first phase of the Buenaventura's aqueduct was finished.
- The technical capacity to support the municipalities to design their water and sewage systems were hired.

18. THE CARTAGENA CHANNELS AND LAGOONS

OBJECTIVE: To foster the health status of the citizens of Cartagena and rehabilitate the local economy through the cleaning up of Cartagena's lagoons and channels.

ACCOMPLISHMENTS:

- Four dredging works have been started in Cartagena. This work is eliminating sources of environmental pollution.

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Justice Sector Reform	514-9002	1992-1998	\$36 million	\$1 million

PROJECT PURPOSE: Improve the effectiveness of the justice system.

PROJECT DESCRIPTION: There is a general consensus in Colombia that the judicial system is in crisis and requires reform. This crisis has become more acute in recent years due to the power of criminal organizations associated with drug trafficking and the associated increase in levels of violence. This A.I.D.-funded activity has been designed to address a host of interrelated problems that characterize this sector including the lack of administrative and operational independence of the court system; congestion of the court system; lack of protection for justice sector personnel and participants; and an incapacity to perform the prosecutorial and investigative functions effectively.

In pursuing the project purpose, priority is given wherever possible to removing obstacles to the prosecution of major narcotics traffickers. The failure to prosecute drug traffickers in Colombia is the most notorious example of a generalized failure to bring criminals to justice. Reassertion of the rule of law in these cases requires systematic treatment of fundamental problems inherent in the judicial system. Drug prosecutions cannot be pursued more effectively apart from the overall criminal justice system.

Thus, the objectives of the administration of justice program and those of NSD-18 converge. To have an effective counter-drug capability in Colombia, the Colombian justice system must develop the institutional capacity to confront criminals. To impart justice in drug cases, judges must be able to draw support from these institutions. Until the initiation of this judicial reform, Colombian judges had been left to their own devices to enforce the law. This judicial reform plan, being implemented with A.I.D. support, recognizes that justice demands a more effective system and demonstrates the Government of Colombia commitment to reform.

Each component of the project focuses on a different institution of the justice system to be strengthened. Although some of these components may be more important than others, they are interrelated and, to ignore any one of the components, could have serious negative consequences and jeopardize the project's purpose. The components are:

- A strengthened system of Special and Ordinary Courts administered by judges and their staff.
- An effective National Prosecutor's Office performing administrative, financial, security, monitoring, and case management functions.
- A strengthened investigative capacity.
- An effective Procuraduria General with strengthened administrative, monitoring, and security capacity.
- An effective Ministry of Justice.

ACCOMPLISHMENTS FOR THE REPORTING PERIOD:

- The GOC established a Multi-Institutional Executive Committee (MEC). At its first meeting (January 28, 1992) the following decisions were made: (1) an Executive Secretary of the MEC was appointed who is also the General Coordinator of the project from the Foundation for Higher Education (FES); (2) an initial allocation of funds among the major components of the project was made; (3) the Executive Secretary was directed to define the functions of the MEC and draft its internal rules; and, (4) it was decided that the permanent members of the MEC were the Minister of Justice, President of the Higher Council of Judicial Administration, the Attorney General, the National Planning Department's Director, the Public Prosecutor, the US Ambassador, the USAID/Colombia Representative, and the General Coordinator of the Project from FES.
- A new financial reporting system for the overall coordination of the project at FES was designed and implemented. This system will allow the Coordinator of the project and his staff to register and control the project's expenditures more accurately.
- Three new conciliation centers were created: two of them in Bogota, and the third one in Cali. Financial support continued to be provided to strengthen the Judicial Advisory Centers which provide legal assistance for low-income people. In addition, the Ministry of Justice continued to develop a nationwide plan to train and encourage the development of community mediators.
- The Procuraduria was strengthened:
 - A personnel management information system was designed and is being implemented.
 - Four training seminars in modern investigation methodologies and procedures, and in personnel resources management were provided to key officers.
 - Equipment was provided for photography, personnel identification, metals detection, and data processing.
 - A national advertising campaign against corruption in the public administration was designed and launched.
 - The studies to create the Office of the Prosecuting Attorney General were contracted and completed. Research to develop the legislation to define the specific functions of the Public Defender's office was begun. An overall training plan for prosecutors and investigators was submitted.
- The studies to define the necessary actions to establish the Public Prosecutor's Office were finished and submitted. The new Public Prosecutor took office on March 31.
- The physical infrastructure of the Bogota's Superior Court was improved. New electrical networks were installed to facilitate the installation of the future information system. The software currently utilized by this and other superior courts was upgraded. A new study to replicate the information system model already used in Bogota's Superior Court and in other superior courts was contracted and is almost complete.

- **The model court, initially set up in the town of Itagui, was strengthened by reinforcing physical infrastructure and by providing new data processing equipment and upgraded software. The model concentrates all the legal processes at a single location. The Ministry of Justice is currently developing a plan to replicate Itagui nationwide.**

USAID/Colombia Alternative Development Projects in Design

PROJECT NAME/NUMBER	PRELIMINARY DESIGN DOCUMENT APPROVED	MAJOR DESIGN DOCUMENT APPROVED	RFP ANNOUNCED	CONTRACTOR SELECTED	TECHNICAL ASSISTANCE TEAM IN THE FIELD
Training and Technical Assistance (514-9003)	■				
Drug Awareness and Education (514-9004)	■				

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PERU

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Economic Stabilization and Recovery	527-0344	1991-1994	\$330 million	\$20 million

PROJECT PURPOSE: The objective of the Economic Stabilization and Recovery Program (ESRP) project is to assist the GOP's stabilization and structural adjustment efforts by providing balance of payments support, subject to local currency counterpart procedures established by the Mission.

PROJECT DESCRIPTION: The Project provides \$50 million in balance of payments assistance in direct support of the Government of Peru's (GOP) economic reform program, and budgetary support to finance key counter-narcotics activities. The U.S. dollar funds will be used to finance servicing of GOP debt to the IMF, the World Bank and the Inter-American Development Bank, as consistent with the ESF Cash Transfer Assistance-Amplified Policy Guidance. The U.S. dollar funds will be deposited into a special separate Central Reserve Bank (BCR) in three disbursements; the BCR will be the custodian for the separate dollar account and dollar transactions. The local currency counterpart will be deposited into a separate special account in the BCR, prior to release of dollars to pay debt. This account will be managed by the Ministry of Economy and Finance, according to normal practices and controls. Local currencies will be programmed to finance general budget support with a preference for budget programs that support counter-narcotics activities. Initially, local currency was programmed exclusively for counter-narcotics program, whether or not in the budget.

GENERAL COMMENTS: The first disbursement of the Project was in late December 1991. It is important to consider that the GOP achieved the economic targets, benchmarks, and limits established with the IMF in 1991. The \$ 20 million disbursement made in late December 1991 was not used by the Ministry of Economy and Finance (MEF) to pay external debt, owing to the procedures established for the use of the local currency counterpart. The MEF claimed that the use of local currency for projects agreed with AID would not generate the fiscal relief needed due to the precariousness of the fiscal situation. Thus, alternative ways for the use of the local currency counterpart were discussed. The GOP suggested that the local currency counterpart -with the exception of the \$ 4.5 million Trust Fund equivalent- could be used in projects and expenditures programmed by the MEF. Because of the need to first agree on a revision of priorities for the local currency counterpart, the programming unit in charge of the management of the local currency counterpart was not implemented, and the \$ 4.5 million equivalent Trust Fund for AID was not deposited in the first quarter of 1992.

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INDICATOR	Oct.-Dec. '91	Jan.-Mar '92	CUMULATIVE	COMMENTS
STRATEGIC OBJECTIVE INDICATORS				
GDP Growth Rate	5.8% (1)			2.4% in 1991
Inflation Rate (2)	12.2%	16.4%		139.2% in 1991
Changes in Net International Reserves (\$m)	360	110		773 in 1991
External Debt Disbursements (\$m)				800 in 1991
Central Government Fiscal Deficit (% of GDP)	3.5% (2)			2.6% in 1991
Non-financial Public Sector Deficit (% of GDP)	3.8% (2)			2.7% in 1991
Tax Collection (% GDP)				7.8% in 1991
Internal Financing of Fiscal Deficit (% GDP)	-1.7% (2)			-0.4% in 1991 (Non-financial public sector)
External Financing of Fiscal Deficit (% GDP)	5.5% (2)			3.1% in 1991 (Non-financial public sector)
Investment (% GDP) (3)	2.3% (2)			1.8% in 1991 (public)
Private Investment (% GDP)				12.4% in 1991
Primary Emission Growth Rate (Nominal) (2)	15.2%	8.1%		95.9% in 1991
Primary Emission Growth Rate (Real)				-21.0% in 1991
Central Bank Net Domestic Credit (Million Soles) (2)		-1.5		52.7 in 1991
Net Domestic Credit to the Public Sector (Thousand Soles) (2)		-22.4		63 in 1991

(1) Average percentage increase over the same quarter of 1990. (2) Quarterly data. (3) Refers to public investment
Source: Central Reserve Bank.

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Upper Huallaga Area Development	527-0244	1981-1992	\$27.9 million	\$26.03 million

PROJECT PURPOSE: To support the GOP Development and Narcotics Control Activities in the Upper Huallaga Valley through the replacement of coca-based employment and foreign exchange with legal alternatives.

PROJECT DESCRIPTION: The Upper Huallaga Area Development (UHAD) Project develops and transfers appropriate agricultural technologies to strengthen agricultural support services in the Upper Huallaga Valley (UHV). Project activities carried out in support of this purpose have concentrated on reestablishing GOP agricultural development services in the Valley. These activities include: 1) adaptive research to determine the agronomic, economic, and socio-cultural feasibility of agricultural technologies packages; 2) expanding and upgrading existing extension services; 3) upgrading the capacity of the local University of the High Jungle (UNAS) to train agricultural scientists and conduct farm-level, agricultural seminars for extension workers and small-scale farmers; 4) providing short and long term agricultural credit; 5) strengthening farm production activities (e.g. land registration, grain storage facilities, agricultural and resource information); and 6) improving road maintenance and providing potable water systems and related community development facilities to local communities.

GENERAL COMMENTS: For CY 92, several new pilot activities are being implemented. These include a pilot community based development project in Tocache, a pilot comprehensive alternative development project in Ponaza Valley, an NGO income generation projects, and financing the completion of the Picota Bridge, a major structure spanning the Huallaga River. The Tocache project seeks the participation of the community in planning, execution, evaluation and budget management of basic infrastructure works that the communities themselves have prioritized. In the first stage of this program, 31 communities are participating. They have started 18 public works in education infrastructure; seven public works in health, three public works for potable water systems and two "oroyas" (baskets hanging from a rope bridge for transportation across a river). According to the major of Tocache, this project has generated much enthusiasm in the population.

Over this reporting period, the security situation has not varied significantly from the past and the PEAH's extension agents have worked with no serious problems. In some areas, the military has conducted exercises and has captured some terrorists but we can not say that danger has disappeared. That is why it is necessary to continue working closely with the communities.

INDICATORS	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
PROJECT PURPOSE INDICATORS (Agricultural Production)			Year 1990	(Baseline = 1980) Figures for 1991 indicators unavailable yet
Rice (ha.)			9,114	314% of Baseline
Maize (ha.)			8,104	16% of Baseline
Banana (ha.)			9,662	86% of Baseline
Yucca (ha.)			6,896	213% of Baseline
Rice (metric tons)			32,800	894% of Baseline
Maize (metric tons)			14,700	75% of Baseline
Banana (metric tons)			74,700	139% of Baseline
Yucca (metric tons)			61,700	124% of Baseline
OUTPUT INDICATORS				
Agricultural support services developed and provided				
Number Receiving Long-term Agricultural Training			19	100% of LOP target
Demonstration Plots	206	106	1,869	62% of LOP target
Number of Farmers Receiving Technical Assistance	1,151	667	15,223	84% of LOP target
Production of Seeds of Alternative Crops (kg.) (Rice, maize, beans)	19,000	3,024	133,723	31% of LOP target
Production of Seedlings of Alternative Crops (units) (Banana, yucca, citric, cacao, coffee)	249,000	78,886	1,380,387	167% of LOP target
Annual Statistical Reports	2	1	13	144% of LOP target

INDICATORS	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
Number of Land Titles Registered	123	0	4,699	84% of LOP target
Volume of Credit Provided (US \$)	500,000	722,000	4,227,823	94% of LOP target
Number of Loans Provided	57	94	2,392	
Construction of a Pineapple Processing Plant	0	0	0	40% completed. Progress is on-going.
Construction of a Banana Processing Plant	0	0	0	20% completed. Progress is on-going.
Construction of a Rice Mill	0	0	0	23% completed. Progress is on-going.
Roads Rehabilitated				
Kilometers of Road Repaired	31	26	1,282	83% of LOP target
Community Projects Developed				
Community Vegetable Gardens Installed	15	3	56	1,261 families benefitting
Community Small Animals Farms Installed	3	16	59	1,245 families benefitting
Number of Fish Farms Installed	2		10	167% of LOP target. 1,000 families benefitting
Classrooms constructed/rehabilitated	12	6	529	26,450 students benefitting
Number of Rural Potable Water Systems Installed	4	1	39	6,435 families benefitting
Number of Persons Trained in Health Promotion	300	29	3,409	
Health Centers constructed/rehabilitated	5		88	3,520 families benefitting

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Administration of Justice	527-0303	1986-1992	\$2.85 million	\$2.01 million

PROJECT PURPOSE: To encourage and provide the means for structural improvements in Peru's legal institutions for improved administration of justice and counter-narcotics performance.

PROJECT DESCRIPTION: The project will identify and foster local efforts to prosecute cases, particularly those related to narcotics trafficking and terrorism, justly and speedily, raise professional standards for judges and prosecutors, organize and manage judicial personnel, improve administrative planning and budgeting skills and system capacity, and more generally, to inspire trust in judicial institutions and the rule of law.

GENERAL COMMENTS: The Administrative Office of the Judicial Branch began to make use of its new computerized information system for payrolls, personnel register, and financial support. Through the Case Tracking System that will be established, the statistical reports will show addresses of the users and their economic situation (i.e. occupation, salaries). Therefore, we will be able to determine what socio-economic groups have access to the Judicial System.

The Project also has supported the development of the National Registry of Detainees within the Public Ministry, using data collected by the Armed Forces and National Police.

INDICATORS	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
PROJECT GOAL INDICATORS				
Percentage of Public with No Confidence in the Judicial System			79%	Public opinion poll (August 1991)
Percentage of Lower Socio-economic Groups with Access to the Judicial System				
Improved Human Rights Record	51*	25**		Number of Accusations of disappearance reported to the Public Defender's Office. *Increased from 22 reported previously. **Preliminary estimate based on 15 reported for January-February.
PURPOSE INDICATORS				
Percentage of Persons in Penitentiaries Awaiting Trial			75%	Judicial Statistics

INDICATORS	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
Average Time for Judicial Process			2 years and 2 months	Judicial Statistics
Ratio of Number of Trials Processed and Number of Trials Pending			24%	Judicial Statistics
OUTPUT INDICATORS				
Ministry of Justice				
Number of Legal Aid Offices Functioning	31	31	31	103% of LOP target
Number of Consultations	10,000	7,500	93,000	930% of LOP target
Number of Users of Enhanced Legal Library	500	500	500	Legal Library just became operational
Number of Volumes at Enhanced Legal Library	400	450	400	
Public Ministry				
Development and Use of Procedural Manual for Judiciary and Police				New Criminal Procedural Code will be Operating in July 1992. National Conference in May will create Manual.
National Registry of Detainees				Cooperative Agreement Signed January 1992. ILANUD coordinator in place and proceeding on schedule to have Registry operating efficiently by January 1993.
Cases Resolved by the Special Prosecutor's Office	20	0		Initial estimate
Number of Prosecutors Trained	200	25	905	95% of LOP target
Number of Courses and Faculty Developed	6	1	65	85% of LOP target
Percentage of Prosecutor's Offices with Manual Case Tracking System			60%	60% of LOP target.
Judicial Branch				

INDICATORS	Oct.-Dec. '91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
Development and Use of Procedural Manual				New Criminal Procedural Code will be operating in 1993
Number of Judges Trained in Academy Courses	120	15	375	60% of LOP target
Number of Courses and Faculty Developed	3	1	18	85% of LOP target
Number of Courts Implementing Manual Case Tracking System	10	0	10	25% of LOP target
Financial and Personnel Systems Designed and Implemented	100%		100%	Design and implementation completed in 1991.
National Police				
Development and Use of Procedural Manual				New Criminal Procedural Code will be Operating in July 1992. National Conference in May will create Manual.
National Registry of Detainees				Cooperative Agreement signed in January 1992. ILANUD coordinator in place and proceeding on schedule to have Registry operating efficiently by January 1993.
National Organization to Support Judicial Reform Established				Sector Assessment reproduced and distributed. Technical Assistance from National Center for State Courts in early May.

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Drug Education and Public Awareness	527-0288	1985-1992	\$6 million	\$4.91 million

PROJECT PURPOSE: To develop community education on the production, trafficking, and abuse of illicit drugs to increase support for counter-drug activities in Peru.

PROJECT DESCRIPTION: The project is to establish a documentation center for information related to drugs and drug abuse. The center is the hub of a network of existing community organizations interested in preventing drug abuse. The center provides training and technical assistance on drug matters to interested organizations, groups, and individuals. The center also conducts and supports research on drug-related problems and helps disseminate these results. The center also carries out educational programs and campaigns on drug problems. The center and its network seeks to obtain the support and assistance of opinion leaders to promote drug awareness.

GENERAL COMMENTS: The Center for Information and Education on the Prevention of Drug Abuse (CEDRO) and the Ministry of Education successfully continued implementing their scheduled activities. CEDRO pretested the questionnaires that will be used in next quarter when they carry out the third epidemiological and public opinion surveys on drug use, which will update the degree of public awareness of drug problems in Peru (Project Purpose). With funds provided by the AID/W Disabled Children Program, CEDRO has completed the construction of the first facility for their Street Children activity and has a progress of 85% in the construction of the second one. CEDRO has launched its ninth TV campaign on drug prevention. CEDRO also carried out its Fourth International Workshop on Production, Trafficking and Use of Illicit Drugs. Distinguished personalities from the U.S., Venezuela, Colombia, Ecuador, Bolivia and Peru participated. The Ministry of Education (MOE) started the expansion of the drug prevention program in high schools in four Regions. During the reporting period the MOE achieved 30% of their goal training activities. By the project's end, the MOE intends to expand the drug prevention program to 117 schools with more than 10,000 school teachers and education specialists trained and around 100,000 high school students benefitting.

The Mission approved a PID-like document prepared by CEDRO for the implementation of the Narcotics Education and Community Initiatives project. During the first week of May USAID will review CEDRO's final proposal which will be used as a PP-like document. Obligation of a grant to CEDRO is a Mission priority as funds in the old Project are depleted. CEDRO will run out of money by the end of May unless the new Narcotics Education and Community Initiatives activity comes on stream.

INDICATORS	Oct.-Dec.'91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
PROJECT GOAL INDICATORS				
Amount of Government of Peru Resources Dedicated to Counter Drugs			\$13,717,155	Compared to \$0 in 1980. Figure from counterpart contributions to Upper Huallaga Area Development and Drug Education Projects.
PURPOSE INDICATORS				
Percentage of Public Who Think Drugs Are a Problem for Peru			43%	78% of LOP target. In 1992 CEDRO will carry out its third public opinion survey.
OUTPUT INDICATORS				
Private Drug Education and Information Center Established	0	0	1	100% of LOP target
Sustainability of Information Center (% of non-AID funding)			10%	10% of LOP target
Increased Dissemination of Drug Awareness Information				
Number of Publications	90	14	1,736	102% of LOP target
Number of Radio/TV Spots	0	1	33	94% of LOP target
Number of Conferences	4	7	172	88% of LOP target
Number of Information Requests Attended to by CEDRO	1,509	966	29,783	90% of LOP target
Number of People Trained and Informed	5,375	3,781	461,493	93% of LOP target
Increase Awareness of Adverse Effects of Drug Production on Peru				
Number of Public Debates and Seminars	0	1	3	60% of LOP target
Number of Press Articles, TV/Radio Presentations	3,677	147	3,824	91% of LOP target

INDICATORS	Oct.-Dec.'91	Jan.-Mar. '92	CUMULATIVE	COMMENTS
Number of Briefings to Opinion Leaders	9	12	41	51% of LOP target
Increased Network of Organizations/Programs in Awareness and Prevention				
Number of Local, Proactive Prevention Programs	3	2	17	85% of LOP target
Number of Organizations Incorporated into Network	1	0	1,985	99% of LOP target
Incidence, Prevalence, and other Drug Related Studies Completed	0	0	5	71% of LOP target
High School Drug Prevention Curriculum				Activities for these outputs started in November 1991.
Number of Schools with Curriculum	0	35	35	30% of LOP target
Number of School Teachers Trained in Curriculum	0	3,240	3,240	30% of LOP target
Number of Students Benefitting from Curriculum	0	30,000	30,000	30% of LOP target

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDITURES
Policy Analysis, Planning, and Implementation	527-0343	1990-1995	\$7.15 million	\$0.504 million

PROJECT PURPOSE: To assist Peru to develop an economic policy environment in which legitimate forms of economic activity can compete favorably with the production and commercialization of narcotics.

PROJECT DESCRIPTION: The project provides high-level technical expertise to meet the needs of the Government of Peru (GOP) for planning, developing, implementing and monitoring economic policies, programs, and projects. Macroeconomic analyses and information dissemination related to policy analysis and the decision-making process will benefit both the public and the private sectors. High-level participation through the Interministerial Committee for Financial and Economic Affairs and the Office of Secretary of the Presidency ensures that the project addresses priority policy areas in the public sector. Private sector policy analysis is organized by the National Confederation of Private Enterprise Institutions (CONFIEP).

GENERAL COMMENTS: A PAPI-funded expert helped negotiate 10 bilateral debt rescheduling agreements in the period. The project paid for GOP participants in a prestigious seminar by Consorcio La Moneda on "Economic Stabilization and Structural Adjustment: the Peruvian Case". Research under PAPI's CONFIEP studies has produced an inventory of needed actions in the area of reform for domestic and foreign investment, and, in an unanticipated "snowball" effect, provides a broad legal basis for continuing sweeping forms via proposed new laws. The Public Investment Policy study for the Ministry of Economy and Finance (MEF) was concluded, and formed the basis for recommendations for privatization of several enterprises. A technical assistance contract was begun for the MEF in the area of barriers and incentives for exports. Despite the awarding of the contract, start-up of the institutional contractor is delayed indefinitely due to suspension of U.S. direct assistance to GOP until democracy is restored.

INDICATORS	OCT-DEC 91	JAN-MAR 92	CUMULATIVE	COMMENTS
STRATEGIC OBJECTIVE INDICATORS				
GDP Growth Rate	5.8% (1)	N.A.		2.4% in 1991
Inflation Rate (2)	12.2%	16.4%	139.2%	139.2% in 1991
Export Growth Rate (2)	- 5.3%			0.1% 1991 Exports increased
Net International Reserves (2)	\$360 million	\$110 million		\$773 million in 1991
Fiscal Deficit as % of GDP (2) (3)	3.8%			Non-financial public sector deficit. Total 1991 2.7%

INDICATORS	OCT-DEC 91	JAN-MAR 92	CUMULATIVE	COMMENTS
STRATEGIC OBJECTIVE INDICATORS				
Fiscal Deficit as % of GDP (Central Government) (2)	3.5%			1991 2.6% Central Government
Foreign Direct Investment (2)	- \$13 million			Total 1991 \$10 million
Private Investment as % of GDP (2)				12.4% in 1991.
PURPOSE INDICATORS				
Improved Economic Policy Climate (Represents Progress Toward Achieving Target Score, i.e. Economic Policy Framework as Good as Chile's)	76.1	76.1		Economic Policy Score Index from the Futures Group is Currently Used. ECON will develop economic policy score for Peru.
OUTPUT INDICATORS				
Mid-level GOP and Private Sector Training				
Short-term Training (Person Months)	1	0	1	Vice-ministry Industry. Course in restructuring industrial enterprises.
Long-term Training (Masters Degrees)				
In-country Training (Person Months)				
Policy/Regulatory/Institutional Constraints Resolved				
Policy/ Regulatory Studies (See tables attached)				

(1) Average percentage increase over the same quarter of 1990. (2) Quarterly data. (3) Refers to the non-financial public sector deficit.
Source: Central Reserve Bank.

MAJOR POLICY REFORM STUDIES OF THE PAPI PROJECT

PAPI ACTIVITY FOR PUBLIC SECTOR	REQUESTED BY	ANTICIPATED OBJECTIVES/ COMPLETION DATE	RESULTS TO DATE
Finance Export Sector TA	Ministry of Economy and Finance (MEF)	Strategy to evaluate barriers and options for export financing. 5/92	Activities Report due May 4, 1992.
Re-entry into international Financial Systems Study	SEP	Formulate strategy for re-entry into international financial system. Consolidate the external sector into the Peruvian economy. Support structural adjustment. 4/92	Final Activities Report received 4/20/92. Identified role of three economic powers, U.S., Europe, and Japan. Redefined role of foreign investment in Peruvian development. Designed new approach to international financial system in which economic, commercial and financial variables predominate over political strategic variables.
Executive Branch Legal Framework Study	SEP	Develop legal framework for efficiency of executive branch functions. 5/92	Final Activities Report due May 19, 1992.
Public Investment Promotion Study	SEP	Design efficient long-range investment promotion policy for 1992-1995. 10/92	First draft report due 8/92.
Foreign Trade Legal Advisor. T.A.	MEF	Design legal framework for liberalization and reform of foreign trade regulations. 7/91	Activity report received 8/14/91. Developed strategy for negotiation with Andean Group. Deactivated Institute of Foreign Commerce (ICE). Restructuring of SUNAD (customs). Legal decrees governing tariff reductions led to sweeping liberalization of trade structure.

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PAPI ACTIVITY FOR PUBLIC SECTOR	REQUESTED BY	ANTICIPATED OBJECTIVES/ COMPLETION DATE	RESULTS TO DATE
Alternative Energy Policy Report	MEF	Evaluate economic and budgetary impact of energy policies; recommended options and alternatives in policy to promote efficiency of resources. Compile information base related to legal framework for the hydrocarbons sector. 8/91	Report received 8/26/91. Contractor recommendations and information base provided input to Legislative Decree 655 which eliminated PetroPeru monopoly and created a basis for privatization.
Evaluate Public Enterprises for Reduction of State Participation Report	MEF	Evaluate state-owned enterprises. Prioritize privatization of enterprises. Coordinate actions of institutions involved in privatization. 8/91	Report received 8/14/91. Developed guidelines for State to reduce its participation in the economy. Coordinated three seminars and other programs among state institutions to sell the concept of privatization, and met with investors and multilaterals to coordinate support.
Evaluate State-owned Banks Report	MEF	Recommendations for fusion of state banks. Evaluate ties with BCR. 8/91	Report received 8/1/91. Recommended the fusion of state-owned banks into one and the breaking of ties with the BCR (Central Bank), which resulted in a decision to unify four state-owned banks into one.
Tariff Policy Reform T.A.	MEF	Recommend actions to eliminate restrictive tariff policies. Monitor and analyze economic impact of March 1991 tariff reforms. 7/91	Activities report received 7/26/91. Supervised dismantling of quantitative and administrative tariff restrictions. Developed strategy of negotiation with Grupo Andino for tariffs.
External Debt Negotiation T.A.	MEF	Strategies to negotiate Peru's external debt rescheduling. 8/91	Paris Club Debt Rescheduling Accord signed 9/17/91.
Public Investment Policy Report	MEF	Prioritize public sector investment policy to promote efficiency in resource allocation. 2/92	Report received 2/21/92. Recommendations have provided input into privatization process.

PAPI ACTIVITY FOR PUBLIC SECTOR	REQUESTED BY	ANTICIPATED OBJECTIVES/ COMPLETION DATE	RESULTS TO DATE
Bilateral and Multilateral Debt T.A.	MEF	<p>Coordinate Support Group resources and negotiate bilateral and multilateral agreements. Attempt to negotiate the timing and amount of disbursements in coordination with external payments due to the IDB and World Bank.</p> <p style="text-align: right;">3/92</p>	<p>Activities Report received 4/29/92. As a follow-up to the Paris Club Debt Accord, 10 bilateral agreements negotiated and signed, representing 65 percent total funds. Bilaterals ready to sign with Canada, Spain, and U.K., which represent 20 percent of total funds. U.S. (14 percent of funds) will be next to negotiate. The following multilateral loans are in various stages of approval: IDB Financial Sector, IDB Infrastructure and Trade Loans, World Bank Trade Loan, World Bank Structural Adjustment Loan.</p>



PAPI ACTIVITY FOR PRIVATE SECTOR	REQUESTED BY	ANTICIPATED OBJECTIVES/ COMPLETION DATE	RESULTS TO DATE
Mining Sector Investment Study	CONFIEP	Use analysis of current and past treatment of foreign capital investment in certain mining countries to develop recommendation to re-attract foreign investment in the Peruvian mining sector. 4/92	Two broad reviews were held of the study. Anticipate receipt of final book on 4/27/92.
Debt for Investment Study	CONFIEP	Design law to permit debt conversion for new investment. 4/92	Two fora were held to review the draft law which would permit Peru's commercial debt to pay for privatization. Final report is due 4/30/92.
Draft Law for Private Investment Growth Study	CONFIEP	Design legal framework for elimination of impediments to private investment. 12/91	Led to legal decrees 757 (Private Investment Growth) and 758 (Privatization of Public Services). Both are key to national and foreign investment reform. Research also led to Decree 701, the Anti-monopoly Law and Decree 662, the Law for Promotion of Private Investment, which provides legal protection for investments. Under Decree 758, nine more legal decrees are pending review by MEF in the area of privatization of public benefits or services.
Tariff Policy Study	CONFIEP MEF	Law to establish system of deferred payment of tariffs on imports of capital goods. 4/92	Text of the new law delivered to the MEF. It will be implemented in legislative decree by June. The new law would defer payments of some taxes and duties until there is sufficient time to generate income as a result of new investments.

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USAID/Peru Alternative Development Projects in Design

PROJECT NAME/NUMBER	PRELIMINARY DESIGN DOCUMENT APPROVED	MAJOR DESIGN DOCUMENT APPROVED	RFP ANNOUNCED	CONTRACTOR SELECTED	TECHNICAL ASSISTANCE TEAM IN THE FIELD	FIRST OUTPUT REPORTING
	Planned/Actual dates	Planned/Actual dates	Planned/Actual dates	Planned/Actual dates	Planned/Actual dates	Planned/Actual dates
Democratic Initiatives (527-0356)	June 1993	September 1993	Not Anticipated			
Economic Stabilization and Recovery Program (527-0344)	<i>SUSPENDED</i>	<i>SUSPENDED</i>	N/A	N/A	N/A	March 1992
Investment and Export Promotion (527-0349)	April 1990	September 1991	<i>SUSPENDED</i>			
Judicial Strengthening (527-0352)	June 1992	September 1992	N/A			
Land Titling/Democratic Strengthening (20)	August 1992	September 1992	N/A		October 1992	December 1992
Narcotics Education and Community Initiatives (527-0347)	Feb.92/Apr.92	May 1992	Not Anticipated		October 1992	December 1992
Selva Coastal Road Rehabilitation (1)	December 1991 (21)	<i>SUSPENDED</i>	<i>SUSPENDED</i>			
Selva Economic Revitalization (527-0348)	February 1992	June 1992	Not Anticipated			June 1993
Small Business and Employment Expansion (527-0350)	June 1991	<i>SUSPENDED</i>				

²⁰ Host Country Owned Local Currency funded project

²¹ Prepared by Ministry of Transportation and approved by USAID/Peru