

**LATIN AMERICA AND THE CARIBBEAN**  
**FY 1997 BUREAU BUDGET SUBMISSION**

**JULY 1995**

**LAC BUREAU FY 1997 BUDGET SUBMISSION**  
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## **LATIN AMERICA AND THE CARIBBEAN FY 1997 BUREAU BUDGET SUBMISSION**

### **I. EXECUTIVE SUMMARY**

The historic meeting of all the democratically elected leaders of the Western Hemisphere at the "Summit of the Americas" closed 1994 with a clear agreement on a common set of goals and principles for the 21st century: democracy, free trade, the eradication of poverty, and the right of all people to health care, education, and a clean environment. To build on the gains of the region's reformed economies, hemispheric leaders determined to strengthen democracy, civic institutions, and participation by a broad spectrum of citizens. Throughout the region, work already has begun to bring us all closer to these goals.

The lack of participation of a major part of the population in the economic and democratic systems presents a fundamental challenge to LAC countries, and also works against U.S. interests. It means that a potential market of close to 200 million people effectively cannot be direct consumers of U.S. goods and services unless their incomes rise. To meet this challenge, the LAC Bureau has adopted a sustainable development strategy that integrates the elements we have determined to be most critical for reducing poverty in the long run: encouraging broad-based economic growth, building democracy, reducing population growth and improving health, and protecting the environment. Individual country programs are designed to balance activities that promote long-term, broad-based economic growth with those that directly benefit the poor, so as to achieve a significant and sustained reduction of poverty over the long run. By 1997, LAC Bureau programs will focus on 15 of the region's 32 democracies where disenfranchisement of the population is greatest.

#### **Regional Development Strategy and Performance**

The LAC Bureau's regional development strategy was approved by the AA/PPC early this FY. As part of the recently completed Action Plan reviews, the Bureau examined the progress and results obtained from the implementation of the LAC strategy. Results are central to the Bureau's new strategic management framework. As such, and to ensure that the Bureau's operating units (regional programs and Missions) are achieving significant development results in the Agency's priority areas, all operating units have established strategic frameworks which include strategic objectives (SO), program outcomes and performance indicators.

Following the Agency's guidance, the Bureau placed each SO into one of three performance clusters (best-performing quartile, middle fifty percent and lowest performing quartile) based on the degree to which each SO is meeting its performance targets. Performance reported to date show generally good progress in reaching targets in democracy/governance, broad-based economic growth, health and population area environment strategic objectives.

#### **Framework for Resource Allocation**

The BBS guidance requested that we articulate the Bureau's rationale for allocating funds among SOs. To this effect, the Bureau developed a framework for guiding resource allocation decisions. The framework takes into account the degree to which each SO is meeting its performance targets. However, performance is not the only criterion utilized in the allocation of resources. Under our framework, the importance of each country and its strategic

objectives in relation to the Bureau's sustainable development strategy and the USG's foreign policy interest in the region are also key determinants of the allocation of resources. The framework also takes into account the existing pipelines and Administration and Congressional targets and Agency global concerns in allocating the increasingly scarce resources designated to Latin America and the Caribbean region.

### **Budget Request**

To support the implementation of the Bureau's sustainable development strategy for LAC we require \$642.5 million in FY97 ( \$373.5 million in DA; \$117.8 million in ESF; \$47.0 million in CN; \$94.3 million in Title II; and \$10.0 million in Title III.) Contingencies such as Cuba, could increase this request as FY 1997 approaches.

Administering this program will require 200 USDH FTEs, 105 USPSCs, and 1235 local/third country national/other employees overseas; and 86 USDH FTEs in LAC/W. The overseas OE/Trust Funds costs to support this staff are \$ 49.3 million; for LAC/W, \$ 180,900 are needed.

### **Impact of Budget Cuts**

Inadequate ESF funding for the Haiti program would seriously jeopardize the achievement of US foreign policy objectives. The gains sustained in the last nine months would be eroded by a failure to follow through and sustain our assistance. Insufficient funding levels for El Salvador, Nicaragua and Guatemala would undermine the considerable investment and progress in the Peace processes currently under implementation with USG assistance. The implementation of alternative development programs in Bolivia and Peru, key elements of the Administration's counternarcotics policy, would be crippled unless sufficient counternarcotics funds are made available. Finally, a significant reduction in the level of DA funds could result in the elimination of SOs from some on the bilateral programs, drastic cut-backs in the components of SO in a larger number of programs and significant reduction in economic growth and democracy activities throughout LAC. For an indepth discussion of the Bureau's investments in peace, democracy and counternarcotics see Annex A. A detailed discussion of the impacts of prospective budget cuts is provided in annex H.

## **II. USAID POLICY FOR THE REGION**

With the Cold War well behind us, the United States together with our neighbor countries of the hemisphere have the potential to reap substantial dividends of peace. The light of democracy now touches virtually every corner of the hemisphere and is finally shining in Haiti, our region's most brutalized nation. Even in Cuba, the events of the past year signal a faltering of that country's dictatorship and hope that the pace of change will accelerate that country's inevitable democratic transition.

Trade within the LAC region continues to lead nations forward in a course toward regional integration that now seems increasingly decisive and irreversible. Mexico, despite a severe

crisis testing both its political system and its economy, has maintained its commitments under the NAFTA and is beginning to recover. Steps are underway to expand NAFTA access, while many of LAC countries – including the smallest and least advantaged – are lowering duties and deepening economic reforms. Sound economic management and increased attention to increased human capital investment have led to renewed growth for the tenth year in a row, and in some countries, the first truly hopeful signs in a decade of declining poverty rates. It must be noted, however, that real per capita GDP remains below 1980 levels and growth rates may not yet be adequate to reduce poverty or underemployment levels.

Recognition of the importance of preserving the environment continues to grow. Nongovernmental organizations (NGOs), national governments, and their international partners are working harder than ever to ensure that development is sustainable and that natural resources are to be shared with the region's future generations.

Even some of Latin America's most intractable social conditions now seem open to the first hints of change. A valid peace process in Guatemala, unthinkable until recently, is moving slowly and fitfully forward, bringing in its wake the possibility that the centuries old neglect of its indigenous peoples will end. Throughout the region, there is evidence that the benefits of reactivating economic growth are being more broadly shared, and – in contrast with Latin America's past – are reaching traditionally disadvantaged groups. Infant mortality rates have achieved a new low of 43.9 per 1000 live births, and the total fertility rate continues to decline. Literacy rates have improved, and countries are now coming to grip with the need to retain girls in school, and improve the effectiveness of basic education. This challenge is huge as presently 50 percent of those who enter complete the sixth grade in the poorer countries.

The promise of greater prosperity in our hemisphere is due to many factors. Most importantly, it reflects the will of the region's peoples to seek democratic governance and to join an international economy based on free trade. For the United States, we may take pride that these promising times are in part also fruits of U.S. foreign assistance programs to Latin America and the Caribbean which have invested for the long term in sustainable development, the emergence of democratic institutions, and improvements to the living standards of the poor.

U.S. national and strategic interests in our hemisphere demand that this period of great promise ultimately lead to durable transformations throughout our hemisphere. For democracy to endure, the region's longstanding income inequities must be attended to and high rates of poverty must come down. For high levels of illegal immigration to U.S. shores to be stemmed, economic growth and job creation must accelerate. For regional trade and integration to expand in scope, not only must economic reform efforts be intensified, but also political stability must deepen. And if future generations are to share in the prosperity we seek, environmental protection must move from a stage of organization and awareness into decisive action.

U.S. foreign assistance in the LAC region has a key role to play into the future, in order to help ensure that these transformations take place and are irreversible.

## **The Changing Role of U.S. Assistance to Latin America and the Caribbean**

Foreign assistance to the LAC region today bears little resemblance to programs of the past. Large scale integrated public sector development projects of the seventies have given way to smaller, more focused projects which empower community groups at the local levels. Today's partnerships with the public sector emphasize reforms in management, reductions in corruption, and decentralization of decision-making.

USAID now places increasing importance on participatory development as it promotes sustainable programs dedicated to economic growth and poverty alleviation. There is a growing body of evidence to suggest that development efforts have a greater chance of success if the key players – governments, donors, and most important local people – feel they have a stake in the outcome. As part of its efforts to advance participatory development, USAID seeks out partnerships with NGOs, which have become an important force in the development process mitigating to some extent the costs of developing countries' institutional weaknesses. These weaknesses often include administrative shortcomings and an inability to efficiently execute basic development tasks, such as providing social services or protecting the environment.

Major scale infrastructure projects that were formerly the domain of USAID and the multilateral institutions are now financed increasingly with private capital. Balance of payments transfers to countries in economic crisis which dominated the aid budgets in the eighties are no longer needed in most countries, as they have put their economic houses in order. Today, USAID serves as a partner to LAC governments and private groups in providing technical assistance and training relating to areas of mutual interest such as economic policy reform, democratic governance, environmental protection, intellectual property rights and opening of markets.

Despite the restoration of civilian elected government and the opening of markets, LAC countries know that neither democracy nor free trade are guarantors of success. Basic institutional weaknesses, ranging from still overly centralized national public administrative systems and weak local governments and court systems, to the inefficient delivery of social services, to lack of effective civic participation, to the lack of protection for property rights still hold the region back and are threats to stability. U.S. assistance responds to the problems Latin American and Caribbean countries face today. Our assistance to the region combines our national experience with the local will to change, and these two inputs together are a powerful force to strengthen institutions so that they become agents of positive change in the region.

The importance of a continuing partnership between the United States and the other countries of the Hemisphere was underscored during the historic *Summit of the Americas*. President Clinton and the freely elected leaders of Canada, Mexico and the other LAC countries, met and pledged their best efforts to expand trade, protect the environment and promote political and economic stability.

The best effort of the United States toward these shared hemispheric goals, and toward protection of our interests in our hemisphere, is represented by the proposed foreign assistance budget for the region.

## **Rationale for the Program**

President Clinton demonstrated his intention that the United States play a role of leadership in the Western Hemisphere by convoking the *Summit of the Americas* in Miami last December. The commitments made by the U.S. at the *Summit of the Americas* have created clear opportunities and responsibilities for USAID in the LAC region. USAID efforts to support sustainable development in Latin America and the Caribbean emphasize the four strategic areas the Agency has identified as priorities for scarce assistance resources.

U.S. foreign policy interests in the LAC region remain high. Current U.S. interest centers on completing the democratization process, particularly in Haiti, countering the threat of the narcotics trade, and consolidating the peace processes in Central America. These policy issues are central to USAID's program in the region and have been fully incorporated into the four strategic areas.

Little progress toward development can be sustainable where the political system represses the talents and efforts of its people. It is primarily a government's responsibility to involve its citizens in the development decisions that affect their lives. Governments also have the responsibility to ensure accountability and transparency of their actions if resources are to benefit the poor. Corruption diverts attention and resources from the poor. USAID attaches great importance to advancing the process of democratization in the region through good governance. This involves a variety of approaches: modernizing public institutions, devolution of authority to local governments, fostering a respect for human rights and the rule of law, civic education, improved financial management for the public sector, and military demobilization (as in El Salvador and Nicaragua). In the process it has increased the potential for effective poverty reduction. USAID programs supporting the strengthening of democracy in the LAC region are fundamental to the success of all our other efforts. From underwriting elections in Haiti, to helping Guatemala and Peru develop more responsive judicial systems, to forwarding the peace process in El Salvador and Nicaragua, USAID continues to be a key player pushing for consolidation of the recent transitions to democratic rule throughout our hemisphere.

Support to democratic development and good governance is a relatively new area for development programs in our region – USAID has been a leader in developing technology and implementing innovative programs. While other donors are now joining us in this important area, our role of leadership will likely be a valued one in the donor community for the foreseeable future – as long as the minimum resources are in place for us to remain active.

In the areas of **economic growth, regional integration and trade**, USAID is an integral partner in the overall USG agency effort to facilitate the opening of LAC markets. The more than quadrupling of U.S. exports to the region since 1985 means that trade with LAC now supports close to two million U.S. jobs. Moreover, historical trends suggest that U.S. exports to the LAC region have grown seven times as fast as per capita GDP. Hence, acceleration of growth rates in Latin America and the Caribbean have a magnified positive impact on the U.S. economy as well.

Within the collective of USG agencies promoting expanded trade, USAID pursues programs in its areas of comparative advantage. USAID supports development of technical capacity in

LAC countries in areas important to the U.S. such as intellectual property rights and labor protections. USAID provides technical assistance and training in the area of economic policy reform, to promote faster and more equitably distributed economic growth. USAID investments in basic education help form LAC workers of tomorrow. And USAID programs help small and microenterprises participate more fully in economic opportunities afforded by the new, more open trading environment.

USAID programs supporting trade and economic growth in the LAC region respond to U.S. economic interests. While during the cold war, the United States spent large sums of foreign aid and military assistance to prevent a "loss" of Latin America to communism, today much smaller and more focused amounts of assistance in the economic growth area help ensure that we do not lose the region to our competitors in international trade. It is interesting to note that with the recuperation of the Latin American economies (and their purchasing power) since 1989, Japanese aid to the region has increased by almost thirty percent, at the same time that our aid in the economic growth area has been severely cut back.

The *Summit of the Americas* commitments also extended to environmental concerns. USAID is active in the environmental area throughout the hemisphere. Our programs emphasize protection of forests, biodiversity, national park preservation, sustainable agriculture and the "brown issues" of sanitation and potable water supply. In this area, USAID works with NGO partners and national governments to transmit new technologies, promote public awareness, and educate communities in practical techniques to preserve their local resource bases.

Because the ill effects of environmental degradation recognize no borders, these programs are perhaps as important to the quality of life of future generations of the U.S. population as they are to the well being of Latin America and the Caribbean. To reverse environmental degradation and achieve sustainable development, LAC programs develop human resources in environmental management and policy sciences, with particular emphasis on natural resource economics and applied ecology. LAC field Missions undertake dialogue with policy makers on current and emerging problems of natural resource management. LAC also supports research and policy analysis in natural resource management through research grants and institutional development assistance to government agencies and NGOs concerned with resource management. LAC programs disseminate information on the state, management, and potential of natural resources and their role in sustainable economic development and the quality of life.

The same may be said for USAID programs in health and population. The spread of disease also crosses national boundaries, travelling with tourists, export products, business travellers and immigrants. Assistance to Latin America and the Caribbean helps combat the spread of disease, with our aid concentrated on the most vulnerable segments of the population – children, mothers, and the poor.

Population pressures in Latin America and the Caribbean have led to the breakdown of services in the region's megacities, pressures on fragile mountain lands, stretched national budgets unable to finance basic education and health investments, and – of most concern to the U.S. population – use of illegal immigration to the United States as an escape valve for these pressures. USAID programs throughout Latin America and the Caribbean have been instrumental in bringing the total fertility rate down from almost six percent in 1960 to 2.2

percent today. The most dramatic reductions have been seen in countries where the level of USAID assistance has been largest.

These four strategic areas – democracy, economic growth, environment, and health and population – form the framework within which USAID programs operate in our hemisphere. USAID contributes to other areas where the United States has a special foreign policy interest. They include the transfer of the Panama Canal, the fight against narcotraffic in South America, and the special needs of Haiti – the LAC region's newest democracy.

### **III. RESOURCE ALLOCATION CRITERIA**

The LAC Bureau resource allocation decisions are guided by: (a) the performance of the strategic objectives; (b) the relative importance of the strategic objectives in relation Agency global concerns; (c) the relative importance of the strategic objectives in relation to the USG's foreign policy objectives for the region, in relation to the Bureau's strategy for the region and in relation to the strategy for each country; (d) the existing pipeline for each strategic objective in relation to its resource requirements; and (e) Administration and Congressional targets. The criteria and the framework for guiding resource allocation decisions are discussed below.

#### **A. Strategic Objective Performance**

Results are central to the LAC Bureau's new strategic management framework. To ensure that the Bureau's 17 operating units (regional programs and missions) are achieving significant development results in the Agency's priority areas, all operating units have established strategic objectives frameworks (Chart 0 provides the LAC country strategic objectives by Agency priority sector) which include strategic objectives (SO), program outcomes (PO) and performance indicators (PI). The Strategic Objective framework helps determine the extent of an operating unit program responsibility. Since program outcomes under the SO framework are largely within a mission's direct control, each mission takes on the responsibility of achieving the program outcomes. Under this framework, the strategic objective is within a mission's "manageable interest," a more distant relationship than the more "direct control" at the program outcome level. Other factors come into play at the SO level, such as natural disasters, local political environment, external events such as fluctuations in world prices or decisions of other donors, etc. For these reasons, and because the time frame of an SO is typically 5-8 years, the LAC bureau's measure of performance centers around the progress of the program outcomes corresponding to each strategic objective.

**AGENCY PRIORITY AREAS AND LAC COUNTRY STRATEGIC OBJECTIVES**

Chart 0

Agency Priority	Broad-Based Economic Growth	Population/Health	Environment	Democracy	OTHER
<b>CENTRAL AMERICA</b>					
El Salvador	Broad Based Economic Growth Increased	Increased Quality with Equity in Health and Education	Improved Environmental and Natural Resource Management	Strengthened Democratic Institutions and Practices	Assist El Salvador to Make the Transition From War to Peace
Guatemala	Increased Trade and Improved Labor Relations Improved Quality, Efficiency and Equity of Primary Education Services	Smaller, Healthier Families	Environmentally Sound Natural Resource Management	Strengthening Democratic Institutions, Civil Society and Rule of Law	
Honduras	Enhanced Economic Participation & Increased Incomes of the Poor	Improved Family Health	Effective Stewardship of Key Natural Resources for Sustainable Economic Growth	More Responsive Democratic Processes with Greater Citizen Participation	
Nicaragua	Sustainable Growth in Employment and Income	Better Educated, Healthier, and Smaller Families		More Political Participation, Compromise, and Transparency	
Panama			Protect the Canal Watershed and other Natural Resources	Strengthen Civilian Government Institutions and Encourage Greater Citizen Participation	
CAP	Increased Central American Participation in the Hemispheric Economy		Effective Regional Stewardship of Key Natural Resources	Policy Framework Established in Central America Supportive of More Effective and Democratic Local Government	
<b>CARIBBEAN</b>					
Dominican Republic	Increased Economic Opportunities and Benefits for the Dominican Majority	Increased Use of Effective Primary Health Care Services by Underserved Populations	Increased Use of Environmentally Sound Energy Sources	Increased Participation in Democratization	
Haiti	Facilitate Increased Private Sector Employment and Income	Promote Healthier, Smaller, and Better Educated Families	Promote Environmentally Sound Resource Management	Foster More Effective and Responsive Democratic Institutions and Empowered Communities	
Jamaica	Increased Participation for Equitable Economic Growth	Smaller, Better Educated Families	Improved Environmental Quality and Natural Resource Protection		
Guyana	Expanded Economic Opportunities for the Urban and Rural Poor			Strengthened Democratic Institutions and Processes	

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**AGENCY PRIORITY AREAS AND LAC COUNTRY STRATEGIC OBJECTIVES**

Agency Priority Areas	Economic Growth	Population Health	Environment	Democracy	OTHER
<b>SOUTH AMERICA</b>					
Bolivia	Expanded Economic Opportunity and Access	Improved Family Health Throughout Bolivia	Reduced Degradation of Forest, Soil and Water Resources and Biological Diversity Protected	Improved Effectiveness and Accessibility of Key Democratic Institutions and Practices	
Brazil		Increase Access to Contraceptive Methods and Integrated Family Planning Services in Order to Improve Women's Reproductive Health  Reduced Incidence of Sexually Transmitted HIV in Target Populations in Two Geographic Regions of Brazil	Environmentally and Socio-Economically Sustainable Alternatives for Energy Production and Use Disseminated in and Beyond Target Areas		
Ecuador	Increased Sustainable Economic Growth for a Broad Base of the Population	Reduce Levels of Mortality and Fertility to Levels which are Commensurate with Sustainable Development	Promote the Sustainable Use of Natural Resources, the Conservation of Biological Diversity, and the Control of Pollution	Improved Responsiveness of Selected Democratic Institutions with Greater Citizen Participation	
Honduras	Improved Performance of Target Institutions in Selected Legal Regulatory Areas Related to the NAFTA	Sustainable Increase in Contraceptive Prevalence	Environmentally Sound Natural Resource and Energy Use Increased		
Paraguay		Increased Use of Voluntary Family Planning Services	More Sustainable Management of Natural Resources	Strengthened Democratic Institutions, Systems, and Practices	
Peru	Increased Income and Employment of the Poor	Improved Health of High-Risk Populations	Improved Environmental and Natural Resource Management	Increased Participation of Citizens in Democratic Processes	
LAC REG.	Resolution of Key Issues Impeding Environmentally-Sound and Equitable Free Trade in the Hemisphere  Constraints to Access to Key Factor Markets Reduced for Small Business (Small Entrepreneurs, Small Agricultural Producers and Microenterprises)  Improved Human Resources Policies Adopted in Selected LAC Countries	More Effective Delivery of Selected Health Services  Implementation of Country Health Reform Plans/Programs that Increase Equitable Access to Basic Health Services	Improved Protection of Selected LAC Parks and Protected Areas Representing a Variety of Ecosystems	Improved Effectiveness of Organizations to Promote and Protect Human Rights  Improved Capacity to Conduct Free and Fair Elections  Public Sector Accountability and Responsiveness Increased  Increased Citizen Participation in Public Affairs	

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## **Criteria For Determining Strategic Objective Performance**

The criteria used for determining performance of the strategic objectives are based on the relative progress in meeting the yearly targets of the program outcomes corresponding to each SO, expressed as a percentage. The latest data available (FY94) were used. Thus, if the target for a PO indicator was 120 jobs and the actual level achieved was 60 jobs, the indicator was given a score of 50%. Each of the PO indicators corresponding to each SO were given equal weight. The performance for each SO was calculated as the arithmetic average of all its PO indicators. Thus, for a SO with 2 POs, if the scores of PO1 and PO2 indicators were 70% and 90%, the SO was given a score of 80%. If a mission did not provide actual data for a PO indicator for which a planned target had been established, the indicator was given a score of 0. New SOs were not scored.

The scores were then adjusted to take into consideration factors such as prospects for future performance, mitigating external factors, and other issues to allow for an explanation of historical data or other variables which affect performance. These factors, when persuasive, were considered in order to alter the initial score. The 59 ongoing SOs were then ranked, starting with the SO which scored the highest down to the SO which scored the lowest. Based on this ranking, the SOs were categorized into three performance clusters (see Chart 1) as required by the Agency's BBS guidance: the first performance cluster contains the top 25% of SOs; the second, the middle 50% of SOs; and the third, the lesser performing (LP) 25% of SOs. As demonstrated in section IV (Discussion of Program Performance) and in Annex A (Program Performance Highlights), it is evident that all of the Bureau's SOs are performing well. The three clusters simply categorizes the relative performance among all the SOs in LAC.

It is important to note that the clustering of strategic objectives by performance was not an easy task as it was the Bureau's first attempt to classify the performance of SOs across all Missions and regional programs. The cases where Missions did not provide planned and actual performance information proved particularly difficult. These cases required heavy reliance on narrative information, knowledge of the technical officer and other officers on performance and the review of the last Mission action plans. It should also be noted that there are a number of circumstances which made it difficult to cluster some SOs, some of which cannot be attributed to lack of performance by our Missions. For example, in some cases special surveys (e.g. DHS) are not currently designed to provide data on an annual basis. In other cases, financial and human resources were insufficient to gather data on an annual basis, or the inadequate country infrastructure could not provide reliable data. In certain cases SOs and indicators change as new programs (e.g. Paraguay and Guyana) and sectors (Democracy and Governance) are evolving. Finally, some country political environments were not conducive (in 1994) to accomplishing USAID objectives (e.g., Haiti and the Dominican Republic).

It is also important to keep in mind that the Democracy/Governance sector SOs are the most recent additions to the development programs in the LAC region. Arguably, the democracy/governance sector is the most important component of the sustainable development strategy for LAC. Yet, because of its complexity, it is a sector in which empirical verification of testable hypothesis and the identification of useful progress indicators is most challenging. Relatively few functional relationships capable of explaining sociopolitical behavior have been specified with sufficient precision to form a generally accepted theory of political development. This circumstance presents a major opportunity for USAID programs in the sector to contribute to the development of the political free market (democratic participatory

CHART 1

**LAC Strategic Objective Clusters**

Country	Area of Emphasis	SO #	Strategic Objective Title	Cluster
PAN	DG	1	Strengthen Civilian Government Institution & Encourage Greater Citizen Participation	Top 25%
CAP	EG	1	Increased Central American Participation in the Hemispheric Economy	Top 25%
LAC	EG	1	Improved Investment Climates & Liberalized Trade in LAC	Top 25%
EL	EG	2	Broad Based Economic Growth Increased	Top 25%
GUA	EG	4	Increased Trade and Improved Labor Relations	Top 25%
NIC	EG	2	Increased Economic Access & Opportunity	Top 25%
GUA	EG	5	Improved Quality, Efficiency & Equity of Primary Education	Top 25%
LAC	ENR	6	Improved Conservation of Biological Diversity in and around Critical Sites in the LAC	Top 25%
JAM	ENR	2	Improved Environmental Quality and Natural Resources	Top 25%
GUA	ENR	3	Environmentally Sound Natural Resource	Top 25%
NIC	ENR	5	Environmentally Sound Productive and Extractive Practices	Top 25%
BRAZ	ENR	2	Environmentally and Socio-economically Sustainable Alternatives for Land Use	Top 25%
ECU	ENR	4	Promote the Sustainable Use of Natural Resources, Biodiversity and Pollution Control	Top 25%
HAI	ENR	4	Promote Environmentally Sound Resource Management	Top 25%
ECU	PHN	2	Reducing Levels of Mortality and Fertility	Top 25%

Country	Area of Emphasis	SO #	Strategic Objective Title	Cluster
BOL	DG	4	Improved Effectiveness and Accessibility of Key Democratic institutions and Practices	Middle 50%
LAC	DG	7	Support and Strengthen Regional Democracy Networks and Institutions	Middle 50%
ECU	DG	3	Improved Responsiveness of Selected Democratic Institutions	Middle 50%
NIC	DG	1	Greater Consensus on Democratic Values	Middle 50%
PER	DG	1	Increased Participation of Citizens in Democratic Processes	Middle 50%
ECU	EG	1	Increase Sustainable Economic Development for a Broad Base of the Population	Middle 50%
NIC	EG	3	Improved Market Efficiency & Performance	Middle 50%
PER	EG	2	Increased Incomes and Employment of the Poor	Middle 50%
JAM	EG	1	Increased Participation for Economic Growth	Middle 50%
LAC	EG	3	Improved Human Resource Skills	Middle 50%
NIC	EG	4	Improved Quality & Efficiency of Basic Education	Middle 50%
GUY	EG	1	Expanding Opportunities for the Urban & Rural Poor	Middle 50%
HON	EG	1	Enhanced Economic Participation and Increased Incomes of the Poor	Middle 50%
BOL	EG	1	Expanded Economic Opportunity and Access	Middle 50%
MEX	EG	1	Improved Performance of Target Institution in Selected Regulatory Areas Related to NAFTA	Middle 50%
PAN	ENR	2	Protect the Canal Watershed and other Natural Resources	Middle 50%
HON	ENR	2	Effective Stewardship of Key Natural Resources for Sustainable Economic Growth	Middle 50%
EL	ENR	5	Improved Environment and NRM	Middle 50%
NIC	PHN	6	Improved Maternal & Child Health	Middle 50%
HAI	PHN	3	Promote Healthier, Smaller, better Educated Families	Middle 50%
MEX	PHN	3	Sustainable Increase in Contraceptive Prevalence	Middle 50%
HON	PHN	3	Improved Family Health	Middle 50%
LAC	PHN	4	Increased Effectiveness and Efficiency of Immunization Services	Middle 50%
GUA	PHN	2	Smaller, Healthier Families	Middle 50%
PER	PHN	4	Improved Health of High-Risk Population	Middle 50%
BOL	PHN	3	Improved Family Health Throughout Bolivia	Middle 50%
JAM	PHN	3	Smaller, Better Educated Families	Middle 50%
EL	OTH	1	Assist Transition from War to Peace	Middle 50%

Country	Area of Emphasis	SO #	Strategic Objective Title	Cluster
EL	DG	3	Strengthened Democratic Institutions and Practices	Bottom 25%
CAP	DG	3	Policy Framework Established in Latin America	Bottom 25%
GUA	DG	1	Strengthening Democratic Institutions, Civil Society, and Rule of Law	Bottom 25%
DR	DG	3	Increased Participation in Democratization	Bottom 25%
HAI	DG	1	Foster More Effective and Responsive Democratic Institutions	Bottom 25%
PAR	DG	1	Strengthened Democratic Institutions, Systems and Practices	Bottom 25%
HAI	EG	2	Facilitate increased private sector employment and income	Bottom 25%
DR	EG	1	Increased Economic Opportunities and Benefits for the Poor Majority	Bottom 25%
BOL	ENR	2	Reduced Degradation of Forest, Soil and Water Resources and Protection of Biodiversity	Bottom 25%
CAP	ENR	2	Effective Regional Stewardship of Key Natural Resources	Bottom 25%
MEX	ENR	2	Environmentally Sound Natural Resource and Energy Use Increased	Bottom 25%
BRAZ	PHN	3	Reduced Incidence of Sexually Transmitted HIV in Targeted Populations	Bottom 25%
BRAZ	PHN	1	Increased Access to Contraceptive Methods	Bottom 25%
DR	PHN	2	Increased Use of Effective Primary Health Care Services by Underserved Population	Bottom 25%

governance) in the LAC region. Finally, it is important to note that the resources available to the sector have been limited because the discretionary funds utilized to finance Dem/Gov. activities have been crowded out as the relative proportion of earmarks has increased. The performance of the LAC programs in each of the four sectors are discussed in section IV.

## **B. Strategic Objective/Country Importance**

### **Country Importance**

While the rationale for resource allocation takes into account the level of development results (performance) obtained under each SO, performance is not the only criteria utilized by the Bureau in resource allocation. The "importance" of a country and its absorptive capacity and the "importance" of the strategic objectives in relation to the bureau's sustainable development strategy and in relation to the USG's foreign policy interests toward which USAID can substantively contribute with its limited resources, are also key determinants in the allocation of LAC Bureau resources. Agency global concerns and the expected returns from a given investment are also important considerations. (For example in the democracy area we expect large returns from relatively small investments.)

In this section we briefly discuss the "importance" of a country in relation to the bureau's strategy and USG foreign policy interests in the region. In the following section we distinguish each of SOs as "important" or "critical" to the bureau's strategy and USG foreign policy interests.

All of the bureau's regional and country programs contribute to the attainment of US foreign policy interest in the region. All of the programs are also necessary to the effective implementation of the Bureau's Sustainable Development Strategy. Haiti is considered the most significant development program in the region from the foreign policy perspective and is expected to require a significant share of the bureau's resources in FY 96 and 97. The consolidation of the peace processes in El Salvador, Guatemala and Nicaragua and the reduction of narcotics production in Bolivia and Peru are a second key development priority in meeting the foreign policy objectives in the hemisphere. Brazil and Mexico are also vital priorities because of the significance of their global impact on climate change, and Brazil's potentially enormous contribution to biodiversity maintenance. Moreover Mexico is our closest and largest trading partner in Latin America, and its political and economic stability significantly impact on immigration flows, trade and the US labor market. Finally, the successful implementation of the US/Panama Canal Treaties is another key US foreign policy objective in LAC.

While the foreign policy rationale for implementing USAID programs in the other LAC countries may not be as critical as in the countries noted above, it is nevertheless significant. These countries are also important partners in our collective defense of democracy, and in the pursuit of prosperity through open markets, hemispheric integration and sustainable development. The stability, prosperity and improved living standards in ALL LAC countries are fundamental to critical US economic and political interests, and developments in those countries directly affects the quality of life and the environment in the US. (Annex A provides a brief summary of the status of the Peace Initiatives in Central America, the Narcotics Initiative in South America and the restoration of democracy in Haiti.)

## Strategic Objective Importance Criteria

All strategic objectives (SOs) under country and regional programs are important elements in their corresponding strategies. However, to guide us in the allocation of funds under prospective scenarios of increasingly scarce resources, it is useful to categorize SOs according to their degree of importance (i.e. "critical" and "important") in relation to the bureau's objectives and strategy.

A subset of the SOs has been categorized as "critical" to the attainment of USG objectives in the region, to the implementation of the Bureau's strategy for the region, to the implementation of each country program strategy and to the contribution to Agency global concerns. The remaining SOs are categorized as "important." The "critical" SOs are those which are considered absolutely necessary to the attainment of those objectives. Inability to implement "critical" SOs would prevent USAID's programs from attaining even the most minimal level of our objectives. Lack of sufficient funding for the "important" objectives would seriously constrain the Agency's ability to assist LAC countries consolidate the impressive but fragile successes in social, economic and political development. The "important" SOs are necessary for the efficient implementation of the country development strategies. In most cases, the synergism of all of the SOs included in each country strategy produce larger benefits than the allocation of an equivalent level of resources allocated to fewer elements in the integrated strategies. Chart 2 provides the categorization of SOs as described above. It is important to note that the categorization of SOs by "importance" in chart 2 corresponds to each Mission's own ranking of its SOs.

CHART 2				
Bureau for Latin America and the Caribbean Strategic Objectives				
	Economic Growth	Building Democracy	Population & Health	Environment & Nat. Res.
Haiti	C	C	C (incl. pimed)	C
El Salvador	C	C	I	I
Guatemala	I	C	C	I
Nicaragua	C	C	C	I
Peru	C	C	C	NA
Bolivia	C	C	C	I
Mexico	C	NA	I	C
Brazil	NA	NA	I Q(HV)	C
Panama	NA	I	NA	C
LAC Reg.	C	C	C	C
Dom. Rep.	C	C	I	NA
Ecuador	I	C	I	I
Guyana	I	I	NA	NA
Honduras	I	C	C	I
Jamaica	I	NA	I (incl. ed)	I
Paraguay	NA	I	I	I
CAP	C	I	NA	C

Note: Food Security and Education are included in Econ. Growth SOs where they occur unless otherwise indicated.

C = Critical  
 I = Important  
 NA = No SO

Some missions have multiple SOs grouped under the sector heading.  
 See Chart 4 for a complete list of SOs.

**C. FRAMEWORK FOR RESOURCE ALLOCATION**

By juxtaposing the information on SO performance and the categorization of the relative importance of the SOs, we constructed a framework which is a useful guide for allocating LAC Bureau resources. The framework derives four subsets of SOs as follows: (See Chart 3).

Chart 3		
Framework for Resource Allocation by Strategic Objective		
SO's	PERFORMING	LESS PERFORMING
CRITICAL	A Try to fully fund	B Determine why less performing and adjust funding
IMPORTANT	C Fund as feasible, but lower priority than "critical" SOs	D Candidate for Funding Reduction

Subset A includes those SOs which are in the top two performing clusters (i.e. the top 75%) AND which were categorized as "critical." This subset of SOs we attempt to fully fund or, alternatively, we attempt to minimize cuts under severe budget constraints.

Subset B includes those SOs which are both "critical" AND less performing (i.e. lower 25%). Level of funding for these SOs should be adjusted based on the reasons for the lesser performance. For example, if the lesser performance of the SO is due to inadequate funding, increased funding was considered. If lesser performance is the result of poor implementation and lack of counterpart commitment, reduced funding was considered.

Subset C includes those SOs which are both performing AND "important". These SOs have a lower priority than the "critical" and should be funded as feasible.

Subset D includes those SOs which are both less performing AND "important". These SOs are candidates for funding reduction or in the case of severe funding constraints, the elimination of these SOs may be considered.

Chart 4 (next page) lists the regional program and mission strategic objectives which correspond to each of the above defined subsets. In allocating resources, as guided by the framework described above, the bureau also took into consideration the level of funding required to achieve the program outputs under a SO in a given time period in relation to its corresponding pipeline. For example, if a "critical" SO in a given country was performing well but had a pipeline sufficient to cover expenditures for half of a planned period, only sufficient funding to cover the remaining planned expenditures were allocated. Finally, Administration and Congressional targets were adhered to as key constraints which must be satisfied in the effort to optimizing the allocation of increasingly scarce Agency resources.

#### IV. DISCUSSION OF PROGRAM PERFORMANCE

#### DEMOCRACY AND GOVERNANCE SECTOR

A critical challenge in the in the LAC region is to preserve and strengthen the democratic gains of the last fifteen years. It is widely recognized that within the region these gains are fragile and cannot be taken for granted. It is equally recognized that LAC governments must maintain political stability and economic prosperity to demonstrate that economic growth can meet popular demands for improved living standards, and that in fact, incorporation of the poor in the economic and political processes promotes growth and contributes to its sustainability. The LAC programs in this area subscribe to a broad concept of democracy under which citizens have a wealth of outlets to express political choices -a free press, NGOs, unions, political parties and other organizations, as well as effective national and local governments.

The LAC Bureau objectives in the Democracy and Governance (DG) sector are: greater adherence to internationally recognized human rights, strengthening civil society and the practice of citizenship, and support for good governance at all levels to make government institutions more accountable, effective, transparent and accessible to citizens. Each of the about 11 sub-

areas under the DG sector in which we work in the region is featured under at least one of the three objectives. The two regional programs and all but three Missions have a strategic objective in this area. Eleven LAC countries have initiated local governance and municipal development projects. Nearly all Missions have judicial reform/human rights projects, six

CHART 4				
Framework for Resource Allocation by Strategic Objective				
	PERFORMING		LESS PERFORMING	
CRITICAL	HAI	ENR	HAI	EG
	HAI	PHN	HAI	DG
	BOL	PHN	BOL	DG
	BOL	EG	BRAZ	HIV
	BRAZ	ENR	EL	DG
	EL	EG	GUA	DG
	EL	OTH	MEX	ENR
	GUA	PHN		
	MEX	EG		
	NIC	EG2		
	NIC	EG3		
	NIC	EG4		
	NIC	PHN		
	NIC	DG		
	PERU	DG		
	PERU	PHN		
	PERU	EG		
	PAN	ENR		
	CAP	EG	CAP	ENR
	ECU	DG	DR	DG
HON	PHN	DR	EG	
HON	DG			
LAC	EG1			
LAC	EG3			
LAC	ENR			
LAC	PHN			
LAC	DG			
IMPORTANT	EL	PHN	BOL	ENR
	EL	ENR	BRAZ	PHN
	GUA	EG4		
	GUA	EG5		
	GUA	ENR		
	MEX	PHN		
	NIC	ENR		
	PAN	DG		
	ECU	EG	CAP	DG
	ECU	ENR	DR	PHN
	ECU	PHN	PAR	DG
	GUY	EG		
	HON	EG1		
	HON	EG4		
	HON	ENR		
	JAM	PHN		
JAM	EG			
JAM	ENR			

PHN= Pop., Health and Nutrition  
EG= Economic Growth

ENR= Environment  
DG= Democracy and Governance

Missions have programs to assist in the improvement of elections processes and half of our Missions have programs which support civic education. Most Missions have training programs in the sector and a number have programs to strengthen legislatures, improve financial management and accountability. Annex E provides additional analysis of the progress made in implementing the Bureau's Democracy and Governance Strategy.

As noted previously, while it is still difficult to determine performance in this sector on the basis of "indicators," the results in implementing the LAC Bureau objectives in this area are impressive. Annex B provides detailed results by country. Some highlights include:

**Promoting free elections:**

-Support for the Electoral Tribunal in Panama improved services so that public confidence in the Electoral Tribunal increased from 40% in 1992 to 67% in March of 1994. This confidence contributed to a turnout rate of 71% among registered voters in the May 1994 elections, as compared to 40% in the November 1992 referendum.

-Because of regional program funds, four US NGO's were able to witness and report on Mexico's August 1994 national elections which were deemed to be the fairest and most open national elections in Mexico's history.

-Presidential, legislative and municipal elections held in El Salvador in 1994 were declared by external observers to be free and fair.

-In Bolivia, USAID was successful in supporting the registration of 1.4 million voters.

-Notwithstanding USAID support for the electoral commission and international monitoring efforts, the Dominican Republic's May 1994 elections were widely regarded as fraudulent.

**Decentralization:**

-In Guatemala and Nicaragua new legislation has permitted devolution of the land tax to municipalities; similar proposals are under discussion in El Salvador and Costa Rica.

-With USAID assistance, the Government of Bolivia is implementing the Popular Participation, promulgated in April 1994. This law provides for the most important redistribution of political and economic power since the 1952 revolution. It promotes municipal government effectiveness and increased allocation of resources from the central government to municipalities.

-In El Salvador locally generated annual revenue in the 39 municipalities increased by 26% in 1994.

-FEMICA helped municipal authorities and Legislators in Nicaragua and Costa Rica to formulate legislative proposals to provide for the direct election of mayors. A similar reform proposal providing for the direct election of mayors was enacted and implemented in Panama in 1994.

### **Strengthening Legislatures:**

-In El Salvador, USAID helped create a policy research unit in the Assembly. As of March 1994 the new unit had put together 18 "packages" of information on selected topics. Several key laws were approved (a national budget law, reforms to the electoral law, an arms control law and a stock market law) with the legislators relying in part on the research analysis to frame choices.

-The Bolivian Congressional Budget Office now provides on-line fiscal information and expert financial analysis to the finance committees of both houses, thereby enabling the legislature to draw its own conclusions and participate effectively in the annual budget review.

-With USAID assistance, the Haitian parliament was able to reconvene and pass crucial pieces of legislation in support of democratic and macroeconomic reforms.

-In Ecuador, legislative and regulatory modification of the City of Machala's legal charter was enacted to apply cost recovery and modern management techniques to water sewage and solid waste services.

### **Human Rights:**

-USAID-sponsored assistance to Guatemala, Paraguay and Peru has resulted in the establishment of systems to track human rights abuses.

-In Nicaragua, USAID funds the International Committee for Support and Verification. An arm of the OAS, it monitors human rights and undertakes mediation for all ex-combatants from the recent civil war.

-In El Salvador USAID support the UN Truth Commission, whose investigations helped lead USAID and many other donors to initiate and support a \$1 billion national reconstruction program.

### **Administration of Justice:**

-Eight LAC countries have adopted and implemented (or are in the process of implementing) revised criminal procedures codes and are moving toward systems featuring public trials and clear limits on pre-trial detentions as a result of regional program administration of justice assistance.

-A number of Missions in LAC are assisting in improving the efficiency of the Judicial system processes by training staff, automating case-tracking systems, introducing procedures for competitive hiring, and improving court management and budgeting systems. Such efforts resulted in modernizing court administration in Honduras, Jamaica, Panama and Peru as well as in Argentina, Uruguay and Costa Rica.

-In Colombia, USAID supports the Judicial System Reform program designed to improve the effectiveness of the investigative and prosecutorial functions, the efficiency of court

administration, and access to a fair judicial system. This program is an important element in the counternarcotics initiative in Colombia.

## **ECONOMIC GROWTH SECTOR**

In 1994, the economies of Latin America and the Caribbean boasted another year of strong growth. For the fourth year in a row, preliminary average GDP growth rates topped 3%. Growth in trade between LAC and the US as well as intra-regional trade has been the most striking economic trend in the recent past. In 1994, US exports to LAC swelled to \$92.6 billion, at 18%, -a growth rate which is higher than for any other region in the world. US exports to the region continue to support nearly 2 million jobs in the US. Since 1991, average per capita GDP growth has also reflected gains. However, real per capita GDP remains below 1980 levels. Growth rates may not yet be high enough to make major impacts on poverty or underemployment levels. Poverty remains with roughly 45% of the population living below the poverty line. Growth during this decade has yet to overcome the income losses which entrenched poverty during the past decade.

Broad-based economic growth is a foundation of sustainable development. It helps reduce poverty and provides essential resources for stabilizing population growth and protecting human health and the environment. USAID programs in the region support the three elements of the Agency's broad based economic growth strategy by deepening economic reforms to strengthen markets; by expanding access and economic opportunity through programs for small and micro-entrepreneurs and small farmers ; and by investing in people through training and primary education programs.

Almost all of LAC's operating units (15 out of 17) have strategic objectives in the Broad-Based Economic Growth programmatic priority area. Nearly all bilateral and regional programs (15 out of 17) met or nearly met the yearly planned targets under their economic growth strategic objectives.

The bilateral economic growth sector programs in the LAC region can be categorized as follows: 11 Missions are implementing micro-enterprise programs; 11 Missions are implementing programs in the agricultural sector; 11 Missions are implementing programs to strengthen and deepen the progress in economic policy to reduce poverty; 7 Missions are implementing primary/basic education programs and 9 support training activities; a number of Missions are implementing programs in alternative development, land tenure, export promotion and financial markets. The LAC regional program focuses its efforts in the area of trade, micro-enterprise and training. The Central America Regional program concentrates its economic growth sector activities in free trade promotion and economic integration.

Annex F provides additional analysis on the implementation of the Bureau's Broad-Based Economic Growth strategy. Generally, the performance of the program in this sector has been outstanding. Annex B provides detailed results by country. Some salient results are provided below:

**Microenterprise/Jobs:**

-In Bolivia, 18,420 permanent jobs were created under USAID's microcredit and export promotion activities.

-In Peru, through the Microenterprise and Small Producers project, 36,500 new jobs in the agriculture sector were created.

-With USAID assistance, ADEMI has become a firmly established intermediate financial institution with 23 offices, a loan portfolio of \$15 million and 28,000 microenterprise borrowers who have created 250,000 jobs in the Dominican Republic.

-In El Salvador, approximately 70,000 individuals have received agricultural or microenterprise credit through the NRP.

**Economic Policy:**

-Economic growth deriving from USAID encouraged economic policy reforms has led to increased US exports to Honduras amounting to almost \$900 million in 1993.

-In Nicaragua, the economic stabilization program assisted in the elimination of hyperinflation.

-Support to clearance of arrears led to disbursement of credit to Haiti by major lending institutions.

-In Jamaica, eleven additional government entities were privatized.

-In El Salvador, the impact of overall economic policy reforms (i.e., reduced inflation rates, increased investment and employment) contributed to significantly reduce the number of households in extreme poverty, from 644,000 households in 1992 to 615,000 in 1993.

-In Panama, the government eliminated specific tariffs on 617 custom classifications and reduced ad valorem rates on 322.

**Trade:**

-In a major breakthrough, Ecuador and the US signed a bilateral intellectual property rights agreement. The Ecuadorian Congress is in the process of enacting legislation to harmonize local law with the agreement's requirements.

-The 11 year patent application backlog was eliminated at the Mexican Institute of Industrial Property -over 10,000 patents were issued to US interests from the processed applications.

-From 1987 to 1994 the CIF value of exports generated by 421 Central American businesses receiving technical assistance increased from \$250,000 to over \$36 million.

-El Salvador's non-traditional exports have grown an average of 19% over the last three years reaching \$448 million in 1993.

#### **Primary/Basic Education:**

-Over 4.5 million new textbooks have been delivered to the Ministry of Education in Nicaragua. Forty technicians have been trained in curriculum development and 500 master teachers have been trained, who will in turn train 13,000 teachers for grades 1-4 over the next few years.

-In Honduras, the number of primary school students graduating from the 6th grade has increased by 56% since 1986. Fifty-two percent of the graduates are female. Seventy percent of all 13 year-olds now graduate from the sixth graders opposed to 48% in 1985.

-As a result of the USAID/Guatemala Basic Education Strengthening Project, the Government of Guatemala has established the world's first scholarship program for rural indigenous girls. The five-year commitment is expected to benefit 5,446 girls during the first year.

#### **HEALTH, POPULATION AND NUTRITION SECTOR**

USAID has been working in this sector in LAC for almost three decades. Improvements in infant and child survival and in helping couples achieve desired small family size have occurred particularly rapidly in developing countries like Colombia, Honduras and Mexico where we concentrated our assistance. Much of our help in LAC is to provide integrated programs which seek to improve family health through increased access to maternal and child health programs, family planning and HIV/STDs prevention programs.

The LAC PHN strategy directly conforms with the new Agency strategy. The only difference is that the LAC strategy places more emphasis on sectoral reforms, aimed at increasing equitable access and improving program sustainability, which address the specific needs of the region. In line with the strategy, an initiative was adopted at the Summit of the Americas, presented by USAID, which addresses PHN sectoral reforms while ensuring program impact in reducing maternal and child mortality. PHN efforts in LAC have been quite successful in increasing use of contraceptives/decreasing unwanted fertility and in reducing infant and child mortality, eradicating polio, controlling measles and preventing deaths for cholera. There is substantial work still to be done in reproductive health, notably reducing maternal mortality and decreasing HIV transmission. Over the past three decades, the U.S. has invested substantial resources to improve PHN conditions in the Americas – these investments are paying off. USAID programming and strategy in LAC directly support sectoral reforms designed to make PHN systems sustainable (as well as effective, efficient and equitable).

Reproductive health activities are being expanded to link or integrate family planning with other high priority activities including, prenatal/postnatal care, safe delivery, diagnosis and treatment of STDS. This is occurring as part of new project development (e.g., ReproSalud in Peru) and through the development of integrated case management models (e.g., in Guatemala). New linkages, such as the HIV/AIDS and STD programming in conjunction with family planning implemented by IPPF/Western Hemisphere affiliates, have been initiated between previously separate PHN programs (e.g., in Brazil, Jamaica and Honduras). The

Bureau's approach to HIV/AIDS programming is being revised and updated to respond to transnational patterns of transmission, to multi-country issues and to changing transmission patterns within the region through policy dialogue, NGO strengthening and condom social marketing for STD/HIV prevention.

All of the LAC Missions and regional programs have strategic objectives in the Stabilizing World Population Growth and Protecting Human Health programmatic priority area except for the programs in Panama and Guyana. All but two programs met or nearly met their yearly planned targets. The bilateral and regional activities in the PHN sector can be categorized as follows: 13 implement family planning programs, 9 implement child survival programs, 6 implement sanitation/environmental health programs, 6 implement AIDS programs. Also, there are a smaller number of maternal health, drug awareness, and health policy/management/financing programs under implementation in the LAC region.

Annex C provides additional analysis on the implementation of the Bureau's HPN strategy. As is evident for some examples provided below, the performance in this sector has been impressive. (Annex B provides detailed result by country.)

#### **Child Survival:**

-A Child Survival project in Peru achieved 85% coverage for immunization of children under one year of age in 1993, the highest rate ever reached in Peru. This immunization program contributed importantly to the eradication of polio from Peru, certified by WHO/PAHO in September 1994.

-Measles cases in the Americas have decreased from over 200,000 in 1990 to well under 2,500 in 1994—a 99% drop, due to higher coverage of each birth cohort, combined with campaigns to re-vaccinate all children 9 months to 14 years of age. Vaccination coverage in the region with all antigens remains high, at just under 75% for 1994.

-In Bolivia, the 1994 DHS reports an infant mortality rate of 75 per 1,000 live births, a 22% drop from 1989, but still unacceptably high. Honduras has halved its infant mortality rate - from 80 to 40 live births between 1980 and 1994.

-In Haiti, nationwide vaccination coverage moved from 36% to 48%, the percent of diarrheal diseases treated with oral rehydration salts increased from 16% to 30%, and the infant mortality rate improved from 101/1,000 to 74/1,000 -largely due to the network of over 30 highly dedicated PVOs that have helped USAID deliver its program to over 2 million people.

#### **Population:**

-About 48% of married women in LAC are now using modern, effective methods of contraception.

-Self-sufficiency for PROFAMILIA's family planning program in Colombia will be attained in 1996.

-In Ecuador nearly 80% of all contraceptive use now corresponds to modern, efficacious and safe methods.

**-In Mexico the family planning program has been successful in reducing the annual rate of population increase to 1.8%.**

**-Five family planning clinics have opened outside of Managua. In 1995 PROFAMILIA is providing approximately 100,000 couple years of protection.**

#### **Health/Nutrition:**

**-In 1994, polio was eradicated in the Western Hemisphere by a multinational effort in which the United States was the lead donor.**

**-Deaths from cholera have been reduced to less than two percent of the reported cases from a high of over four percent in 1992. In Peru, total number of cases has dropped by 88%.**

**-Close to half a million nutritionally at-risk people are benefiting from PVO managed PL480 Title II Programs.**

**-El Salvador's Ministry of Health income generated by cost recovery for services has increased from \$2.5 million in 1989 to \$6.5 million in 1993.**

**-USAID has built over 500 water systems in rural areas, benefiting 600,000 people who now have access to safe drinking water.**

## **ENVIRONMENT AND ENERGY SECTOR**

**LAC programs address long-term threats to the global environment, particularly loss in biodiversity and global climate change. The programs also seek to protect the environment locally and nationally by protecting biological resources, promoting environmentally sound agricultural production and encouraging better stewardship of natural resources.**

**The Agency's Strategy identified sound environmental practices as a pillar necessary for achieving sustainable development. Using the Strategy's implementation guidelines, the LAC Bureau developed environment and energy objectives that: (1) embody the challenges and opportunities unique to the LAC region; (2) advance Summit of the Americas' initiatives; and (3) acknowledge the interdependent cross-sectoral links of sustainable environmental management to economic growth, health, and democracy. To accomplish these objectives the Bureau has worked closely with its missions, our partners both domestic and host country, and the Global Bureau in designing and implementing new programs.**

**In past years the Bureau's environmental programs have focused on the "green" environmental issues—promoting sustainable agriculture, the sustainable management and conservation of natural forests, and conserving biodiversity. The bulk of the bilateral programs remain in these areas. However, given the increasing impact of pollution due to rapid industrialization and urbanization in the region, the Bureau decided to more rigorously address "brown" issues, including sustainable energy management and energy conservation; urban and industrial pollution; and strengthening environmental regulatory framework among countries to advance free trade. Both of the regional programs and all but four bilateral programs have strategic**

objectives in the environment and energy area. Of the 13 SOs evaluated on performance 10 have met or nearly met their planned targets (see attachment 5).

The Bureau's new direction in this sector is exemplified by a new \$25 million program in support of CONCAUSA. CONCAUSA is a partnership signed at the Summit of the Americas committing the United States to work with the countries of Central America on three broad environmental issues: conservation of biodiversity; sustainable energy production; and pollution prevention, particularly as it relates to the expansion of free trade. The LAC and Global Bureaus' jointly designed and supported Environmental Initiative for the Americas is an example of a program arising out of the partnership among bureaus envisioned by the reorganization. Together LAC and G provided \$22.6 million this year to support Mission proposed pilot activities designed to catalyze an expansion in mission environmental objectives to address the new LAC and Summit objectives of pollution prevention, sustainable energy and environment issues related to free trade.

While increasing attention is being directed toward urban and industrial pollution problems, the issues of forest and biodiversity conservation remain as Bureau priorities. An excellent instrument to address these issues is the Parks in Peril program. Through this program the Bureau has helped protect 26 parks covering 5.6 million hectares in 12 LAC countries. A principal objective and success of the programs has been strengthening local NGOs to increase public awareness, engage local communities, and assist governments in park management. Maintaining the productivity of natural resources particularly for agriculture is also an area where USAID continues to make significant contributions.

The Bureau's foremost priority in promoting sound environmental management is strengthening the capacity of local institutions and people. Perhaps the clearest illustration of this commitment is the support provided for locally controlled environment endowments that provide long term financing for in-country environmental activities. This year LAC will be providing \$20 million for the endowment of the new Mexico Conservation Fund. The fund is designed to provide in perpetuity, financial support to fund local NGOs' proposals for conservation work in Mexico. In Panama, Jamaica, Honduras, Bolivia, Colombia, and Chile, USAID has provided similar endowments for local NGOs to submit proposals and implement conservation activities.

Annex D provides additional analysis on the implementation of the Bureau's Environment and Energy Strategy. In general, the performance in this sector has been excellent as evident in the following results: (Annex B provides detailed results by country.)

-In Honduras we are helping to transform destructive hillside agriculture practices and provide farm families with land-use technologies that decrease erosion and increase crop yields. The number of poor hillside-farming households adopting environmentally sound cultivation practices doubled to more than 21,000 between 1989 and 1993, reducing soil erosion by 70,000 tons. At the same time, 10,000 participating families increased their yields at least 30 percent. Extension training activities carried out by male and female community leaders is seeding the dissemination of improved technologies among neighboring farmers.

-Two Bolivian national parks were among the first four worldwide to "graduate" from USG assistance through the Parks in Peril program and are on the road to self sufficiency. These

parks (Noel Kempff Mercado and Anboro) are among the most important in the hemisphere and protect a wealth of endangered species.

-In Brazil, USAID activities contributed to overall reduction in deforestation in the Amazon -the third year in a row that the rate of deforestation has decreased. In target forest communities, 46% of the community members adopted improved agroforestry management systems in their previously cleared areas. Brazil's environmental agency, IBAMA, accepted the first ever proposal for co-management of a National Park together with Brazilian NGO, supported by the World Wildlife Fund under the USAID climate change program.

-In Mexico, USAID has developed ongoing projects in energy efficiency, integrated resource planning, renewable energy technologies and biomass cogeneration.

-In Panama, the government has designated 205,000 hectares in the Canal Watershed for protection. Another 45,000 will soon be added. Also, a \$25 million Conservation Trust Fund was established in 1994 to generate resources to protect the Canal Watershed and the Canal.

#### **V. STATUS OF CLOSE-OUT COUNTRIES:**

Country programs in Argentina and Uruguay will close-out by the end of FY 1995 while programs in Belize, Chile, Costa Rica, and the Regional Development Office/Barbados will close-out by the end of FY 1996. Implementation of programmatic and administrative actions is proceeding to meet the scheduled close-out dates for these programs. For example, USAID offices are carrying out the orderly termination of activities, encouraging other donors to provide support to selected development activities after USAID assistance ends, and providing local foreign national staff with job-search assistance. No individual country funding is requested in FY 1997 for bi-lateral programs in close-out countries. Although regional and global programs may include participation of individuals and entities from these countries to achieve regional or global objectives, funding for such activities will be minimal and no in-country presence is required.

## **VI. RESOURCE ALLOCATION**

To support the US leadership role in Latin America and the Caribbean, we are requesting a FY 1997 program level of \$642.526 million in DA, ESF, Counternarcotics and PI 480 resources. To administer this program, we are requesting an operating expense budget of \$49.5 million to support 200 US direct hire FTEs overseas and 86 in AID/W, 1,235 host country and third country nationals, and 27 personal service contracts with Americans. An additional 78 personal service contracts are funded under program funds.

This program request covers major Administration commitments such as:

- completing Haiti's transition to democracy and establishing long-term development programs.
- bringing to closure our commitments to fund peace accord programs in El Salvador and Nicaragua.
- supporting a peace accord program in Guatemala based on the accords signed in late 1995.
- sustaining a joint AID/State alternative development strategy in the coca-producing countries of Bolivia and Peru.
- supporting the orderly transfer of the Panama canal.
- providing policy assistance to governments prepared to enter into NAFTA-like trade agreements, privatize state enterprise, expand free market policies, reduce poverty, and increase investment capital down to the level of micro-enterprise.
- protecting the universal (except for Cuba) conversion to democracy through expanded institutional-strengthening programs and quick-response emergency programs.
- expanding access of the poor, particularly the disadvantaged indigenous populations, to the benefits of development programs.
- following up the successful ideas of the Environmental Initiative for the Americas Program funded in FY 1995.

We estimate that the total cost of completing the programs currently authorized is \$2.6 billion, beginning with FY 1995. This estimate includes DA, ESF, counternarcotics, Title III and Title II where the funds are allocated in support of strategic objectives. We believe we could achieve most of the results planned under the current set of strategic objectives by the year 2003 if we succeed in obtaining the planned funding levels. Achieving these planned results will end our involvement in many individual country sectors. In others, new strategic objectives will be needed to continue the important work toward establishing the conditions for sustainable development in LAC countries.

of funds contributing to each SO, including field support, for FY 1995 - FY 1997. The table shows two data sets, "A" and "B". Data set A shows allocations at the request level (100% in FY 1996 and 97% in FY 1997). Data set "B" shows allocations at the 75% level.

DA is requested for 16 of the Bureau's 17 active programs in FY 1997. Haiti is the only country for which DA is not being requested in FY 1997 or in FY 1996 per its designation as a "democracy in transition." Instead, Haiti is being funded with ESF for both years. ESF is also being requested in both years under the LAC Regional program to support peace accord agreements in Central America, democratic initiatives in Mexico and Peru, police training, and the LAC Regional democracy and trade programs.

Beginning in FY 1996, State counternarcotics funds, instead of ESF, are responsible for covering State's share of the alternative development strategies in Bolivia and Peru.

Peru, Haiti, Bolivia and Guatemala will continue to be among the Agency's major Title II recipients in FY 1997. Beginning in FY 1996, Haiti will remain the only recipient of Title III funds in the region.

#### DA Allocations

The proposed FY 1997 allocations reinforce all the Agency's objectives consistent with the development priorities and opportunities of individual country and regional programs. The budget profile between FY 1996 and FY 1997 is nearly identical. Increases in AIDS and general health funding offset decreases in population funding. At the request level, SOs judged particularly critical to the Bureau's strategy receive 60 percent of DA. These funds are distributed substantially among all four Agency strategic areas, emphasizing the Bureau's commitment to focus on what USAID can do best in each respective country.

ALLOCATION OF DA BY CRITICALITY OF STRATEGIC OBJECTIVE AND RESULTANT BUDGET PROFILE: FY1997 Request Level Compared to FY1996

	Critical	Important	TOTAL	FY 1997 Profile%	FY 1996 Profile%
Population	51,598	34,031	85,629	23%	26%
Democracy	35,057	12,485	47,542	13%	15%
Environment	35,491	35,401	70,892	19%	19%
Growth	101,525	68,738	170,263	45%	40%
(AIDS)	( 5,313	12,769	18,082	5%	3% )
(Child Survival)	( 26,853	5,901	32,754	9%	9% )
(Unrest. Health)	(7,997	2,361	10,358	3%	2% )
(Basic Education)	( 6,518	13,255	19,773	5%	5% )
(Economic Growth	( 54,484	34,812	89,296	23%	21% )
Totals	223,671	150,655	374,326	100%	100%

The Agency Areas Table in Annex I shows the distribution of funds by the four areas at the country level for both data sets "A" and "B". The Agency Special Issues Table further details the special interests at the country level. The budget profile is complicated by the fact that the late designation of Haiti as a "democracy in transition" country meant that Haiti's contributions to the original DA targets for population, AIDS, child survival, basic education and environment targets for FY 1996 and FY 1997 are now met by \$36 million of ESF at the request level. A profile of Haiti's ESF by directives accompanies the Special Issues DA table. Adding the Haiti to the DA levels, one sees that LAC actual support for special interests would be:

**COMPARISON OF REQUEST LEVELS WITH FY 1996 CP TARGETS  
FOR SPECIAL INTERESTS INCLUDING HAITI ESF  
( '000S)**

	FY 1996 CP	REVISED FY 1996	FY 1997
POPULATION	109,900	111,336	99,580
AIDS	16,300	15,851	23,259
CHILD SURVIVAL	43,400	42,455	40,337
BASIC EDUCATION	24,500	23,565	24,773
ENVIRONMENT	71,500	81,155	75,822

**Role of Global Bureau Field Support**

Every program now draws on Global leadership in the design and evaluation of our programs. Programs in the population, health and nutrition sectors also rely on continuing institutional field support. Programs in the other sectors tend to rely more on critical interventions. The initial data contained in the FY 1997 request reflect \$60 million of requirements for field support. However, our experience is that at the time missions have to make go-no go procurement decisions, substantially more resources would be released to Global.

**DEMAND FOR FIELD SUPPORT FROM THE GLOBAL BUREAU  
(Preliminary estimates-'000s)**

	FY 1996 REQUEST	FY 1997 REQUEST
PHN Center	60,065	50,601
Democracy Center	1,285	1,275
Environ./Energy Center	4,660	4,610
Human Capacitation Center	800	700
Growth Center	2,496	2,491
Totals	69,306	59,677

The Field Support Table in Annex I shows field support broken out by country, by SO, by project and by Agency area for data set A. The distribution by Agency area approximates the allocation by Global Centers of Excellence except where one has to parse the allocations for Growth among PHN, Environment/Energy and Human Capacitation Centers. The data for FY 1995 contained in this table under-report about \$12 million of the \$99 million of actual field

support, including \$19 million of OYB transfers, due to continuing confusion in the field over how to show field support in FY 1995 budget documents. On the other hand, there are some funds in projects transferred to Global whose services to the region also do not show up here as the funds are now part of the core Global budget.

The experience of fully budgeting the costs for field support services in FY 1995 for the first time caught both field missions and Global offguard in terms of the "multipliers" that had to be assigned to ensure full cost recovery. There were instances where Global reported that more than \$300,000 would be required to deliver \$100,000 of technical assistance in country. Global was just as alarmed as the missions to the implications this would have on the demand for future field support. The matter is being examined extensively by Global and hopefully will result in modifications that will not dampen mission enthusiasm for Global's excellent services.

Narrative descriptions of the field support services are contained in the individual country strategic objective factsheets which are available on request.

### **Pipeline and Expenditures**

FY 1993 was the last year that total resources exceeded \$1 billion for LAC. At the end of FY 1994, the DA, ESF and PL 480 Title III combined pipeline was \$1.012 billion. By the end of FY 1995 it will be \$736 million. Even if we were to receive our full request for both FY 1996 and FY 1997, the pipeline would drop to \$570 million by the end of FY 1996 and to \$538 million by the end of FY 1997. Driving this drop is the maturing of programs originated under the efforts to bring peace to Central America. In FY 1995, expenditures are estimated at \$850 million against \$609 million in obligations; in FY 1996, expenditures are estimated at \$726 million against obligations of \$560 million; and in FY 1997, expenditures are estimated at \$580 million against obligations of \$549 million. Over this three year period, expenditures will exceed obligations by \$438 million. Of this excess, only \$112 million will be DA, the rest ESF. The time when ESF was the largest component of our program is clearly over.

One of the immediate results of this draw down on expenditures is the projection that there will be nearly no funds aged five years or older by the end of FY 1995, ie FY 1990 or older. Starting in FY 1996, very little of the pipeline is expected to be older than three years.

The Pipeline Tables in Annex I show a summary of the status of DA, ESF, Counternarcotics, and Title III resources at the Bureau level by criticality of SO through FY 1997. A table for DA only further details the data by country and by SO. The tables show obligations, expenditures, pipelines and mortgages on the basis of rolling up all active or new activities approved for start through FY 1997. The data for FY 1995 represent Mission controller data, including deobs through the end of FY 1995.

### **Program Request at 105 Percent of the FY 1996 DA Level**

A budget level at 105 percent of the FY 1996 DA request level compared to the core request of 97 percent of the FY 1996 level would total \$404.250 million compared to \$373.450 million. The difference of \$30.8 million would be applied to three programs:

**Haiti: \$18 million**

Rationale: The Mission action plan requested a total of \$108 million of ESF against a budget ceiling of \$90.270 million. The \$18 million difference represented \$14 million in balance of payments support for policy reform and generation of local currency for feeding, jobs and other developmental programs; and \$4 million for strengthening government institutions under the Policy and Administrative Reform Project. These additional resources would accelerate the ability of the government to establish sound, modern governmental institutions which have never existed in Haiti.

**Guatemala: \$7.5 million**

Rationale: Full funding of the Peace Accords should be on the order of \$10 - 15 million in FY 1997. However, shortage of ESF has made it impossible to allocate more than \$5 million DA under the 97 percent level. This level of funding would allow the programs to expand substantially into economic growth activities instead of being limited primarily to extending PHN and basic education programs to the formerly conflictive zones.

**Nicaragua: \$4.5 million**

Rationale: These funds would enable the Mission to reestablish the ambitious, multi-sector NGO support program that it had supported while there were PL 480 Title III - generated local currencies. NGOs play an important part in all mission strategic programs, particularly in the dialogue for forging new government policies, but their expansion and financial backing is also an important element in extending developmental services while the government workforce is shrinking.

**Impact of a DA Level at 75 Percent of the FY 1996 Request Beginning in FY 1996**

As would be expected, the Bureau cannot sustain a permanent DA cut of 25 percent, plus the more severe cuts being mentioned in the FY 1996 appropriations process for ESF, counternarcotics and Title III funding without substantially restructuring the overall program. The pipeline reports in Annex I tell the story. Setting aside the impact on DA programs should counternarcotics funding be eliminated and ESF reduced to \$74 million or less, the currently approved DA programs would be out of cash before the OYB would be established in FY 1999:

**STATUS OF FUNDS IN FY 1997 (000s)**

Pipeline at the end of	FY 1996	325,011
Planned obligations in	FY 1997	288,751
Planned expenditures in	FY 1997	377,430
Pipeline at the end of	FY 1997	236,332

**PROJECTED STATUS OF FUNDS IN FY 1998**  
(000s)

Pipeline at the end of	FY 1997	236,332
Planned obligations in	FY 1998	288,751
Planned expenditures in	FY 1998	377,430
Pipeline at the end of	FY 1998	147,663

Annex H tells the story in terms of the specific impact on individual programs under a sustained 25 percent cut.

The other side of the story, however, is that even at reduced levels, the Bureau budget would continue proportional support for the Agency's commitment to the directives. However, should the 25 percent cut be sustained, the restructuring of the program would follow along the path of criticality of program and SO to the overall bureau strategy. Such a change would change the proportion of support to the directives, though by how much is not clear. At the request level, 55 percent of the DA programmed for the directives are in critical SOs. In the meantime, the initial allocation of cuts shows that support to the directives comes out favorably in relation to the overall cut to the bureau. Haiti's ESF contributions to the targets have been included.

**SUPPORT TO DIRECTIVES**  
(000s)

	Request Level	75 Percent Level	Percent Reduced
Population	99,580	72,371	27%
AIDS	23,259	18,442	21%
Child Survival	40,337	33,194	18%
Basic Education	24,773	20,651	17%
Environment	75,822	61,401	19%

Field support would remain a critical component of the program. At the request level, the initial estimate for field support is \$60 million and represents 16 percent of the DA request level. At the 75 percent level, the estimate for field support is \$45 million and still represents 16 percent of the DA level. As mentioned above, the initial estimates tend to undercount requirements by \$10 million or more.

Absent realistic projections of OE, ESF and counternarcotics funds for FY 1996 at the time the BBS was prepared, the most this document can do is to show how we would allocate our resources to support established policies, objectives, and commitments in the context of available guidance. The major restructuring that is implied should the HAC appropriation levels become law cannot be laid out in a public document until State and USAID have clearly formulated their guidance to deal forthrightly with the new budget realities.

## **Operating Expenses**

Given the low funding level approved for LAC operations in FY 1995 the Bureau was under extreme pressure to (1) cover increased costs associated with the program build-up in Haiti (2) continue full funding of close-out Mission requirements and (3) cover unforeseen costs of new office construction in Jamaica and unplanned furnishings for our new facilities in Colombia. While the above was accomplished without seriously jeopardizing program oversight and accountability, it did not come without a significant claim on future resources that will be required to meet deferred procurement of replacement equipment (NXP) and other postponed operational necessities.

The budgets presented by our field missions for FY 1996 total slightly less than \$53.4 million. This is about the same level as the \$52.3 million target assigned to the Bureau for FY 1996 in last year's Bureau Budget Submission (BBS). This result is very favorable when you consider that the latest estimate contains (1) a further build-up of operating resources for Haiti consistent with U.S. policy objectives and USAID's role in achieving those objectives, (2) an increase in the cost necessary to close out our mission in Costa Rica due to the transfer of the Regional Inspector General's (RIG) operation to another location (\$425.0 million), and (3) funding necessary to bring our equipment replacement schedule back to a level that does not pose a material weakness to Bureau operations. In addition the FY 1996 proposed level will permit us to complete the procurement of computers and software essential to successful start-up and operation of the New Management Systems (NMS).

FY 1997 marks the first year of operations after all scheduled close-out missions have shut their doors. Also, it is the first year that a normalized budget for field operating requirements has been developed free of catch-up costs and other distortions attributable to phase downs and close outs. The proposed level of \$49.3 million at the 200 FTE level will permit a return to a more even operating posture. While this projected level reflects only a modest reduction from the planned FY 1996 level, it does contain \$1.0 million for office furnishings and equipment for the new office building in Peru. Otherwise the trend is consistent with reductions in the program budget when coupled with the remaining pipeline. It is imperative that budget decision makers continue to take into account the importance of pipelines and their relevance to staffing and operating resource requirements. In this Bureau pipelines have tended to require close to two years on average to be fully liquidated. These pipelines are the most significant and reliable indicators we have of future workload requirements. We simply cannot cut staff below the level needed to responsibly implement our ongoing program without seriously jeopardizing accountability and abdicating our role as responsible managers.

While not reflected in these budget estimates because of the uncertainties involved, the Bureau may plan further consolidation of support services in both Central America and the

Caribbean. We may be proposing establishment of Regional Support Service Center (RSSC) facilities, similar to that already operating in Bolivia for South America, in one or more countries yet to be selected. While start-up of these operations will have a price tag, significant savings to the Agency will be realized in the short run and, if our experience in Bolivia is any indicator, greater economies and effectiveness of operations will result.

## **VII. CONTINGENCIES**

### **Cuba**

With the Administration reviewing ways to more effectively implement the "Support for the Cuban people" section of the 1992 Cuba Democracy Act, and with Congress considering additional Cuba-specific legislation, it is likely that some USAID funding for NGO and human rights activities in Cuba may be required during FY96 and FY97. No funds for this purpose are presently included in the LAC budget requests for these years because there is at present a legal impediment to providing any FAA assistance funds for Cuba. However, it is very likely that the legal impediment will be removed by legislative action this year. If that happens, USAID might well be expected to provide some funds to support the USG policy aim of strengthening civil society and promoting a nonviolent democratic transition in Cuba through support to human rights groups, other fully independent groups and reform-minded individuals. It can be expected that the vast majority of assistance coming from the United States for Cuban NGOs will continue to derive from private sources channeled through USNGOs and continue to be largely in the form of humanitarian assistance.

**INVESTMENTS IN PEACE, DEMOCRACY AND COUNTERNARCOTICS**

**Haiti**

**U.S. policy towards Haiti is designed to protect and advance U.S. foreign policy interests by promoting democracy and stability in our hemisphere, stopping widespread human rights abuses which were daily occurrences under the military regime, halting mass migration from Haiti to the U.S., and preserving U.S. credibility upholding our commitment to the Haitian people. The USAID development program is designed to reshape the Haitian nation in a fundamental way, to assure the passage from a repressive, elitist oligarchy to a prosperous democratic society in which all citizens enjoy the benefits of economic growth. Our FY 1995 and 1996 programs are transitional, from a program to meet emergency humanitarian needs to one that is focused in addressing key constraints to sustainable development.**

**As part of our humanitarian assistance activities, the program provides critical preventive and curative care to approximately two million Haitians, daily feeding programs to approximately one million small children and mothers, and a short-term infrastructure jobs program for 50,000 poor until other donor job creation programs come on line. To assist the Haitian people in building a solid economic underpinning USAID is: assisting the GOH to develop a secure investment climate for regenerating private sector growth, launching micro-enterprise initiatives and other activities to assure access to renewed economic growth by the poorest segments of the Haitian population, providing long term investments in rural agriculture designed to increase agricultural production, exports and the income of rural farm families, develop an intensified program to protect scarce natural resources and develop an educational system to create a human resource base capable of support a sustained economic recovery. The USG democratic governance programs in Haiti are being used to: support municipal, parliamentary and presidential elections, the creation of a separate and independent professional police force, the demobilization of the military, the reform of the judicial system to assure and protect basic human rights, and institutional and administrative reform through all critical GOH institutions that will focus on decentralization, down sizing, and effective and transparent operations.**

**This fundamental reshaping of the Haitian nation state will be a multi-donor effort. USAID will take a lead role in areas where we have a comparative advantage e.g. governance, democracy, health, enterprise development, and support to PVOS. Other donors, who have pledged close to one billion dollars, will share the high costs associated with rebuilding the economy, developing a national educational system, assisting with broad support for GOH institution-building, and providing major investment to protect the environment.**

## **Guatemala**

Guatemala's transition from an authoritarian nation to a functioning, participatory democracy is proving extremely difficult at a time when the country is under increasing internal and international pressure to end its 34-year civil conflict and create a more just and equitable society for all its citizens. In January 1994, President de Leon Carpio restarted peace negotiations with the guerrilla movement known as the URNG, with the U.N. serving as moderator. Through its participation in the group of "Friends" to the peace process, the USG has been actively involved in helping both sides to achieve a negotiated settlement. Since January 1994, five major accords have been signed including a Global Accord on Human Rights which established a U.N. human rights verification Mission in the country. To provide direct assistance for the peace process, the USG established a \$4.6 million Peace Fund. This fund will be used to support the implementation of the peace accords, including those on human rights, the resettlement of uprooted populations and the rights of the indigenous. USAID is also reprogramming its existing development program to provide assistance to communities that have been most affected by the civil conflict. It is also already providing assistance to strengthen key democratic institutions including the judicial system, the legislature and the Human Rights Ombudsman Office. The overarching foreign policy goals in Guatemala are consolidation of democracy and improved respect for human rights. The best way to achieve these goals is through a final peace settlement and successful implementation of the individual peace accords. Without continued U.S. assistance, the GOG's ability to implement the already-signed peace accords would be jeopardized and a final peace settlement -- the last in the region -- could be threatened.

## **El Salvador**

Most of the reforms contained in the 1992 Salvadoran Peace Accords have been implemented. The Armed Forces have been reduced by 70%, paramilitary forces have been dismantled, the National Police and other security forces have been demobilized and a new National Civilian Police (PNC) was established in December 1994. USAID played a critical role in the demobilization by providing ex-combatants with training for reintegration into civil society, land, agriculture and business credit and household starter kits. USAID has also provided essential assistance (via State) to ICITAP for the purpose of training the PNC. In addition, the USG pledged \$300 million toward the Government of El Salvador's (GOES) 5-year, \$1.4 billion National Reconstruction Program to rebuild the country and reintegrate ex-conflictive zones into the national economy. USAID provided roughly \$7 million to assist the GOES to register 95% of the eligible voter population for the first post-war elections in March and April 1994. USAID also has assisted the GOES with its plans to deepen electoral reforms in time for the next, 1997 municipal elections. USAID's Judicial Reform project has supported key pieces of pending legislation such as the Criminal Code and the Criminal Procedures Code, Sentencing Law and other measures aimed at insuring due process. The USG has also been the principal donor to the Accords-mandated land transfer program which has provided land to 61% of identified beneficiaries. The GOES has set October 31, 1995 as the deadline for completion of the Accords. Through its assistance program, the USG is playing a pivotal role in ensuring that the Peace Accords are fully implemented and national reconciliation is achieved. Should our backing for the peace process falter at a point when we are on the verge of ameliorating important causes of the 12-year civil war--lack of land and a sense of

judicial impunity—we would send a highly negative message to the GOES, we would raise questions in El Salvador and among the donor community about our reliability and we would have squandered millions of dollars.

## **Nicaragua**

The 1990 election of President Violetta de Chamorro brought an end to the decade-long civil war, introduced democratic principles and policies and launched a bold economic reform and liberalization program. Since then, the Chamorro administration had made significant strides in reconciling a highly polarized society, in getting democratic institutions to function while stabilizing the economy and reactivating economic growth. Progress has been made in overcoming many of the difficulties in resolution of property disputes and the promulgation of constitutional reforms demonstrates commitment to the democratic system. Despite these successes, Nicaragua's democracy remains fragile and its economic transformation is far from complete; the economy must do more to deliver jobs, and a better standard of life for its citizens. USAID programs are working to address poverty, and to increase employment and income, especially with the poor. While past U.S. assistance has contributed significantly to the progress to date, continued support is essential to help consolidate the democratic and economic gains already made and contribute to regional peace and stability. In the area of human rights, ongoing assistance to CIAV/OAS's for human rights monitoring and work with the Tripartite Commission helped identify human rights violations and mediate disputes. Assistance to local human rights groups has helped to expand the network of information about human rights violations, increase their impact in the media and place pressure on the authorities to address the issues. USAID is poised to help modernize the legal system through a judicial improvement program which will reform criminal and administrative codes, promote ethics in the judicial system, create a public defenders program and the administrative reforms needed to improve access and efficiency of the justice system. Assistance is being provided to help accelerate the administrative resolution of property disputes which is key to investment and the creation of jobs. A successful transition to a new civilian government in 1996 is also critical to the democratic process. USAID is committed to help Nicaragua hold national elections and will soon initiate a comprehensive program in support of free, fair and transparent elections. Through the USAID program, the United States is assuring that Nicaragua's investment in peace will generate dividends for its population and assure a successful democratic and economic transition.

## **Andean Region Counternarcotics**

The reduction of illegal drug consumption and the crimes related to the drug trade in the U.S. is a top U.S. Government priority. Toward that end, a major U.S. foreign policy objective is to assist source countries in developing their own capacity to help eliminate the scourge of illegal narcotics. The Administration's counternarcotics policy (PDD-14) identifies sustainable alternative development initiatives as essential to the long-term strategy for increasing the political and economic stability of source countries as a means of reducing their vulnerability to the influence of illegal narcotics. In the Andean Region, the source of the world's coca leaf and cocaine suppliers, USAID's sustainable development programs, overall, strive to reduce the lure and threat of illicit drug production by assisting our partner countries. Strengthening their regulatory and judicial institutions, improving the durability of democracy and broad-

based economic growth, and specifically, developing alternative means of income generation for their poor to diminish dependence in the production of illicit drugs are key roles pursued by USAID in supporting our President's policy.

In Colombia, which is the largest processor and exporter of cocaine, the very institution of government and democracy has been under direct attack by the narcotics mafia. USAID is carrying out a critical program focused on strengthening the capacity of judicial institutions to effectively enforce laws and be more efficient in the processing of criminal cases.

In Bolivia, one of the major development challenges facing it continues to be its position as the world's second largest producer of coca/cocaine. This problem has serious implications for the United States and the world, and warrants USAID's continued support and attention. However, this problem is compounded by Bolivia's fragile democracy and its extreme levels of poverty (among the worst in the world). USAID is assisting Bolivia to resolve these problems by supporting nationwide programs for the strengthening of democratic institutions, expansion of microenterprise and private industry, improving the health of its citizens, enhancing citizen awareness of the perils of drugs, and preserving the environment.

In Peru, the largest producer of coca/cocaine, USAID's program is aimed at enhancing the legal and regulatory environment, improvements in the protection of civil rights, supporting free and fair elections, and expanding popular participation at all levels of the government. In addition, USAID is also providing assistance to develop viable income and employment alternatives through microenterprise financing opportunities, improvements in infrastructure and export promotion.

**PROGRAM PERFORMANCE HIGHLIGHTS**  
**CENTRAL AMERICA**  
**USAID/PROGRAM ACCOMPLISHMENTS**  
**EL SALVADOR**

**S.O. 1: Assist El Salvador To Make The Transition From War To Peace**

- In 1994, 64 percent of land bank clients in the ex-conflictive zones had their land in production, up from 25 percent in March of 1993.
- Over 11,000 new land recipients have received farmland under the Land Transfer Program.
- Three-fourths of the population in the ex-conflictive zone (est. 1992 census: 1.4 million), have benefitted from over 2,200 infrastructure projects (schools, health posts, potable water systems, electricity, etc.) through the demand-driven Municipalities in Action program.
- A total of 130 non-governmental organizations have participated in reconstruction activities in the ex-conflictive zone. About \$70 million has been channeled through NGOs.
- The National Reconstruction Plan (NRP) has committed \$97 million to ex-combatant activities. Beneficiaries include over 10,700 FMLN, 10,300 GOES Armed Forces and over 1,800 demobilized National Police. A CID/Gallup poll taken in late 1994 reported that eight out of ten ex-combatants perceived themselves as an integral part of Salvadoran civil society; 97 percent see their opportunities for future development equal to their neighbors, especially after receiving reintegration training or academic scholarship benefits.
- Approximately 60,000 beneficiaries have received agricultural or micro-enterprise credit through the NRP.
- Over 1,260 civilian war wounded amputees and 5,500 disabled civilians have received assistance. Approximately 2,900 war wounded ex-combatants have received assistance.

**S.O. 2: Broad-Based Economic Growth Increased**

- Inflation, which hits the poor the hardest, has been reduced by more than half from 23.5 percent in 1989 to 8.9 percent in 1994, the lowest since 1976.
- The impact of overall economic policy reforms (i.e., reduced inflation rates, increased investment and employment) contributed to significantly reduce the number of households in extreme poverty, from 643,664 households (28.2 percent) in 1992 to 615,206 households (27 percent) in 1993.

- Net Value Drawback exports have grown 600 percent from \$15 million in 1989 to over \$100 million in 1994. The strong expansion in drawback exports combined with rapid local construction of thousands of new jobs in the private sector in 1994.
- El Salvador's tax ratio has risen from a low 7.6 percent of GDP in 1989 to 10.3 percent of GDP in 1994. This improvement is taking place with lower tax rates than in prior years and with fewer economic distortions. A rapidly growing Salvadoran economy and the implementation of tax enforcement laws are contributing to increased tax collections.
- The deficit of the consolidated non-financial public sector before grants was reduced from 6.6 percent of GDP in 1989 to 2.3 percent of GDP in 1994. This was achieved with less net domestic and external financing.
- Private investment in non-traditional agricultural exports (NTAES) increased from \$1.7 million in 1993 to \$6.4 million in 1994, a 376% increase.
- Private investment in the industrial sector is estimated at \$10.75 million.

### **S.O. 3: Strengthened Democratic Institutions And Practices**

- The presidential, legislative and municipal elections, held in 1994, were declared by external observers to be fair and free.
- Ninety-five percent of eligible voters registered in time for the 1994 elections, a dramatic increase from only 73 percent just nine months before the elections.
- Seventy-four percent of cantones participated in open town meetings in 1994, up from 70 percent in 1993, and 63 percent in 1992.
- Two of the 39 municipalities with which the Mission is working in its Municipal Development project regularly opened their municipal council meetings to the public during 1994; this is a major step toward greater participation.
- Over 8,400 indigent detainees received legal counsel from the public defender's office in 1994, up from 7,156 the previous year.
- Legal reforms critical to fulfilling the Peace Accords were achieved: Public Defenders Law, Family Code, Labor Code, Family Procedures Code, and Juvenile Offenders Code.
- The percentage of unsentenced prisoners awaiting trial dropped from 80 percent to 70 percent in 1994, in response to efforts by the Mission's judicial reform program to strengthen public defense and minimize the practice of pretrial detention.
- A Government Accounting Law was instituted and a decentralized standard automated accounting system was established in 22 Ministries.
- A Constitutional Amendment eliminating pre-control auditing of GOES entities was ratified by the new Legislative Assembly.

- Twenty-five percent of the nation's ordinary budget, and 58.3 percent of the investment budget were audited for the first time in 1994.
- Locally generated annual revenue in the 39 municipalities increased by 25.5 percent in 1994.

#### **S.O. 4: Increased Quality With Equity In Health And Education**

- A total of 21,000 Elementary School teachers and principals have been trained in improved teaching methods, leadership skills, and teamwork. The Ministry of Education (MOE) considers the improved teaching methodology one of its most important tools for improving practices of classroom teachers.
- Colorful textbooks written by Salvadoran authors and adapted to Salvadoran life have been developed, printed and distributed to all school children in grades 1-4; grades 5 and 6 texts are in production -- a total of 1,600,000 texts.
- In January 1995, USAID/El Salvador funded a 3-day forum on educational reform hosted by the "Comité Dinamizador", a group formed from the 1994 Education Sector Assessment. Approximately 275 persons from 119 local and international organizations participated.
- The MOE is using the Education Sector Assessment's executive summary to stimulate participation in "consciousness-raising" workshops currently taking place with over 2,000 teachers nationwide.
- USAID programs contributed to the decline in infant mortality from 55/1000 in 1988 to 41/1000 in 1993 and in child mortality from 15/1000 in 1988 to 12/1000 in 1993.
- El Salvador's Total Fertility Rate dropped from 4.6 children per woman in 1988 to 3.85 in 1993; in rural areas it declined from 5.9 to 4.96.
- Complete immunization of children under five years of age increased from 49.8 percent in 1988 to 75.3 percent in 1993.
- Between 1989 and 1994, 107,000 rural residents have gained access to safe water and sanitary latrines.
- A Ministry of Health-managed malaria program reduced incidence from 20/1000 in 1980 to 0.5/1000 in 1994, the best in Central America.
- Ministry of Health income generated by cost recovery for services has increased from \$2.5 million in 1989 to \$6.5 million in 1993.

#### **S.O. 5: Improved Environmental And Natural Resource Management**

- Technical assistance and training to eight cooperatives has resulted in 450 hectares of reforestation and 357 hectares of soil conservation measures.

- A total of 1,500 hectares of coffee and 876 hectares of cashew is being cultivated using organic agricultural practices.
- The first harvests of organic spinach and lettuce are being marketed and sold in local supermarkets.
- The Organic Crop Improvement Association convention, representing 10 countries, was held in El Salvador in January 1995.
- Over 240 participants have received "certified pesticide applicator" training.
- Awareness of serious environmental problems in El Salvador has risen 14 percent over the past 6 months, since the initiation of media campaigns financed by USAID assistance.
- Eight environmental NGOs receiving technical assistance and grant funding have successfully competed for 16 reforestation projects, on nearly 500 hectares.
- In the first round of grants from the Enterprise for the Americas foundation, 60 NGOs received grants for environmental and child survival projects totalling \$3.3 million dollars.

## **GUATEMALA & REGIONAL**

### **S.O. 1: Increased Central American Participation in the Hemispheric Economy**

- From 1987 to 1994 the CIF value of exports generated by 421 Central American businesses receiving technical assistance increased from \$250,000 to over \$36 million. Eighteen percent of the nearly 8,350 people trained from 500 companies engaged in non-traditional agricultural exports were women.
- Representatives from labor unions in the region participated in a key analysis of labor legislation and enforcement capacity.

### **S.O. 2: Effective Regional Stewardship of Key Natural Resources**

- Markets have been identified for non-timber and secondary forest products to make natural forest management a financially attractive alternative in the region.
- The adoption by participating small farmers of new techniques in Integrated Pest Management (IPM) had a positive economic impact especially among melon, snow pea and coffee producers. IPM programs have reduced chemical contamination of the environment and reduced pesticide-related threats to human health throughout the region.
- More than 100,000 small to medium farmers have undertaken reforestation activities, and natural forest management techniques have been applied to up to 60,000 hectares of forest lands.

- To engender a far more participatory process for setting national agendas in those areas in which USAID/G-CAP's regional environmental project is active, USAID assisted in strengthening numerous local environmental NGOs.
- The policy handbook or "Green Book" prepared under RENARM was initially tested in Belize, Honduras, Guatemala, Costa Rica and El Salvador to introduce participants to policy analysis and participatory approaches in applying the book.

### **S.O. 3: More Effective and Democratic Local Governance:**

- More than 20 projects to improve municipal infrastructure all benefitting below-median income families, are in the final stages of analysis to be funded with combined CABEL resources and a USAID loan guaranty.
- A policy and program agenda developed by USAID-supported Central American Federation of Municipalities (FEMICA) on decentralization and local government strengthening efforts was implemented by all the key players in the region's municipal sectors in 1994.
- The devolution of revenues derived from land taxes to local governments was won in Guatemala (1994) and Nicaragua (1995) with similar proposals under discussion in the legislatures in Costa Rica and El Salvador. In Guatemala, local governments' share of the national budget was increased from 8 to 10% and, beginning in 1996, municipalities will also share a portion of the value added tax (1%).
- FEMICA helped municipal authorities and legislators in Nicaragua and Costa Rica to formulate legislative proposals to provide for the direct election of mayors. A similar reform proposal providing for the direct election of mayors was enacted and implemented in Panama in 1994.
- Pilot activities addressing constraints to the decentralization of key services have contributed to reforms devolving administrative authority over water and education in Nicaragua (1994), giving municipalities a role in the naming of teachers in Guatemala (1995), and in six municipalities being given authority for management of a potable water distribution system in El Salvador (1995).

## **HONDURAS**

### **S.O. 1: Economic Participation & Increased Incomes of the Poor**

- Some 85,000 loans have been made to small and microenterprises since 1988, 77% of the borrowers have been women.
- Approximately 31,000 jobs have been created under programs for small and microenterprises.
- Of the more than 25,000 graduates of the CADERH (a local PVO) vocational training program, 90% have been employed; of those employed, 35% are women. Their incomes have increased by approximately 80% annually.

- The number of primary school students graduating from the sixth grade has increased 56 percent since 1986. Fifty-two percent of the graduates are female. Seventy percent of all 13 year-olds now graduate from the sixth grade as opposed to 48 percent in 1985.
- According to the Multi-Purpose Household Survey poverty rates have significantly decreased from 71.4 percent in 1990 to 67.4 percent in 1993.
- Economic growth deriving from USAID encouraged economic policy reforms has led to increased U.S. exports to Honduras amounting to almost \$900 million in 1993.
- Nontraditional agricultural exports including shrimp, pineapples and melons grew over 80 percent in quantitative terms between 1989-93. Such exports exceeded \$225 million in 1993 alone.
- Honduran exports to the U.S. more than doubled since 1989 reaching \$914 million in 1993. Meanwhile, U.S. exports to Honduras increased some 80 percent in the same period amounting to almost \$900 million in 1993.

#### **S.O. 2: Effective Stewardship of Key Natural Resources for Sustainable Growth**

- By returning the ownership of trees on private land to the landowner, the 1992 Agricultural Modernization Law encourages better management of this natural resource.
- By the end of 1994, improved management practices were being employed on 127,000 hectares of pine forests.
- By the end of 1994, almost 20,000 hillside farm families have adopted sustainable cultivation practices, while productivity has increased 30 percent on average.
- Soil erosion on these hillside farms has been reduced an estimated 95 percent, which represents approximately 2,500,000 tons of topsoil saved annually.

#### **S.O. 3: Improved Family Health**

- Infant mortality decreased from 61 per thousand live births in 1985 to 50 in 1989.
- Children under one who were vaccinated against diphtheria, measles, polio and tuberculosis exceeded 94% in 1993. Honduras' record is now the best in Central America.
- Close to half a million nutritionally at-risk people are benefiting from PVO managed PL 480 Title II Programs.
- USAID has built over 500 water systems in rural areas, benefiting 600,000 people who now have access to safe drinking water. Rural water and sanitation programs have helped shift diarrheal diseases from the leading to the third cause of deaths among infants.
- Deaths from cholera have been reduced to less than two percent of reported cases from a high of over four percent in 1992.

- The fertility rate decreased from 6.4 to 5.1 between 1979 and 1989.

#### **S.O. 4: More Responsive Democratic Processes with Greater Citizen Participation**

- After five consecutive free elections, this process has been institutionalized, strengthening democracy in Honduras.
- For the first time during the 1993 elections, Honduran citizens were able to cast their vote for mayors separately from candidates for national offices. This will lead to increased local government accountability to the electorate.
- Since town meetings began in 1990, citizen participation has increased from an average of 20 people in 1991 to an average 180 people in 1994, giving communities a greater say in the use of municipal tax revenues.
- In USAID-assisted municipalities, the average number of inhabitants receiving water, sanitation and refuse-collection services increased from 18.5% in 1992 to 28.8% in 1994.
- For the first time in history corrupt judges have been investigated and prosecuted. In 1994 alone, of 312 Court corruption complaints, 226 were investigated resulting in 46 court officials being permanently discharged while 27 court employees were referred to the Public Ministry for criminal prosecution.
- Over 2,500 Honduran leaders have been sent to the United States for long - and short-term studies and exposure to U.S. values and culture. Over 80% of the trainees have been socially or economically disadvantaged.

## **NICARAGUA**

#### **S.O. 1: More Political Participation, Compromise and Transparency**

- The National Assembly is functioning as a representative body and emerging as a key institution on major governance issues.
- Civil-military seminars helped establish a dialogue between key political actors and facilitated passage of military reform law which establishes greater civilian control over the military.
- Policy leverage facilitated election of a new Comptroller General who is working with the GON to establish an integrated and transparent financial management system.
- The Judicial School of the Supreme Court has trained 2,411 Supreme Court staff, 149 local judges, 49 district judges, 72 prosecutors, over 300 administrators, and 1840 jury members, thus improving the functioning of the judicial system.
- A civic education curriculum has been established in the secondary school system of Nicaragua with approximately 1,100 teachers trained; Cooperatives, women's groups, and youth groups are providing civic education.

- CIAV/OAS human rights monitoring and work on the Tripartite Commission has helped identify human rights violations and the need to resolve outstanding cases.

### **S.O. 2: Sustainable Growth in Employment and Income**

- The economic stabilization program begun in March 1991 has assisted in the elimination of hyperinflation.
- Through APENN and UPANIC, USAID has increased agricultural production and small farmer output, by strengthening and supporting local private livestock, coffee and grain associations. Participating small farmers experienced an initial 10 to 15% increase in production and benefited from increased market prices. The value of non-traditional agricultural exports has risen from the 1993 figure of \$30 million to over \$60 million for the 1994 production year.
- USAID has created over 130,000 person/months of employment since 1991 and has provided significant funding for community-based microenterprise programs. In addition, four microenterprise sub-projects are being implemented in order to provide assistance and credit to more than 44,000 microentrepreneurs.
- USAID provided agricultural training in Honduras and Costa Rica to 24 students, under the Development Training Project. In addition, twenty five cooperative promoters received training in the United States in financial management, marketing and promotion, and training methodologies.

### **S.O. 3: Better Educated, Healthier and Smaller Families**

- Over 4.5 million new textbooks have been delivered to the Ministry of Education. Forty technicians have been trained in curriculum development workshops, 500 master teachers have been trained, who will in turn train the remaining 13,000 teachers in grades 1-4 over the next few years. In addition, 4,500 first and second grade teachers have been trained in active methodology.
- Since 1990, the mortality rate for infants less than one year old has dropped from 72/1000 to 58/1000 in 1994; seven nationwide multi-donor-assisted immunization campaigns, which increased the coverage for young children from 75% (average of all vaccinations) to 88% in the last year, have been carried out. USAID community based child survival programs are reaching approximately 300,000 mothers and children with health, education, and expanded primary health care services.
- Five family planning clinics have opened outside of Managua and a Family Health Survey was completed in 1993 providing critical baseline data. In 1995 PROFAMILIA is providing approximately 110,000 couple years of protection.

## **PANAMA**

### **S.O. 1: To Strengthen Civilian Government Institutions and Encourage Greater Citizen Participation**

- National elections of May 8, 1994, described by international observers as the "cleanest" seen in Central America. 94% of the eligible population registered to vote - 71% voted.
- Elected government officials included the president, a new national assembly of 72 members, 67 mayors and 535 local council members - the first time in Panama's history that local leaders were elected.
- The justice system has adequate funding (more than 2% of the national budget), competitive selection (536 new selections on merit), and systematic training (3,425 trained).
- From 1991 - 1993 the total number of criminal cases increased by 37%, from 13,341 to 18,282, while the number of cases resolved within one year improved from 55.5% to 57.6%.
- For the second straight year, the GOP prepared its annual budget with established government-wide standards. GOP agencies prepared year-end statements for the Controller General's annual report.
- The GOP tested a plan to strengthen internal audit units in 7 key pilot institutions.
- The GOP formally established institutions to plan the Canal transfer and the management of reverted areas.
- An August 1994 poll found 76% public confidence in the Electoral Tribunal and 70% public confidence in the Office of Controller General.

#### S.O. 2: To Protect the Canal Watershed and Other Natural Resources

- Mass media, Panamanian NGOs, and the GOP begin to address threats to the environment.
- Measurement of deforestation rates underway and a permanent surveillance system being established to monitor future deforestation.
- Panama requires environmental assessments for all capital projects.
- The government has officially designated 205,000 hectares of land and waterway in the Canal Watershed for protection. Another 45,000 hectares will soon be added.
- The NGO community plays a leading role in conservation and environmental protection.
- USAID, the Government of Panama, and a U.S. Private Voluntary Organization have established a \$25 million Conservation Trust Fund to generate resources in perpetuity for PVO and government monitoring and protection of the Canal Watershed and national parks. When mature, the Fund will provide \$1.5 million per year.

#### Improved Economic Policies/Business Climate (Terminated S.O. 3:)

- Economic output, measured by real GDP, began to recover in mid-1990 when it grew by 4.6%, followed by 9.6% in 1991, 8.5% in 1992, 5.4% in 1993, and 4.7% in 1994.

- In constant dollar terms, real GDP increased to \$2.4 billion in 1994, an increase of \$110 million over the previous year. Per capita GDP rose to \$945 in 1994, or at the level attained before the political crisis beginning in 1987.
- Unemployment declined to 13% of the work force in 1993.
- The GOP eliminated specific tariffs on 617 customs classifications and reduced ad valorem rates on 322.
- The GOP has the ability to formulate and execute sound economic policy. USAID training 134 public sector employees and National University instructors in modern economic theory and quantitative methods. USAID-financed computer equipment, provides policy analysts and policy makers with timely data.

**SOUTH AMERICA AND MEXICO**  
**USAID/PROGRAM ACCOMPLISHMENTS**

**BOLIVIA**

**S.O. 1: Expanded Economic Opportunity and Access**

- Over 86,000 poor households received financial services through USAID-supported institutions in 1994.
- 18,420 permanent jobs were created under USAID's microcredit and export promotion activities in 1994.
- Over \$43 million in nontraditional exports were generated by USAID-supported projects in 1994.
- As a result of the USAID-supported 1993 Bolivian Banking Law, 12 credit unions are presently reporting to the Superintendency of Banks and three credit unions have obtained licenses.
- The USAID sponsored Instituto para el Desarrollo de Empresarios y Administradores (IDEA) has reached complete self-sufficiency and is providing management training courses to 10,013 participants annually in three major Bolivian cities.
- Satellite imagery of the Chapare shows increases in licit crops amounting to over 60% of the total land under cultivation with twice as much hectareage dedicated to alternative crops as to coca.
- PL-480 Title II, Food for Work Program provided 315,000 person-months of employment in 1994.

**S.O. 2: Reduced Degradation of Forest, Soil, and Water Resources and Biological Diversity Protected**

- Targets for total area under improved forest management (with biological diversity protected), improved soil management, and increased public awareness in environmental protected exceeded by more than 100%.
- A national "Green Seal" Committee organized under BOLFLOR's leadership, to lay the groundwork for ecocertification of forest products; this will provide strong incentives for improved forest management and conservation of biological diversity.
- In the wake of the Summit of the Americas, Bolivia was chosen to host a hemispheric presidential sustainable development summit in 1996; the USG will help shape this important initiative through its grant to the World Resources Institute.

- Two Bolivian national parks were among the first four worldwide to "graduate" from USG assistance through the Parks in Peril Program and are on the road to self-sufficiency. These parks (Noel Kempff Mercado and Amboró) are among the most important in the hemisphere and protect a wealth of endangered species.
- The Electrification for Sustainable Development project expanded its pioneering renewable energy activities, providing hundreds of solar panels for isolated rural schools and park guard stations, and initiating innovative work on biomass energy using discarded Brazil nut shells for Riberalta's 43,400 inhabitants.
- 15 additional NGO grant activities got underway through the Enterprise for the Americas Environmental Account, bringing the total to 37; thus reinforcing the program's leading role in increasing public participation in environmental action.
- The World Resources Institute team originally sent to Bolivia by Vice President Gore intensified its program of technical assistance to the Ministry of Sustainable Development and Environment.

### **S.O. 3: Improved Family Health Throughout Bolivia**

- The 1994 Demographic and Health Survey (DHS) documented a 50% increase in the use of modern contraceptive methods among fertile-age Bolivian women in union. Bolivia progressed from 12% use in 1989 to 18% in 1994.
- The 1994 DHS reports an infant mortality rate at 75 per 1,000 live births, a 22% drop between 1989 and 1994, but still unacceptably high.
- The reproductive health program ran a national mass media campaign that boosted clinic attendance by 66% in the first three months.
- Since 1989, USAID has provided 50% of total donor support to Bolivia's immunization program, which has increased coverage from 50% to 80%.
- USAID is working with UNICEF to fortify commercially available sugar with vitamin A and to produce oral rehydration salts locally and distribute them commercially.
- The interactive radio learning program improved students math scores by 34%, increased understanding of health concepts 34% greater than control groups, and created a national infrastructure of over 11,000 trained school teachers, directors, and supervisors.
- USAID is replicating among PVOs and the GOB a MotherCare-Save the Children project that reduced infant mortality by 50% and achieved a 27% use of modern contraceptive methods in Inquisivi, a rural district in a remote area of altiplano.

### **S.O. 4: Improved Effectiveness and Accessibility of Democratic Institutions and Practices**

- Public defenders secured release of 3,190 of 5,602 retained persons, and expanded to include office in El Alto, Chimore, Sucre, while the number of defenders increased to 65.

- The capacity of Congress to perform its fiscal oversight function was significantly increased through the establishment of the Budget Office, which regularly publishes independent data and analyses on the state of the economy and the implementation of the national budget.
- Regulatory framework established for the Constitutional Tribunal, essential to controlling the constitutionality of laws.
- Prison for Debt law abolished.
- Establishment of two commercial arbitration centers in Cochabamba and Santa Cruz, consolidation of the La Paz center.
- Production and delivery of the operational/investigative and administrative work manuals for the Judicial Technical Police and for Prosecutors, adapting them to Bolivia's new accusatorial system.

## **BRAZIL**

### **S.O. 1: Increase access to contraceptive methods and integrated family planning services in order to improve maternal health**

- Established state-supported public sector reproductive health care plans in Northeast States of Bahia and Ceara.
- Commodity procurement organization established to import and sell contraceptive commodities at affordable prices.
- In Bahia, family planning services extended to 200 out of the 400 municipalities.

### **S.O. 2: Environmentally and socioeconomically sustainable alternatives for sound land use adopted beyond target areas**

- The first Non-timber Forest Products Fair in Acre State generated wide media coverage highlighting the strong market potential for local products produced without the need to clear additional forested land.
- Award winning forest management video produced.
- For the first time, an agreement between a government agency and NGO to jointly develop a park management plan was signed.

### **S.O. 3: Reduced incidence of sexually transmitted HIV infection in target populations in two geographic regions of Brazil**

- Policy reform eliminating import duties and federal taxes on manufactured condoms.
- 2,466 people trained.

- 44,644 people educated.
- 24,814,517 condoms distributed.

## **COLOMBIA**

### **S.O. 1: Improved Effectiveness of the Judicial System**

- Investigative function. Increase in number of cases processed resulting in reduction of backlog.
- Prosecutorial function. Arrival of OPDAT long-term technical advisor (Assistant U.S. Attorney) and initiation of training program for prosecutors.
- Emphasis on alternative dispute resolution (conciliation) producing significant results in moving caseload and enhancing image of judicial system.
- Annual and four-year plans in place for each of the four principal counterpart agencies (Ministry of Justice, Prosecutor General's Office, Attorney General's Office and Superior Judicial Council), as well as a sector-wide, four-year plan drafted by the Ministry.

### **S.O. 2: Protection of Biodiversity**

- Enterprise for the Americas Initiative (EAI).
- Clarification of terms of EAI bilateral agreement, particularly with respect to the role of the Administrative Council.
- Establishment of Americas' Fund special account for deposit of debt reduction local currency.
- Selection and nomination of GOC and NGO members of EAI Administrative Council.
- Improved communications and regular working meetings with ECOFONDO Directors and staff, and expanded contacts with member organizations country-wide.
- Establishment of donor coordinating committee, including U.S. PVOs, World Wildlife Fund and the Nature Conservancy.
- Local currency financed Master's Degree program in environmental sciences negotiated with local Fulbright Commission. Six participants will receive training in U.S. universities from 1994 - 1996.
- USAID/C and G/ENV/ENR assistance provided to National Planning Department's Environmental Economics Unit to help develop environmental accounting system for national accounts.

### **S.O. 3: Family Planning: Transition Project**

- PROFAMILIA USD 6.0 million endowment fully funded.
- Diversification program expanding to include other areas of reproductive health and related medical services, legal counseling for women and families, clinics for adolescents and men and ambulatory surgical services.
- Goal of self-sufficiency should be reached, as planned, by end of FY 1996

## **ECUADOR**

### **S.O. 1: Increase Sustainable Economic Development for a Broad Base of the Population**

- The GOE expanded its Emergency Social Investment Fund (FISE) and initiated an important process for developing a comprehensive social policy reform agenda that can better address the country's serious poverty problems. This agenda includes structural reforms in education, health, social security, housing and social welfare that can better target resources to the poorest and most vulnerable groups.
- New initiatives were begun to expand credit for microenterprises and develop new microenterprise financing mechanisms.
- Promulgation and passage of new Agrarian Development Law and Commodity Producer Association Law, and derogation of legislation enabling government to set commodity prices and delivery orders.
- Reduction in price-band system, resulting in further reductions of nominal rates of protection for six major commodities.
- Turnover of former GOE grain marketing facilities to the private sector, resulting in \$20 million increase in value of rice production (mostly small farmers), directly increasing income of over 150,000 people.
- In a major breakthrough, Ecuador and the U.S. signed a bilateral intellectual property rights agreement in October 1993. The Ecuadorian Congress is in the process of enacting legislation to harmonize local law with the agreement's requirements
- As a result of USAID's catalytic technical assistance and IDB's follow-up activities, the increase in stock market trading volume continued in 1994 with share trades reaching \$297 million, up 69 percent from \$134 million in 1993. The volume of trading in public and private sector debt paper on the capital market also rose to approximately \$303 million in 1994, up from \$112 million in 1993.
- With the expansion of the GOE privatization program, Ecuador's stock markets expanded remarkably. The GOE sold state-owned enterprises in the cement, sugar and wood industries plus privatizing public services, e.g., customs and some postal services.

- In 1994, the investment environment improved significantly. Many unnecessary and market-distorting regulations were eliminated. With a few exceptions for pharmaceuticals and some foodstuffs, all prices are now set by the free market.
- In 1994, Ecuador demonstrated its commitment to joining GATT by reducing tariffs on imported finished products. GATT accession is imminent.

**S.O. 2: Reduce Levels of Mortality and fertility to levels which are commensurate with sustainable development**

- The "unmet need" for family planning services has been reduced to 9 percent.
- Immunization coverage rates for BCG exceed 90 percent. For DPT, polio, and measles, the coverage is nearly 80 percent.
- The two major family planning NGOs have exceeded the 60 percent cost recovery levels.
- Nearly 96 percent of women with young children are breastfeeding.
- Nearly 80 percent of all contraceptive use corresponds to modern, efficacious and safe methods.

**S.O. 3: Improved Responsiveness of Selected Democratic Institutions with Greater Citizen Participation**

- The Justice Sector Working Groups, with assistance from CLD, completed and presented to the GOE the Organic Law of Judicial Function and the Executive Function Statute.
- The Justice Sector Working Groups prepared a Justice Sector Action Plan (JSAP) for presentation, approval and implementation with donor institutions.
- CLD's activities to increase public awareness of and support for the need for judicial reform and anti-corruption has resulted in a 200 percent increase in newspaper coverage dealing with justice issues.
- CLD developed and implemented an electronic database to track the status of all prisoners awaiting trial throughout the nation.
- CLD formed its Board of Directors, elected a Board president and initiated planning to secure financing from other donors and from the private sector.
- The percentage of Ecuador's university professors now using RTACII textbooks has increased from 36 percent to 50 percent.
- 100 percent of EDSP returnees report that they are using the skills they acquired in training in their daily lives. C.

**S.O. 4: Promote the Sustainable Use of Natural Resources, the Conservation of Biological Diversity, and the Control of Pollution**

- Publication and wide distribution of 155 page National Environmental Action Plan final draft by the Presidential Environmental Advisory Commission (CAAM).
- Fees collected from users of national parks and dedicated to park management increased from \$500,000 (1993 Base Year) to \$2,190,000 in 1994, in spite of downturn in Galápagos tourism.
- Number of communities adopting models of non-destructive natural resource use increased from 3 to 17 in 1994.
- Number of local organizations managing biological resources effectively (based upon SUBIR Design diagnostic study) increased from 13 to 47 in 1994.
- Twenty-four "para-biologists" from seven ethnic groups located in and around three major ecological reserves trained by ECOCIENCIA to provide local expert environmental impact assessment technical assistance.
- Fourteen "para-legals" from seven indigenous communities located in and around three major ecological reserves completed eight-month course recognized by Quito Bar Association and now actively pursuing recognition of communal property rights and demarcation of protected areas in order to implement sustainable-use management plans.
- Ecuadorian Environmental Pollution Prevention Project launched by OIKOS Foundation.
- Legislative and regulatory modification of City of Machala's legal charter to apply cost recovery and modern management techniques to water, sewage and solid waste services.
- Completion of three pollution-prevention diagnostic assessments by OIKOS Foundation, chosen from among 35 pre-assessments made for different industrial sectors.
- First national seminar on plant-animal quarantine plan for Galápagos Islands held by Charles Darwin Foundation, Ministry of Agriculture, National Forestry and Parks Agency, Sub-Secretariat of Fisheries, and CAAM.
- RHUDO/SA's Regional Disaster Advisor coordinated U.S. Forest Service response to help contain major wildfire on largest of Galápagos Islands, which threatened unique wildlife and their ecosystems.

**MEXICO**

**S.O. 1: Improved performance of target institutions in selected legal/regulatory areas related to the NAFTA**

- 11 year patent application backlog was eliminated at the Mexican Institute of Industrial Property - over 10,000 patents were issued to U.S. interests from those processed applications.

**S.O. 2: Increase environmentally sound natural resource and energy use**

- 2,500 indigenous people trained in development of sustainable, nature-based development.
- Work plans for eight Parks-in-Peril completed.
- Projects to reduce dependency on burning of fossil fuels developed.
- Training of 150 Mexican environmental professionals.

**S.O. 3: Sustainable increase in contraceptive prevalence**

- The family planning program has been so successful that the annual rate of population has declined to 1.8%.

## **PARAGUAY**

**S.O. 1: Strengthened democratic institutions, systems and practices**

- The Paraguayan judiciary reduced by 20% the number of criminal cases pending more than a year in the Asuncion courts.
- Human Rights Documentation Center opened.
- Judicial Management Information System became operational in Asuncion linking the judiciary, Attorney General and prisons in a computerized case tracking system.
- The design and curricula were completed for the new Judicial Training School.
- More than 100 members, 360 staff and 60 journalists were trained in legislative administration and technical areas.

**S.O. 2: More sustainable management of natural resources**

- Over 500 environmental change agents were trained resulting in the Ministry of Education adopting environmental awareness in its primary school curricula.
- The Foundation for the Sustainable Development of the Chaco founded to preserve its unique ecosystems, wildlife and indigenous indians.

**S.O. 3: Increased use of voluntary family planning services**

- Close working relationships were re-established between the Ministry of Health and the NGO community.
- Population sector assessment conducted, laying out a five-year program to help the Paraguayan government and private groups provide modern contraceptive methods to all eligible women on a voluntary basis.

## **PERU**

### **S.O. 1: Increased participation of citizens in democratic processes**

- Direct support to the National Congress in drafting legislation for a new Code of Criminal Procedures that will replace the existing, antiquated judicial system.
- Provision of operational manuals, training and computer equipment to install a modern, automated case tracking system through the Public Ministry to improve the efficiency of judges and prosecutors in administering justice through the courts.
- Funding of the establishment of an innovative, low-cost Alternative Conflict Resolution (ACR) mechanism in the Lima Chamber of Commerce to expedite commercial cases. Subsequently, we have financed assistance to Congress to further broaden ACR legislation to encompass mediation, conciliation and negotiation, with the intention of serving the needs of communities at the grassroots level.
- Reaching out to a variety of Peruvian NGO's, such as GRADE, Foro Internacional, CEPEI, ILD and PROPUESTA, in sponsoring local and regional fora in which citizen and community organizations aired and debated issues of concern. The follow-on PARDEM project is providing sub-grants to NGOs for leadership and community organizational training, technical assistance and financial support to promote participatory democracy, monitor government activities and educate citizens about their rights and responsibilities.
- Improving the GOP's accountability and transparency and control of public corruption, mismanagement and government inefficiency through training being given to the Office of the Comptroller General and technical assistance planned particularly in the area of audit findings and improving GOP internal controls on the use of public funds.

### **S.O. 2: Increased incomes and employment of the poor**

- Spear-heading a national conference and follow-on workshops to promote the formulation of policies and institutional structures for improving the status of women. Specific emphasis is being directed to recognition of women's roles in economic production, family support and community organization.
- Through the Microenterprise and Small Producers project, 36,500 new jobs in the agriculture sector were created.

**S.O. 3: Improved health of high-risk populations**

- Peru was certified in September 1994 as polio-free allowing the Americas to be the first region in the world to have that designation. USAID has been Peru's major donor in immunization since the early 80's, with its first assistance dating back to 1976.
- Designing cutting-edge interventions in support of family planning and women's empowerment through: a) PVO Family Planning Projects to promote reproductive health and women's empowerment; and b) Mission coordination of 15 family planning activities (Peru Family Planning implementation Project) supporting GOP family planning programs.
- Strengthening the institutional capabilities of local governments (Local Governments Development Project), based on a model of participatory interaction between local elected officials, common citizens and their community organizations which are ahead of their time.

## **CARIBBEAN USAID/PROGRAM ACCOMPLISHMENTS**

### **DOMINICAN REPUBLIC**

#### **S.O. 1: Increased Economic Opportunities and Benefits**

- NGO-sponsored research on key economic issues, was instrumental to the Government's decision to seek full membership in GATT.
- The Consuelo sugar mill workers' vehement opposition to privatization of their company changed to support following NGO workshop detailing proposal and its potential benefits.
- 7th and 8th grade math and Spanish texts developed by the NGO EDUCA, were printed and distributed to public schools throughout the country with IBRD/IDB funding.
- A decade after its inception, ADEMI has become a firmly established intermediate financial institution with 23 offices, a loan portfolio of \$15 million and 28,000 borrowers who have created 250,000 jobs.

#### **S.O. 2: Increased Use of Effective Primary Health Care Service by underserved Populations**

- A "health messenger" network for HIV/AIDS prevention supports distribution of information and sale of condoms in the workplace, covering 45,000 industrial zone workers and 58 firms.
- 20,000 couple years of protection are provided annually to postpartum women. 30% of women delivering leave the large public hospital with family planning method, of which almost 50% are temporary methods.
- Over 200,000 women/children benefit from primary health care interventions provided by USAID supported clinics; 50,000 PAP smears were done for women of reproductive age through project sites.
- The largest family planning provider in the country has opened the first male clinic, providing men with a range of family planning and reproductive health services.

#### **S.O. 3: Increased Participation in Democratization**

- An estimated 86% of eligible voters (88% men and 83% women) went to the polls in May 1994, a very significant improvement over the 66% turnout (71% men, 62% women) in 1990.

- Constitutional reforms, including presidential term limits and runoff elections, developed under the Democratic Initiatives project were included in the August 1994 Pact for Democracy.
- Water and health committees have become vital examples of democracy in action: with the confidence and skills gained through participation in her community water committee, a rural woman is running for public office.

#### **S.O. 4: Increased Use of Environmentally Sound Energy Sources**

- In the Nizao and Ocoa watershed, the introduction of a small-scale producer-owned irrigation scheme in the valley has induced farmers to move off the hillside, reducing the risk of erosion. The World Bank is providing \$2.5 million to replicate this model in other areas of the Nizao valley.

## **GUYANA**

#### **S.O. 1: Expanded Economic Opportunities for the Urban and Rural Poor**

- Agricultural GDP increased by 12% from 1993-1994 resulted in increased incomes and food availability to the urban and rural poor.
- GOG increased funding 87% over last year in its capital budget to support improving economic infrastructure.
- GOG budget for FY 95-96 allocated US \$7.1 million to support small and micro enterprise and poverty alleviation programs.
- GOG established technical working groups composed of the public and private sectors and the NGO community to formulate sectoral policies for a national development strategy for Guyana.

#### **In Infrastructure Development**

- The sea defense program has helped safeguard the homes and farms of 90% of Guyana's population.
- Almost 200 miles of farm to market roads have been repaired.
- Over 10,000 small farmers have benefitted from improved drainage and irrigation.

#### **In Private Sector Development**

- The PL 480 program has enabled 3,430 small and micro firms and individuals to obtain loans for their businesses.
- 1,260 micro-entrepreneurs will receive loans in 1995 alone.
- Ten micro and small enterprises received technical assistance in improving their business.

### **In Human Resource Development**

- Health clinics serving approximately 40,000 individuals have been rehabilitated, and an iron fortification program has been initiated benefitting the entire population.

### **In Agricultural Production**

In just one Title III project zone, the area cultivated has increased by over 35% and crop yields have increased by 15%. The value of farm production has increased by almost 20% and a land titling program will eventually lead to investments by hundreds of small farmers.

### **S.O. 2: Strengthened Democratic Institutions and Processes**

- Ensured Guyana's first free presidential elections in 1992, and free local and municipal elections in 1994.
- Strengthened the Elections Commission the National Registration Center, and the Electoral Assistance Bureau.
- Provided training to almost half of the over 1,000 newly elected municipal councilors and scheduled to provide training to the remaining councilors this year.
- Space has been allocated in the National Assembly Building for a temporary law library pending rehabilitation of the permanent High Court Library and law books have been provided by USAID.
- The GOG has increased its local currency contribution for courthouse renovations from US \$140,000 to US \$343,000.
- The Chancellor of the Judiciary is developing training plans for judges, magistrates and registry personnel.
- President of the Bar Association is developing a continuing legal education program,
- GOG Cabinet has designated the Legal System "a closed department" with the result that higher salaries can be paid to legal systems personnel which will attract and retain qualified staff.

## **HAITI**

### **S.O. 1: Democracy**

- The flame of democracy was kept alight in spite of increasing oppression through support for civil society human rights and civic education actions.
- The democratically elected government was restored and law and order were established.
- The army was disbanded, vetted ex-military personnel retrained, an interim police force is currently in training.

- The Ministry of Justice's capability to administer justice and oversee the new police force and prison system has been strengthened through internal reorganization and the training of 300 judicial personnel.
- An electoral council was established, electoral law promulgated and the election process is in motion.
- Parliament was able to reconvene and pass crucial pieces of legislation in support of democratic and macroeconomic reforms.
- Local Government units are beginning to function through the Office of Transition Initiatives (OTI) small project program.

### **S.O. 2: Facilitating Private Sector Growth**

- Over the past three years, GDP per capita fell from \$330 to \$216; private sector investment from 6.7 percent to 1.1 percent of GDP; exports from \$262 million to \$60 million; and formal private sector jobs from 189,000 to 60,000.
- Notwithstanding a total embargo on exports for several months of the production year, traditional and non-traditional agricultural exports bounced back in 1994. Exports of selected high-value crops (mangos, coffee and cacao) were valued at \$31.2 million last year.
- Five new provincial branch offices were established by the USAID-funded Haitian Development Foundation which continues to provide credit to woman-owned business and small and micro-enterprises.
- Support to clearance of arrears led to disbursement of credit to Haiti by major lending institutions.
- Balance of payments support enabled imports of gasoline three days after the return of President Aristide.
- An average of 30,00 short-term jobs per day have created and helped rehabilitate productive infrastructure.
- Financial support is clearing the way for the privatization of public assets and for the public/private policy dialogue towards an enabling environment for economic growth.

### **S.O. 3: Fostering Smaller, Healthier and Better Educated Families**

- Over a period of seven years the nationwide contraceptive prevalence rate (CPR) moved from 6.5 percent to 18 percent and the total fertility rate (TFR) fell from 6.3 to 4.8.
- Similarly, as nationwide vaccination coverage moved from 36 to 48 percent and the percentage of diarrheal diseases treated with oral rehydration moved from 16 to 30 percent, the all-reflective Infant Mortality Rate (IMR) improved from 101/1000 to 75/1000, largely due to the network of over 30 highly dedicated PVO's that have helped USAID deliver its program to over 2 million people.

- The proportion of severely or moderately malnourished children has increased nationally each year to its present 20.4 percent.
- In 1994, only one out of three children of primary age were enrolled in school and the number of qualified teachers declined sharply.
- Dialogue has been initiated with the Ministries of Health and Education towards the definition of comprehensive national policies, the decentralization of services and the adoption of a more normative and supervisory role by these ministries.

#### **S.O. 4: Promoting Sound Environmental Management**

- Each year about 30 million trees are lost to 180,000 charcoal makers and about 15,000 acres of arable land are lost; 25 of 30 major watersheds are denuded.
- In urban areas, 75 percent of infant deaths, 50 percent of deaths of children one to four years old and 20 percent of all other deaths are due to lack of water and sewer systems.
- Last year, Haitian farmers produced, with little access to inputs, an estimated 828,000 metric tons of corn equivalent food grain which represents 91 percent of an average production year.
- Over four million trees (multi-purpose fruit and hardwood species were planted with USAID support during 1994 despite the political turmoil and logistical difficulties.
- The number of farmers using environmentally sustainable agricultural practices with USAID support was about 60 percent higher than targeted fostering the beginning of a policy dialogue.
- The Ministry of Environment was created and the formulation of a National Environmental Action Plan initiated.

## **JAMAICA**

#### **S.O. 1: Increased Participation in Economic Growth**

- Eleven additional government entities were privatized.
- Customs revenues increased 24% over USAID's target in 1993, a result of improved administration and increase in dutiable items.

#### **In support of critical export promotion**

- Non-traditional agriculture earnings grew by 23% in the most recent reporting year, 1993, following a 37% growth rate in 1992.
- USAID in-plant technology interventions increased by 56%.

- Smallholder coffee and cocoa, banana, yams, and pre-clearance eligible exports all surpassed USAID targets.  
Increased economic opportunities for low-income families
- Training and credit assistance was provided to 2,946 disadvantaged entrepreneurs, 56% of them women.
- USAID-supported NGO directly accounted for 33% of all new job creation in the poor neighborhoods of Inner Kingston since 1990.
- USAID also exceeded its target by 13% for export crop technology transfer to disadvantaged farmers.

#### **Improved services for tourism**

- USAID efforts in detecting and repairing water distribution system leaks and rehabilitation of a water treatment plant led to a 53% increase in available water for Negril, thus easing environmental health problems and enabling new employment opportunities through expansion of tourism facilities.

#### **Training personnel for a modernized economy**

- USAID has trained 3,000 participants in critical development areas.
- Over the past year, 126 Jamaican private sector managers and students received academic and short-term training in support of Mission strategic objectives.

#### **S.O. 2: Improved Environmental Quality and Natural Resource Protection**

- 850 new farmers brought into subprojects which helped them to plant and revitalize a total of over 1/2 million economically useful trees and improve soil management of fragile watershed land.
- A pilot project with national replication potential was launched in three squatter communities where 3,000 families will install environmentally-sound on-site liquid waste disposal facilities financed by a Housing Guaranty loan to reduce pollution of Montego Bay.
- USAID, the GOJ, the University of the West Indies (UWI), and United Nations Environment Program (UNEP), will co-sponsor in July a meeting of 100 delegates from 28 western hemisphere countries to establish the regional coastal resource management agenda for the International Coral Reef Initiative Conference.

#### **S.O. 3: Smaller, Better-educated Families**

- Parliament legislated family life education into the school system.

- Increased GOJ financing of contraceptives, the launching of a commercial line of contraceptives, and a continued shift to private services were positive signs that Jamaica's family planning program will be sustainable.

**In improving STD/HIV prevention services:**

- improved syphilis testing procedures at most test sites,
- reaching 150,000 adolescents through volunteer programs,
- increased budgeting for AIDS/STD services and condoms,
- the introduction of fees for testing and a 13% growth in condom sales.
- The national HIV infection rate remains low, 0.4%.

**POPULATION HEALTH AND NUTRITION**

Over the past three decades, the U.S. has invested substantial resources to improve PHN conditions in the Americas —these investments are paying off. The region saw a decline of about 33% in its birth rate, from 33.8 per cent per 1000 population in 1950-1955 to an estimated 21.9 per 1000 population in 1990-1995. Fertility rates are estimated to have dropped by 10% in the past decade from 3.64 in 1980-1985 to 3.26 in 1990-1995. The largest declines have been in women over 30 years of age; while the proportion of births to teenage mothers has risen to 11%. Infant mortality rates have fallen from 125 per 1000 live births to 47 per 1000 live births between 1950 and 1994. While progress has been made to improve infant mortality in the Region, close to 600,000 children die before their first birthday, most of them from causes that could be prevented with simple, low cost technologies.

There is substantial work still to be done in reproductive health, notably reducing maternal mortality and decreasing HIV transmission. In Bolivia, for example, 1 out of every 50 women is at risk of death during the course of her reproductive life as a result of complications of pregnancy and childbirth. Heterosexual transmission of HIV now predominates in most LAC countries, and it is estimated that 1,000 new infections occur every day in the region—mostly undiagnosed, silent infections in individuals who unknowingly may continue to pass it on. Already more than two million people in LAC are HIV-infected, with the number projected to climb to more than three million by the end of the decade.

USAID programming and strategy in LAC directly support sectoral reforms designed to make PHN systems sustainable (as well as effective, efficient and equitable).

**Conformance with Agency Strategy:**

The LAC PHN strategy directly conforms with the new Agency strategy. The only difference is that the LAC strategy places more emphasis on sectoral reforms, aimed at increasing equitable access and improving program sustainability, which address the specific needs of the region. In line with the strategy, an initiative was adopted at the Summit of the Americas, that was developed by USAID, which addresses PHN sectoral reforms while ensuring program impact in reducing maternal and child mortality.

**Progress in Implementing the Bureau's Objectives:**

Reproductive health activities are being expanded to link or integrate family planning with other high priority activities including, prenatal/postnatal care, safe delivery, diagnosis and treatment of STDS. This is occurring as part of new project development (e.g., ReproSalud in Peru) and/or development of integrated case management models (e.g., in Guatemala). However, the shift is at this point far from complete.

LAC's approach to HIV/AIDS programming is being revised and updated to respond to transnational patterns of transmission, to multi-country issues and to changing transmission patterns within the region through policy dialogue, NGO strengthening and condom social marketing for STD/HIV prevention. New linkages, such as the HIV/AIDS and STD programming in conjunction with family planning implemented by IPPF/Western Hemisphere affiliates have been initiated between previously separate PHN programs (in Brazil, Jamaica and Honduras for example).

As part of health reform efforts in the regions, there is increased emphasis on appropriate mix of public, not-for-profit, and commercial delivery systems that respond to the needs of the poor. LAC will support country plans/programs for reform to increase equitable access to basic health services as called for in the Summit of the Americas initiative, using the Inter-American Network on Health Sector Reform and PAHO. Such support will foster the development, approval, and implementation of country basic health packages and reform plans. Other donors (PAHO, World Bank, and Inter-American Development Bank) will also provide support for the Network. Activities will promote change in country-level policies (definition of basic health services, public/private provider mix, financing sources, allocation of public subsidies, etc.) in order to promote equitable access to basic health services.

LAC continues to support programs that maintain and increase the use of voluntary contraception, immunizations, and appropriate diarrhea case management. Particularly as programs mature, emphasis is placed on health systems development and improvement.

On average, most of the Latin American and Caribbean countries where USAID works have low-moderate levels of contraceptive use with values ranging from less than 5% in Guatemala's indigenous populations to around 53% in Mexico. By comparison, contraceptive use in the United States is around 74%.

LAC has been the world leader in immunization programs with the certification that polio transmission is interrupted being just the latest example. Building on the success of polio elimination, measles has been targeted for elimination. Hillary Clinton announced US support for the region-wide measles elimination initiative at PAHO in April. LAC will continue to fortify the efforts of vaccination programs to eliminate this disease from the hemisphere by the year 2000. Much progress has already been made--only about 2,500 cases were confirmed in 1994, compared to 56,500 in 1993.

Cholera has not been the killer it could be in the region, case fatality has been under 1%, and for example, total cases in Peru dropped 88% between 1991 and 1993, in large part because diarrheal disease control programs are in place, staff are adequately trained, ORS is widely available and because USAID encourages countries to remain vigilant about monitoring ORS use.

Moving from vertical programs to an integrated approach for providing high quality health services requires a higher level of coordination between population/family planning efforts and child survival, HIV/AIDS, and other health efforts. Assuring that public subsidies are spent to benefit the poor, requires on-going policy dialogue and increased use of data to make public health choices. Still, there is too much spending in the region on tertiary and to some extent on urban care, and too little on primary care in rural and marginal urban areas.

Virtually all LAC countries are already undertaking some level of health sector reform and a number of countries are also developing a basic package of services. We are still learning what works, and

how to transfer concepts and adapt them to different political/social settings in ways that improve equity and access while maintaining quality.

New and under-utilized basic health technologies need to be better applied. For example, appropriate case management for acute respiratory infections (which have replaced diarrhea as the primary cause of illness and death among children in several countries—a sign of progress!); reproductive health interventions; prevention strategies for perinatal, neonatal and maternal deaths; approaches for reducing HIV transmission need to be tested for local conditions and adopted.

Linking PHN programs with environment-, democracy-, trade and education-sector programs has need to be explored further. Initial efforts are underway in all three areas: increasing awareness among LAC Ministers of Health about environmental health issues, health as a human right and micronutrient fortification as a trade issue.

#### Donor Coordination:

LAC is working closely with PAHO on EPI, HIV/AIDS, cholera, nutrition and breastfeeding strategies and sector reform programs. We have also collaborated with IBRD and IDB on a wide spectrum of PHN activities in the hemisphere, and are working with a range of donors in developing the Summit of the Americas initiative.

How have "Core Values" been used to design or implement PHN programs?

USAID/Guatemala has been a CEL for re-engineering in the PHN sector. The mission has embraced the core values and used them to develop an innovative, integrated approach for reaching rural, indigenous populations. After six months of intensive work, with their development partners, Guatemala now has a PHN program that is customer focused and targeted. All PHN cooperating agencies are managing for results, are empowered to make programmatic decisions and will be held accountable for results.

USAID/Peru's ReproSalud project has and will continue to actively involve women clients, providers and indigenous experts in the conception, design, operation, evolution and evaluation of population and health programs. Organizations that receive funding will themselves be encouraged towards a participatory, democratic structure. Project activities are targeted to reduce infant, child and maternal mortality and unwanted fertility.

**ENVIRONMENT AND ENERGY**

**Opportunities and Challenges:**

The LAC region is endowed with a rich although unevenly distributed natural resources base that includes fertile soils, extensive marine and freshwater systems, and more than half of the world's tropical forest and biological diversity. Unfortunately, over-exploitation and pollution are decreasing potential economic growth for current and future generations, undermining human health, and significantly contributing to the looming world environmental crises of global climate change and loss of biodiversity. This degradation is occurring within a context of: (a) deeply-rooted, pervasive poverty and rapid population growth; (b) limited access to appropriate resource management and clean production technologies; (c) policies that distort resource management incentives; and (d) weak public and private environment, energy, and natural resource management agencies.

**Conformance with Agency Strategy:**

The Agency's Strategy identified sound environmental practices as a pillar necessary for achieving sustainable development. Using the Strategy's implementation guidelines, the LAC Bureau Developed environment and energy objectives that: (1) embody the challenges and opportunities unique to the LAC region; (2) advance Summit of the Americas' initiatives; and (3) acknowledge the interdependent cross-sectoral links of sustainable environmental management to economic growth, health, and democracy. To accomplish objectives the Bureau has worked closely with its missions, our partners both domestic and host country, and the Global Bureau in designing and implementing new programs.

**Progress in meeting the Bureau's Strategy:**

In past years the Bureau's environmental programs have focused on the "green" environmental issues--promoting sustainable agriculture, the sustainable management and conservation of natural forests, and conserving biodiversity. Given the increasing impact of pollution due to rapid industrialization and urbanization in the region, the Bureau decided to more rigorously address "brown" issues, including sustainable energy management and energy conservation; urban and industrial pollution; and strengthening environmental regulatory framework among countries to advance free trade.

The Bureaus' new \$25 million program in support of CONCAUSA provides an excellent example of: commitment towards addressing on expanded scope of environment objectives cross-sectoral manner; empowerment of local institutions and people; and broad team work with staff and financial resources for design and implementation coming from the Central America Regional program (USAID/G-CAP), the Global Bureau, all the bilateral missions in Central America; and other relevant U.S. Federal Agencies, such as the EPA and DOE. CONCAUSA is a partnership signed at the Summit of the Americas committing the United States to work with the countries of Central America on three broad environmental issues: conservation of biodiversity; sustainable energy production; and pollution prevention, particularly as it relates to the expansion of free trade. USAID is the lead U.S. Agency responsible for assuring the U.S. meets its commitments under the partnership. The initial

concept for the partnership and negotiation for terms of agreement with the U.S. were worked out principally through the Central America Commission for Sustainable Development (CCAD), a presidential-level commission supported with USAID funds, and with which USAID works closely advancing multi-lateral solutions to Central America regional problems.

The LAC and Global Bureaus' jointly designed and supported Environmental Initiatives for the Americas is an example of a program arising out of the partnership among bureaus envisioned by the reorganization. Together LAC and G provided \$22.6 million this year to support Mission-proposed pilot activities designed to catalyze an expansion in mission environmental objectives to address the new LAC and Summit objectives of pollution prevention, sustainable energy and environment issues related to free trade.

New energy activities under the Environmental Initiative for the Americas complement those already underway in Bolivia and Mexico. These activities meet the FY 93 renewable energy earmark, and the Agency's commitment to the Global Environment Facility. In Bolivia, the Electrification for Sustainable Development project has introduced renewable energy technologies into areas far away from the electric grid system. Riberalta, an Amazonian town of 43,400, will soon switch from inefficient diesel generators to far cleaner energy provided primarily from Brazil nut husks. The project has also provided clean and reliable solar power to hundreds of isolated rural households, as well as schools, national park guard stations, potable water systems, and an interactive radio learning program. In Mexico, estimates of 1995 purchases of compact fluorescent bulbs promoted by the USAID/Mexico renewable energy project is 200,000, despite the greatly increased cost due to the devaluation of the peso. Compact fluorescent bulbs produce the same quality of light as incandescent bulbs, but use about 70% to 80% less energy.

While increasing attention is being directed toward urban and industrial pollution problem, the issues of forest and biodiversity conservation remains priorities for the Bureau. The LAC regional Parks in Peril (PiP) program implemented by The Nature Conservancy is one of the most successful and largest biodiversity conservation programs in the world. Through PiP, USAID has helped protect 26 parks covering 5.6 million hectares in 12 LAC countries. A principal objective and success of the programs has been strengthening local NGOs to increase public awareness, engage local communities, and assist governments in park management. Currently, the Bureau is considering a \$19.1 million amendment to its agreement with TNC to increase the scope of activities and park sites under the program, and to make lessons learned available throughout the region.

Maintaining the productivity of natural resources particularly for agriculture is also an area where USAID continues to make significant contributions. In Honduras we are helping to transform destructive hillside agriculture practices and provide farm families with land-use technologies that decrease erosion and increase crop yields. The number of poor hillside-farming households adopting environmentally sound cultivation practices doubled to more than 21,000 between 1989 and 1993, reducing soil erosion by 70,000 tons. At the same time, 10,000 participating families increased their yields at least 30 percent. Extension training activities carried out by male and female community leaders is seeding the dissemination of improved technologies among neighboring farmers.

The Bureau's foremost priority in promoting sound environmental management is strengthening the capacity of local institutions and people. Perhaps the clearest illustration of this commitment is the support provided for locally controlled environment endowments that provide long term financing for in-country environmental activities. This year LAC will be providing \$19.5 million for the endowment

of the new Mexico Conservation Fund. The fund is designed to provided in perpetuity, financial support to fund local NGOs' proposals for conservation work in Mexico. In Panama, Jamaica, Honduras, Bolivia, Colombia, and Chile, USAID has provided similar endowments to support proposals from local NGOs to implement their conservation activities.

**DEMOCRACY AND HUMAN RIGHTS****Conformance with Agency Strategy:**

There is a tight fit or match between the LAC Bureau's democracy and human rights (DHR) activities, on the one hand, and Agency strategy and LAC objectives, on the other. The Bureau's DHR portfolio of the last three years mirrors the Agency's strategic goals and areas of concentration, its operational approaches and, most notably, the Agency's suggested programs and methods in the DHR area. The Bureau is carrying out numerous projects and activities--for the most part, quite successfully--in each of the 12 democracy sub-sectors or programmatic areas of the Agency's strategy. Several such areas are legal systems, credible and effective elections, educational efforts for children and adults, institutions and organizations that increase government responsiveness and accountability, legislative strengthening, and helping enhance local government.

The DHR portfolio in the DHR realm also follows faithfully the LAC Bureau objectives for the sector: (1) greater adherence to internationally recognized human rights of individuals as persons, citizens and workers; (2) strengthening civil society and the practice of citizenship; and (3) support of good governance at all levels and to make government institutions more accountable, effective, transparent and accessible to citizens. Each of the approximately 11 sub-sectors of DHR in which the region works is featured under at least one of the three objectives.

Several LAC countries, mainly due to the scope and variety of their problems and the size of their USAID programs, particularly embody Agency strategy and LAC objectives in the DHR sector. This includes Bolivia, Nicaragua, Guatemala, Haiti, El Salvador and, to a slightly lesser extent, Peru, Paraguay and the Dominican Republic.

**Progress in Implementing the Bureau's Objectives:**

The results in implementing the Administration's LAC objectives in the DHR area have been impressive, though space here allows for only a relatively few examples. Eleven LAC countries have begun local governance and municipal development projects, and results have already accrued. In Guatemala (1994) and Nicaragua (1995), new legislation has permitted devolution of the land tax to municipalities; similar proposals are under discussion in Costa Rica and El Salvador. The LAC Bureau organized and sponsored--with help from the OAS, IDB and World Bank--the highly successful Inter-American Mayors Conference November 14-16, 1994 and brought 70 mayors from the hemisphere to the event. USAID funding and technical assistance have been key to Bolivia's successfully launching this past year its landmark Popular Participation Program, touted by policymakers and specialists inside and outside the country as the most important political and socio-economic event since the 1952 Revolution. In Paraguay, USAID assistance has assisted Asuncion and other cities improve their administration and efficiency, and has helped decentralize that country's health system, especially its accounting and information management.

In the accountability and financial management sub-sector, passage of the System of Government Administration and Control Law (SAFCO) in Bolivia provides a framework for ensuring fiscal responsibility and decentralized financial management. This past year, with the assistance of SAFCO,

20 Bolivian government officials were arrested and convicted of illegal activities. Five major (country) accountability site assessments were carried out last year. USAID is leading the IDB and World Bank into this sub-sector, as witnessed by a new large joint project now underway in Nicaragua. Approximately 2,600 Latin and Caribbean journalists have been trained by USAID over the last three years. Especially noted have been advances in professional investigative techniques and heightened awareness and practice of codes of journalistic ethics. Many new, independent media outlets have been created because of USAID's efforts. Journalism and respect for journalists have risen to such an extent that in a recent public opinion survey in Panama, the media placed second only to the Catholic Church in the public's esteem. The Latin American Journalism Center, inaugurated in May, 1995 in Panama, is a most significant result of USAID efforts; the Center is being funded entirely by media owners of the region.

Nearly all USAID Missions in the LAC countries have judicial reform and human rights projects, reflecting the continued importance of these sub-sectors. Eight LAC countries have adopted and implemented revised criminal procedures codes, and are moving toward public trials and clear limits on pre-trial detentions. Human rights and their protection have been advanced in numerous ways; examples are USAID assistance in creating human rights ombudsmen's offices in many countries, public defender programs, and legal services for the poor, women and indigenous.

As in all democracy sub-sectors, training and human resources development are crucial in the education for democracy/civil society sub-sector. USAID has helped create a national civic education curriculum in Nicaragua, and is in the process of doing so in Honduras and Ecuador. An estimated 4,500 persons have been trained in the last three years; many of them are NGO leaders and activists. Regional networks are being established, enlarged and strengthened to exchange lessons learned and best practices. Increasingly the more conflictive LAC societies--such as

Nicaragua, Peru, Haiti and El Salvador--are calling for more emphasis and programs in this sub-sector. The Lima Bar Association, an NGO, for the past 16 months has been carrying out an innovative and highly promising civic education program involving activist youth and community leaders in the poor peri-urban areas of that city. Six months ago, the decision was made to extend the program nationwide by utilizing the other 13 bar associations throughout Peru. With few funds, volunteer efforts have established a vibrant Women's Political Leadership Training Center in Jamaica, and have brought some 15 national civil society NGOs in Brazil together for the first time to coordinate their work to enhance citizen participation.

Electoral processes and political parties have maintained their importance. Sample results include that USAID ingenuity and assistance contributed to an increase in voter registration of more than 50% in Nicaragua (1990), Bolivia (1991) and Panama (1994). Four U.S. NGOs sent a total of 80 observers to witness and report on the August, 1994 Mexican national elections, deemed to be the fairest and most open in that country's history.

USAID has supported, with notable results, legislative modernization projects in Chile, Bolivia, Costa Rica, Honduras, El Salvador, Nicaragua and Haiti. These have increased legislators' and committees' access to non-partisan technical information to improve their decision-making, establish budgetary oversight offices, improve bill drafting capacities, and encourage reforms to promote legislative responsiveness to constituencies. In El Salvador, USAID helped create a policy research unit in the Assembly. In the first year alone, the new unit had compiled 18 "packages" of information on selected topics. A stock market law, reforms to the electoral law, an arms control law and a national

budget law were among the laws approved, with legislators relying in part on research analyses to frame the choices. The Bolivian Congressional Budget Office now provides on-line fiscal information and expert financial analysis to the finance committees of both houses, thereby enabling the legislature to draw its own conclusions and participate effectively in the annual budget review.

#### **How the Program Uses Core Values to Design and Implement:**

The program relies quite heavily upon teamwork, participation, empowerment, a results focus and accountability. The Summit of the Americas and its Plan of Action guide much of our DHR program. This particularly includes the Summit's first five initiatives: (1) Strengthening Democracy; (2) Promoting and Protecting Human Rights; (3) Invigorating Society--Community Participation; and (4) Promoting Cultural Values; and (5) Combatting Corruption. The Summit and these initiative means that we now work even more closely with the IDB, OAS and, to a slightly lesser degree, the World Bank. We work with the Department of State on numerous matters, and with the Department of Justice on carrying out broad justice sector reform programs in countries such as Haiti, Colombia, Guatemala and Peru. Our work often involves collaboration among USAID's Missions, regional bureaus and its Global and other central bureaus.

A results orientation and accountability guide our decisions and actions. For instance, in a country such as the Dominican Republic where public institutions have tended to be less reliable and non-partisan, the USAID DHR program is largely implemented by NGOs, particularly host country NGOs. In a country where the record in a democracy sub-sector is salient and cost-effective--the legislative area in Bolivia comes to mind-- then USAID usually continues support in that area. When we restarted our USAID activities in Guyana, we consulted thoroughly with other donors before deciding with the Guyanese what sub-sectors to support.

Importantly, people in host countries have in effect the lead in determining what DHR activities and programs USAID will support. These participate as fully in designing and implementing these activities as time and other exigencies permit. Special emphasis is given in DHR programs to the needs and empowerment of the poor, women, indigenous peoples and to youth; they are frequently the most vulnerable and marginalized in their societies.

**ECONOMIC GROWTH AND EDUCATION**

USAID support for broad-based economic growth serves as the foundation for sustainable development in two ways. First, by directly programming assistance to expand free and open, private markets, we both increase the opportunities for commercial investment in lesser developed countries and we increase the flow of commercial investment rather than concessional investment to the lesser developed countries. Second, by directly programming assistance to expand the participation of weaker segments of the economy in expanding free markets, we strengthen the prospects that development will proceed in a politically stable and democratic manner over the long run. Of course in the short run, support for broad-based economic growth also results in increased household incomes which in turn increase the demand for education and health services; key investments to raise human productivity and sustainable development. For these reasons, it is imperative that USAID focuses more of its dwindling resources on programs in support of broad-based economic growth.

In the LAC region, the broad-based economic growth strategy as well as the role of USAID in advancing it, is relatively more important than in other parts of the world. At the recent Summit of the Americas, the representatives of thirty-four countries embraced free trade and economic integration as the key to the hemisphere's prosperity and sustainable development. Policy and administrative reforms to open national markets and the privatization of public sectors are central features of the Summit of the Americas' Plan of Action. While all agreed on the prescription for sustainable development, it was also recognized that the weaker countries in the region would require assistance to advance the reforms and to restructure their public sectors. Hence, the LAC Bureau's new strategy includes specific objectives to assist countries which share the vision to advance the "hemispheric free trade area" and which are willing to "restructure their public sectors to be more responsive to the needs of their populations". USAID will play a key role to assure that free trade and economic integration of commercial markets and private sector investment can advance on the Summit schedule and on a truly hemispheric-wide basis.

In addition to the impetus of the Summit to expand free and open, private markets in the region, the second compelling reason for the greater importance attached to broad-based economic growth strategy to achieve sustainable development in the LAC region is the presence of a hemispheric-wide skewed income distribution. In almost all countries of the region, much more than other parts of the world, a characteristic feature is a large population segment of relative poverty. In some countries, those in relative poverty also fully meet tests of absolute poverty. The major challenge in the LAC region is to increase the movement of this group into the ranks of the middle class if the region hopes to achieve sustainable development as envisioned in the Summit. In this context, a third objective the LAC Bureau's new strategy is to directly "broaden the base of economic growth to include the poor and thus reduce the risk that policy reforms will be reversed". This objective has been more fully developed this past year with the Bureau's issuance of supplemental guidance to the field entitled "Making Markets Work for the Rural Poor - An Agenda to Advance Broadly-Based, Sustainable Rural Economic Growth in Latin America and the Caribbean".

### **Progress in implementing the Bureau's objectives:**

Implementation of the LAC Bureau regional broad-based economic growth strategy is through 17 operational units which include 15 bilateral missions, a Central American regional program and a Washington-based hemispheric-wide program. Emphasis is on the bilateral programs where the countries have been chosen based on their need for assistance. However, not all bilateral missions have a broad-based economic growth objective due to relative priorities. In these cases, country specific broad-based economic growth issues may be addressed by one of the two regional programs as are important country specific problems and issues having a regional impact that may be considered in USAID non-presence countries. However, the regional programs primarily address sub-regional or hemispheric-wide constraints to broad-based economic growth.

Recent examples of LAC Bureau bilateral activities include: the Haiti Mission grant to the International Finance Corporation to assist the Government of Haiti to privatize nine major public sector enterprises including the phone and electric companies and the port; the Peru Mission support through the PL 480 Title III program to privatize agricultural marketing, research and extension; and in El Salvador, USAID support helped that country's non-traditional agricultural exports to grow by 19 percent annually. At the Central American regional level, USAID has assisted the region to improve its Intellectual Property Rights regime and is completing a regional study on labor which will contribute to improved labor/management relations in the region and adherence to meeting international standards on Workers Rights. At the hemispheric-wide level, a grant has been made to ACCION International to assist its affiliate financial institutions to access commercial sources of capital. Also recently completed by the LAC regional support was a study which reviewed hemispheric-wide standards for the emerging telecommunications industry. Finally, the LAC regional program has initiated a series of seminars being held in major cities throughout the US that is bringing together business and government to address issues and opportunities related to the emerging electronic commerce and trade infrastructure.

The Summit of the Americas foreign policy objectives to advance trade and economic integration coupled with the LAC Bureau's policy to advance the participation of the poor and the disadvantaged in the expanding markets provides overall program direction in the near term. Our recent accomplishments are to build on and to provide guidance in establishing program priorities. The realities of budget constraints require us to look further for ways to cooperate with other donors and leverage program funding and to cooperate with other agencies of the US government as they provide technical assistance to assist countries with harmonizing trade disciplines and fostering economic integration. The advances in information technologies introduce opportunities for significant efficiencies in the implementation of foreign assistance programs by reducing travel costs if not opening new modalities for implementing assistance altogether. USAID reengineered operations procedures are being adopted and already are positively impacting on operational performance with the removal of project reviews and analysis over and above those required for due diligence. Within this framework, the LAC Bureau broad-based economic growth program is advancing. While the LAC Bureau anticipates only modest expansion of staff and program resources being made available it expects substantial gains in performance.

### **EDUCATION**

Investments in human capacity development are a sine qua non for development in the Agency's four Strategic goals in health and population, sustainable economic development, democracy and governance, and the global environment. The focus on educational policy reform is a direct link to Agency Strategic goals to improve access to quality basic education and to the Agency's funding priorities and operating principles.

Investments in education are recognized as one of the cornerstones of economic, political, and social well-being. A diverse body of research has demonstrated that higher educational attainment corresponds to increased earnings, more frequent employment, greater agricultural productivity, lower fertility, better health and nutritional status, and contributes to national unity, democratic behavior, and social cohesion by enabling greater participation in the governing process.

#### **Opportunities and Challenges:**

Encouraging policy reform to improve access to quality primary education: Large segments of society in the hemisphere have not been equipped to participate fully in economic life, particularly women, minorities, and indigenous groups. Nearly one-half of the hemisphere's population lives in ignorance and poverty. Low levels of primary school attainment is a major constraint to economic development; no country with low levels of human capital has developed successfully in a self-sustained manner in the latter half of the twentieth century. In some countries in the region, the relatively high levels of spending on education stands in stark contrast to the low levels of educational output, hinting of colossal waste. Education systems are unresponsive to those they should serve and are resistant to change. New strategies for educational development and transformation are needed. With modest investments in education policy reform in LAC countries, USAID can have a direct effect on developing constituencies in the region to support policy reform on the delivery of quality primary education. This would yield real benefits in supporting the Agency's strategic objectives.

#### **Progress in implementing the Bureau's objectives:**

AID's investments in education have contributed to substantial progress in the LAC region. Many of the leaders in the region have been educated in the U.S. with USAID support. In countries where we have focused our support, access to education has been greatly enhanced and innovative programs have increased the quality of education. But, recognizing that USAID cannot resolve every educational problem in a country and does not have the resources to do so, requires that USAID approach human development constraints in a different manner than we have traditionally responded. LAC's new direction is to turn away from a "problem-solving" to an "enabling" approach. This means working with a variety of institutions that are open to human resources development policy change and assisting countries in the region to develop a policy environment for educational progress, rather than trying to engineer changes in educational systems solely at the technical level. This approach draws on over 30 years of USAID experience, leadership and lessons learned in a variety of education and training efforts.

The Summit of the Americas Plan of Action, which was endorsed by thirty-four heads of state, calls for governments to achieve 100 percent primary school attainment and 75 percent secondary school enrollment by the year 2000. The plan of action outlines a number of actions governments will take to achieve these objectives including the development of a educational forum to share lessons learned in the region.

**USAID will assist in the achievement of the Summit objectives through the Partnership for Educational Reform in the Americas (PERA) project: PERA will provide a hemispheric partnership for education policy reform. The partnership will form a collaborative forum which will serve to elevate the importance of investment in education to alleviate poverty within the region and it will generate a platform of common objectives pertaining to the development of the region's human capital. PERA will provide a forum for sharing lessons learned in the Americas in a variety of education policy areas, including among others, quality education, financing, curriculum, teacher training, equity, book and material production, decentralization, and democratic values. USAID will provide \$3.75 million over five years for the effort, which is a share the cost of the secretariat for the Partnership, travel and technical assistance for research and social marketing in areas related to human resource development. PERA will complement activities of the Inter-American Dialogue and the Inter-American Bank and the World Bank which fund national education task forces in selected countries in the region.**

**The Education and Human Resources Technical Support (EHRTS) project has developed new innovative educational policy dialogue tools and has supported the development of models and other tools that can be replicated by governments or by the private sector or non-profit sectors. These tools support local policy initiatives, create a constituency for reform, and encourage a national climate for progress in education by empowering host country organizations. By using these tools, host country institutions will, among others things, 1) understand the relationships between education and economic growth, democracy, and social well-being; 2) focus on the role of national government and public and private entities for the more effective delivery of educational services; 3) address more effective ways of utilizing education funding; and 4) assist local organizations in advocating educational reform with policy makers in their respective countries. These tools have already proven to be very effective in influencing the education reform process in, among other places, El Salvador, Bolivia, Ecuador, Nicaragua and Haiti.**

**USAID/El Salvador recently completed a very successful participatory development activity in the form of a landmark education sector assessment (performed with the assistance of our Education and Human Resources Technical Support (EHRTS) project. The assessment itself provided a solid basis for future planning in the education sector. After having jointly identified human development constraints in the national education system, a blue ribbon committee composed of the leading Salvadoran PVO's devised a national strategy to deal with the education problems of El Salvador and began to create awareness and formulated long-term solutions and helped generate demand for policy reform in the Salvadoran education sector.**

**USAID, the IDB and the World Bank sent a Joint Mission to Haiti at the end of 1994 Emergency Economic Recovery package in the social sectors. USAID participated in several meetings with the IDB on analytical approaches for educational investments in least developed countries in the region, including Haiti.**

## ANNEX G

### FOOD SECURITY

#### Conformance with Agency Strategy:

Although food security is not an explicit objective of USAID's new *Strategies for Sustainable Development*, it is an implicit objective. And the *Strategies*, the *Guidelines for Strategic Plans* and the Agency's new *Food Aid and Food Security Policy* paper all provide important guidance. The relationship between broad-based economic growth and improved food security is the best articulated. The "Economic Growth" Annex of the *Guidelines for Strategic Plans* argues, for example, that the Agency's "Economic Growth Strategy" "aims at sustainable reductions in poverty which is inextricably linked with food security." The *Guidelines* also argues that each of the three basic areas of concentration identified in the "Economic Growth Strategy" -- strengthening markets, investing in people, and enhancing economic opportunity and access -- also contributes "directly and significantly to enhance food security." Both the *Strategies* and the *Guidelines for Strategic Plans* give substantial emphasis to improving agricultural performance, which helps reduce poverty and makes more widely accessible supplies of food. Similarly, efforts to expand opportunity and access for the poor, will contribute to greater food security. There is also an important relationship between improved health and improved food security. This, however, is better articulated in USAID's *Policy Determination Number 19*, which identifies food utilization as one of the key dimensions of food security, and the new *Food Aid and Food Security Policy* paper. Lack of access to food may not be the only reason that people are malnourished. Improper and inadequate food utilization due to "disease, poor water and sanitation systems, inadequate nutritional knowledge, and the cultural conditions which affect consumption patterns" may also be a problem.

The two elements in the LAC Bureau strategy that are key to reducing food insecurity in the region are: *Advancing broad-based economic growth* and *Promoting smaller and healthier families*. This is fully consistent with Agency guidance, including with the interim guidance that has just been prepared for the *Food Aid and Food Security Policy* paper, and is appropriate given the nature of the food insecurity problem in the region. Although the region as a whole is not food deficit, many of the USAID Sustainable Development countries are. That is, their per capita calorie supplies are still below the 2,300 calories per person per day minimum established in the 1990 food aid legislation. The fact that poverty is a major problem in all the LAC countries, means that large numbers of households are food insecure, even in those countries whose average food supplies are above the minimum. In fact, it is poverty, or lack of access to food, that is the root cause of food insecurity in the LAC region. The high rates of chronic child malnutrition in many of the LAC Sustainable Development countries attest to the need for improvements in the health sector as well as in economic growth in order to achieve sustainable improvements in food security in the region.

#### Progress in Implementing the Bureau's Objectives:

Eight of the LAC Sustainable Development countries, in fact, can be classified as food insecure based on their vulnerability to food gaps at the national level. All of these countries have substantial food assistance programs. Six of these countries have both economic and health strategic objectives: Bolivia, the Dominican Republic, Haiti, Honduras, Nicaragua, and Peru. Of the remaining two countries, one has only an economic growth strategic objective -- Guyana -- and the other --

Guatemala – a health strategic objective. The missions in food insecure countries have also tended to cast their economic growth strategic objectives in terms of enhancing economic access and opportunity. This is appropriate in a region with a long history of skewed income and asset distributions and where poverty and food insecurity is as much, perhaps more, a function of these patterns as it is of the factors that led to the slow down in economic growth that occurred during the 1980s.

Food security and food assistance should not be thought of as synonymous. Although the legislation that authorizes the PL 480 Title III program requires Title I, II and III to be used to promote food security in recipient countries, other assistance resources can and should be used to further this objective. This is the concept of integration that is called for in the PL 480 legislation and in the new *Food Aid and Food Security Policy* paper. LAC missions have already done a good job in developing integrated, food security focussed Title III programs. And now they are beginning to make progress in working with their Title II Cooperating Sponsors to integrate their Title II programs into their economic growth and health strategic objectives and within those strategic objectives to redirect their Title II resources to activities that are consistent with the directives in the *Food Aid and Food Security Policy* paper – within the economic growth strategic objective to activities that are more directly focused on "increasing agricultural productivity, particularly for small farmers and the poor," and within the health and population strategic objectives to activities that are more directly related to "improving household nutrition, especially of poor children and mothers."

An excellent example of how food and other development resources can be effectively integrated in the pursuit of food security and poverty alleviation objectives is the "Food Security Strategy" that was just completed for Peru. This Strategy defines the nature and scope of food insecurity in Peru, identifies major constraints to improving food security, and defines appropriate policy and program responses. The proposed responses consist of recommendations not only for USAID/Peru, but also for the Government of Peru, non-governmental organizations, and the donor community as a whole. The proposed responses also involve much more than food assistance, including policy dialogue priorities in the macro and agricultural sector, recommendations for public sector investments in physical and social infrastructure, and specific recommendations with respect to Mission projects dealing with economic policy, microenterprise, local governments, and health.

LAC economic growth strategies are designed to encourage broad-based economic growth and to ultimately reduce the numbers of people living in poverty. This is a long-term process and, for many countries, we only have indications of progress in terms of policy reforms achieved and the amounts by which investment, production and perhaps even employment has increased. In two of the regions's Sustainable Development countries, however, we already have evidence that the growth strategy that the Agency has been promoting can actually result in a reduction in the numbers and percentage of people living in poverty, which is one of the most important indicators that food security is improving in a country.

In Honduras, the impact of macro and sectoral reforms, which the USAID had a major influence on including through its PL 480 Title III program, contributed to a decline in the percentage of the population living below the poverty line from 72.1 percent in 1990 to 64.4 percent in 1993 and to a decline in the percentage of extremely poor living in rural areas from 30 to 20 percent.

In El Salvador, the impact of overall economic policy reforms (i.e., reduced inflation rates, increased investment and employment) contributed to a decline in the numbers of households living in extreme poverty from 643,664 households (28 percent) in 1992 to 615,206 households (27 percent) in 1993.

These are two countries where USAID has had a major influence over time, particularly in the economic policy area. And we know that these results have significance in terms of food security, because the poverty lines that are being used are country specific estimates of the amount of income households need in order to be able to afford adequate diets for all their members.

We also have evidence from Honduras that the strategy that is being followed by most of the LAC missions – combining an emphasis on broad-based economic growth with a strategy in health that includes strong emphases on primary health care and child survival – can reduce the percentage of malnourished children in a country. This is the other key indicator that food security is improving in a country.

In Honduras, low weight-for-age malnutrition in children 12-23 months of age declined from 30 percent in 1987 to 24 percent in 1994. These improvements are due in large part to the significant increase in access, quality and use of health services, potable water and sanitation systems – all of which have had strong support from the USAID over this time period.

The LAC approach to food security is also consistent with the four core values of the Agency: customer focus, results orientation, empowerment, and teamwork. The increased emphasis on performance and performance indicators has required LAC missions to look at the nature of the food security problems in their countries in more depth and to better define their customers – the food insecure – and their needs. Beginning to look at problems from a food security perspective has resulted in missions looking at their customers in broader and more complex terms. The most food insecure in the LAC region, missions are learning, are not only not productive enough and not able to earn enough income to access sufficient diets, they also lack access to basic public services such as primary health care, water and sanitation, and primary education. Dealing effectively with the multi-dimensional nature of the food security problem, as the missions are learning, necessitates effective team work, across disciplines, offices (particularly the agriculture, economic and population and health offices), and even strategic objectives. Missions are also making progress in involving other stakeholders (the cooperating sponsors are a particularly important group in the case of Title II food assistance programs) in their strategic planning and efforts to manage for results.

**STRATEGIC OBJECTIVES IN THE LAC REGION THAT ARE KEY TO IMPROVING FOOD SECURITY**

<b><u>Country</u></b>	<b><u>Economic Growth SOs</u></b>	<b><u>Health/Population SOs</u></b>
Bolivia	Expanded economic opportunity and access	Improved family health throughout Bolivia
Dominican Republic	Increased economic opportunities and benefits for the Dominican majority	Increased use of effective primary health care services by underserved populations
Ecuador	Increased sustainable economic growth for a broad-base of the population	Reduce levels of mortality and fertility to levels commensurate with sustainable development
El Salvador	Broad-based economic growth	Improved quality with equity in health and education
Guatemala	NA	Smaller, healthier families
Guyana	Expanded economic opportunity for the urban and rural poor	NA
Haiti	Facilitate increased private sector employment and income	Promote healthier, smaller and better educated families
Honduras	Enhanced economic participation and increased incomes of the poor	Improved family health
Nicaragua	Sustainable growth in employment and income	Better educated, healthier and smaller families
Peru	Increased incomes and employment of the poor Improved food security of the extremely poor	Improved health of high risk populations

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## ANNEX H

### IMPACT OF BUDGET CUTS ON USAID/LAC PROGRAMS

#### I. IMPACT OF INSUFFICIENT ESF FOR HAITI

Should the FY96 and FY97 funding for the USAID Haiti program be cut to a \$60 million dollar level, the achievement of US foreign policy objectives would be seriously jeopardized. The gains we have made in the last nine months would be eroded by a failure to follow through and sustain our assistance. While we would continue to give the highest priority to the first two mission Strategic Objectives -- fostering more effective and responsive democratic institutions and facilitating private sector employment and income -- our expectations would have to be scaled back considerably. We could not sustain a comprehensive and integrated strategy to build a new justice system. This currently includes plans to train police, judges, judicial officers and prison administrators, strengthen the Ministry of Justice, and rehabilitate the prison system. Nor could we continue our program to support the emergence of democratic institutions by working with the newly elected parliament, promote civil society and support decentralization. Except for Police training, in these areas, we would cede our current leadership role within the donor community. Support for the 1995 presidential elections would also be severely affected. It is not clear that any other donor would be willing or able to shoulder the burden of developing a coordinated approach involving key donors and the Government of Haiti.

The private sector must be the source of substantially increased employment if Haiti's citizens are to navigate the transition (in the words of President Aristide) "from abject misery to poverty with dignity". Our currently planned support for the private sector is barely adequate. If it were cut back further, we would have to abandon any expectation of being a credible actor in this sector. Programs to support the resurgence of microenterprise and other job generating activities would be severely cut back in a country where the vast majority of the population live below an absolute poverty level of \$150 annually and unemployment is approximately 75%.

The mission's third and fourth Strategic Objectives -- promoting healthier, smaller and better education families and promoting environmentally sound resource management -- would have to be severely downgraded. We would have to abandon all planned education interventions in a country where 80% of the populace is presently illiterate. Expansion plans for the projects designed to increase of agricultural production would be dropped in the poorest and most food insecure country in the Western Hemisphere. Feeding programs which presently feed close to one million children and their mothers would be curtailed in a nation where half the children under five suffer from malnutrition.

The USG development program is pivotal in the leveraging of close to one billion dollars from other donors who are actively assisting the Haitians to rebuild their nation. A drastic reduction in our funding, aside from jeopardizing the credibility of the USG could cause a ripple effect among donors and their funding which could destabilize the Haitian economy and the safe and secure environment which we have worked so hard with others to accomplish.

## **II. IMPACT OF INSUFFICIENT ESF FOR EL SALVADOR PEACE PROCESS**

Key elements of the Peace Accords and Truth Commission recommendations remain outstanding and are in peril unless the USAID/El Salvador Mission receives \$37 million in ESF. More specifically, the Mission needs to finish off the National Reconstruction Plan (NRP) by funding the land transfer program, infrastructure needs, agricultural and microenterprise technical assistance and credit, assistance to the war wounded and scholarships for the demobilized National Police. In addition, the funds will allow the Mission to complete the Judicial Reform II (JRII) project, which aims to deepen El Salvador's judicial reform process so that citizens' due process and equality before the law are guaranteed. To do this, the project supports the judicial sector by providing technical assistance, training, commodities and operational support to strengthen institutional capacity to implement reforms (e.g. the Criminal Code and Criminal Procedures Code, Sentencing-Penitentiary Law). Finally, JRII provides resources to USIA and ICITAP to provide leadership and technical training to legal professionals, journalists and criminal investigative staff. We're at a critical juncture in terms of consolidating democracy in El Salvador. If the \$37 million shortfall isn't met, not only will important reforms grind to a halt, but we will be sending a terrible message to the GOES and have misled the donor community.

## **III. IMPACT OF INSUFFICIENT FUNDS FOR GUATEMALA PEACE PROCESS**

Guatemala is in the middle of negotiating an end to its 34-year civil conflict. The negotiating process has been very difficult and a final settlement is still months away. The negotiating agenda calls for individual peace accords on a series of critical political and socioeconomic issues. To date, five accords have been signed. In late 1994, the USG established a Peace Fund by converting \$4.6 million in prior year military assistance into ESF. The planned activities under the Peace Fund, which is being administered by USAID, are designed to help implement the accords reached in the negotiation process. They include up to \$1.0 million to help the U.N. verification mission, MINUGUA, implement the Accord on Human Rights and the Accord on the Indigenous; \$750,000 for ICITAP to strengthen the ability of the Public Ministry and the national police to conduct investigations and collect evidence in human rights cases; and up to \$3.25 million (\$2.85 million from the Peace Fund and \$400,000 in DA) for NCO activities in formerly conflictive areas which support the Accord on Uprooted Populations and the Accord on the Indigenous, and possibly the yet to be signed Accord on Socioeconomic Issues. USAID is also reprogramming some resources from several of its existing development projects to assist communities in formerly conflictive areas where resettlement is taking place.

The Peace Fund includes an extremely modest amount of money to address the enormous needs and commitments that are being generated by the peace accords. Currently, there are no plans to provide Guatemala with additional ESF in FY 1996 for the finalization of the peace settlement and implementation of all the accords. While some DA resources can and will be directed toward the implementation of the accords in FY96 and beyond, our ability to send Guatemala a strong message of support backed up by critically needed resources will be severely constrained. The USG has played a large role in achieving negotiated peace settlements in El Salvador, Nicaragua and now Guatemala. In Guatemala, without adequate resources to implement and consolidate the peace accords, we risk a return to the kind of conditions that caused the civil conflict in the first place --

a lack of respect for human and indigenous rights, grinding poverty for the majority of the population and an absence of functioning democratic institutions. Addressing these problems with adequate resources in the context of the peace process is Guatemala's best change of achieving lasting peace and sustainable development. The U.S. should play a leading role in this process, but it must be able to commit the necessary resources to make a positive impact.

#### **IV. IMPACT OF INSUFFICIENT FUNDS FOR THE NICARAGUAN PEACE PROCESS**

The peace process in Nicaragua is dependent upon a successful economic and democratic transition that allows for a peaceful transfer of power to a successor civilian government, that promotes respect for human rights, accountable government, increased employment and income. If funding is insufficient to carry out the democracy program, the Mission would not be able to implement the electoral assistance effort and therefore the USG's ability to support a free, fair and transparent election would be compromised. If we lacked funds for human rights protection, we would not be able to promote an improved human rights situation nor work with the new human rights ombudsman - a new effort to strengthen the human rights situation in Nicaragua. If funding levels are not adequate for meaningful assistance in social services and economic transformation activities, the Mission would be precluded from helping to create more employment and income and thus put into jeopardy the investment in Nicaragua democracy. All surveys and studies indicate Nicaraguans want jobs. People are questioning the economic value of the decision to move from dictatorship to democracy, from centralized managed economy to a free market economy. Funding for these efforts is essential. With inadequate funding for decentralization and financial management reform programs, the Mission will not be able to provide assistance for an integrated financial management reform program which would put in place increased transparency and anticorruption programs. Nor would the Mission be able to further the decentralization efforts to promote local government strengthening and delivery of services to citizens.

#### **V. IMPACT OF INADEQUATE LEVELS OF COUNTERNARCOTICS FUNDS FOR PERU AND BOLIVIA**

##### **PERU**

Counternarcotics funds are used to promote the two highest U.S. objectives in Peru: democracy and counternarcotics. A \$12 million reduction in FY 1996 Peru ESF to \$5 million would have an immediate substantive impact on the core of the USAID democracy and counternarcotics program and undermine USAID's contribution to PDD-14 and other important U.S. policy objectives. As approved in the U.S. Mission Plan for FY 1996-97 and the USAID Action Plan for FY 1996-97, ESF supports a long-term sustainable development process which represent the core of the U.S. interagency efforts in human rights, democracy and counternarcotics. To support U.S. bilateral interests, the ESF program strategy for Peru is to strengthen civil society; restore credible local government institutions in coca-growing and related rural areas; and provide legitimate income and employment alternatives to coca production.

We have been pushing the Peruvian Government to carry out the needed efforts to reduce the flow of drugs to the U.S. A reduction of CN funding to only \$5 million would send the wrong signal in

terms of United States interests in countering the threat of the narcotics trade. A reduction of CN funding during FY 96 to \$5 million would have the following consequences:

-Result in our inability to expand local government strengthening activities beyond 5 key project areas of the recently approved Alternative Development Project, thereby delaying the implementation of this critical effort to counter the threat of the narcotics trade (planned budget for this expansion under the Local Government Strengthening Project in FY 96 was \$3 million);

-Result in the significant curtailing of microenterprise activities in critical areas to stem the migration of new labor entrants into the coca producing areas (planned budget for this activity under the Microenterprise Development Project in FY 96 was \$6 million);

-Inability to carry out important activities under the Participatory Democracy project to enhance citizen participation and local government in the coca producing areas (planned budget for this activity under this project is around \$3 million).

A \$5 million level would leave the Mission with sufficient funding only for its Administration of Justice and Narcotics Awareness projects, far short of the sustainable development efforts which are a critical component of the USG's counternarcotics strategy detailed in PDD-14.

## **BOLIVIA**

Having pushed Bolivia's democracy to the brink of unravelling through the issuance of the ultimatum to meet the three conditions contained in the national interest waiver for the March 1, 1995 certification by June 30, 1995 -which Bolivia met- it is incumbent that the USG provide minimal funding for its part of the bargain, alternative development and other vital CN-related activities, all of which are reaching their stride of implementation and have unfunded mortgages.

While continued balance of payments assistance is important and continues to be sought (and expected) by the Bolivian authorities, funding for alternative development projects is critical. This funding is critical if there is to be any meaning or substance to the USG's Presidential Determination Directive - 14 and to statements reiterated at all levels in public and private, that the USG recognizes the shared interests and responsibilities in the fight against drugs, particularly if a response to Bolivia's plea for balance of payments support is not forthcoming.

A drastic reduction to \$5 million in FY 1996 ESF would permit funding for only critical Administration of Justice and Export promotions activities (respectively budgeted at \$2 million, and \$3 million). These are essential in FY 1996 to permit: (A) Administration of Justice: faster and more transparent handling of counter-narcotics prosecutions; guidance on counter-narcotics case prosecutions; strengthening and modernization of the entire judicial system. (B) Export Promotion: the generation of nontraditional exports, investments, and jobs needed for Bolivia's economy and labor force to be less dependent on coca and cocaine production. There would be absolutely no funding for demand reduction activities through the Drug Awareness and Education Project (contradicting USG statements made at the highest level that these must be pursued and eliminating support for one of the criteria for USG CN cooperation certification), or alternative development activities under the centerpiece Cochabamba Regional Development Project (respectively budgeted at \$1 million and \$9 million). \$15 million in ESF is the minimum amount of funding needed in FY1996 to support any

viable USAID managed counter-narcotics program. This low level would represent elimination of any balance of payments support.

#### **VI. IMPACT OF NO CONTINGENCY FUNDS FOR CUBA**

With the Administration reviewing ways to more effectively implemented the "Support for the Cuban people" section of the 1992 Cuba Democracy Act, and with Congress considering additional Cuba-specific legislation, it is likely that some USAID funding for NGO and human rights activities in Cuba may be required during FY96 and FY97. No funds for this purpose are presently included in the LAC budget requests for these years because there is at present a legal impediment to providing any FAA assistance funds for Cuba. However, it is very likely that the legal impediment will be removed by legislative action this year. If that happens, USAID might well be expected to provide some funds to support the USG policy aim of strengthening human rights and certain fully independent groups within civil society in order to promote a nonviolent democratic transition.

#### **VII. IMPACT OF A 25% DA BUDGET CUT ON OTHER SUSTAINABLE DEVELOPMENT PROGRAMS**

##### **BOLIVIA**

- Discontinue implementation of the Environment strategic objective (SO).
- Components of the Democracy SO (assistance to the Judiciary and the electoral assistance) may have to be terminated.
- HIV/AIDS programs would be terminated.
- The microfinance component of the Economic Growth SO may be terminated.

##### **BRAZIL**

- The number of activities under all SOs would be reduced.

##### **DOMINICAN REPUBLIC**

- Phase out of water and sanitation activities.

##### **ECUADOR**

- Phase out of Trade and Investment programs.
- Phase out of Agric. research and extension.
- Phase out of Drug Prevention programs.
- Elimination of Training under the Democracy SOs.
- Cancellation of the proposed new Population project.
- Curtailment of economic policy activities under the Economic Growth SO.

## **EL SALVADOR**

- Abandon activities in export promotion and macroeconomic reform under the Broad Based economic Growth SO.
- Public sector accountability activities under the Democratic institutions and Practices SO would be terminated.
- The scope of Mission activities in civil participation and elections would be reduced.

## **GUATEMALA**

- Phase out of Trade and Labor relations programs.
- Phase out of Primary Education (bilingual education services to 800 Mayan highland regional schools and 10,000 girls and Mayan students in targeted areas may not have schools to attend)

## **CENTRAL AMERICAN REGIONAL PROGRAM**

- Phase out of Democratic Local Governance SO.
- Cut back on HIV/AIDS program.

## **GUYANA**

- Complete current activities, abandon effort to implement a "sustainable development strategy" and develop a limited presence strategy reflecting concomitant political interest.

## **HONDURAS**

- Under the Econ. Growth SO, the planned FY 97 Econ. Policy and Productivity program would not be initiated.
- Would not be able to undertake labor, environmental and intellectual property rights activities (to reduce obstacles to a free-trade agreement) under the Policy Analysis project.
- Vocational education activities will be cut back.
- US and local PVO protected area environmental subprojects would be cut back from 10 to 6.
- The Health Sector project would be cut back.
- Assistance to the Justice Sector would be cut back and the scholarships for the Democracy SO would be cut in half.

## **JAMAICA**

- Eliminate Tourism infrastructure and Productive Sector training.
- Eliminate Health services activities.

## **MEXICO**

- Cut back on Population program (250,000 people could be left without contraceptives, each one potentially resulting in an unwanted pregnancy and/or potentially increase HIV/AIDS transmission).
- Fewer Environmental projects.
- Significant cuts in Econ.Growth activities.

- Target of opportunity e.g. HIV/AIDS, Democratic initiatives and microenterprise may have to be eliminated.
- Reduce our ability to respond to move to a multiparty system.

#### **NICARAGUA**

- Cut back PVO Cofinancing project (community based projects).
- Cut back levels for Private Sector and Econ. Analysis projects.
- Reproductive Health project would be deferred from FY97 to FY98.
- Terminate Development Training project early.

#### **PANAMA**

- Cut back activities under Democracy SO.
- Cut back participant-training activities.

#### **PERU**

- Cut back funding for Health SO and Food Security SO.

#### **PARAGUAY**

- Eliminate the recently approved Environment SO.

#### **LAC REGIONAL PROGRAM**

A 25% reduction from the FY 1996-2000 LAC regional program request levels will have extremely serious consequences for the regional program. The Bureau will be forced to make the following hard choices if the 25% reduction is implemented as early as FY 1996 and 1997. Note that although the request level for the regional program is roughly the same for FY 1996 and FY 1997, the Bureau must obviously obligate funds in each year differentially among activities taking a number of factors into consideration including individual expenditure rates and the commitments made by the U.S. to advance Summit of the Americas' initiatives.

With a 25% reduction in FY 1996, representing over a \$9 million reduction of the overall ESF budget, the Bureau would still seek to retain the nine regional program strategic objectives. However, first, the Bureau would have to absorb in the DA budget what were to be essential ESF-funded activities and, second, the Bureau would have to either reduce or even eliminate funding for some strategic objective component activities, and delay initiation of other new component activities. In effect, planned life-of-activity periods and activity completion dates would also have to be lengthened. The following "package" of program changes would therefore be made:

- The Parks in Peril component activity would be reduced from \$4.5 million to \$3.5 million;
- The Hemispheric Free Trade component activity would be reduced from \$2.9 million to \$2.8 million;
- The Health Priorities component activity would be reduced from \$4.0 million to \$1.0 million;

**-Core funding of \$0.6 million for the Partners in Development and Volunteerism component activity would be eliminated; and**

**-Initiation of two major new component activities would be delayed from FY 1996 to FY 1997: they are- Legislative Linkages; and Privatization of Agriculture and Urban Lands.**

**Second, as a result of a 25% reduction in the FY 1997 level as well, the following package of reductions, deletions or delays in component activities would be necessary:**

**-The Parks in Peril component activity would be reduced from \$4.5 million to \$3.0 million and an environmental adviser specialist position costing about \$70,000 would be eliminated;**

**-The Hemispheric Free Trade component activity would be reduced from \$2.8 million to \$2.2 million;**

**-The Human Rights Initiatives component activity would be reduced from \$1.2 million to \$1.08 million;**

**-The Health Priorities component activity would be reduced from \$4.5 million to \$1.5 million and funding for a health/population specialist position would be reduced by about \$60,000;**

**-Core funding of \$0.6 million for the Partners in Development and Volunteerism component activity would be eliminated;**

**-The planned Legislative Linkages component activity would be eliminated; and**

**-The Privatization of Agricultural and Urban Lands component activity would be eliminated.**