

UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

GUATEMALA

PROJECT PAPER

COMMUNITIES IN TRANSITION PROJECT

AID/LAC/P-936

PROJECT NUMBER: 520-0413

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

COUNTRY/ENTITY

Guatemala

3. PROJECT NUMBER

520-0413

4. BUREAU/OFFICE

LAC

05

5. PROJECT TITLE (maximum 40 characters)

Communities in Transition Project

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
08 31 99

7. ESTIMATED DATE OF OBLIGATION

(Under "B" below, enter 1, 2, 3, or 4)

A. Initial FY 95 B. Quarter 4 C. Final FY 95

8. COSTS / \$000 OR EQUIVALENT \$1 =

A. FUNDING SOURCE	FIRST FY 96			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(500)	(500)	(1,000)	(2,500)	(2,000)	(4,500)
(Loan)	()	()	()	()	()	(-)
Other						
U.S.						
Host Country		400	400		1,500	1,500
Other Donor(s)						
TOTALS	500	900	1,400	2,500	3,500	6,000

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) DA						400	-	400	-
(2) ESF						4,100	-	4,100	-
(3)									
(4)									
TOTALS						4,500		4,500	-

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To support the development of productive income generating activities to benefit poor Guatemalans in selected previously conflictive areas.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY

0 6 9 9

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a page PP Amendment)

I certify that the methods of payment and audit plans are in compliance with the payment verification policy.

Gary Byllesby
Gary Byllesby, Controller

17. APPROVED BY

Signature

William Stacy Rhodes

William Stacy Rhodes

Title

Director

Date Signed

MM DD YY
08 26 99

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

PROJECT AUTHORIZATION

Name of Country: Guatemala
Name of Project: Communities in Transition Project
Number of Project: 520-0413

1. Pursuant to Sections 102-06 and 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Communities in Transition Project for Guatemala, involving planned obligations of not to exceed \$4,500,000 in grant funds over the life of project, subject to the availability of funds in accordance with USAID OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life-of-project is until August 31, 1999.
2. The Project purpose is to support the development of productive income generating activities to benefit poor Guatemalans in selected previously conflictive areas.
3. The Project Agreements, which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with USAID regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as USAID may deem appropriate.

3.1. Source and Origin of Commodities, Nationality of Services

a. U.S. Dollar Financing

Commodities financed by USAID under the project shall have their source of origin in the United States (Country Code 000), except as USAID may otherwise agree in writing or as provided in paragraph 3.1.b. below.

The suppliers of commodities or services shall have the United States as their place of nationality, except as USAID may otherwise agree in writing or as provided in paragraph 3.1.b. below.

Ocean shipping financed by USAID under the Project shall, except as USAID may otherwise agree in writing, be financed only on flag vessels of the United States. Air transportation services financed under the Project shall be on U.S. flag carriers except to the extent such carriers are not "available" as such terms is defined by the U.S. Buy America Act.

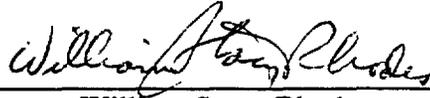
b. Local Cost Financing

Local cost financing, totaling \$2.5 million, is authorized only to the extent permitted by the Agency's Buy America policy as outlined in 90 State 410442 and

in Handbook 1B, Chapter 18. If necessary, individual waivers may be processed for procurement of goods and services which are outside the exemptions to the Buy America Policy but necessary to Project implementation, under the criteria stated in Handbook 1B, Chapter 5.

3.2 **Condition Precedent**

Prior to disbursements for any project activities other than those qualifying for a categorical exclusion, as set forth in the Environmental Threshold Decision, the findings and mitigations of a Programmatic Environmental Assessment approved by the LAC Chief Environmental Officer (CEO) are to be satisfied and incorporated into all grant and contract instruments.



William Stacy Rhodes
Director, USAID/G-CAP

Date May 26, 1995

Communitites in Transition Project (520-0413)

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PROJECT PAPER
COMMUNITIES IN TRANSITION PROJECT (520-0413)

Executive Summary

The four-year, \$4.5 million Communities in Transition Project (520-0413) will focus on support for activities which generate on- and off-farm employment and income in response to the critical need identified in the Accord for the Resettlement of Uprooted Populations to provide a sustainable living environment and a secure livelihood for the inhabitants, whether refugees, internally displaced or existent population, in Guatemala's formerly conflictive areas. This project will be complemented by other USAID/G-CAP activities supported through existing mechanisms that could provide basic health and education services, sanitation systems and rural roads; support sustainable watershed management and coffee production; and facilitate the expansion of judicial sector, civic/human rights education, and verification activities in formerly conflictive areas.

Due to limited resources, this project will be geographically focused on the municipalities of Ixcán (Quiché) and Barillas (Huehuetenango) and will support innovative pilot projects that lead to greater employment and income generation and can serve as models of sustainable activities that could be funded in the future from other donor or national sources. The Mission will request proposals from U.S. and locally-based NGOs that have a demonstrated track record in these activities.

I. Statement of Problem or Opportunity, Project Purpose and Assistance Interventions

A. The Setting: The Peace Process

The signing of the Global Accord on Human Rights on March 29, 1994 between the Government of Guatemala (GOG) and the Unidad Revolucionaria Nacional Guatemalteca (URNG) represented a major breakthrough in the peace negotiations for Guatemala. This was the first substantive accord signed between the GOG and the URNG after several years of unfruitful negotiations. The agreement was also significant in that it calls upon international donors to support the implementation of the accord through development efforts. Two other major agreements have since been signed that have significant ramifications for the international donor community: the Accord for the Resettlement of Uprooted Populations and the Accord on the Identity and Rights of Indigenous Peoples. These accords are part of a series of agreements that the GOG and the URNG decided to enact before signing a final Peace Agreement. The remaining thematic areas that must be dealt with before a final agreement is signed are: "Socio-economic aspects and the Agrarian situation", "Strengthening of Civil Society and the Role of the Army in a Democratic Society", "Basis for the reintegration of the URNG to the Political Life of Guatemala and the Cease Fire", and "Constitutional Reforms and the Electoral System". Upon the signing of agreements on these themes, they will then sign an agreement that lays out the timelines for the implementation, compliance and verification of the accords to be followed by the signing of a definitive Peace Agreement and demobilization of forces.

While the GOG and URNG are almost a year behind in their negotiation schedule on these accords, they continue to move slowly forward. In the meantime, international donors are working on interpreting the implications of these accords and how they can contribute to their implementation. This has led to an increased level of coordination amongst donors and new activities being supported, especially in the areas most affected by the civil conflict and places of refugee returns.

B. The Development Challenge

1. Overall

Guatemala has serious problems of poverty and inequality. A recent World Bank study shows that approximately 75% of Guatemalans live in poverty (approximately 8 million people) and over 55% of the population lives in extreme poverty and isolation in rural areas. Guatemala's social indicators are among the worst in the Western Hemisphere, and national averages mask even sharper inequalities between social groups and regions. For example, overall adult illiteracy is estimated at 52% but illiteracy rates among Mayan women in some areas easily approach 90%. The Guatemalan population is growing at the rate of 3.1% per year with a total fertility of 5.2. These indicators reflect persistent underinvestment in social services and basic rural infrastructure. In addition to the problem of poverty, there is a high degree of inequality in land and income distribution and consumption. The most recent agricultural census (1979) indicates that 2.5% of Guatemala's 5.3 million farms control 65% of agricultural land (with an average farm size of 200 hectares) while only 16% of the land is cultivated by 88% of the smallest farms (average size 1.5 hectares).

Such poverty and inequalities precipitated the armed conflict that has lasted 34 years and has cost approximately 100,000 lives and the displacement of hundreds of thousands more. In many respects, the problems of poverty and inequality are as severe today as they were at the start of the conflict. In terms of absolute number of poor, Guatemala's situation is worse because the population today is more than three times the population of 1960.

2. Project Focus

Even though the peace talks have a long way to go, refugees and internally displaced persons are returning each day to formerly conflictive zones in Quiché and Huehuetenango. While sporadic violence continues in these areas, it has not deterred resettlement nor the active involvement of development agencies. Refugee assistance, which only lasts for approximately one year, touches the lives of a minority of the population living in these areas. Many communities are divided because of this perceived "privileged" status of the refugees returning from Mexico, and further, over land title disputes. The possession of a legal claim to the same

parcel of land by two or more persons is currently the most explosive issue in the region. The GOG declared many parcels of land belonging to refugees and displaced persons "abandoned" and reissued new titles to other settlers. Now, many refugees and displaced persons are returning to their communities, with land titles in hand, to discover that others have settled in and also have legal title.

In addition to lands being declared "abandoned" and new titles issued, another phenomenon has been land that has been "sold" in the owners absence, with 2 or more titles of questionable origin existing for the same parcel- all with the same legal appearance.

These divisions make cooperation among communities (and sometimes within communities) difficult where cooperation is key to development. Communities and individuals are identified as: 1. "retornados", those who fled to Mexico and have returned in large organized groups under the auspices of the Permanent Commissions, 2. "repatriados", those who fled to Mexico and have returned in smaller, independent groups and re-settle anywhere in the country, 3. "desplazados", those who fled the region, but did not leave Guatemala, and are now returning, and 4. "los que se quedaron", those who did not leave the region. Much of the tension among the communities has to do with the different expectations they have for government and international assistance and also the kind of organization that each community has developed over time. The retornados, for example, tend to be highly organized, hierarchical and political.

Compensatory development measures are urgently required to equalize this situation. The Project will provide assistance to the entire population, without distinction, in the targeted areas and will incorporate conflict resolution and organizational development as essential ingredients of the project approach.

Given the short-term nature of refugee assistance, the first groups are now confronted with the reality of living in an area that has been abandoned, for all intents and purposes, for the greater part of twenty years. Assistance for sustainable development is urgently required, even in the absence of the final accord. The Accord on Uprooted Populations identified the critical need to provide a sustainable living environment and a secure livelihood for all the inhabitants. A quick response can not be expected either from the U.N., other bilateral donors and IFIs, nor from the expansion of normal government and non-governmental services to the Project's target areas. The Project will support innovative pilot activities, implemented through U.S. and locally-based NGOs, that lead to greater employment and income generation and can serve as models of sustainable activities that could be funded in the future from other donor or national sources.

3. Target Areas

The Northern Transversal Tier, known as the Franja Transversal del Norte, is one of the most isolated and abandoned parts of Guatemala (that is where there is any significant population). Access is extremely difficult and, during much of the year, especially the rainy season, impossible by land. Under the best of circumstances, it takes 12 to 14 hours to reach either Barillas or Ixcán from Guatemala City.

This area is characterized by a climate and soils appropriate for tropical forest- basically jungle- and not agriculture.

In an area so inhospitable for human habitation, many ask, why are people living in this area and why are people returning to this area? The reason is simple- land. The Ixcán area began to be populated in 1970, followed in 1975 by a series of GOG land colonization projects. One of the larger ones was financed through a \$14 million USAID loan (520-T-026). Landless peasants from the eastern part of the country, the Verapaces and the Western Highlands (to a lesser extent- although this was the original intention) were offered cheap land in large parcels. The refugees and internally displaced persons returning to the Ixcán area are not originally from this area, (almost no one is, as it was largely uninhabited only 20 years ago); they are people returning to their parcels rather than to their homes of origin. The Ixcán area is the only area designated in the country as "multilingual" due to the diverse nature of the population. The returnees to the Barillas area are largely Kanjobal Indians returning to land they had previously owned. Both populations are facing extremely hostile conditions.

There is no electricity at all in the 150 communities of the municipality of Ixcán- not even in the municipal seat in Cantabal of Ixcán. In the municipality of Barillas there is electricity only in the municipal seat, and no plans to extend the grid to the 140 rural communities. Only about 20% of the communities in the region have water facilities and permanent health facilities are almost non-existent. In Ixcán there are some short term, project-based facilities attending refugee populations, with no plans for the MOH to pick these up on a permanent basis. About 1/2 to 2/3 of the communities have schools. Most of the communities put schools as their highest development priority, above even health facilities. They want their children to have access to an education. Many see this as the only way for their children to have more opportunities than they had. Unfortunately, the existing schools in communities go only as high as sixth grade and more than half of these are one room schools. There is only one small private facility that will handle about 100 students in the area of Ixcán that goes beyond the sixth grade and the municipal seat of Barillas offers the only such facility as well. Higher education requires that students leave their communities and live far away, in Cobán, Huehuetenango or Guatemala City, an expense that the vast majority cannot afford.

To gain an appreciation of the challenges the Northern Tier faces in terms of development, it is important to remember that this area was extremely hard hit by violence; almost every community was abandoned and all of the population displaced in one form or another. Some people returned quickly, 9 months in one case, while others have been gone for 12 years and are only now returning. Some left Guatemala for Mexico, while others hid in the nearby mountains or went to live in other towns.

Several major constraints have been identified that constitute development challenges for the residents of these regions: poor soil quality; environmental damage caused by livestock; lack of all basic services, and especially personnel willing to live in the area and provide those services; few off-farm employment opportunities; limited transportation and infrastructure; conflicts between communities and within communities; land title disputes; short-term, paternalistic assistance strategies with no focus on sustainability; and, the still tense political and military situation. The fact that active military operations for the army and the URNG are still ongoing places restrictions on working in some areas.

C. Project Goal and Purpose

The project's **goal** is to improve the living conditions of the rural populations (especially Mayans) most affected by civil violence and extreme poverty. The project's **purpose** is to support the development of productive income-generating activities to benefit poor Guatemalans in selected previously conflictive areas.

The project will focus on support for activities which generate on- and off-farm employment and income in response to the critical need identified in the Accord on Uprooted Populations to provide a sustainable living environment and a secure livelihood for the inhabitants, whether refugees, internally displaced or existent population, in the formerly conflictive areas. This project will be complemented by other USAID/G-CAP activities supported through existing mechanisms that could provide basic health and education services, sanitation systems and rural roads; support sustainable watershed management and coffee production; and facilitate the expansion of judicial sector, civic/human rights education, and verification activities, in the formerly conflictive areas.

Due to limited resources, this project will be geographically focused on the municipalities of Ixcán (Quiché) and Barillas (Huehuetenango) and will support innovative pilot projects that lead to greater employment and income generation and can serve as models of sustainable activities that could be funded in the future from other donor or national sources. The Guatemalan System of Protected Areas has identified several protected areas near the target municipalities of Ixcán and Barillas. Among these are Cuchumatanes, Bisis Caba and Lucha. No project activities are contemplated within designated protected areas.

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

ARUP	Accord for the Resettlement of Uprooted Populations
ESF	Economic Support Fund
GOG	Government of Guatemala
ICITAP	Justice Department Program for the Professionalization of the National Police Force
IDB	Interamerican Development Bank
MINUGUA	United Nations Human Rights Mission in Guatemala
NGO	Non-Governmental Organization
OYB	Operational Year Budget
PEA	Programmatic Environmental Assessment
PD&S	Program Development and Support Funds
PVO	Private Voluntary Organization
RFA	Request for Application
UNDP	United Nations Development Program
URNG	Guatemalan National Revolutionary Unity
USAID	United States Agency for International Development
USAID/G-CAP	USAID Mission for Guatemala and Central American Programs

D. Project Components

Activities that will be funded under this project will generally fall into two categories, supporting either increased on- or off-farm employment. Following is illustrative of the different types of activities that could be funded under this project.

1. On-farm activities

On-farm activities will focus exclusively on sustainable production techniques appropriate for the ecological and soil conditions of each area. This will certainly emphasize agro-forestry and often forest-based production systems. Given the deforestation which occurred during the armed conflict, it could also involve extensive reforestation.

A Programmatic Environmental Assessment (PEA), to be written by the USAID/G-CAP Environment and Natural Resources Office, is warranted pursuant to 22CFR Regulation 216, and FAA 118 and 119, to determine viable on- and off-farm approaches and appropriate mitigation measures. The PEA will propose screening criteria and best practices guidelines. Preliminary screening criteria will be included in the Request for Application (RFA) and applied to all proposals submitted under the project. The criteria will include such issues as the use of pesticides, the environmental sustainability of proposed activities and other concerns that address soil erosion, soil fertility and the climatic conditions. Proposed activities which pass the screening criteria will be allowed to proceed according to best practices guidelines. No project activities are contemplated within designated protected areas near the target municipalities of Ixcán and Barillas.

Initial assessments of the region show that the population generally relies on the production of subsistence crops, such as corn and beans, for their livelihood and on unsustainable production practices, such as slash and burn agriculture. Because the soil in Ixcán and Barillas is very poor, concentrating on subsistence crop production will only meet short term economic needs. Once the soil is depleted, the population in these areas will have lost their source of income. Therefore, it is critical that alternatives to these traditional crops be developed, taking into account the soil quality, infrastructure limitations and land tenure issues in this area.

Possibilities include the expansion of traditional crops, such as cardamom and coffee, using sustainable land use practices. Both crops are already being produced in certain parts of Ixcán and Barillas and could be expanded to other areas with the right climatic conditions. There is greatest potential for coffee production in parts of Barillas, while cardamom expansion would be feasible in both municipalities. The development of processing and drying facilities for both coffee and cardamom is particularly attractive, since it would increase farmers' incomes

and reduce transportation costs. The production of basic grains, such as corn, beans and rice, could also be supported, using appropriate technology and new more environmentally-conscious production methods, such as green fertilizers, integrated pest management and soil and water conservation techniques.

Other options that could be considered are higher profit and more labor intensive non-traditional agricultural crops. The determination of the crops to be introduced would be dependent upon a feasibility study to ensure that the climatic conditions, soil quality, access to infrastructure, market demand and environmental impact were appropriate. Although not an exhaustive list, crops that could be considered are:

- o Diversification of crops for local consumption, such as tomato, watermelon, melon, cucumber using sustainable agricultural techniques;
- o Crops with high value-added, unmet market demand and a short growing cycle that require export processing, such as okra, that could be packed and processed at a centrally located facility (experience in Guatemala has shown a dramatic increase in employment and development around vegetable packing plants);
- o The production of niche market crops such as spices (including parsley, vanilla, saffron, ginger, black pepper and garlic) or medicinal plants to fill special market demands;
- o The development of organic crops, such as sesame, coffee and lettuce, to meet the needs of increasingly environmentally conscious consumers;
- o Establishment of plantation-style medium and long term crops, such as tamarindo, citrus trees, pineapple and bananas, which could be consumed on the local market or processed/dried for export;
- o Ornamental plants with growing international demand, such as izote, which could be exported with limited infrastructure; and
- o Combination of short and long term crops, such as broccoli and citrus trees to benefit from immediate income gains and establish a long-term source of employment and increased wages.

The production of any one of these crops would require specialized technical assistance and access to appropriate and ecologically safe pesticides and fertilizers, as well as the development of export market linkages, in the case of those crops not produced for the local market.

An additional on-farm activity that could be considered is agro-forestry and the development of forest-related products for export, such as potpourri, baskets and wood products. Successful agro-forestry would require the development of a forest management plan and extensive community involvement to ensure that the delicate eco-system in the area was not disrupted. Rubber production and the use of rubber wood in the manufacture of wood products could also be considered.

2. Off-farm activities

The development of off-farm activities will provide an important complement to the on-farm activities. Given the demands on limited land and the poor soil conditions in most of Ixcán and Barillas, on-farm activities alone can not sustain the entire population in these areas. Although off-farm activities could run the gamut from the creation of village banks to installation of factories in Ixcán and Barillas, this project will mainly focus on the lower end of the scale, promoting the creation of village banking and microenterprise credit programs to meet the immediate needs of the population and support community-based productive activities. Funds will also be available to support pre-feasibility studies of other types of off-farm activities, such as the establishment of larger-scale businesses not included in the village banking or microenterprise programs.

Through village banking or microenterprise credit programs (the exact mix of which will be determined during the request for application process), credit, technical assistance and training will be provided for solely productive activities. Differing slightly from some other small-scale credit programs, funds will not be provided for consumption.

To the extent possible, programs will charge market interest rates and be focused on cost-recovery and ensuring the continued availability of credit funds. Donor analyses of development programs for these areas have identified an urgent need to develop practical experience with credit programs. Based on past experience, it will be preferable to concentrate the bulk of USAID/G-CAP resources on the provision of technical assistance and training to build local capacity, with a lesser amount of resources allocated for initial lending capital. When a donor's funds are used as the main source of loan capital, credit users tend to take a more lax view of the need for repayment.

Because the communities which are the project's focus tend to be made up of disparate and perhaps conflictive groups, traditional village banking methods which rely on a strong sense of community ownership and responsibility may not initially be successful, until the community becomes more integrated.

Programs focused on the special credit needs of women could also be supported to the

extent that they met the overall criteria for project funding.

The types of activities that could be supported through village banking or microenterprise lending programs include:

- o small animal husbandry for the local market;
- o financing of productive inputs for agricultural expansion, such as seeds, fertilizer, and packing materials;
- o home-based businesses such as handicrafts, basket-weaving, candle-making and pottery for the local market or for trading with other communities; and
- o small-scale entrepreneurs that meet local needs such as carpenters, mechanics, bakers, commercial shopkeepers, and refreshment stands.

The needs of each individual community will determine the specific types of income-generating activities to be supported. Funds shall not be used to support timber extraction, significant deforestation, nor the procurement of equipment that could lead to deforestation, nor for the procurement nor use of pesticides, without an Environmental Assessment approved by USAID.

3. Special community-level activities

Combined with the support for on and off-farm activities, a small amount of funds will be available for sub-grants to local organizations. These sub-grants will be managed by the institutions implementing the on- and off-farm activities, and will support discrete small-scale community development initiatives that provide for income-generation and increased employment. Funds will be provided on a matching basis for activities that are not explicitly covered either through the on or off-farm components and that respond directly to a proposal from a public or private sector community-based organization.

E. Relationship to Mission Portfolio and Strategic Objectives

This project is seen as a short-term geographically focused, immediate impact initiative. Being "a target of opportunity", designed primarily to respond to the short-term needs of resettlement communities and also those communities previously inaccessible to USAID assistance due to security concerns, it is not intended to link its impact to the 5-8 year time frame for the Mission's Strategic Objectives.

Notwithstanding, the political imperative of supporting the peace process and the need to provide bridge support between the signing of an accord and the expansion of normal government and non-governmental services (and medium, long-term international assistance) to the project's target areas make this initiative crucial to U.S. foreign policy and humanitarian interests in Guatemala.

Through coordination with the Mission's systemic interventions and other donors, it is expected that this project will form a bridge to broader sustainable development efforts, and establish models to reduce the transaction costs of such initiatives.

USAID's program in Guatemala is heavily targeted toward indigenous communities of the rural highlands. Many of these interventions are precisely the kinds of sustainable development activities required in northern Huehuetenango and Quiché, and those indicated in the Accord for the Resettlement of Uprooted Populations. Since almost all involve public sector agencies, an important "institution-building" function will also be served. Currently, government ministries do not work in many regions of the country, and it is unlikely that a response would be immediate. However, the same mechanisms which USAID has financed to decentralize the delivery of GOG services and encourage community-level involvement in non-conflictive areas could be utilized to address the needs of returnees and populations that have been inaccessible due to the security threat. It is expected that this process (though probably not the delivery of services) could begin immediately, in most cases by reprogramming funds already obligated to the GOG. Over time, additional funding might be required to support the institutionalization of the delivery of basic services by the government in the target areas. The following USAID/G-CAP projects can use existing funding to expand into the Ixcán and Barillas: Farm-to-Market Roads (520-0332), Small Farmer Coffee (520-0381), Highlands Water and Sanitation (520-0399), Child Survival (520-0339), Family Health Services Project (520-0357), Basic Education Strengthening (520-0374), Community Natural Resources Management (520-0404), Special Development Fund (520-0145), Democratic Institutions (520-0398), Judicial Sector Reform (520-0407) and Food Aid (PL 480 Title II).

However, this expansion of basic services will take time. In the meantime, local and international NGOs will be in a better position (both because of mobilization capacity and acceptance in the communities) to assess needs quickly and develop appropriate local responses to increase the basic productive capacity of these communities and permit their citizens access to the factors of production.

Apart from the income generation activities carried out through the NGOs, the Peace Fund set up in Washington will also be used to provide funding for: (1) the U.N. Human Rights Mission in Guatemala (MINUGUA) which is entrusted with verifying compliance with the Global Accord on Human Rights, and strengthening national entities, both governmental and

non-governmental, involved in the protection of human rights; and (2) the Department of Justice ICITAP program which would be aimed at improving the ability of the national police to investigate human rights cases, a key element in the effort to end impunity in Guatemala. However, these obligations/transfers will be affected through Washington-based mechanisms, not under this project.

F. Other Donors

Many donors have expressed their support for the various peace/social investment funds that have been established in Guatemala. It is expected that this interest will increase in the wake of a peace settlement. However, a quick response is unlikely through most of these mechanisms. The Mission has worked closely with the U.N. and other bilateral donors so as to ensure the complementarity of its activities with their broader, longer-term initiatives, thus avoiding any duplication of efforts. Mandated to coordinate the donor assistance efforts for the Guatemala peace process, the UNDP constantly looks to USAID/G-CAP as the most experienced donor in such critical areas as democracy, health, environment, education, agricultural production and income generation activities.

The IDB and the GOG are in the initial phase of developing a project to provide credit to small to medium-sized borrowers for income generating activities in the conflictive areas. This is the first effort by an IFI to work directly in the areas that have suffered most from the 34 year conflict. Hopefully, the World Bank will follow the IDB's example.

The UNDP, IDB and many European donors have already recognized the need to provide short-term assistance--food, blankets, temporary housing, etc.--particularly for the resettlement of refugees and the displaced. However, the longer-term success of the peace process will depend greatly on providing jobs and other commercial opportunities to the people of the formerly conflictive areas.

It is expected that the income generating activities developed under the Communities in Transition Project will serve as lesson-learning models with a valuable demonstration effect for later larger-scale efforts by the IDB and the World Bank. The project will also fund pre-feasibility studies for developing other labor intensive, non-land related economic options in these geographic areas.

II. Plan of Action

The Mission will request proposals to manage a grant or grants for these activities from U.S. and locally based NGOs that have a demonstrated track record in activities which generate

on- and off-farm employment and income. Funding will be provided through direct grants to larger NGOs and possibly an umbrella grant covering small grants to selected promising indigenous NGOs.

Shortly after the approval of this Project Paper (PP), we will issue a Request for Application (RFA) that will be sent to a list of eligible U.S. and indigenous NGOs, drawn primarily from the roster of registered PVOs maintained by the Mission.

A more detailed list of selection criteria and relative weight for each criterion will be fully elaborated in the RFA, and will include, but not necessarily be limited to such criteria as:

- * Applies resources where they will have greatest impact on rural poor in the formerly conflictive zones, focussing on the Ixcan and Barillas;
- * Provides assistance indistinctively to the entire population, whether refugees, internally displaced or those who chose to stay in the area;
- * Supports the implementation of the Accord on Uprooted Populations and the Accord on Indigenous Peoples;
- * Proposes innovative strategies for generating on- and off-farm employment and income in response to the critical need identified in the AUP to provide a sustainable living environment and a secure livelihood for the inhabitants;
- * Results in increased income generation through ecologically sound activities, taking into account the area's fragile ecosystem and the screening criteria and best practices guidelines proposed under the Programmatic Environmental Assessment;
- * Easily replicable, lesson-learning models with a valuable demonstration effect for later larger-scale efforts by other donors and IFIs;
- * Incorporates conflict resolution and organizational development as essential ingredients of the project approach;
- * Has a demonstrated track record in the area, or is able to show real potential for the successful implementation and monitoring of the proposed activity,
- * Utilizes on-the-ground experience of local groups and other donors, building upon existing agricultural practices and entrepreneurship;

- * Demonstrates sensitivity to and knowledge of the complex local cultural and linguistic norms, political structures and relationships in these areas;
- * Ability to provide or obtain co-financing for proposed activities.

Subsequent to the selection process, Mission involvement will include grant management, prior approval of subgrants, and monitoring of the technical and policy aspects of project activities. Technical involvement will include sharing Mission experiences in sustainable development and in proposed specific activities, such as village banking and microenterprise credit programs; assuring integration with the expansion of ongoing USAID/G-CAP projects into the Ixcan and Barillas; and adequate follow-up to mitigation measures and other decisions reached during the Programmatic Environmental Evaluation process. Policy involvement will be to assure support for implementation of the Peace Accords and developments in the peace process.

To avoid an irreversible commitment of resources prior to environmental assessment, all grant documents obligating funds for implementation of project activities shall contain a condition precedent to disbursement establishing that: the findings and mitigations of a Programmatic Environmental Assessment approved by the LAC Chief Environmental Officer, are to be incorporated into the project's design prior to implementation of activities. Findings and mitigations of the PEA shall be incorporated by amendment of the grants which obligate funds for the relevant activities.

The following U.S. and locally based NGOs have demonstrated an interest in and commitment to working in this area. This list is only illustrative of the number and diversity of institutions interested in working in the area and is not a list of those institutions the Mission will necessarily be supporting under this project.

1. International Rescue Committee (IRC)
2. Christian Children's Fund (CCF)
3. Cooperative for American Relief Everywhere (CARE)
4. Centre Canadien d' Etude et de Cooperation Internationale (CECI)
5. Catholic Relief Services (CRS)
6. Finca International
7. Cooperative Housing Foundation (CHF)
8. Fundacion para el Desarrollo Integral de Programas Socioeconomicos (FUNDAP)
9. Fundacion del Centavo (Penny Foundation)
10. Guild of Non-Traditional Exporters (GREMIAL)

11. ANACAFE
12. FAFIDESS
13. FENACOAC
14. FEDECOVERA
15. FEDECOAG
16. Cooperativa de Ahorro y Credito Santa Cruz
17. Empresa Campesina Asociativa "LORENA"
18. FAFIDESS
19. CDRO
20. Agencia de Desarrollo Economico Local (ADEL)
21. ACSMI (local health promoters association, Ixcán)
22. FUNTEC
23. Movimiento Guatemalteco de Reconstrucción Rural (MGRR)
24. Asociación IDEAS
25. CACIF - Fondo Privado para La Paz
26. CONGCOOP (Coordinación de Organizaciones No Gubernamentales y Cooperativas para el Acompañamiento de la Población Damnificada por el Conflicto Armado Interno)
27. SODER (Sociedad para el Desarrollo Rural)
28. Consejo de Organizaciones Mayas de Guatemala (COMG)
29. Consejo de Instituciones de Desarrollo (COINDE)
30. Asociación de Entidades de Desarrollo y de Servicio No Gubernamentales de Guatemala (ASINDES-ONG)

III. Definition of Success

A. Intended Results

The \$4.5 million Communities in Transition Project will contribute to the successful reintegration into community life of an increasing portion of the approximately 1,000,000 Guatemalans directly affected by the conflict. While the project is not so ambitious as to claim an impact on the root causes of poverty in Guatemala, the targeting of resources will, at least in the short-term, increase the earning potential and quality of life in targeted communities and contribute constructive solutions to deep-rooted development constraints in the country's most impoverished, violence-ridden area.

B. Monitoring and Evaluation

In addition to a formal evaluation to be contracted in the final year of project implementation, project management will continually monitor project progress against annual

action plans established in conjunction with the project counterparts, who will be held accountable for reaching project results. Quarterly reports from all project counterparts will document their activities and provide a summary of results during that quarter.

IV. Analysis of Feasibility, Key Assumptions and Related Risks

The purpose of this section is to provide the approving officer with a clear understanding of the issues examined during project development and the risks associated with the proposed project before authorization. Key risks to project success and sustained impact and conclusions reached during design are discussed below together with the proposed solutions.

The Peace Fund, which was created using prior year military assistance funds and will be augmented by \$400,000 from USAID/G-CAP's FY95 budget, was designed to support the negotiation and implementation of an accord to end the civil conflict in Guatemala. The Framework Agreement, which was signed between the GOG and the URNG in January 1994, called for the negotiation of up to ten separate accords on issues critical to a lasting peace by the end of 1994. During 1994, three accords were signed including those on human rights, resettlement of the uprooted and establishing a commission to clarify past human rights abuses. The negotiations broke down in late 1994, but resumed in early 1995. On March 31, a fourth accord on the indigenous peoples was signed. It is now clear that a global framework, including cease-fire, will probably not be in place in 1995, nor early in 1996.

Up until now, in hopes that the signing of the final accord was imminent, the USG position was to withhold assistance until there was a global framework in place, including cease-fire, between the parties. However, refugees and internally displaced persons are returning each day to formerly conflictive zones in Quiché and Huehuetenango. While sporadic violence continues in these areas, it has not deterred resettlement nor the active involvement of development agencies. All major bilateral donors, with the exception of the USG, are providing direct support for these areas in the context of the accords signed to date. In the last year several development assistance organizations, primarily U.S.-based PVOs, presented proposals to provide development assistance to Quiché and Huehuetenango. These included the International Rescue Committee (IRC), CECI of Canada, CARE, Catholic Relief Service (CRS). In addition, Guatemalan NGOs working in the Northern Tier departments consulted with USAID/G-CAP on possibilities for funding. In the light of this situation the U.S. Mission in Guatemala requested, and received, authorization to provide direct assistance for implementation of the already signed, and future, accords. However, the fact that active military operations for the army and the URNG are still ongoing places restrictions on working in some areas. Successful implementation of project activities will depend on the continued political will on the

part of both the GOG and the URNG to pursue to a successful completion the peace talks; the prompt negotiation of a cease-fire in the targeted areas; and the continued coordinated stance taken by the donors to ensure complementarity of activities, thus avoiding any duplication of efforts.

This Project is not specifically designed to leave behind on-going long-term activities, though in some cases (e.g., local credit funds) this will probably occur. However, the strengthening of community-level capacity will assist populations to develop and manage sustainable economic opportunities and social interventions in the absence of USAID funding. The groundwork laid by the rapid response activities financed through this Project will also help ensure the sustainability of initiatives financed by the GOG and other donors, and will facilitate the expansion of on-going USAID projects into the target communities. Due to limited resources, the Project will be geographically focused and will support innovative pilot projects that lead to greater employment and income generation and can serve as models of sustainable activities that could be funded in the future from other donor or national sources. The Mission will request proposals from U.S. and locally-based NGOs that have a demonstrated track record in these activities. While the lack of basic services and infrastructure is a major constraint, the level of interest demonstrated over the last year or so would indicate that the RFA will be receive a significant response. The ability to provide significant counterpart funding to leverage the limited USAID resources, will be one of the criteria rated during the proposal review process.

The conflicts between the different groups (refugees, internally displaced and existent population) in the targeted areas makes cooperation amongst communities (and sometimes within communities) difficult where cooperation is key to development. Compensatory development measures are urgently required to "equalize" this situation. The Project will provide assistance to the entire population, without distinction, in the targeted areas and will incorporate conflict resolution and organizational development as essential ingredients of the project approach. The manner in which these conflicts, including disputes over land titles, are resolved will to a certain degree determine the success of the proposed project interventions.

Several major constraints have been identified that constitute development challenges for the residents of these regions, especially where productive income-generating activities are concerned. These constraints include lack of all basic services, and especially personnel willing to live in the area and provide those services, together with limited transportation facilities and infrastructure. USAID's program in Guatemala is heavily targeted toward indigenous communities of the rural highlands. Many of these interventions are precisely the kinds of sustainable development activities required in northern Huehuetenango and Quiché, and those indicated in the Accord for the Resettlement of Uprooted Populations. To a large extent, the provision of these basic services and infrastructure will depend on the successful expansion of

on-going USAID/G-CAP projects into the target communities and the continuation of other donor activities. For example, the PACD of the Farm-to-Market Access Roads Project (520-0332) was recently extended for one year to permit, amongst other objectives, community road construction in the Ixcán area. The European Community is also financing road construction.

The project is located in an area of difficult climatic conditions. The tropical and subtropical ecosystems present evolved in the presence of from 4-6 meters of rainfall annually and extremely limited soil fertility. A Programmatic Environmental Assessment is warranted to determine viable on- and off-farm approaches and appropriate mitigation measures. Proposed activities which pass the screening criteria, to be determined by the Environmental Assessment, will be allowed to proceed according to best practices guidelines.

V. Financial Plan

A. USAID Resources

Up to \$4.6 million from the ESF Guatemala Peace Fund will be obligated in FY 1995. USAID/Guatemala will also obligate \$400,000 from its FY 1995 DA budget to augment the Peace Fund. In addition, USAID/G-CAP has requested \$3.31 million in DA funds for FY 1996 for the Peace Fund.

However, of the \$4.6 million in ESF for FY 95, \$1 million has been set aside for MINUGUA and \$750,000 for ICITAP, to be obligated through Washington-based mechanisms, not under this Project. \$250,000 will be reserved for follow-up activities to the Accord on Indigenous Peoples. In regard to the ICITAP component of the proposed program, the Department of State plans to carry out a review of the past and present ICITAP programs in Guatemala before a final decision is made to proceed. The \$1 million for MINUGUA includes a reserve of \$500,000 to support the Global Accord on Human Rights. Given the very difficult budgetary climate, it is unlikely that the Mission will receive the full amount, or a significant part, of the DA resources that are currently included within current FY 1996 planning levels. For all these reasons it is planned to authorize a LOP funding of \$4.5 million, with a certain obligation to this Project in FY 1995 of \$3 million (\$2.6 million from the ESF Peace Fund and \$400,000 from the Mission's DA OYB). The higher authorization level will give the Mission flexibility to fund additional NGO proposals if any of the set-aside uses cited above prove not to be feasible this FY.

B. Counterpart Resources

USAID funds will be used to leverage additional resources from public and non-

25

governmental organizations to support project activities. Mission calculations of counterpart will include contributions in cash and in-kind from project counterparts and from other institutions that will provide resources to support the implementation of project activities. Counterpart funding will be one of the criteria rated during the proposal review process.

Table 1
Total Funding from all Sources

Line Items	USAID	Counterpart	Total
Grants	4,340,000	1,500,000	5,840,000
Audits	100,000	-	100,000
Project Management	60,000	-	60,000
<u>Total Project Funding</u>	<u>4,500,000</u>	<u>1,500,000</u>	<u>6,000,000</u>

C. Expected Obligation Actions and Schedule

All grant and audit funds will be obligated into HB 13 agreements. The remaining project funding for project management will be reserved for direct obligation by the Mission. All funds, including fallouts from set-asides/reserves, are expected to be obligated in FY 1995.

D. Methods of Implementation and Financing

Table 2
Methods of Implementation and Financing

Activity/Method of Implementation	Method of Financing	Amount (\$000)
1. Productive income generating activities and audits ● HB 13 Agreement(s)	Federal Reserve Letter of Credit/ or Direct Reimbursement	4,440,000
2. Project Management ● USAID Direct Contract	Direct Payment	<u>60,000</u> <u>4,500,000</u>

VI. Management Procedures

A. Audits

Audits will be carried out in the U.S. under provisions of OMB A-133, the Single Audit Act, on any grants awarded to U.S. NGOs. No funds will need to be specifically set aside for these audits. Any sub-grantee or direct grantee receiving more than \$100,000 will be audited under the terms of the Recipient Contracted Audit Program and funds for such audits will be included in individual grants. If sub-grants are under \$100,000 per year no audit will be required and funds can be reprogrammed.

B. Project Management

It is assumed that the Communities in Transition Project will be managed by an FSNPSC project officer, under USDH supervision. The PSC's contract would be partially funded under another Mission project. In addition to monitoring project implementation, the project officer would also play a key role in disseminating information about project activities to project counterparts, the GOG, other donors and to USAID/W.

However, no final decision on project management will be made until after the proposals have been evaluated. It is expected that different grants could be managed out of different offices given that, following the reengineering mode, the peace process will continue to be a team effort, integrated into all Mission offices and coordinated out of the Front Office. Should the project management funds not be needed they would be folded back into the proposals.

C. Monitoring and Evaluation System

An evaluation will be contracted by the Mission in the final year of project implementation, using PD&S funds. In addition to this formal evaluation, project management will continually monitor project progress against annual action plans established in conjunction with the project counterparts, who will be held accountable for reaching project results. Quarterly reports from all project counterparts will document their activities and provide a summary of results during that quarter.

GUATEMALA - 1995

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance:

(A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. **Narcotics Certification**

(FAA Sec. 490): (This provision applies to assistance provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance relating to international narcotics control, disaster and refugee relief assistance, narcotics related assistance, or the provision of food (including the monetization of food) or medicine, and the provision of nonagricultural commodities under P.L. 480. This provision also does not apply to assistance for child survival and AIDS programs which can, under section 522 of the FY 1995 Appropriations Act, be made available notwithstanding any provision of law that restricts assistance to foreign countries, and programs identified in section 547 of that Act and other provisions of law that have similar notwithstanding authority.) If the recipient is a "major illicit drug producing country" (defined as a country in which during a year at least 1,000 hectares of illicit opium poppy is cultivated or harvested, or at least 1,000 hectares of illicit coca is cultivated or harvested, or at least 5,000 hectares of illicit cannabis is cultivated or harvested) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) has the President in the March 1 International Narcotics Control Strategy Report (INCSR) determined and certified to the Congress (without Congressional enactment, within 30 calendar days, of a resolution disapproving such a certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or that (b) the vital national interests of the United States require the provision of such assistance?

The President is expected to positively certify Guatemala in the INCSR due March 1995.

(2) with regard to a major illicit drug producing or drug-transit country for which the President has not certified on March 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such certification) that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there has been a fundamental change in the conditions that were the reason why the President had not made a "fully cooperating" certification.

Not applicable.

2. Indebtedness to U.S. citizens (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

No.

3. Seizure of U.S. Property (Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, Sec. 527): If assistance is to a government, has it (including any government agencies or instrumentalities) taken any action on or after January 1, 1956 which has the effect of

No.

nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without (during the period specified in subsection (c) of this section) either returning the property, providing adequate and effective compensation for the property, offering a domestic procedure providing prompt, adequate, and effective compensation for the property, or submitting the dispute to international arbitration? If the actions of the government would otherwise prohibit assistance, has the President waived this prohibition and so notified Congress that it was in the national interest to do so?

4. Communist and other countries (FAA Secs. 620(a), 620(f), 620D; FY 1995 Appropriations Act Secs. 507, 523): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided directly to Cuba, Iraq, Libya, North Korea, Iran, Serbia, Sudan or Syria? Will assistance be provided indirectly to Cuba, Iraq, Libya, Iran, Syria, North Korea, or the People's Republic of China? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

No, the recipient country is not a communist country.

5. Mob Action (FAA Sec. 620(j)): Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?

No.

6. OPIC Investment Guaranty (FAA Sec. 620(l)): Has the country failed to

No.

enter into an investment guaranty agreement with OPIC?

7. **Seizure of U.S. Fishing Vessels** (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

No.

8. **Loan Default** (FAA Sec. 620(q); FY 1995 Appropriations Act Sec. 512 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1995 Appropriations Act appropriates funds?

(a) Yes, the Government of Guatemala has been in violation of 620(q), but the payments required to comply with 620(q) provisions have been periodically made. No new obligations of USAID resources will be made while the GOG is in a violation status.
(b) No.

9. **Military Equipment** (FAA Sec. 620(s)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

Yes, taken into consideration by the Administrator at the time of approval of the 1995. OYB.

10. **Diplomatic Relations with U.S.** (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No.

11. **U.N. Obligations** (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the

Guatemala is in arrears on the payment of obligations to the U.N. Guatemala's arrearages,

country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

both in general and for the purposes of Article 19 of the U.N. Charter were taken into account by the Administrator at the time of approval of the FY1995 OYB.

12. International Terrorism

a. **Sanctuary and support** (FY 1995 Appropriations Act Sec. 529; FAA Sec. 620A): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

No.

b. **Airport Security** (ISDCA of 1985 Sec. 552(b)): Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

No.

c. **Compliance with UN Sanctions** (FY 1995 Appropriations Act Sec. 538): Is assistance being provided to a country not in compliance with UN sanctions against Iraq, Serbia, or Montenegro and, if so, has the President made the necessary determinations to allow assistance to be provided?

No.

13. **Countries that Export Lethal Military Equipment** (FY 1995 Appropriations Act Sec. 563): Is assistance being made available to a government which provides lethal military equipment to a country the government of which the Secretary of State has determined is a terrorist government for purposes of section 40(d) of the Arms Export Control Act?

No.

14. **Discrimination** (FAA Sec. 666(b)): Does the country object, on the basis of race, religion, national origin

No.

or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

15. **Nuclear Technology (Arms Export Control Act Secs. 101, 102):** Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E(d) permits a special waiver of Sec. 101 for Pakistan.)

No.

16. **Algiers Meeting (ISDCA of 1981, Sec. 720):** Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

No, Guatemala did not become a member of NAM until 1982.

17. **Military Coup (FY 1995 Appropriations Act Sec. 508):** Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

No.

18. **Exploitation of Children (FAA Sec. 116(b)):** Does the recipient government fail to take appropriate and adequate measures, within its means, to

No.

protect children from exploitation, abuse or forced conscription into military or paramilitary services?

19. **Parking Fines (FY 1995 Appropriations Act Sec. 564):** Has the overall assistance allocation of funds for a country taken into account the requirements of this section to reduce assistance by 110 percent of the amount of unpaid parking fines owed to the District of Columbia as of August 23, 1994?

FY 1995 obligations will be reduced by 110% of the amount of any unpaid parking fines owed to the District of Columbia as of August 23, 1994.

COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")

Human Rights Violations (FAA Sec. 116): Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No.

COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")

Human Rights Violations (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

No.

LAC/CEN:CMango/chklist.gua/1/11/95:7-9967

Clearances:

LAC/CEN:Kellis	<u>C Ellis</u>	Date:	<u>3 Feb 95</u>
LAC/SAM:TKellerman	<u>[Signature]</u>	Date:	<u>2/3/95</u>
LAC/SPM:DLaudis	<u>[Signature]</u>	Date:	<u>2/7/95</u>
LAC/DPB:EZallman	<u>[Signature]</u>	Date:	<u>2/7/95</u>
LAC/GC:AAdams	<u>S Adams</u>	Date:	<u>2/17/95</u>
ARA/CEN:PWillingham	<u>[Signature]</u>	Date:	<u>4/12/95</u>
State/IO/S/B:DLeis	<u>[Signature]</u>	Date:	<u>[Signature]</u>
State/INM/P:Bryson	<u>[Signature]</u>	Date:	<u>1/12/95</u>
State/HA//BA:MCurtain	<u>MC</u>	Date:	<u>1/12/95</u>
State/M/OFM/VTC:SLamonica	<u>[Signature]</u>	Date:	<u>2/4/95</u>

**COMMUNITIES IN TRANSITION PROJECT
(520-0413)**

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

Yes, See Annex A

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture,

N/A. This project is seen as a short-term, geographically focused, immediate impact initiative. It will focus on support for activities which generate on- and off-farm employment and income in response to the critical need to provide a sustainable living environment and a secure livelihood for the inhabitants in Guatemala's formerly conflictive areas.

and commerce; and (f) strengthen free labor unions.

2. U.S. Private Trade and Investment (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

N/A

3. Congressional Notification

a. General requirement (FY 1995 Appropriations Act Sec. 515; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

Proper notification has been provided to Congress.

b. Special notification requirement (FY 1995 Appropriations Act Sec. 520): Are all activities proposed for obligation subject to prior congressional notification?

N/A

c. Notice of account transfer (FY 1995 Appropriations Act Sec. 509): If funds are being obligated under an appropriation account to which they were not

The ESF Guatemala Peace Fund was created from prior year military assistance funds. Congress was notified by memorandum in September 1994 at the time of the transfer.

appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

c. Cash transfers and nonproject sector assistance (FY 1995 Appropriations Act Sec. 536(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

N/A

4. Engineering and Financial Plans (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes

Yes

5. Legislative Action (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

N/A

6. Water Resources (FAA Sec. 611(b)): If project is for water or water-related land resource

N/A

construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)?

7 . **C a s h**
Transfer/Nonproject Sector
Assistance Requirements (FY 1995
Appropriations Act Sec. 536). If
assistance is in the form of a cash
transfer or nonproject sector
assistance:

N/A

a. Separate account:

Are all such cash payments to be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

b. Local currencies:

If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

(1) Has A.I.D.

(a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of

A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) I f assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)):

Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

See item (1) above

10. U.S. Private Trade (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

N/A

11. Local Currencies

a. Recipient Contributions (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

Local contributions in support of this project will be in-kind and/or in local currencies. Counterpart funding will be one of the criteria rated during the proposal review process.

b. U.S.-Owned Currency (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

N/A

12. Trade Restrictions

a. **Surplus Commodities** (FY 1995 Appropriations Act Sec. 513(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

N/A

b. **Textiles (Lautenberg Amendment)** (FY 1995 Appropriations Act Sec. 513(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

No.

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)(as referenced in section

532(d) of the FY 1993 Appropriations Act): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No.

14. PVO Assistance

a. **Auditing and registration** (FY 1995 Appropriations Act Sec. 560): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

Yes

b. **Funding sources** (FY 1995 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

Yes

15. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into

N/A

force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

16. Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes, to the extent practicable.

17. Abortions (FAA Sec. 104(f); FY 1995 Appropriations Act, Title II, under heading "Population, DA," and Sec. 518):

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? (Note that the term "motivate" does not include the provision, consistent with local law, of information or counseling about all pregnancy options including abortion.)

No.

b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

No.

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

No.

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? (As a legal matter, DA only.)

No.

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? (As a

N/A.

legal matter, DA only.)

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

No.

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

No.

18. **Cooperatives** (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

N/A

19. **U.S.-Owned Foreign Currencies**

a. **Use of currencies** (FAA Secs. 612(b), 636(h); FY 1995 Appropriations Act Secs. 503, 505): Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

N/A

b. **Release of currencies** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made

N/A

for its release?

20. **Procurement**

a. **Small business**
(FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes

b. **U.S. procurement**
(FAA Sec. 604(a)): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section? Yes

c. **Marine insurance**
(FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? Yes

d. **Insurance** (FY 1995 Appropriations Act Sec. 531): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. insurance companies have a fair opportunity to bid for insurance when such insurance is necessary or appropriate? Yes

e. **Non-U.S. agricultural procurement** (FAA Sec. 604(e)): If non-U.S. procurement of agricultural

commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

N/A

f. **Construction or engineering services** (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

N/A

g. **Cargo preference shipping** (FAA Sec. 603): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

No

h. **Technical assistance** (FAA Sec. 621(a)): If

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technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Yes.

N/A

i. U.S. air carriers
(International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes

j. Consulting services
(FY 1995 Appropriations Act Sec. 559): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

Yes

k. Metric conversion
(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or

Yes, to the extent practicable.

loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

1. **Competitive Selection Procedures** (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes, an RFA will be issued.

m. **Notice Requirement** (FY 1995 Appropriations Act Sec. 568): Will project agreements or contracts contain notice consistent with FAA section 604(a) and with the sense of Congress that to the greatest extent practicable equipment and products purchased with appropriated funds should be American-made?

Yes

21. **Construction**

a. **Capital project** (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services

N/A

be used?

b. **Construction contract** (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A

c. **Large projects, Congressional approval** (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress? N/A

22. **U.S. Audit Rights** (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A

23. **Communist Assistance** (FAA Sec. 620(h)). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? N/A

24. **Narcotics**

a. **Cash reimbursements** (FAA Sec. 483): Will arrangements preclude use of

financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes

b. **Assistance to narcotics traffickers** (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? Yes

25. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes

26. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes

27. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? Yes

28. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

Yes

29. **Export of Nuclear Resources** (FY 1995 Appropriations Act Sec. 506): Will assistance preclude use of financing to finance--except for purposes of nuclear safety--the export of nuclear equipment, fuel, or technology?

Yes

30. **Publicity or Propaganda** (FY 1995 Appropriations Act Sec. 554): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress?

No

31. **Exchange for Prohibited Act** (FY 1995 Appropriations Act Sec. 533): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

No

32. Commitment of Funds
(FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement?

No

33. Impact on U.S. Jobs
(FY 1995 Appropriations Act, Sec. 545):

a. Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business?

No

b. Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.?

No

c. Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country, or will assistance be for the informal sector, micro or small-scale enterprise, or smallholder agriculture?

No

B. CRITERIA APPLICABLE TO
DEVELOPMENT ASSISTANCE
ONLY

1. **Agricultural Exports (Bumpers Amendment)** (FY 1995 Appropriations Act Sec. 513(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N/A

2. **Tied Aid Credits** (FY 1995 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?

No

3. **Appropriate Technology** (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most

Yes, the project places emphasis on innovative strategies for generating on- and off-farm employment and income for maximum impact on the rural poor.

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appropriate for the small farms, small businesses, and small incomes of the poor)?

4. Indigenous Needs and Resources (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

5. Economic Development (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

6. Special Development Emphases (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of

The project has been designed based on the critical need identified in the Accord for the Resettlement of Uprooted Populations to provide a sustainable living environment and a secure livelihood for the inhabitants in Guatemala's formerly conflictive areas. The approach adopted incorporates conflict resolution and organizational development.

This project is "a target of opportunity", designed primarily to respond to the short-term immediate needs of resettlement communities. Through coordination with the Mission's systemic interventions and other donors, it is expected that this project will form a bridge to broader sustainable development efforts.

(a) The project will focus on innovative strategies for generating on- and off-farm employment and income for the rural poor in the formerly conflictive areas of Ixcán and Barillas.

(b) Conflict resolution and organizational development will be essential ingredients of the project approach.

(c) The project responds to a critical need identified in the Accord for the Resettlement of Uprooted Populations, signed between the GOG and the URNG.

(d) The project will assist all the inhabitants in the targeted areas. The off-farm activities being proposed, such as village banking and microenterprise credit programs, have

developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

traditionally been heavily focused on women.
(e) N/A

7. Recipient Country Contribution (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Yes

8. Benefit to Poor Majority (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes, the direct beneficiaries of the project are the rural poor in the formerly conflictive zones.

9. Contract Awards (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

10. Disadvantaged Enterprises (FY 1995 Appropriations Act Sec. 555): What portion of the funds will be available only for activities of economically and socially disadvantaged

Although funds will not be specifically set aside for participation of these enterprises, the technical assistance and other contracts

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enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

will be competitively bid for, allowing for participation of economically disadvantaged firms.

11. Biological Diversity (FAA Sec. 119(g): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? (Note new special authority for biodiversity activities contained in section 547(b) of the FY 1995 Appropriations Act.)

The project focuses on increased income generation through ecologically sound activities, taking into account the area's fragile ecosystem. A Programmatic Environmental Assessment will be performed prior to implementation. No activities will take place within designated protected areas.

12. Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act):

a. A.I.D. Regulation

16: Does the assistance comply with

Yes, a programmatic environmental

the environmental procedures set forth in A.I.D. Regulation 16?

b. **Conservation:**

Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by

assessment is warranted pursuant to 22CFR regulations 216, and FAA 118 and 119.

Yes, the Programmatic Environmental Assessment will propose screening criteria and best practices guidelines. Preliminary screening criteria will be included in the RFA and applied to all proposals submitted under the project. The criteria will include such issues as the use of pesticides, the environmental sustainability of proposed activities and other concerns that address soil erosion, soil fertility and the climatic conditions. Proposed activities which pass the screening criteria will be allowed to proceed according to best practices guidelines.

supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c . **F o r e s t**

degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such

No, a Programatic Environmental Assessment will be performed prior to implementation of project activities.
See 12(b) above.

areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

N/A; the project is geographically focused on the formerly conflictive areas of Ixcán and Barillas.

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

Yes, See 12(a) and (b) above.

13. **Energy** (FY 1991 Appropriations Act Sec. 533(c) as

referenced in section 532(d) of the FY 1993 Appropriations Act): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

N/A

14. **Debt-for-Nature Exchange** (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

15. **Deobligation/-Reobligation** (FY 1995 Appropriations Act Sec. 510): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

16. Loans

N/A

a. **Repayment capacity** (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

b. **Long-range plans** (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

c. **Interest rate** (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d. **Exports to United States** (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

17. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access

- (1) See 6 (a)
- (2) See 6 (b)

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to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

- (3) See 6 (c)
- (4) See 6 (d)
- (5) See 6 (e)

18. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

The project focus includes activities to generate on-farm employment and income for the rural poor in the formerly conflictive areas of Ixcán and Barillas.

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b. Nutrition:

Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

N/A

c. Food security:

Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

N/A

19. Population and Health

(FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to

N/A

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the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

20. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

N/A

21. Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

N/A

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of

energy production; and facilitative of

research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

22. Capital Projects (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital project,

N/A

is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?

C. **CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY**

1. Economic and Political Stability (FAA Sec. 531(a)): Will this assistance promote economic and political stability?

To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

The political imperative of supporting the peace process and the need to provide bridge support between the signing of an accord and the expansion of normal government and non-governmental services to the project's target areas makes this initiative crucial to U.S. foreign policy and humanitarian interests in Guatemala.

2. Military Purposes (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes?

No

3. Commodity Grants/Separate Accounts (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1995, this provision is superseded by the separate account requirements of FY 1995 Appropriations Act Sec. 536(a), see Sec. 536(a)(5).)

N/A

4. Generation and Use of Local Currencies (FAA Sec. 531(d)): Will ESF funds made available for commodity import

N/A

programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1995, this provision is superseded by the separate account requirements of FY 1995 Appropriations Act Sec. 536(a), see Sec. 536(a)(5).)

5. **Capital Projects** (Jobs Through Exports Act of 1992, Sec. 306): If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided. (Please note the definition of "capital project" contained in section 595 of the FY 1993 Appropriations Act. Note, as well, that although a comparable provision does not appear in the FY 94 Appropriations Act, the FY 93 provision applies to, among other things, 2-year ESF funds which could be obligated in FY 94.)

N/A

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U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

LAC-IEE-95-22

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Guatemala
Project Title : Communities in Transition
Project Number : 520-0413
Funding : \$4,500,000
Life of Project : FY 95 - FY 99
IEE Prepared by : Thomas H. Pierce, ENR
USAID/Guatemala
Recommended Threshold Decision: Positive Determination/
Categorical Exclusion
Bureau Threshold Decision : Concur with Recommendation

Comments:

A Positive Determination is issued for this project since it will have a significant effect on the environment. Since specific activities are as yet undefined, a Programmatic Environmental Assessment (PEA) shall be conducted to help define activities and mitigation measures. The PEA shall develop guidelines by which the Mission Environmental Officer (MEO) can evaluate proposals received under this project. The PEA and the guidelines developed during the PEA process will: (1) provide mitigation measures that may be applied to minimize impacts of proposed activities; and (2) serve as a screen to determine the types of activities that will require further site-specific EA documentation.

To avoid an irreversible commitment of resources prior to environmental assessment (22 CFR 216.3(a)(7)), the Project Authorization and all grant or contract documents obligating funds for implementation of project activities shall contain a condition precedent to disbursement establishing that: except for those activities qualifying for categorical exclusions as determined in this ETD, the findings and mitigations of a Programmatic Environmental Assessment approved by the LAC Chief Environmental Officer (CEO), are to be incorporated into the project's design prior to implementation of activities. Findings and mitigations of the PEA shall be incorporated by amendment of

**ENVIRONMENTAL THRESHOLD
DECISION (cont'd.)****LAC-IEE-95-22**

the grants or contracts which obligate funds for the relevant activities.

Under 22 CFR 216.2(c)(2)(x), "support for intermediate credit institutions when the objective is to assist in the capitalization of the institution or part thereof and when such support does not involve reservation of the right to review and approve individual loans made by the institution" is categorically excluded from further environmental review. Activities involving village banking and credit programs that conform to this categorical exclusion, will not require additional documentation beyond this IEE. If the mission will retain the right to review and approve individual loans, this categorical exclusion does not apply. For activities that are categorically excluded, funds shall not be used to support timber extraction, significant deforestation, nor the procurement of equipment that could lead to deforestation, without an Environmental Assessment approved by the LAC CEO. Funds shall also not be used for the procurement nor use of pesticides without an Environmental Assessment approved by the LAC CEO. These conditions shall be placed in agreements with intermediate credit institutions.

A Scope of Work (SoW) for the PEA shall be submitted to the LAC Chief Environmental Officer (CEO) for approval prior to conducting the PEA. To the extent possible, Scoping Exercise and PEA shall be a participatory process, involving all parties with a stake in the region and the activities that may be implemented.


Date 5/26/95
Jeffrey J. Brokaw
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

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