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USAID/CHILE

SEMI-ANNUAL REPORTS

OCTOBER 31, 1994 - MARCH 31, 1995

**USAID/CHILE
Semi-Annual Report
Representative's Narrative**

A. PORTFOLIO STATUS

The USAID/Chile portfolio has been significantly reduced. It is focused on two strategic objectives and concentrated in accordance with Agency policy and closeout scheduled for September 30, 1996. The first strategic objective supports the consolidation of Chile's five year old restored democracy, and the second supports certain aspects of the Enterprise of the Americas Initiative (EAI).

USAID/Chile Strategic Objectives are:

1. **Responsiveness of Key Institutions to Citizens' Needs Increased.**
2. **Increased public and private sector capacity to address Chile's environmental problems in support of the Enterprise for the Americas Initiative (EAI).**

USAID/Chile programs aimed at these objectives operate through several direct USAID/Chile grants and cooperative agreements, through the G Bureau and through a PASA with the U.S. Environmental Protection Agency - USEPA.

USAID/Chile also administers an important social sector program which does not fall directly under either of our Strategic Objectives. This is the \$40 million RHUDO/SA Housing Guarantee Program, which includes a \$5 million guarantee to the private sector for privatization of waste water treatment facilities in Chile. USAID/Chile has financed technical and support services for urban development policy and programs through OYB transfers to RHUDO. The program has been oriented towards social housing for lower income people, where women represent an important percentage of householders.

At present, the overall USAID/Chile program is consolidated, operating in priority areas for Chile and well managed, both by the grantees (virtually all are Chilean NGO's) and our USAID/Chile Project Managers (two FSN PSC's). We have a support staff of one FSN DH administration and accounting specialist, one FSN PSC audit and financial specialist, three FSN PSC secretary-administrative assistants and one driver/messenger. One FSN PSC contract was terminated in February 1995. The remaining FSN's will terminate in accordance with the closeout schedule, most before July 30, 1996.

As of this SAR, USAID/Chile has been allocated \$2,925,000 of the \$3,663,000 requested for FYs95/96.

B. ACTIVITY HIGHLIGHTS

1. Strategic Objective One - Responsiveness of Key Institutions to Citizens' Needs Increased.

The Democratic Initiatives portfolio is intended to respond to the challenges of the consolidation and improvement of key institutions, actors and areas of the Chilean democratic system, as are the justice system, congress, participation, and regional and local government.

JUSTICE

The Chile Justice System Improvement Project (CJSIP) is implemented through a local CPU (Corporación de Promoción Universitaria), a Chilean NGO. In July, 1993 an agreement between CPU, USAID/Chile and the Chilean Supreme Court was signed to provide technical and financial assistance for Supreme Court management modernization efforts.

CPU has become a domestic leader promoting Alternative Dispute Resolution Systems (ADR) in Chile. CPU has performed studies and pilot projects in order to implement an institutionalized ADR system.

In October, 1994 Congress passed a bill that created the first Chilean Judicial Training System. This law was a direct result of USAID/Chile program efforts.

CPU and other key civic society institutions with support of the GOC, designed a new criminal procedure code that includes oral process and establishes for the first time in Chile a public prosecutor and defense system. The law was sent to Chile's Congress in May 1995.

CONGRESS

CEAL, the Center for Legislative Studies and Assistance, was founded in 1989 at the Catholic University of Valparaíso (UCV) with the support of the State University of New York, Office of International Programs (SUNY/OIP). It is now well consolidated, providing staff training and the only available non-partisan consulting services to the Congress of Chile. CEAL is well respected and has produced almost 150 reports on pending legislation requested by members of both houses and committee staff.

CEAL produced and published a study on "Women in Latin American Congresses" and disseminated it through several local and international seminars and conferences. A similar study is being performed focused on local governments.

CEAL has also provided 80 seminars and training courses to more than 2,000 legislators, congressional staff, media

professionals and regional and political leaders. CEAL has also done studies and offered training programs in the decentralization area, under contracts with the GOC and regional and local governments.

One of CEAL's strength is a well trained staff of 6 professionals with master certificates from SUNY in the legislative area. CEAL has also organized and founded 4 U.S. legislative and municipal study tours for Congress members and local officers and staff. As a result of the studies CEAL has published 14 books/manuals for use by the Congress and/or regional and municipal governments. CEAL has continued providing technical assistance to the Paraguayan Congress, under the support of USAID/Paraguay and IDB.

CITIZEN PARTICIPATION

PARTICIPA, a Chilean NGO, has decentralized its activities and opened regional branches, covering more than the 75% of the population. As a result of a strategy for future self sustainability, PARTICIPA has designed consulting and training services lines for a domestic and international audience. Since the second half of CY 1993 Participa has generated more than \$200,000 from domestic contracts with local and multilateral, governmental and non-governmental institutions.

PARTICIPA's training program on civic education has included more than 40 percent of women.

REGIONAL AND LOCAL GOVERNMENT

Although Chile is a unitary State it has made a political commitment to, and made initial steps towards, expanding governance at the regional and municipal levels. The road map, and personnel needed for this undertaking, are being supported in a new USAID/Chile project. USAID/Chile seeks to create a next generation of Chilean decentralization thought and practice, working with a coalition of political party think-tanks and the GOC. The project designed at the end of FY 94 has just initiated activities.

- 2. Strategic Objective Two - Increased public and private sector capacity to address Chile's environmental problems in support of the Enterprise for the Americas Initiative (EAI).**

The portfolio evolved as a result of Action Plan reviews towards a primary focus on potential environmental policy obstacles to the eventual negotiation of a U.S./Chile Free Trade Agreement (FTA). With President Clinton's confirmation of a U.S. commitment to a Chile FTA, USAID/Chile efforts continue to be appropriate.

USAID/Chile has worked with Chile's EPA, the Comisión Nacional del Medio Ambiente (CONAMA) for six years, to build its preeminence as the Chilean public policy institution with a capacity to protect the environment, effectively manage resources and respond to Chile's environmental problems. As a result of our joint efforts, a major new environmental legislation was signed by former president Aylwin in March 1994. Through FY 95 USAID/Chile has continued working with CONAMA, via the U.S. NGO World Resources Institute (WRI), and the United States Environmental Protection Agency (USEPA), to implement the new legislation at the policy and decentralized institution levels. CONAMA's decentralized approach makes the task of becoming an effective interlocutor at the national and local levels.

USAID/Chile has gained the significant goodwill of the GOC and of CONAMA through a PASA providing technical assistance of officials and experts of the U.S. Environmental Protection Agency. Thus far, about 22 EPA advisors have assisted CONAMA and other Chilean agencies in the following areas: environmental impact assessment; air pollution monitoring systems; presentations on U.S. environmental policies; review of terms of reference for a solid waste program with TA recommendations; advice on management of domestic and industrial solid waste and sanitary landfills; environmental impact for paper and cellulose industries, including waste discharges, monitoring systems, and policy development for treatment of industrial discharges and waste water. A new training program on enforcement, conducted by EPA specialists is planned for July 1995.

USAID/Chile bought into an G Bureau project, Environmental Pollution Prevention (EP3) to demonstrate that Chilean industry can take immediate, low-cost steps to reduce pollution and environmental degradation. With the CONAMA legislation about to be put in place, this program focuses on the ability of Chile's 'environmental marketplace', the human resource base, technology and funding to respond to new demands.

In November 1993 Chile became the first country to initiate the EP3 project when five industrial plants (two textile, two tanneries and a slaughter house) were audited. The results were beyond everyone's expectations. Not only will pollution be reduced at the source in every plant but significant savings were identified for plant owners. Thus, with the first audits EP3's premise - that pollution prevention and reduction was not only low cost but also saved money - was demonstrated. During 1994, ten additional plants were audited. Potential savings go beyond \$400,000 if all recommendations are implemented. This three year program, implemented together with the Chilean American Chamber of Commerce (AMCHAM/Chile) will audit up to 30 Chilean industrial plants reducing pollution. However, of more importance is the fact that it will give on-the-job pollution prevention training to Chilean engineers who will become the base of a new service industry in Chile. Since the U.S. is a leader in pollution technology we expect an added dividend of U.S. technology to be

4-

purchased using local Chilean financing. The Chilean government, through its development bank CORFO is planning to expand the EP3 program at a larger scale, using IDB MIF funds.

To support activities which remove barriers to a possible Free Trade Agreement (FTA), USAID/Chile established a competitive small funding facility which encourages and promotes public policy dialogue on the sustainable development aspects of a potential FTA. In FYs 93/94/95 forty one small grants were awarded to universities, NGOs, think-tanks, labor and indigenous groups, wishing to hold non-partisan seminars or workshops, or produce papers, on free trade in the areas of environment, intellectual property and labor.

The Environmental Initiative for the Americas (EIA) fund supported two proposals, one of \$250,000 for an environmental loan policy and fund for Chile's small industry and one of \$60,000 for an EPA technical assistance to the government of Chile for an environmental regulations training course.

The USAID Representative is the USG delegate of the Chilean/U.S. Board of the Environmental Fund created by the debt-forgiveness provisions of the Enterprise for the Americas. Over \$18 million will be used through 2002 to encourage and support NGO efforts in child survival and the environment. No USAID/Chile funds are involved. However, the Board will be an important policy and program platform in the environmental area to assist Chile to preserve, analyze and use its unique and valuable forest and marine resources.

The Chilean and US governments gave their approval for the Board to make its first NGO awards. Twenty to forty awards are expected to be selected from 244 NGO proposals in August 1995.

Water sources and waste-water treatment are development issues in Chile. The government of Chile has to determine whether waste-water treatment will be in the hands of the private or public sector, in effect privatizing. Less than 1% of Chile has waste-water treatment facilities while more than 95% has water facilities. Chile has one pilot waste-water treatment facility located in Santiago. Local private citizen groups are prevented from accessing facility funding because of policy and statute distortions.

USAID/Chile is working, through our Housing Guarantee activity, with the citizens of three medium size towns to demonstrate that citizen groups can build, own and operate waste-water facilities. One town, Panguipulli, in the southern region, will soon begin construction of a facility.

The University of Arizona together with the University of Chile received an R&D Bureau University Development Linkages grant for sustainable agriculture development in Chile's northern arid zones in FY 93. This and four awarded R&D Biodiversity

56

Support Project grants to Chilean researchers in native forest regeneration, biodiversity protection through parks management and benthic ecosystem changes due to aquaculture activities will continue to enhance USAID/Chile's strategic environmental objective. One R&D Biodiversity Support Project for Women has been granted to a University of Chile researcher.

C. SIGNIFICANT PROBLEMS AND DELAYS.

While some individual USAID/Chile projects and activities from time to time experienced minor implementation delays, none were either prolonged or serious.

PARTICIPA's evaluation led during 1994 to a major reorganization, central staff downsizing, and decentralization to the regions of Chile, with greater reliance of regional chapters and its corps of volunteers for program implementation.

The reduction of resources for FY 95 implies a new readjustment of current programs redesigning goals, objectives, activities and organizational structure. The shortfall of \$ 738,000 will significantly affect DI programs.

D. PIPELINE STATUS AND PROSPECTS

USAID/Chile has had no major problems in obligations, commitments, disbursements or liquidations in the last year. Project managers and grantees have generally succeeded in maintaining planned levels of output, and we have requested, defended, and received adequate amounts of funds in a reasonable timely fashion.

Excluding the OYB obligated by LAC/DI for CEAL and by RHUDO/SA for the HG technical assistance support, currently active programs total over \$26 million in LOP funding. Of this amount, as of March 31, 1995, some \$24 million had been obligated, leaving a mortgage of \$2 million.

A USAID/Washington approved Chile close-out plan is directed towards achieving existing project goals and assisting the eight Chilean staff in their efforts to find on-going employment. One premise of the plan was an FY 95 project budget of \$3,663,000 which would fund project close-out commitments for both FYs 95 and 96. As of this report we have been allocated only \$2,925,000 of the requested \$3,663,000 for FY 95.

The pipeline as of March 31, 1995 was about \$1 million against a \$26 million LOP level. The LOP figure, however, includes the dollar cash transfer under the primary health care improvement program. Excluding the cash transfer, it is projected that by the end of FY 95 our pipeline will be approximately \$0.5 million.

	DI	ITT	HEALTH	PSTC
LOP funding	7,075,100	7,784,853	10,800,000	853,157
Obligated as of 3/31/95	6,275,150	6,552,853	10,800,000	853,157
Spent as of 3/31/95	6,200,207	5,774,998	10,798,459	777,664
Mortgage	799,950	1,232,000	--	--
Pipeline	74,943	777,855	1,541	75,493

178

E. USAID/CHILE SEMI-ANNUAL REPORTING SYSTEM

As an MDC representative's office, USAID/Chile has not had to contend with a full range of SAR requirements. As always, USAID/Chile will provide all reports or information requested by USAID/W within the limits of our staff capacity.

June 22, 1995

8

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1 Project Title and number	2 Date of Initial obligation	3 Project Designation	4 Status of CP's	5 Size of Pipeline	6 Age of Pipeline	7 Accrued Expenditures	8 Uncommitted Balance	9 EOPS-A	10 EOPS-B	11 Audit A	12 Audit B	13 Evaluation A	14 Evaluation B
513-0796	04/91												
PARTICIPA		A							X				
513-0642	09/91												
CPU (AOJ)		A											
598-0777	06/89												
SUNNY-CEAL		A							X				
513-0616	08/89												
EPM-WRI		A											
513-0616	08/93												
EP3		A											
513-0616	09/89												
BNC VOC.ED.		A											
513-0616	12/90												
AIFLD		A											
513-0616	09/90												
FUND. CHILE		A											
513-0616	08/91												
EPA-PASA		A											
513-0616	08/93												
FTA SUPPORT		A											
513-0616	08/89												
HUMAN RES.MG.		A											
513-0616	09/90												
TECH.VOC ED.		A							X				
513-0616	09/89												
PART. TRAINING		A											
513-0350/51	01/91												
HEALTH		A											
513-HG-008/009	07/91												
HOUSING GUAR.		A											
513-HG-10	09/92												
HOUSING		A											
936-5600	08/91												
PSTC 11373		A											
936-5600	08/91												
PSTC 11196		A											
936-5600	08/91												
PSTC 11185		A											

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