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Guatemala Country Plan



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USAID STRATEGY FOR CENTRAL AMERICA AND MEXICO: COUNTRY PLAN FOR GUATEMALA, 2004-2008

PROLOGUE

We submit this Country Plan at an important juncture in Guatemala's history and our long-standing cooperation relationship with this fragile democracy. Since the initiation of U.S. assistance in Guatemala in the late 1950's, this bountiful but troubled country -- Central America's largest -- has suffered, as has much of Central America, from military coups, dictatorships, guerilla insurrection, retaliatory massacres, economic turmoil, and instability. A lack of justice and progressive political leadership, crime, corruption and militarism, racially-rooted poverty and malnutrition, and an enormous divide between the Mayan majority and a small, but wealthy *ladino* (non-indigenous) elite remain debilitating legacies of a conflictive history.

Yet, in spite of Guatemala's continuing problems, U.S. assistance programs have made a difference in the well-being of tens of thousands of its poor, helped build institutions important to future development programs, introduced economically-significant innovation, and protected valuable natural resources. For example, USAID's substantial and long-standing support for child survival and reproductive health has contributed to improvements in nearly all key health indicators since 1987: infant mortality has been halved, total fertility rates have declined 20% (although still high at 4.4); and contraceptive prevalence is up due to the efforts of USAID-founded organizations like APROFAM. Primary school enrollment has increased and community managed school programs are growing. Over the past decade we have helped Guatemalans make the difficult transition from war to peace and redress human rights abuses of the past through exhumations, a new criminal justice procedure, and a new Ombudsman's Office. Recent laws are decentralizing government and USAID support has been instrumental to the development of an active civil society. USAID has helped pioneer new markets and form a strong export association (AGEXPRONT) as well as dozens of microenterprise organizations. USAID has also helped communities administer their own certified forest concessions, increasing family incomes while supporting conservation.

Most importantly, democratic forces in Guatemala supported by U.S. and other donor efforts have brought peace, an elected civilian government, and more awareness of the rule of law and the need to respect the rights of indigenous peoples. The private sector was able to take advantage of Guatemala's rich resource base and global growth to expand exports in the 1990s. Improved infrastructure, privatization, a more open economy and preferential access to U.S. markets brought investment and modest GDP growth, resulting in the development of commercial centers and thousands of new small businesses and jobs, all of which provided opportunities despite the continuing high population growth rate. Most recently, the government has taken some bold steps on fiscal reform, decentralization, maternal health care and education reforms. Emigration and remittances have also contributed to this economic growth. These achievements are not insubstantial in a region historically torn by poverty, injustice, oligarchy, political and economic turmoil, and natural disasters.

Notwithstanding, and at times because of these changes, Guatemala is at a particularly perilous juncture in its political and economic development and the country is teetering between two futures. "Guatemala is at a difficult crossroads... Political parties are weak, civil society is divided, and government institutions lack both capacity and the political will necessary to deepen the process of democratic reform. The result is growing popular frustration, increased political

fragmentation, and renewed polarization.”¹ Tensions have increased socio-political polarization along the existing fractures in society. Guatemala has both the potential to become an important, thriving Central American partner of the United States, or equally possibly, to become a lawless, fractured and failing state near to U.S. borders that continues to fuel illegal immigration, drug trafficking and other illicit activities. The 2003 elections reflect this and the concerns of Guatemalans about whether the promises of peace will be fulfilled or further dashed. If unresolved through representative and fair political and legal institutions and broader-based economic growth, Guatemala’s problems will fester as sources of new crisis and conflict.

U.S. foreign policy is responding to these challenges and potential for crisis by actively supporting a fair and free electoral process, increased protection of human rights, and a more aggressive policy effort on narcotics trafficking and accountability measures. The U.S. Mission has determined that “USG interests are served by assisting implementation of the Peace Accords, especially indigenous participation and social sector improvements, strengthening Guatemala’s democratic institutions and the rule of law, and encouraging the growth of a competitive market economy. Without USG engagement on these issues, political instability, out-migration to the U.S., and the influence of transnational crime would grow in Guatemala.”² Making every effort to ensure the legitimacy of the current electoral process is a particular challenge. Furthermore, the negotiation of a regional free trade agreement, CAFTA, promises growth through increased intra-regional trade. USAID’s new strategy must likewise respond to these challenges in support of U.S. foreign policy to get Guatemala – in the words of the current U.S. Ambassador to Guatemala -- “...back on the path of democratic growth.”

USAID’s new Regional Strategy and Country Plan for Guatemala supports U.S. foreign policy to address this challenge, through a “social capital” approach -- building on the gains, however incomplete, of the peace process, concentrating on building just, representative governance, increasing rural economic diversification and growth, and improving investment in health and education with cross-cutting emphases on youth, anticorruption, and food security, and a crisis response modifier. The achievement of these objectives will help Guatemala fulfill its potential as Central America’s largest economy and trading partner of the United States.

In this Country Plan, USAID/G-CAP also strives to maximize the impact of reduced funding levels by increased leveraging of our assistance through alliances and “higher impact” arrangements, and by streamlining internal operations. A special internal streamlining initiative and operations team will advance these two over-arching objectives.

¹ P. 53. Rachel Sieder, Megan Thomas, George Vickers and Jack Spence, Who Governs? Guatemala Five Years After the Peace Accords. (January 2002) Cambridge, MA: Hemisphere Initiatives.

²Details in MPP

GUATEMALA COUNTRY PLAN

I. RATIONALE FOR ASSISTANCE AND SUMMARY OF THE ASSISTANCE ENVIRONMENT

A. Summary of Country Plan and Relationship to CAM Regional Strategy. The proposed Guatemala Country Plan builds on USAID experience and supports the three objectives of the Central America and Mexico (CAM) Regional Strategy: more responsive, transparent governance; diversified, expanding economies; and healthier, better educated people. Despite the enormous development needs and challenges, significantly reduced levels for Guatemala necessitate a narrower programmatic focus than prior strategies and not every Intermediate Result (IR) under each CAM Strategic Objective (SO) can be included in this Country Plan. As mandated by the Agency and consistent with the CAM Regional Strategy, the Guatemala Plan includes discussion of the circumstances that could lead us to shift resources in response to a crisis. New management approaches, including the use of cross-cutting teams to improve food security for at-risk Guatemalans, promote greater accountability and transparency in public budgeting and spending, and to streamline and improve Mission operations will accompany the more tightened programmatic focus as we strive to have greater impact with fewer human and financial resources than in the past decade. To enhance the impact of our reduced resources, as part of our Operations Team and through every SO we will endeavor to leverage at least a one-to-one match from private sector and other partners for each dollar of appropriated resources. And special emphasis will be given throughout the strategy to youth (especially through university scholarships for young indigenous adults) and conflict prevention.

B. U.S. Foreign Policy Interests and Goals. The Administration's goal of negotiating a Central America Free Trade Agreement (CAFTA) underscores the increasing linkages between Guatemala and the United States, and provides an incentive and urgency to addressing pressing development challenges. On the positive side of the ledger, the United States is Guatemala's most important trading partner, accounting for 36% of its exports and providing 40% of its imports,² and remittances from Guatemalans in the United States have also become one of the leading sources of foreign exchange.³ Currently classified as a non-cooperating country under the Financial Action Task Force Criteria (vulnerability to money-laundering), Guatemala has made substantial progress in all areas and could be found to be fully compliant as early as the next Financial Action Task Force meeting in February 2004. Following de-certification in 2002 for failing to cooperate fully to combat narco-trafficking, Guatemala made significant efforts during 2003 and was re-certified in September 2003. While cooperation to combat drug trafficking has improved significantly, Guatemala remains the region's main transit point for illegal migrants and narcotics en route to the United States.

The U.S. Mission's strategy is "to move Guatemala into a position where its democracy is stable and more representative; where fiscal transparency convinces voters that their tax money is going to provide needed services; where the rule of law is strengthened to such a point that Guatemalans and foreigners alike invest in the country and transnational criminals are discouraged from operating in Guatemala; where human rights are fully respected; and where markets are open and provide growing employment and prosperity." The U.S. Mission's 2005 Mission Performance Plan establishes goals in five areas of U.S. interests, prioritized as follows: 1) Consolidate democratic systems, values and practices, 2) Law enforcement and judicial institutions; 3) A more competitive and open economy; 4) Stable, secure regional partners; and

²U.S. exports were valued at \$1.9 billion in 2001, while imports were valued at \$2.6 billion.

³ \$1.6 billion was sent in 2002 -- principally from the United States.

5) Crisis mitigation and preparedness. This Country Plan contributes substantially to these goals.

C. Overview of Country Needs and Development Challenges. With the largest population (12 million) and economy (\$23.3 billion GDP) in Central America, Guatemala would be the largest regional partner in CAFTA. However, it is still struggling with the fissures, diversity, and economic inequities that spawned the 36-years of civil conflict between the 1960's and 90's, with the third most unequal distribution of income in the world. Despite a 2001 per capita income of \$1,680, its lower-middle income classification is deceiving, masking extreme inequalities between urban, largely *ladino* and rural, indigenous populations. Although poverty has fallen over the past decade, over half (56%) of its population continues to live in poverty, and over a third in extreme poverty. Guatemala ranks among the worst in the region for life expectancy, infant mortality, maternal mortality, and chronic malnutrition among children under five years of age, and lags behind other countries in the hemisphere in terms of educational access, social investment and literacy.

Guatemala's complex topography and cultural and linguistic diversity are both a handicap and a blessing. They complicate the expansion of basic education and health services and essential infrastructure, and contribute to extremely low rates of labor productivity. Agriculture, which employs the majority of the poor, has been a mainstay of the economy but has been particularly hard hit by the combined effects of the worldwide economic downturn and the lowest coffee prices in 30 years. Since 2000, the coffee crisis has caused the loss of over 190,000 Guatemalan jobs, or the equivalent of U.S. \$62 million in lost wages. While some new agro-based and manufactured exports have been established, the rural economy remains overly dependent on exports of basic commodities. However, its cultural variety and unique biodiversity offer considerable potential for growth.

Although 15 years have passed since the return to democratic rule, Guatemala's democracy and key institutions (e.g., the Congress, judicial system, and local governments) remain fragile and generally influenced by private interests. Politics are personalized and polarized. Common crime is rampant, impunity widespread and corruption endemic, fueled by organized crime, money laundering, and drug and alien smuggling. And, while progress has been made in implementing many of the 1996 Peace Accord commitments, the pace of reform has faltered the past two years. Citizens optimistic less than a decade ago about the prosperity that peace offered are decidedly more pessimistic about their income and safety. Citizen discontent is growing, and mass protests, closing of roads and acts of vigilante justice during the last year are a worrisome reminder of past practices and an urgent call for a renewed response.

D. Role of Donors in Guatemala. Overall development assistance to Guatemala in 2002 totaled about \$968.0 million, excluding debt relief. The United States and Japan have historically been Guatemala's first and second largest bilateral partners, respectively. Other major bilateral donors (listed in order of program size) and their principal areas of focus include Germany (education), Canada (rural development, health, and education), and the Netherlands (general democracy and indigenous rights, Peace Accords implementation and the environment). Multilateral donors (listed in order of program size) include the Inter-American Development Bank (infrastructure, social sectors, and financial reform); the World Bank (financial reform and physical infrastructure); the Central American Bank of Economic Integration (infrastructure); the European Union (Peace Accords implementation and decentralization); and the United Nations system/agencies, including the World Food Program, the United Nations Development Program, the United Nations Children's Fund, the Pan American Health Organization, and others. USAID has been successful in encouraging other donors to build upon its innovative programs in

education and health, and has played a key role in the Consultative Group of donors for Guatemala.

E. Proposed Country Plan. Significantly reduced funding levels for Guatemala have forced us to develop a more narrowly focused Country Plan than the country's broad development needs would otherwise have called for. This focused approach required us to make some difficult choices, including the decision not to pursue fully or at all some of the critically important **Rs** under the Expanded Economy (SO2) and Health and Education (SO3) SOs. In other areas where problems are less pronounced (e.g., HIV/AIDS in Guatemala) or where a regional approach is more appropriate (e.g., watershed management), we are counting on the continued support of Central America regional programs to address development problems.

The 2004–2008 Country Plan for Guatemala focuses on just, accountable governance, economic expansion, and investing in people through primary education and health. The Governance SO includes IRs for: 1) Strengthened rule of law, and 2) Greater transparency and accountability of governments. The Economy SO will focus principally on IR 2) More competitive, market-oriented private enterprises; funding for IRs 1 and 3 (Laws, policies, and regulations that promote trade and investment; and Broader access to financial markets and services, respectively) will only be available during FY 04 and so support for these will terminate after the first year. No funding is available for CAM Strategy IR 4, which is focused on conservation and sound management of key watersheds, and we again will rely on regional environment programs to help address this challenge for Guatemala. Finally, the Health and Education SO includes IRs for: 1) Increased and improved social sector investments and transparency, and 2) Improved integrated management of child and reproductive health. Our education funding is limited and so we have chosen to focus on improving educational investments and policies (IR 1) over direct work on educational quality (IR 2). And, as mentioned above, the HIV/AIDS problem in Guatemala will be addressed through the regional HIV/AIDS program. Finally, USAID/G-CAP will be implementing cross-cutting themes to improve food security, accountability and transparency in public spending, and Mission operational efficiency and effectiveness. This Results Framework, along with the special, “stand-by” emergency assistance objective, the innovative management approaches and cross-cutting themes, is designed to address Guatemala’s needs in support of the goals established for the overall CAM Regional Strategy.

Under this strategy, the PL480 Title II program takes on paramount importance through effective integration with Development Assistance resources for achieving the cross-cutting objective of Improved Food Security for At-risk Guatemalans. Each SO will incorporate IR level indicators and targets that directly contribute to this food security goal. The basic premise is that at the end of the strategy period, municipal governments will play a stronger and more effective role in directing resources toward their at-risk populations; mothers will possess the knowledge to better maintain their own nutritional status and that of their children under 2 years of age; and that families in food insecure areas will have diversified their income by engaging in higher value market production and improved infrastructure that reduces marketing and other transaction costs.

II. STRATEGIC OBJECTIVES AND INTERMEDIATE RESULTS

SO 1: MORE RESPONSIVE, TRANSPARENT GOVERNANCE

A. Development Challenge. Surveys of political culture reveal that Guatemalans have little confidence in the institutions and processes of democratic governance, largely because they see little positive impact from them on their own lives. They see major decisions and resources manipulated for personal gain by those in power and fail to see how their own political participation can alter this situation. At the same time, they see evidence of state failure all around them. A functioning rule of law is not present to constrain the primary drivers of conflict in Guatemala: crime, local land conflicts, ethnic discrimination, and lack of access to employment and resources. Human rights issues with roots in the internal conflict continue to emerge.

Democratic government is not yet effective in “delivering the goods” – public safety, law and order, reasonable justice, social services, and economic growth. Current political leaders and institutions generally represent narrow interests and have been incapable of addressing the critical problems facing Guatemala. Despite a major fiscal reform passed in 2001, Guatemala’s national budget and tax base remains a serious constraint. At less than 10% of GDP, tax revenues are insufficient to meet even the most critical development needs for primary health and education and to support crucial institutional strengthening needs of the justice sector and Human Rights Ombudsman. Additional tax measures, as well as improved compliance/enforcement are needed, yet frequent revelations of corruption and intimidation with no effective action to punish those responsible or prevent similar occurrences in the future, have eroded citizen confidence, and support for measures agreed to reach 12% of GDP as a target has waned. Lawlessness is growing, as the justice sector struggles to deal with mounting case workloads, funding constraints, and institutional weaknesses, especially of police and prosecution.

B. Development Hypothesis/Proposed Program. Improving the rule of law is a strategic priority in Guatemala if we are to be successful in creating the foundation of economic, social and political development. Given survey data that shows this as a primary concern, progress in this area is also important to demonstrate that democracy can deliver on this basic social contract. An improved rule of law will lay the groundwork for progress on other key elements of democracy in the future, including improved human rights protections. It is also essential to mitigating the potential for conflict, as documented in the Conflict Vulnerability Assessment.

Demonstrating that democratic government can have positive impact on people’s lives leads to a focus on basic governance and efforts to build confidence in institutions. The starting point is at the local level, building on the finding that municipal governments generate a higher level of confidence among Guatemalans than any other government institution. With the passage of three important new decentralization laws, which USAID played a role in shaping (Municipal Code, Development Councils Law and Decentralization Law); Guatemala has a new and innovative legal framework for greater responsiveness to citizens’ needs through local government. Resources must now be mobilized to put the new laws into effect.

Building confidence in democratic government also requires a concerted effort to address the problem of rampant corruption. The systemic nature of the problem, affecting every body of government including municipalities, precludes an easy solution and suggests an important role for USAID in partnership with other donors and civil society in improving transparency and accountability. This will be a central part of an ongoing policy dialogue with the Government of

Guatemala, where the USG will provide leadership to promote and coordinate a range of efforts that will improve transparency and accountability in both local and national institutions.

C. Results Framework Description. The Guatemala Country Plan will address both of the IRs that are presented under the Regional Strategy's Governance SO, Strengthened Rule of Law and Greater Transparency and Accountability of Governments. USAID's tactical approach to the governance challenge in Guatemala will involve 1) promoting productive engagement between civil society and government and involving civil society as an important partner in achieving results (i.e., building social capital); 2) striking a balance between local and national level initiatives that better link USAID investment to policy-level reforms so as to have broad impact; 3) paying attention to the critical factor of political leadership, which includes considering the low rate of participation of women, youth, and ethnic groups and incorporating this in a conscious attempt to develop the next generation of leaders; and, 4) given our limited resources, taking a more aggressive approach to developing productive and strategic alliances with other donors and the private sector to identify shared objectives, leverage additional resources and ultimately broaden overall impact. This approach is reflected in activities designed to achieve the following IRs:

Intermediate Result 1: Strengthened Rule of Law

Programs to achieve strengthened rule of law will build on previous USAID-supported reforms to implement an oral-adversarial criminal justice system and develop more capable, independent justice "centers" in departmental capitals that improve efficiency and afford citizens greater access, including the indigenous and women. The focus will be on mainstreaming innovations pioneered in the justice centers and working with judicial authorities to develop comprehensive national efforts to reduce trial court delays, improve the efficiency and effectiveness of judicial processes, and ensure effective implementation at the local level. Justice centers, which will be operational in 15 of 22 departmental capitals, will be the focal point for community crime prevention activities, alternative dispute resolution, conflict mitigation and anti-lynching efforts, and coordinated, more efficient prosecution and adjudication of citizen complaints. USAID will also work closely with other donors, municipal governments and national-level municipal associations, and key central government counterparts to further develop and disseminate crime prevention models and the justice center concept as the norms for addressing citizen security issues. At the same time, USAID will coordinate closely with NAS and ICITAP to address policy, institutional, resource and operational challenges nationally, most likely with a focus on the Public Ministry and prosecution of corruption cases. Given the history of human rights violations in Guatemala, USAID will emphasize due process and support the actions of justice center executive committees to address human rights issues and will also promote oversight of law enforcement and judicial proceedings by the Human Rights Ombudsman and citizens. USAID may also support efforts to investigate clandestine groups responsible for intimidation of human rights activists as part of a general effort to reduce impunity. If Victims of Torture funds are still available for exhumations of clandestine cemeteries and mental health assistance for victims of the war, we will continue to help Guatemalans reach closure on traumas suffered during the 36-year civil conflict. As applicable, the Mission's RLA will screen proposed activities under this IR for compliance with Section 660 of the Foreign Assistance Act of 1961 (regarding assistance to police and other law enforcement forces) and any relevant exceptions.

Illustrative Activities:

- Technical assistance to national authorities, justice center committees and local government officials in the design and implementation of community-based crime prevention and anti-lynching efforts, and constructive collaboration by citizens/local authorities and businesses with the police;
- Policy dialogue supported by observational visits, conferences, forums, and workshops to promote key legal and institutional reforms and achieve adequate host country funding and improved functioning of judicial and law enforcement institutions;
- Technical assistance and training to further expand use of oral judicial proceedings and administrative reforms to speed up case processing, and increase the number and timeliness of cases resolved, and develop alternative dispute resolution capacity;
- Technical assistance to improve investigation and prosecution of charges of corruption;
- Support for the Human Rights Ombudsman office and civil society to provide oversight and advocate for additional reforms needed to improve law enforcement, judicial processes, and respect for human rights; and
- If Victims of Torture earmarked funds are available, continued support for exhumations of clandestine cemeteries and mental health services for victims of the internal conflict.

Intermediate Result 2: Greater Transparency and Accountability of Governments

Programs to achieve greater transparency and accountability of governments focus on improving the accountability between elected and appointed officials and their constituents, including the ability of selected government entities to provide the quality services expected by citizens. An important aspect of improving performance is increasing the amount and quality of information available to citizens -- particularly on finances -- so they can more knowledgeably participate and monitor government functions.

A key subset of local governments representing larger secondary cities and regional associations will be the focal point for implementing the ground-breaking reforms that were passed by the Guatemalan Congress last year. USAID work at the local level will give priority to helping municipal governments generate the resources they need to provide efficiently and transparently the services that citizens demand. Without the resources required to deliver improved and expanded services, local governments will lack the means to “deliver the goods” and earn greater citizen confidence resulting from improved, more responsive performance. Alliances with civil society and the private sector will be key to generating larger levels of municipal, inter-municipal, and regional investment and to overseeing a rational process of decentralization. USAID’s policy dialogue will continue to promote a decentralization policy reform agenda, focused particularly on improved municipal financing, and broad dissemination and replication of best practices through work with the major municipal associations.

Other activities will largely be determined by the degree to which opportunities to address fundamental policies or make significant changes in key representative institutions (e.g., the Congress) emerge. USAID will have a small amount of resources poised to take advantages of opportunities to change the political dynamics or the incentives and disincentives inherent in the Guatemalan political system. Through the use of a cross-cutting management team for Improved Accountability and Transparency in Public Spending (See Annex I, “Innovative Management Approaches”), the Mission will expand upon and integrate this IR throughout the rest of the program.

Illustrative activities:

- Support for implementation of recent decentralization policy reforms, including participatory planning processes, accountability mechanisms, development of municipal councils, and local control of social services;
- Policy dialogue and technical assistance at national and local levels focused on increasing the level of resources available to municipal governments and using available local financial resources more effectively in providing quality services to citizens;
- Technical assistance to help key municipalities implement transparency and accountability systems, including the computerized Integrated Financial Management System (*SIAF-Muni*) and public hearings;
- Promotion of improved local government-private sector engagement through public-private partnerships for economic development, job creation, and service delivery;
- Support for implementation of recommendations of the National Commission on Anti-Corruption and Transparency and elements of the resulting national anti-corruption strategy, including technical assistance for key institutions such as the Comptroller General and the Public Ministry's Anti-Corruption unit;
- Support for civil society social auditing efforts at national and local levels, including monitoring of budget implementation and selection processes for key positions (e.g., Supreme Court);
- Support for legal and institutional reforms to improve accountability of elected officials, including the Election and Political Parties law, and improved checks and balances (e.g., Congressional oversight of military budget); and
- Limited and targeted election activities in preparation for the 2008 elections.

D. Key Partners. As noted above in the tactical approach to this strategy, other donors, the private sector and civil society organizations will be important partners, the latter two in playing advocacy and oversight roles. We also expect the Supreme Court and Public Ministry, and the local Coordinating Units (representing the courts, Public Ministry, police, and public defense) of targeted Justice Centers to be key institutional partners, along with the Office of the Human Rights Ombudsman, for the achievement of IR 1. USAID programs will be closely coordinated with other USG agencies (e.g. NAS, ICITAP) working in the justice sector through the Embassy Rule of Law Committee. The national municipal associations, ANAM and AGAll, will be critical partners for the achievement of IR 2, as well as key central government institutions now charged with implementing decentralization. Other key institutional partners for IR 2 will likely include the National Commission on Anti-Corruption and the Controller General along with civil society organizations and alliance partners in the private sector such as the Construction Chamber.

E. Sustainability of Impact. The sustainability of our impact will largely and ultimately depend on two factors: (a) the country's decision to allocate the resources needed by key institutions to achieve to improved rule of law and more transparent, accountable government; and (b) the political will to bring important innovations and reforms to the point where they become the expected way of doing business, i.e., an institutionalized part of organizations and processes. Success in getting other donors on board to help promote coordinated implementation of reforms at all levels throughout Guatemala will facilitate these decisions. To ensure a more favorable resource environment for reforms, we will pay conscious attention to revenue and public expenditure policy and the building of public-private partnerships that support judicial reform and bring additional resources to bear on key issues, and hold our partners accountable for high levels of performance. Civil society organizations will also have an important role to play in advocating provision of needed resources for key institutions and accountability as well as in

promoting broad participation among women and ethnic groups in public decision-making processes.

F. Measuring Achievement: Preliminary Performance Management Plan. Progress at the Strategic Objective level will be measured by the indicators established for the Regional CAM Strategy, which have been proposed initially as follows:

- Trial court performance (e.g., % cases reaching trial that are concluded; % that are concluded within stipulated time period; and % of total resulting in guilty verdicts)
- Changes in user assessments/evaluations of the responsiveness/quality of service of key government agencies (e.g., local government, electoral authority, courts)

A Performance Management Plan (PMP) for the Regional CAM strategy will be developed over the next several months, and at that time, final IR-level indicators for this and the other SOs will be defined. A Guatemala Country Plan-specific PMP will also be developed and it will identify sub-IR and activity-level indicators.

G. Estimate of Required Resources: \$10 million DA; \$10 million ESF; and, to continue exhumations and mental health assistance to human rights victims, \$2.5 million in Victims of Torture funding.

H. SO start and end dates: FY 2004 -2009 (FY 2008 is last year for obligation of funds; implementation runs through the end of FY 2009).

SO 2: AN OPEN, DIVERSIFIED, EXPANDING ECONOMY

A. Development Challenge. At the most fundamental level, the economic challenges facing Guatemala are those of many other developing countries. Guatemala has tremendous and unique factor endowments related to its culture and in its entrepreneurial and natural resource base, which are largely responsible for its current level of wealth and industry. However, its human and financial resources are inadequate to generate significant economic growth. There are dramatic inequities in those who have access to this abundant resource base, which results in serious underutilization, mismanagement, and deterioration. Economic growth, currently in the 2% range, is negative with respect to population growth and far too slow for poverty reduction. Exports and imports at present represent 18% and 27% of GDP, respectively, with the deficit primarily covered by remittances. Economic growth which significantly exceeds population growth is needed to improve the livelihoods of the poor. This can only be achieved by making Guatemala more competitive in regional and global markets. According to the World Economic Forum's 2002 Country Competitiveness ranking, however, Guatemala ranked 73 out of 80 countries⁴.

A primary challenge for increasing economic competitiveness is the ability of Guatemalan enterprises to understand and manage the sophisticated business practices, standards, and demands of regional and international markets. Structural reforms, particularly of the regulatory framework, are also required. Financial costs are so high and financial services so limited that otherwise competitive businesses can be priced out of the market. Finally, economic growth will

⁴ With a lower rating indicating better competitiveness. By comparison, Honduras ranked 78th, Nicaragua 75th, El Salvador 63rd, and Costa Rica 39th.

depend upon increased strategic cooperation both within the private sector (industry clusters) and between the public and private sectors.

Added to this not uncommon economic poverty trap are Guatemala's particular socio-economic characteristics that compound the problem but also provide certain opportunities that offer a way to break the poverty cycle. Perhaps the most entrenched problem compounding the country's economic difficulties is the isolation and marginalization of the indigenous rural poor, especially women. On the other hand, a well-recognized economic opportunity is the country's cultural and biological diversity, which presents unlimited opportunities for sustained rural economic growth in two of the current high growth global markets – high-value tourism and natural products.

The gulf between government and private sector has seldom been wider than it currently is in Guatemala. There is a strong perception that government policies and actions are anti-business and have eroded the country's competitive position, while the government criticizes the private sector's wealth and complacency. Land and labor conflicts have impeded agricultural diversification and other efforts to stimulate the rural economy, necessitating more aggressive action by government to mediate conflicts and improve access to land. CAFTA negotiations are putting further pressure on Guatemala to step up reform efforts at the policy and enterprise level.

The limited availability of export financing is one of several constraints inhibiting trade. This credit access problem results from the overall weakness of the financial sector, which includes an inability to assess the creditworthiness of exporters and traders (many of the small- and medium-sized businesses do not have sufficient assets to be deemed internationally creditworthy).

An important lesson learned from Mexico's North American Free Trade Agreement (NAFTA) is that a fragmented rural land base and lack of tenure security limited the benefits of increased trade. Despite actions taken after the 1996 Peace Accords, the inequality of land distribution in Guatemala has only worsened. By 2001 the amount of Guatemalan land under agricultural production had increased by 32%. Moreover, the number of micro farms⁵ increased nearly 240% from 167,000 in 1979 to 565,000 in 2001. This rural land fragmentation and expansion of the agricultural frontier is reflected in the high rate of deforestation. The Biodiversity and Tropical Forest Assessment⁶ states that Guatemala is one of the planet's richest, most highly threatened biodiverse regions, placing it among the world's top 25 biodiversity "hot spots." Yet, its unique ecosystems, if properly managed, can provide a sustained flow of resources essential to Guatemala's economic growth.

B. Development Hypothesis/Proposed Program. USAID is focusing on the rural economic opportunities because Guatemala's competitive advantage lies in its cultural and natural resource endowments and because its severe and destabilizing poverty is primarily a rural, indigenous phenomenon that particularly affects women and youth. Essential rural-urban economic linkages are not being overlooked. CAFTA presents an opportunity and an incentive to expand and diversify the rural economy to enhance livelihoods and reduce poverty. To take advantage of CAFTA, and globalization more generally, Guatemala will have to focus on its competitiveness vis-à-vis that of its trading partners. A balanced, strategic selection of enterprises, industry clusters, and national-level activities and policy reforms is needed to improve Guatemala's competitive position and allow it to take advantage of market opportunities in high-value horticultural exports, specialty coffee, certified forest products, artisan products,

⁵ Defined as < .7 hectares in size.

⁶ Mandatory assessments called for in Sections 118 (e) and 119 (d) of the Foreign Assistance Act.

and tourism. Within areas best suited to product and service opportunities, we will target the lower income segments of the population that tend to consume locally and thereby increase the opportunities for backward market linkages, creating a broader, deeper impact across gender and ethnicity. Work with small hotels, for example, provides opportunities for local produce vendors, furniture makers, and other related product and service-providers. Projects will be complemented by policy reforms to improve the enabling environment for trade and investment, particularly in the areas of land security, customs, and fiscal administration. These reforms will ensure sustainability while extending benefits and reducing poverty beyond the direct beneficiaries.

This SO might involve or affect men and women differently by the context or work to be undertaken (e.g., provision of technical assistance to small businesses, cooperatives and associations) and will be considered for managing for sustainable impact. As such, gender considerations will be incorporated into any solicitation for proposals and into any subsequent work plans for USAID/G-CAP to review and approve. This proposed SO will indirectly benefit the status of men and women working with high-value horticultural exports, specialty coffee, certified forest products, artisan products, and tourism. Thus, USAID/G-CAP will ask implementers to provide gender data on beneficiaries when carrying out their baseline studies, so the value and volume of goods sold by male and female producers can be tracked. Also, USAID/G-CAP will ask implementers to provide indirect gender data whenever feasible (e.g., number of men and women trained).

The shape of this program is influenced by lessons learned and current trends. The 2001/2002 economic crisis made the need for greater rural economic diversification painfully apparent. The 1996 Peace Accords resulted in increased access to assets (property, finance, and knowledge) for the rural indigenous poor but with minimal impact on Guatemala's competitive position. There are also important lessons that need to be incorporated from Mexico's 10 years of NAFTA participation, where poverty levels remain the same despite a quadrupling of trade and higher GDP.

C. Results Framework Description. The greatly reduced funding levels for this SO beginning in FY 05 significantly altered our plans to enhance Guatemala's competitiveness. We must focus scarce resources over the life of the strategy period on only the most competitive, market-oriented sectors (IR2). During the first year of the strategy period (while resource levels remain at current levels), our focus is the new administration and the policy issues of land tenure security, customs, and fiscal tax policies. Reduced resource levels in FY 05 will force us to rely on the technical assistance that can be provided through Regional Programs and collaboration with other donors.

No activities will be carried out under IR4. We will no longer have a stand-alone environment program, and will look to the regional environment program to strengthen the management and use of resources in the Usumacinta watershed zone on the border with Mexico. Our participation in the Parks in Peril (PIP) program will also terminate after FY04 when the biodiversity funding drops below \$2 million. However, the strategy fully recognizes that Guatemala's competitive and development future is inextricably linked to its natural environment. Environmental considerations will be integrated into IR2 activities to make Guatemala more attractive to foreign investment, link the agricultural and tourism sectors to more lucrative markets, and take advantage of emerging markets in environmental services and "green" trade. The Mission will continue its efforts to strengthen the competitiveness of the forestry and sustainable tourism clusters, and other activities that are fully supportive of various environmental earmarks and

directives.⁷ Such activities may include the sustainable use and conservation of biodiversity and cultural endowments by communities and the private sector, such as community-based tourism initiatives, forest concessions, and eco-region management in major tourism sites. Gender considerations will be also be incorporated into IR2 activities.

Intermediate Result 1: Laws, policies, and regulations that promote trade and investment

(FY 2004 only) Limited resources will require the Mission to make much focused investments as no additional funds will be available for this IR after FY04. Under the previous Country Strategy, USAID made important contributions toward increased land security by helping to establish FONTIERRAS and financing land titling and land conflict resolution mechanisms. Despite this, invasion of public and private lands and other conflicts over land have dramatically increased and there continues to be a lack of a consistent and effective legal framework to resolve these issues. The problem is especially pronounced in the ex-conflictive areas, such as the Petén, Alta Verapaz, and Quiché, where we hope to focus our investments under IR2. Land conflicts can and often do take on a much larger dynamic than the immediate interests of the direct parties involved and can cause tension over a much wider area, negatively impacting business development.

Another key area under this IR that will require attention is competitiveness, a serious concern given the new realities of CAFTA whereby Guatemalan producers will be hard pressed even to sell in the local market. The World Economic Forum competitiveness index ranked Guatemala's quality of business environment 73 out of 80 countries, its public institutions 74, and its macroeconomic environment 56⁸. The bulk of support for competitive activities will have to come from the regional trade activity or the LAC Bureau's trade program. Some bilateral funds will be available in FY04 to undertake limited efforts to improve customs and fiscal administration. Most of our efforts on competitiveness, however, will focus on specific policy issues related to those business clusters chosen under IR2.

Guatemala has the advantage of having one of the few areas in Central America (the Petén) being declared by USDA as free of the Mediterranean fruit fly. However, to take advantage of trade opportunities that should come out of this special status, Guatemala needs assistance in carrying out the Pest Risk Analyses and other documentation necessary to comply with regulatory requirements. Guatemala also has an advantage with industry labor codes of conduct developed for the garment industry (VESTEX) that could be applied to other sectors. Subject to resource availability the Mission will attempt to work in this innovative area.

Illustrative activities:

- Assistance to resolve land conflicts and improve land tenure in rural areas;
- Assistance in customs administration that improve the efficiency of moving imports and exports through ports; and
- Assistance in tax administration, particularly for Valued Added Tax rebates to exporters;

⁷ These include Biodiversity/Forestry, Global Climate Change, Drinking Water and Related Activities, Water for the Poor, and the Parks in Peril program.

⁸ This more favorable looking macroeconomic score doesn't fully reflect an extremely low current tax rate and less-than-ideal policy environment.

Intermediate Result 2: More competitive, market-oriented, private enterprises

By working intensively to strengthen key rural private sector industry groups, USAID will promote fundamental changes in the capacity of Guatemalan enterprises to compete in world and regional markets. Local business leaders will be better able to address production and marketing problems, and businesses within groups will be better linked to create a stronger, common competitive position. Increased competitiveness will lead directly to improved indicators at firm and industry levels. Small-scale enterprises and poorer households, including those headed by women, will expand their participation in markets, generating sustainable household incomes. These advances will be reflected by improved productivity, increased production, and increased volume of sales. These, in turn, will depend on improved business and technical skills and access to reliable, cost-effective financial services. International markets also increasingly require certification of how products are produced. Specific activities under this IR will be screened by an RLA to ensure compliance with statutory and Agency requirements regarding potential impacts on U.S. jobs and internationally recognized human rights.

The government's active collaboration is also essential to sustainable tourism and forestry since it has control over significant biodiversity and cultural assets that can best be managed in partnership with the private sector, NGOs, and local communities. The private sector, however, must be the driving force behind these groupings. We will work closely with municipalities, the National Council for Protected Areas (CONAP), and the Ministry of Culture to develop co-management schemes that allow private enterprise and communities to work in partnership with government to use and protect these areas to generate income. Since tourism is currently the largest source of national revenue, USAID will help harness the income generating potential of the natural and cultural diversity for rural communities. For tourism the emphasis will also be on matching demand and supply and on on-site services and infrastructure. We will also replicate the forestry concession system in Petén with municipalities that own large forested areas.

To access export markets and better compete internationally, the ability and skills of small-scale producers and marketing enterprises need to be improved. They require assistance to conform to international standards such as ISO 9000, ISO 14000, and SA 8000 (on labor), as well as industry-specific (food processing) standards such as HACCP. Enterprises that maintain the natural resource base (e.g., agriculture, forestry, sustainable tourism, and other productive activities), produce higher value crops and products with export potential, follow better practices, and meet market requirements, are all key to this result. Certification of timber and non-timber products will be promoted at the community level to generate income, increase the value of products sold, and the number of hectares certified. Follow-up for certified areas (e.g., in the Maya Biosphere Reserve, Petén) is important for maintaining certification. Marketing for certified products will include the identification of niches, higher value production, and application of better business practices. Certification of tourism services will be promoted through the involvement of large-, medium- and small-sized enterprises. A GDA-type window with the Guatemalan Exporters Association established in FY03 generated a three-to-one match in resources from the Guatemalan private sector. The Mission will continue using its limited resources beyond FY04 to leverage private investment supportive of CAFTA trade capacity building needs, strategic clusters and geographic areas.

Using PL 480 Title II Food for Work and other resources, we will also be undertaking limited activities to improve infrastructure in food insecure areas to facilitate access by communities to markets and to lower their business transaction costs. The PL480 Title II program will also help food insecure families become more market-oriented and competitive by helping them diversify

their on- and off-farm income sources through a mix of agricultural diversification and micro-enterprise activities.

Illustrative activities:

- Technical assistance to small-scale producers to allow them to engage in higher value production that meets market requirements;
- Assistance to enable communities to manage cultural and natural resources, including biodiversity;
- Forging of more competitive business clusters and improved business linkages;
- Support to business associations to promote better business practices and greater transparency;
- Formation of business alliances that leverage resources and access to technology and markets; and
- PL 480 Title II-funded activities to improve infrastructure in food insecure areas and to help families in these areas become more market-oriented and competitive.

Intermediate Result 3: Broader access to financial markets and services

(FY 2004 only) With FY 04 funding, we will continue to expand commercial credit availability through Development Credit Authority (DCA) mechanisms with additional financial institutions. We will encourage the use of credit for diverse enterprises while expanding financial services to include export finance. The additional security of the DCA will demonstrate the financial viability of such investments to the local banking sector and other sources of private capital. In addition, in conjunction with other donors, we will promote increased efficiency in the flow of remittances and their use for business development services. While funding limitations will preclude USAID activities throughout the strategy period, we are hopeful that commercial institutions will continue their lending programs for small and medium-scale enterprise and that access to financial services will not prove to be the "Achilles heel" for business development activities and poverty reduction efforts. Returns to agriculture, forestry, and tourism are low in the absence of financing. Any enterprise that requires significant investment, either to allow them to hold large inventories, develop infrastructure, or develop manufacturing/processing capacity, is at a disadvantage because interest rates are high, loan terms are short, and collateral requirements are excessive. We will, therefore, work with the Inter-American Development Bank, which has a \$100 million financial sector reform effort in place.

Poverty reduction efforts are dependent upon the ability of the small and micro business sector to respond to the needs of the horticulture, tourism, and forestry sectors. This plan relies on using the DCA mechanism to get banks to lend to the small and micro business sector. However, one of the main issues banks face is a lack of knowledge of the small and micro business market. Microenterprise loans are perceived as too risky and unprofitable. Commercial banks, moreover, do not have adequate methodologies for offering smaller loans. Some FY04 funds will be used for technical assistance to encourage appropriate lending technologies by private banking institutions to make lending profitable and accessible to people and for non-traditional lending areas. It will achieve this by helping change the administrative and operational structures as well as the corporate culture of participating banks to make small business lending a profitable venture. New financial products will be developed for this unique market.

Illustrative Activities:

- Technical assistance to private banks to assist them to develop and manage new financial products and increase their financial service delivery in rural areas for small and micro-businesses, for export financing, and for industry groups;
- Increased efficiency in the flow of remittances and their use for business development services; and
- Use of the DCA to leverage additional financing for small and micro-businesses.

D. Key Partners. The Ministry of Economy will be our principal counterpart for policy dialogue and implementation of policy reforms critical to diversifying and expanding the economy. The Ministry of Agriculture will facilitate and strengthen private sector compliance with Sanitary/Phyto-sanitary (SPS) requirements. The Ministry of Culture and Sports will be our principal partner for promotion of co-administration of cultural heritage sites, and CONAP for forestry and protected areas management. The program will coordinate with the National Competitiveness Council, or PRONACOM, the World Bank-funded body with the mandate to promote implementation of policies to improve the competitiveness of Guatemala's economy and enterprises. The trade association partners with which we will work, respectively, to promote clusters and specialty coffees are the Non-traditional Export Association (AGEXPRONT) and the National Coffee Producers Association (ANACAFE). We will also work with the commercial banking sector to broaden and leverage financing available to Guatemala's small- and medium-sized enterprises, and with other regulatory authorities and business groups as needed. Potential allies are the World Bank and IFC, IDB, CABI, U.S. Chamber of Commerce, and international industry groups. Through the AGEXPRONT program, the Mission was able to leverage \$6.4 million in 2003 (1.6 to 1 match) from over 28 different Guatemalan business firms. These private sector partners are working on a wide range of innovate trade development initiatives that are creating new employment opportunities as well as preparing Guatemala businesses to take advantage of new trade opportunities under CAFTA. We plan to continue supporting these efforts under the new strategy.

E. Sustainability of Impact. Policy reform is essential to ensure that program interventions are sustainable and able to "scale up" to affect a much broader range of beneficiaries. To conduct effective policy reform, we will partner with other donors, particularly the IDB and World Bank, and promote a more effective dialogue between the Guatemalan public and private sectors.

F. Measuring Achievement. Progress at the Strategic Objective level will be measured by the indicators established for the Regional CAM Strategy, which been proposed initially as follows:

- Changes in contribution of selected industry clusters (e.g., high-value horticulture, forestry, and sustainable tourism) to the economy
- Revenue generated from responsible use of environmental resources

As mentioned above, final IR and Sub-IR level indicators will be identified once the CAM and Guatemala Country Plan PMPs are completed.

G. Estimate of Required Resources: \$18 million DA⁹, plus \$35 million in PL-480 resources.

H. SO START AND END DATES: FY 2004-2009 (FY 2008 is last year for obligation of funds; implementation runs through the end of FY 2009).

SO 3: HEALTHIER, BETTER EDUCATED PEOPLE

A. Development Challenge. Although several trends are promising, Guatemala's health and education levels lag far behind nearly every other country in the region. Child health (under five years) has improved steadily, but there is still much to be done, especially at the community level. Guatemala's infant mortality rate of 39 per 1,000 live births is the highest in Central America and the third highest in the region after Haiti and Bolivia. Guatemala's maternal mortality ratio of 153 per 100,000 live births is one of the highest in the region. Although, the government's recent commitment to reproductive health has made possible a quantum leap in terms of increasing use of contraceptives and lowering fertility, its total fertility rate of 4.4 is the highest of any country in Latin America. The contraceptive prevalence rate of 43% among women in union, ages 15-49, is the second lowest in the region after Haiti, and the unmet demand for family planning is growing. The percentage of births attended by a physician or nurse is only 41% -- the lowest in LAC. With 49% of children under five years of age chronically malnourished, Guatemala has the highest rate of stunting in LAC. These national-level statistics mask the even worse health status of the indigenous rural population. For example, stunting among indigenous children reaches a staggering 69%.

With donor support, Guatemala has made notable progress, especially since the Peace Accords were signed, in extending education to improve opportunity, but it still faces enormous challenges reflected by some of the worst education statistics in the region. While net primary school enrollment has risen sharply (from 72% in 1991 to 85% in 2001), there are more than two million children between ages five and 18 who do not attend school. According to official 2001 figures, there are few children in pre-primary school (43%), junior high (28%) and high school (16%); the majority of children outside the education system live in rural areas. At all levels of schooling, there are fewer indigenous children, and fewer girls. There have been only minimal advances in sixth grade completion due to lack of access, especially in remote rural areas, and generalized high dropout, repetition and failure rates.

Deficiencies in educational quality, related to poor teacher preparation and insufficient resources, exacerbated by poor health and the need for many poor children to contribute to their family's income, are causing 76% of all rural children who enter first grade to drop out before completing primary school. Almost half of the students fail first grade, and these children are more likely to fail again and eventually drop out. Sixty six percent of Mayan first graders are taught by teachers who neither understand nor speak the children's maternal languages. Additionally, teachers assigned to this critical first year tend to have few years of experience, on the average two. In 2000, 23% of the Ministry of Education's budget for primary education was spent on children who dropped-out, repeated, or failed first grade. Primary school inefficiency in 2000 represented about half (over \$105 million) of the primary education budget. For children who fail and drop out, because their limited schooling greatly reduces their chance of living healthy and productive adult lives outside of poverty, the losses are incalculable – not just for them, but also for their families and Guatemala at large.

⁹ Given the large size and breadth of Guatemala's economy (the largest in Central America), USAID and Embassy believe that this total is only marginally adequate to achieve this objective. We will argue strongly for an increase and reserve the right to phase-out this SO in 2005 if additional funding is not forthcoming.

The public financing needs to address Guatemala's health and education problems is substantial; 2002 government education expenditures amounted to only 2.58% of GDP, while health expenditures were only 1.30% of GDP, compared to the very modest Peace Accords' targets of 2.49% and 1.32%, respectively. This lags far behind the public investment needed for universal coverage of basic services and is well below that of other Central American governments, but shows marked improvement to pre-Peace Accords figures (1.6% of GDP for education and .92% for health in 1996). Greater targeting of health and education funding is also needed. In recent years, the Ministry of Health (MOH) has implemented a major health reform -- the "extension of coverage" (SIAS) program, which contracts out for health care to NGOs. Nevertheless, approximately two million rural inhabitants continue to lack health care due to resource constraints. Too much public sector spending supports curative hospital care and university education, while much less is spent where it could have the greatest public benefit, i.e., in underserved smaller cities, rural areas, and on preventive health programs and basic education.

B. Development Hypothesis/Proposed Program. We plan to concentrate assistance on increased and improved social sector investments and transparency (IR1) and improved integrated management of child and reproductive health (IR3). Our policy dialogue is being directed at increasing public and private investments; improving the cost-effective use of public and private financial resources and increasing expenditure efficiency; and, expanding and making more effective the decentralization of services (IR1). The SIAS Primary Health Care Program provides an excellent example of how public-private sector alliances can contribute to these goals, as does the community-managed schools program (PRONADE), and we will seek to strengthen these partnerships and build new alliances.

Since the percent of children completing primary school will not increase unless student flow rates (efficiency) in the early grades are improved, we must concentrate at the national level to help the government to deliver effective educational services, with an emphasis on improving quality and efficiency of basic education, assisting the Ministry of Education (MOE) in the formulation and implementation of cost-effective policies to improve teacher performance and student learning outcomes. USAID assistance will improve health care to respond to the principal causes of maternal and child morbidity, malnutrition and mortality, as well as high fertility. Working through the Ministry of Health (MOH) and its NGO partners, the program will support quality reproductive and child health and nutrition services and improved health and nutrition practices.

Given the current concentrated HIV/AIDS epidemic and low prevalence rate in Guatemala, USAID investments will be targeted to high-prevalence groups and interventions to improve STI treatment and promote voluntary counseling and testing and behavioral changes that will reduce transmission working both with the MOH and NGOs. These activities can be supported most efficiently through the ongoing Regional Program, so we will not pursue a stand-alone program around IR 4 to control the spread of HIV/AIDS. The regional program will manage all bilateral AIDS funds.

C. Results Framework Description. The Country Plan focuses only on two of the four IRs under this Regional SO. We simply do not have sufficient basic education funding to be accountable for IR 2 (i.e., adoption and implementation on a sufficiently broad level to impact increased and improved educational opportunities in this five-year strategy). Therefore, we have prioritized work on the serious investment constraints to education (as well as health) in both

quality and quantity to lay the basis on which to build a broader education program in the future, when additional USAID or other donor funds become available.

Intermediate Result 1: Increased and improved social sector investments and transparency

We will pursue increased public investment in education and health, more equitable resource allocation, and prioritized and more cost-effective and efficient use of public and private sector funds to achieve broadly shared national health and education goals. These increased and improved social sector investments, gained through effective advocacy, policy dialogue/reform, and alliance-building among key stakeholders will be directed to increase equitable access to and quality of basic education and health care, especially in rural indigenous areas with high poverty rates. To complement our policy dialogue with government authorities to increase public sector investment, USAID's health and education assistance will be used to leverage funds from the private sector for improving and expanding rural health care and basic education services. Transparency and accountability will also be increased by promoting system reforms, effective decentralization of public sector health and education services and expenditures, and realistic and timely cost analyses, as well as by assessing and strengthening program management in the MOE and MOH. Decentralization of social services' management to sub-national levels, as well as the development of mechanisms to measure and track service performance, will also contribute to greater accountability and transparency.

We will also promote increases in local financing for education and health care, active civil society participation in decision-making and management, and strong central government regulatory and oversight roles. USAID assistance will be critical to identify, based on solid evidence, what health and education services make sense to decentralize to guide policy-making and implementation. Efforts to advance sound education policy reforms, improve education management efficiencies and address constraints to effective decentralization will require close coordination with the LAC regional PREAL and CERCA activities. By leveraging additional funds through private sector alliances, USAID will help establish conditions essential to achieving expanded and more equitable access to quality basic education and health services.

Educational inefficiencies, particularly in the early grades, will be addressed systematically by working with the MOE on improved legislation, policies and strategies. Restoring confidence in public education through reducing repetition and dropout rates in the early grades, and especially in first grade, is critical for securing increases in public and private investments for education and for achieving "Education for All" and Millennium Development Goals. School failure is directly linked to ineffective approaches for teaching children how to read and learn and to curricula that is not relevant to children's lives. USAID will work closely with the LAC CETT activity to adapt innovative reading methodologies for non-Spanish speakers, and to improve and bring to scale best practices and lessons learned. Success in increasing children's knowledge and skills and increasing student flow rates in the early grades will lead to greater primary school completion. The resulting improved efficiency in the early grades will free resources for expanding equal access to quality educational opportunities for Guatemala's youth.

Illustrative Activities:

- Technical assistance to: improve the capacity of the Ministries of Health, Education and Finance, Congress and other stakeholders to engage in policy dialogue on social investments; strengthen advocacy efforts for increased investments in health and education; improve analyses for sound and cost-effective policy implementation and investments in education and health; and achieve increased and more equitable and efficient resource allocation and prioritization;
- Technical assistance to assess and strengthen MOH and MOE technical, administrative and financial management, and performance monitoring systems towards better informed decision making and increased accountability and transparency in the use of sector funds;
- Analyses and promotion of best practices that support decentralization of health and education services, including greater community involvement and accountability, and a shift in the function of central ministries toward a more regulatory and normative role;
- Technical assistance to the MOE for developing and implementing policies and strategies that will ensure that practices advanced in the education reform are implemented, especially those directed at increasing the number of children who complete early grades on time and with improved knowledge and skills;
- Forging public-private partnerships and alliances to help finance increased and improved basic education and health care.

Intermediate Result 3: Improved integrated management of child and reproductive health

Building on success, we will continue expanding and improving the quality of reproductive and child health services and information, education and communications (IEC), especially at the community level via the integrated program known as AIEPI AINM-C, which focuses on prevention and promotion as well as integrated case management of childhood illness, and includes maternal and child health and nutrition care, growth monitoring/promotion, IEC to improve dietary and hygiene practices, and family planning. This program was launched in 2003 in all municipalities in the seven highland departments with the greatest need (25% of the total population of Guatemala and high concentration of indigenous populations). The four PL-480 Title II NGOs are actively involved in the rollout of the program and make it possible to achieve improved food security for at-risk Guatemalans by integrating food aid for targeted supplementary feeding for 6-24 month-old children and pregnant/lactating women in target municipalities with the highest chronic childhood malnutrition. A significant proportion of total PL-480 Title II resources will be dedicated to this result. Family planning assistance will continue to be national via the MOH and private, not-for-profit family planning associations. Expanding access to basic essential obstetric care will be an integral part of USAID's assistance. We will build on current investments in operations research, development of IEC materials, training, logistics systems, management information systems, and provision of necessary commodities and supplies. Community health services and IEC will be carried out through the traditional MOH infrastructure and with NGOs under contract to the MOH. USAID will continue to strengthen national social service NGO networks. National policy dialogue will be carried out to increase access to, and efficiency and quality of MOH services. The SO will encourage greater male participation in family planning and in programs for the prevention and referral of sexually transmitted diseases/HIV/AIDS.

Support from USAID will continue, but on a declining scale, for private sector, non-profit reproductive and child health programs, to assist them to achieve self-sufficiency. Such private sector providers play a key role in easing the public sector health care burden by getting clients who can pay for services to do so.

In the seven highland departments, USAID will support health services for the uncovered population through the MOH's contracts with NGOs, conditioned on increased coverage by the MOH with its own funds of an equal number of people, or through private sector partnerships. Through this leveraging it should be possible to cover one million people and, combined with similar efforts by the IDB and World Bank, finally achieve universal access to health care in Guatemala. USAID's first priority will be to get the MOH to assume financial responsibility for the health care coverage of the 317,000 people currently served by local NGOs that are directly supported in USAID's current strategy by John Snow Research and Training Institute (JSI) and AmeriCare.

Illustrative Activities:

- Technical assistance to expand and improve the quality of reproductive and child health services, especially family planning, basic essential obstetric care, and AIEPI AINM-C;
- Contraceptive security initiatives and strengthening public sector drug logistics systems;
- Expansion of coverage of basic health services through MOH-contracted NGOs and leveraging USAID funds for matching funds by MOH;
- Technical assistance to strengthen a large health NGO network;
- Integration of targeted supplementary feeding (PL 480) and AIEPI AINM-C;

D. Key Partners. Key Partners will continue to be the Ministries of Health and Education, but also private sector agencies through alliances. However, we will not fund the government directly, but rather will sub-obligate assistance funds from the Mission-wide SOAG to two "technical" intermediaries (one for health and another for education) and provide technical assistance and in-kind support for training, materials, and equipment for the Ministries. To ensure transparency, and to leverage increased coverage by the MOH with its own funds, the funds USAID will use to pay for extension of health care coverage by the MOH would be managed by UNDP. National funds from the MOH contributed as cash counterpart for the current strategy are successfully managed by UNDP, and the MOH has found this mechanism to be agile and transparent. The four existing PL-480 Title II cooperating sponsors, i.e., CARE, Catholic Relief Services, Save the Children, and Share, will be responsible for the maternal child supplementary feeding component via their Development Assistance Programs (DAPs) approved by DCHA/FFP and USAID/G-CAP. Other principal health partners will include local health associations and/or NGOs.

While dialogue with the Health and Education ministries will intensify on key policy and financing constraints, especially in the area of budget formulation and strategies to defend higher funding requests, we plan to complement these initiatives with a new program focused specifically on building voter and political support for increasing Guatemalan investments in its people. We envision support for crafting public advocacy messages, broad dissemination, and work with the congress, political elites and other key stakeholders.

Public-private partnerships and alliances will be forged to help finance increased and improved basic education opportunities and health care. We envision one bilateral umbrella agreement with a technical assistance agency to manage all private sector health and education alliances,

as well as to strengthen large NGO networks. The Mission has had great success using Global Health Bureau Field Support instruments to reduce the Mission's procurement tasks and accounting workload and will continue to do so. Potential allies are local business groups (FUNDESA, *Empresarios para la Educación*), churches, and religious groups.)

E. Sustainability of Impact. By increasing investment in the social sector, the additional resources generated, especially from the GOG, should improve prospects for sustainability. We have been quite successful in getting the MOH to provide counterpart funding in cash and to include funding for service improvements in their regular budget. This avoids dependence on USAID funds, which are instead used mostly for technical assistance, training, equipment, materials, and supplies. During the current strategy USAID successfully negotiated and put into effect an approach to gradually phase-down contraceptive donations to all partners, with the partners in turn committing to phase-up their own purchases of contraceptives. Through successful, on-the-ground implementation efforts and an effective policy dialogue that have spanned the past decade, USAID has influenced MOE priorities and the direction of its overall education reform process. Previous USAID pilot projects and innovative approaches (e.g., girls' education, intercultural bilingual education, one-room schools, and monitoring and evaluation) are now institutionalized within the MOE and continue to be implemented and improved upon by partner NGOs. Under the new strategy, USAID will work at the national level to introduce improved policies, norms and tools to increase the performance of the education system and to improve equity. Transferring skills and technology to our partners is a basic tenet of USAID's assistance, leading to institutionalization of reforms and improvements.

F. Measuring Achievement. Progress will be measured by the indicators established for the Regional CAM Strategy, which have been proposed initially as follows (with the addition of a Guatemala-specific indicator on malnutrition given the high levels of chronic malnutrition in this country):

SO Indicators¹⁰

- Primary education completion rate: 2002 baseline: 35.6%
- Total fertility rate: 2002 baseline: 4.4; 2007 target: 4.0
- Infant Mortality rate: 2002 baseline 39 per 1000 live births; 2007 target: 29
- Immunization rates for children 12-23 months from household survey data for:
 - DPT: 2002 baseline 77%; 2007 target: 87%
 - Measles: 2002 baseline 75%; 2007 target: 87%
- Chronic malnutrition in children 3-23 months: 2002 baseline (44%); 2007 target (39%)

G. Estimate of Required Resources. \$15 million DA; \$54.5 million CSH; \$50 million PL-480.

H. Start and End Dates: FY 2004-FY 2009 (FY 2008 is last year for obligation of funds; implementation runs through the end of FY 2009).

¹⁰ Given "lag time" and five-year time frame for national reproductive and child health surveys, 2007 data will not be available until early CY 08. However, we will continue to measure and report on lower level results indicating continued progress in FY 08 and 09. 2008 primary education completion data will not be available until late FY 09.

THE USAID/G-CAP “CRISIS MODIFIER”

Pursuant to ADS 201.3.4.4, USAID/G-CAP incorporates the Crisis Modifier approach into its Country Plan. In the event of a major humanitarian crisis, the Mission will invoke the Crisis Modifier and seek Bureau approval, where necessary, to modify its activities to account for the crisis. In order to use the Crisis Modifier, the Mission will submit to the Bureau a time-phased plan in accordance with the guidelines set forth in the current CAM Regional Management Agreement. This modifier applies to all of our Strategic Objectives, and appropriate "crisis modifier" language will be included, to the extent possible, in all grants, contracts, and agreements (including Strategic Objective Agreements) under these objectives. The Mission acknowledges that Congressional Notifications may be required to invoke the modifier and that account and earmark restrictions will remain in force.

Annex II outlines four potential disaster scenarios for Guatemala and the illustrative activities that USAID/G-CAP would likely pursue in the case the Crisis Modifier is invoked.

III. PROGRAM RESOURCES

As a result of the strategic budgeting exercise that was conducted in conjunction with final approval of the CAM strategy and issuance of the Management Agreement, the following are the approved Life of Strategy Levels for Guatemala: \$43 million in DA, \$54.5 million in CSH, \$10 million in ESF, and \$85 million in PL 480, for a total Life of Strategy Funding Amount for the Guatemala Country Plan of \$192.5 million over the five-year funding period.

This funding is distributed among the Strategic Objectives over the FY 2004-2008 Strategy period as follows¹¹:

SO-1 Ruling Justly: More Responsive, Transparent Governance (520-021):

\$10,000,000 DA
\$10,000,000 ESF

SO-2 Economic Freedom: Open, Diversified, Expanding Economies (520-022):

\$18,000,000 DA
\$35,000,000 PL 480

SO-3 Investing in People: Healthier, Better Educated People (520-023):

\$15,000,000 DA
\$54,500,000 CSH
\$50,000,000 PL 480

¹¹ Levels are estimated and subject to the availability of funds. Amounts are rounded to the nearest \$500,000.

IV. PROGRAM AND OPERATIONAL MANAGEMENT

In response to a Mission Management Assessment conducted in 2002, the structure and operations of the USAID/G-CAP program have been undergoing radical change. Bilateral and regional technical offices are being consolidated, resulting in four major technical offices (trade, democracy, health and education, and rural development and environment) instead of the previous six. The Mission recognizes that the agreement to locate the CAM Regional Platform from which support services and all or most regional programs will operate in El Salvador will further impact the Mission's organizational structure. A revised restructuring plan will be submitted reflecting this agreement and the timing of the relocation.

To maximize synergies between bilateral and regional programs, we will manage bilateral and regional (as long as still managed from USAID/G-CAP) resources in a more integrated fashion and use several cross-cutting teams to address priority issues such as food security and accountability. We believe that the only way to ensure impact on these goals is through an integrated approach that melds inputs of the three SO teams. Specific results that will contribute to these goals will be identified in the Guatemala Country Plan PMP; additional detail on how the cross-cutting teams will operate is included in Annex I.

With the imperative to operate more efficiently with fewer resources under the new Regional Strategy and Country Plan, USAID/G-CAP has also created an Operations Team and identified two Operational Objectives for the Plan Period: Broader, higher impact implementation arrangements; and more responsive, expeditious yet accountable internal processes.

The following lays out our resource management plan:

Operating Expenses

Given current severe limitations in OE resources Agency-wide, USAID/G-CAP underwent an exhaustive analysis of its operating needs and reduced costs where possible. The difficult decisions reached during this exercise have resulted in projected savings in staff costs of \$500,000 during the FY04 - FY05 period and over \$1.0 million in FY 06 and beyond. Our FY 02 OE budget level was \$4.7 million while for FY05 we are projecting a need for only \$4.0 million, even taking into account the high cost of severance payments we will have to bear during our three-year rightsizing program. The short and long-term OE cost savings identified above will be achieved principally through: (1) staff reductions in both USDH and FSN personnel as described in the Mission's Rightsizing Plan; (2) a shift to Mission-leased housing, reducing the need for temporary quarters allowances for incoming or outgoing USDH personnel; (3) sub-leasing excess office space to development partners; (4) changes to our present FSN retirement program that will improve benefits and save money; and (5) other management efficiencies to be achieved through streamlined procurement, financial and administrative processes.

Staffing

The size, scope, and mix of USAID/G-CAP's program will change significantly over the next two years, and the Mission's structure and staffing must be adjusted accordingly. USAID/G-CAP's role will evolve in response to several factors: a more focused and reduced bilateral program; shortages in experienced USDH officers in key technical fields resulting in some cases in placement of first tour NEPS in senior positions; a need and desire to improve sharing of technical resources/information across Missions; Bureau and Mission interest in developing more regional and multi-country approaches; the changes being discussed in the Regional Program

and the transition to a Regional Platform; and Agency and Bureau constraints on both Operating Expenses and USDH staff ceilings. Bureau planning levels for FY 04 project a combined OYB for the regional and Guatemala bilateral program of \$67 million (as compared to a combined OYB of \$66.9 million in FY 01). Planning figures for Guatemala in FY05 and beyond reflect a steep decline in bilateral assistance, from \$54.2 million in FY 01 to \$41.9 million/year in FY 04 (\$20.9 million DA/CSH; \$16 million PL 480 Title II, and \$5 million ESF).

USAID/G-CAP's February 2002 Concept Paper for the bilateral program set forth plans for a 25% reduction in staffing, from 158 to 128. The November 2002 Mission Management Assessment recommended further organizational change and staffing reductions, including integration of regional and bilateral programs, a reduction in USDH staffing to 13 (including two NEP positions), and better utilization of senior FSNs in roles now assigned to USDH officers. We used these recommendations to shape a Mission Rightsizing Plan, which was submitted to the Bureau in April 2003. In brief, the plan outlines steps that will be taken to effectively integrate regional and bilateral SO teams into four sectoral offices and reduce staffing levels from 158 to 110 by FY 05. Further modifications to this plan will be made based on any adjustments resulting from the Agency's Template Exercise, the timing of the move to a Regional Platform and decisions on the Regional Program Plan for 2005-2008.

Management Units

Consistent with commitments made during the management assessment and discussion of the CAM strategy, USAID/G-CAP will reduce the overall numbers of management units significantly. We expect that each strategic objective team will manage no more than two to three major acquisition and/or assistance mechanisms. These efficiencies will be gained through greater use of shared implementation mechanisms within the region. The Mission will continue to rely heavily on global mechanisms and field support instruments to implement activities, but make use of fewer "buy-ins" contributing to the significant overall reduction in management units.

Summary of Recommendations of Assessments. As required for new strategies being developed for conflict-prone countries, the Mission conducted a Conflict Vulnerability Assessment in the spring of 2002. Among its key findings -- as well as an important issue raised during our February 2002 Parameters review -- was that we needed to address more frontally the problem of violence and citizen insecurity in Guatemala. The Country Plan for Guatemala fully integrates these concerns into the Governance SO as well as the Economic Growth SO, which will address land tenure/security. The results of the other required assessments for gender and environment have also been incorporated into the foregoing text of the Country Plan. A listing of the required analyses is provided in Annex III, along with a series of other key references that were used to help shape our FY 2004-2008 program for Guatemala.

ANNEXES

- I Innovative Management Approaches
- II Possible Disaster Scenarios
- III Bibliography of Required and Other Assessments

ANNEX I: INNOVATIVE MANAGEMENT APPROACHES

USAID/G-CAP will be employing cross-cutting teams to enhance food security and governance, and to improve Mission operational efficiency and effectiveness. These can only be met through more integrated management approaches.

Program Impact

1. A Cross-cutting Management Team to Improve Food Security for at-risk Guatemalans

An inter-office team, chaired by the Mission Director, with representatives from each SO team has been formed to ensure that our combined efforts under this Country Plan achieve improved food security for at-risk Guatemalans. The team will monitor and evaluate program progress to achieve a proper balance between food security access and utilization interventions that will shift over the strategy time period, depending upon guidance from FFP. This cross-cutting approach incorporates lessons learned from the successful OFDA and FFP/EP-supported interventions for the 2001/2 rural nutrition emergency that will enable the Mission to better target areas of food insecurity.

Background and objective: Chronic child malnutrition in Guatemala is high, persistent, and with strong ethnic and geographic dimensions. Guatemala continues to have the highest rate of chronic malnutrition (49% nationally) in this hemisphere, higher than many countries in Africa. The most troubling aspect of Guatemalan chronic child malnutrition is its persistence and concentration among the indigenous population (indigenous 69% vs. non indigenous 35%). Relative levels have changed little since 1995. At current rates of progress, it would take 20 years to eliminate stunting among the non-indigenous and 83 years among the indigenous.

As a result of the first grade student height census in 2001 it is now known which municipalities have the highest rates of stunting. Most of these municipalities are predominantly indigenous, located in the highlands of the country, and some have total stunting rates higher than 80%. FAO has also done socioeconomic studies to identify six different vulnerable groups, of which the following three are the largest:

1. Small-scale farmers in eastern transitional lands near the border with Honduras (520,000 people).
2. Small-scale farmers in northern lowlands and highlands, primarily in Alta Verapaz (750,000 people) of which 20% are landless and 80% have land but no title.
3. Small-scale farmers in the western volcanic lands, transitional lands and highlands (1,000,000 people) of which 54% have little or no land, 19% have some land for subsistence purposes, and 22% have some land for market activities.

These groups are differentiated by agro-climatic endowments but share similar patterns of labor migration and problems with access to land. All of these groups suffer from inadequate access to land for food security purposes and need off-farm income from seasonal migration for coffee and sugar cane harvesting to survive.

This cross-cutting effort will integrate Development Assistance and PL480 Title II resources to achieve the goal of improved food security for at-risk Guatemalans. Each of the three SOs in the Country Plan incorporates activities and indicators that directly contribute to this food security objective. The basic premise is that at the end of the strategy period, local and national governments will play a stronger and more effective role in directing resources toward their at-

risk populations; mothers will possess the knowledge to better maintain their own nutritional status and that of their children under two years of age; and that families in food insecure areas will be able to diversify their income by engaging in higher value market production and their community infrastructure will be improved which will reduce their marketing and other transaction costs. The Country Plan PMP, once developed, will indicate where the food security interventions will be concentrated in each SO and the indicators that will be used to assess progress.

2. A Cross-cutting Management Team to Improve Accountability and Transparency in Public Spending

An inter-office team, chaired by the Deputy Mission Director, with representatives from each SO team has similarly been formed to ensure that our combined efforts under the Country Plan result in improved accountability and transparency in public spending in Guatemala. The team will monitor and evaluate program progress to determine the effectiveness of the program interventions during the course of the strategy. The Country Plan PMP, once developed, will indicate where the accountability and transparency interventions will be concentrated in each SO and the respective indicators that will be used to assess their progress.

Background and objective: Corruption arises where public officials have wide authority, little accountability, and perverse incentives. Over the past several years, there has been widespread recognition that good governance, accountability, and transparency are prerequisites for sustainable development. Accountability reinforces business confidence, deters corrupt practices and contributes to the creation of an enabling environment for a vibrant private sector activity. Similarly, transparency in decision-making and in the implementation of decisions reduces uncertainty and the scope of corruption. Without certain conditions — e.g., recognition of the rule of law, institutions to uphold it, and effective popular participation — no nation can develop, no matter what resources are available. Neglecting to improve governance through institutional, political and structural reforms can and will slow down economic progress. Where sound governance prevails, development is more rapid, more widely shared, and more sustainable. Where governance fails, development fails.

This cross-cutting effort is built around a conceptual framework that identifies key areas of action to increase accountability and transparency of key players in the implementation of the Country Plan. The combined efforts under the three SOs will improve accountability and transparency of key ministries and institutions, streamline government procedures related to trade and investment, and strengthen internal and external control mechanisms. Activities to be implemented under the Governance SO, efforts to improve the legal framework for trade under the Economic Freedom SO, and efforts to “enhance social sector investments and transparency” under the Health and Education SO, will contribute to the achievement of this result. Each of the three SOs in the Country Plan incorporates indicators that directly contribute to accountability and transparency.

3. A Cross-cutting Operations Team to Improve and Streamline Internal and Implementation Processes

A Mission-wide Operations Team, chaired by the Mission Director, has been established and meets periodically to assess ways in which the Mission can advance its two over-arching operational objectives: 1) Establish broader, higher impact implementation arrangements; and 2) implement more responsive, expeditious yet accountable internal processes. The first objective

entails increased attention to alliance-building, leveraging of other donor resources, intensive networking and policy dialogue, greater publicity and outreach, use of cross-cutting management teams and greater dialogue among sector programs, including among bilateral and regional programs; and the concentration of our assistance in certain geographic areas to allow for synergies and maximum efficiencies. The second objective is of a more internal nature and involves reducing redundancies and paperwork, speedier processing of actions, productive and time-sensitive meetings, expeditious teamwork, better use of Mission's human resources, and intensive communications.

ANNEX II: POTENTIAL DISASTER SCENARIOS IN GUATEMALA

The following outlines four potential disaster scenarios for Guatemala and the illustrative activities that USAID/G-CAP would likely pursue in the case the Crisis Modifier is invoked:

Scenario 1: A Major Rural and Malnutrition Crisis

Illustrative activities: Similar to actions taken by USAID/G-CAP after the 2001-2002 crises, a response would most likely involve an immediate reprogramming of up to 10% of our in-country stocks of food to the communities most directly affected, i.e., those showing the highest levels of acute child malnutrition. The food assistance would be delivered directly to the communities to ensure its correct utilization by the intended recipients. The PL 480 cooperating agencies would work in tandem with the AIEPI AINM-C promoters to ensure careful monitoring of child growth, sound health care and feeding practices and any additional health care that may be needed. Some ongoing activities would be modified to create "cash for work" opportunities for the most affected families, so as to allow them to buy immediately the food that their children need.

Scenario 2: A Major Earthquake

Illustrative activities: Until September 2004, the Mission has a very agile and efficient infrastructure mechanism through the Ministry of Agriculture utilizing a Fixed Amount Reimbursable (FAR) and private contractors that was developed under the Hurricane Mitch rehabilitation program. This mechanism could be rapidly deployed for use after an earthquake by modifying activities within the regular DA portfolio. The Mission also has a PASA with the U.S. Army Corps of Engineers for assessment and design services that could be accessed rapidly. Longer term and larger reconstruction efforts would be more complicated and the Mission would borrow from the experience in El Salvador.

Scenario 3: Uncontrolled Forest Fires

Illustrative activities: The GOG has in place a fire response plan and an interagency coordinating mechanism. GOG personnel have also received training and have visited the U.S. on observation tours to view fire control operations. The primary constraint in dealing with fires in Guatemala is adequate support for fire fighters (water, food, and clothing). Should forest fires exceed the ability of the host government to respond, we would use DA/ENV funds for activities to provide logistical support for fire fighter personnel.

Scenario 4: A Failed State, Coup, or Other Political Crisis

Illustrative activities: While the Mission does not anticipate such a crisis during the course of its new strategy period, given the fragile state of Guatemala's institutions, the deep divisions in its social fabric, and the lack of real leadership or strong democratic culture, this scenario cannot be relegated to the status of remote possibility. The immediately upcoming elections are one potential flash-point for such crisis, and there could very well be others. Should a failed state, coup, or other political crisis strike, USAID/G-CAP, working in very close consultation with the Country Team, would likely modify SO1 activities, and potentially seek additional resources, to quickly engage an OTI or other crisis response program.

ANNEX III: BIBLIOGRAPHY OF REQUIRED AND OTHER ANALYSES

Required Assessments (available through the Mission):

- Conflict Vulnerability Assessment, MSI/LAC/DCHA, Spring 2002.
- Section 118/119 Analyses, IRG, summer 2002, updated by G-CAP Environment staff, April 2003.
- Gender Analysis, USAID/G-CAP, February-April, 2003.

Other Assessments/Studies Consulted:

General:

- *Guatemala: Desarrollo Humano, Mujeres y Salud, 2002; Guatemala: la Fuerza Incluyente del Desarrollo Humano*, 2000 UNDP Human Development Report (and previous UNDP Human Development Reports for Guatemala).
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- *Metas del Milenio: Informe del Avance de Guatemala*, UNDP, 2002.

Governance-related:

- *Rebuilding Social Capital: A Framework for Assistance in Post-Conflict Societies* by Michael Morfit.
- *Corruption and Democratization in Latin America* by Mitchell A. Selligson.
- *Democracy and Governance Assessment*, USAID/G-CAP Democracy team, summer 2002.
- "Case Study of Program Impact on Political Change in Guatemala," DCHA country case study.
- *Rule of Law Assessment for Guatemala*, Jim Michels, et al, MSI.
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- *DIMS, Democratic Indicators Monitoring Survey*, January 2002.
- *Who Governs? Guatemala, Five Years after the Peace Accords*, Rachel Sieder et al, 2002.

Economic Growth-related:

- "Elements of a Poverty Reduction Strategy for Guatemala," John Mellor, Abt Associates, 11/10/2000.
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- "Defining Faster, More Equitable Growth – Agriculture, Employment Multipliers and Poverty Reduction," John Mellor, Abt Associates, June 18, 2001.

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- *Determinantes de la Pobreza y la Desigualdad en Centro América*, Dr. Enrique Ganuza, UNDP, August 17, 2001.
- "An Assessment of the Food Security Situation in Guatemala," Roberta van Haeften, USAID/LAC/RSD/BBEG, December 2000.
- "Economic and Social Impacts of Non-traditional Export Crop Production in Highland Guatemala: Impact Perception Survey," Sarah Hamilton, Virginia Tech & the University of Denver, Glenn Sullivan, Purdue University, October 2001.

Education/Health-related:

- Lagging Behind, A Report Card on Education In Latin America, PREAL, 2001
- Informe del Progreso Educativo (Guatemala), CIEN 2002
- "Propuesta de Sistema Nacional de Educación para el Trabajo," ASIES, July 1991.
- "La Educación para el Trabajo en Honduras: Los Desafíos de la Globalización y la Competitividad al Comienzo del Siglo XXI," Jorge Sanguinetti, DEVTEC, January 2000.
- "Capacitación de la Fuerza Laboral en América Latina: ¿Que Debe Hacerse?," Gustavo Márquez, Research Department, IDB.
- Monitoring and Evaluation Reports, USAID/Save the Children "Comunidades Mayas Alfabetizadas" 2001:
 - "Buscando la Forma de Enseñar"
 - "Cuando las Letras Hablan con Uno"
 - "No Todo fue Tiempo Perdido"
 - "Enfrentando Nuestras Limitaciones"
 - "Restaurando la Esperanza"
 - "Convirtiendo la Alfabetización en Proyectos de Vida"

Rapid Diagnostic of Needs and Opportunities in Workforce Development/Alternative Basic Education, Ned Van Steenwyck, May 2002.

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- Plan Nacional De Salud 2000-2004, MOH, 2000.

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GLOSSARY

AGAI:	<i>Asociación Guatemalteca de Alcaldes y Autoridades Indígenas</i> Guatemalan Association of Indigenous Mayors and Authorities
AGEXPRONT:	<i>Asociación Gremial de Exportadores de Productos no Tradicionales</i> Association of Exporters of Non-traditional Products
AIEPI AINM-C:	<i>Atención Integral de las Enfermedades Prevalentes de la Infancia y Atención Integral de la Niñez y la Mujer a Nivel Comunitario</i> Integrated Care of Prevalent Childhood Illnesses and Integrated Health Care for Women and Children at the Community Level
ANACAFE:	<i>Asociación Nacional del Café</i> National Coffee Producers' Association
ANAM:	<i>Asociación Nacional de Alcaldes Municipales</i> Mayors' National Association
APROFAM:	<i>Asociación Pro-Bienestar de la Familia</i> Pro-Family Welfare Association
ASIES:	<i>Asociación de Investigación y Estudios Sociales</i> Research and Social Studies Association
CABEI:	Central American Bank for Economic Integration
CIEN:	<i>Centro de Investigaciones Económicas Nacionales</i> National Economic Research Center
CERCA:	Civic Engagement for Education Reform in Central America
CONAP:	<i>Consejo Nacional de Áreas Protegidas</i> National Council for Protected Areas
DAP:	Development Assistance Programs
DCA:	Development Credit Authority
FAO:	Food and Agriculture Organization of the United Nations
FAR:	Fixed Amount Reimbursement
FFP:	Food for Peace
FFP/EP:	Food for Peace Emergency Plan
FONTIERRAS:	<i>Fondo de Tierras</i> Land Fund

FUNDESA:	<i>Fundación para el Desarrollo</i> Development Foundation
GOG:	Government of Guatemala
ICITAP:	International Criminal Investigative Training Assistance Program
IDB:	Inter-American Development Bank
IEC:	Information, Education and Communications
IFC:	International Finance Corporation
MINUGUA:	<i>Misión de Verificación de las Naciones Unidas en Guatemala</i> United Nations Verification Mission in Guatemala
MOE:	Ministry of Education
MOH:	Ministry of Health
NAS:	Narcotics Affairs Section
OFDA:	Office of U.S. Foreign Disaster Assistance
OTI:	Office of Transition Initiatives
PREAL:	Partnership for Educational Revitalization in the Americas
PRONACOM:	<i>Programa Nacional para la Competitividad</i> National Program for Competitiveness
PRONADE:	<i>Programa Nacional de Autogestión Educativa</i> National Program for Community-Managed Education
SEGEPLAN:	<i>Secretaría de Planificación y Programación de la Presidencia</i> The Presidency's Planning and Programming Secretariat
SIAS:	<i>Sistema Integrado de Atención en Salud</i> Integrated Health Care System
SPS:	Sanitary/Phyto-sanitary
STI:	Sexually Transmitted Infections
UNDP:	United Nations Development Program
USDA:	United States Department of Agriculture
VESTEX:	<i>Industria de Vestuario y Textiles</i> Apparel and Textile Industry

ACTION MEMORANDUM

TO: AA/LAC, Adolfo A. Franco

THRU: SDAA/LAC, Don Boyd

FROM: Beth Cypser, LAC/SPO

SUBJECT: Approval for USAID/Guatemala Country Plan

Action Requested: Your signature to the attached Management Letter is requested to: approve the USAID/Guatemala Country Plan, authorize its incorporation into the recently approved Central America and Mexico (CAM) Regional Strategy, and allow the Mission to proceed with obligations. The Mission's Country Plan will have an approved funding level of \$192.0 million (including \$85 million PL480) for the FY 2004–2008 period.

Background: The Mission has completed and submitted its Country Plan for FY 2004–2008. The plan was developed with the central objective of supporting the CAM Regional Strategy for the FY 2003–2008 period. Following submission, the Country Plan was reviewed by the LAC Bureau and relevant offices throughout the Agency. The Mission's Country Plan is consistent with and strongly supports all three strategic objectives of the CAM Regional Strategy.

Authority: Approval of the CAM Regional Strategy was provided through the Management Agreement that you signed on August 1, 2003 in accordance with ADS 201.3.10.3. You have the authority to approve the Country Plan and its incorporation into the CAM Regional Strategy pursuant to ADS 103.3.8.1 in which you are delegated authority for strategic planning by the AA/PPC. The authority for program implementation delegated to you by the AA/PPC in ADS 103.3.8.2 gives you the authority to allow the Mission to proceed with obligations (subject to the Mission meeting all preobligation requirements).

Recommendation: That you sign the attached Management Letter indicating your approval of the Mission's Country Plan and its incorporation into the CAM Regional Strategy. Your signature will allow the Mission to proceed with obligations under the CAM Regional Strategy.

MANAGEMENT LETTER

Glenn Anders
Mission Director
USAID/Guatemala

Dear Mr. Anders:

This is to express my sincere congratulations to your Mission for its outstanding work in completing its Country Plan for FY 2004–2008. I am pleased with the strategic direction and focus areas you have emphasized in your Country Plan.

This Management Letter approves the incorporation of the USAID/Guatemala Country Plan into the Central America and Mexico (CAM) Regional Strategy.

The USAID/Guatemala Country Plan, which includes an approved funding level of \$192.0 million (including \$85 million PL480) for the FY 2004–2008 period, is consistent with and strongly supports the CAM Regional Strategy.

As the Mission moves forward with its activities, it should keep in mind program and staffing resource limitations so as not to overextend the program and dilute potential impact.

With this letter, subject to the Mission meeting all preobligation requirements, you are formally authorized to obligate funds under the CAM Regional Strategy beginning in FY 2004.

Sincerely,

Adolfo A. Franco
Assistant Administrator
Bureau for Latin America
and the Caribbean

Clearance Page for Approval of USAID/Guatemala Country Plan and Incorporation into CAM Regional Strategy

LAC/RSD, CMango	_____	date: _____
LAC/CEN, PKranstover	(draft) _____	date: <u>12/09/03</u>
LAC/EMT, CRoyalty	(draft) _____	date: <u>12/08/03</u>
LAC/SPO, JRudasill-Allen	(draft) _____	date: <u>11/20/03</u>
PPC/PC, RBoncy	(draft) _____	date: <u>11/13/03</u>
GC/LAC, JLifur	(draft) _____	date: <u>11/10/03</u>
EGAT/PAICO, PRader	(draft) _____	date: <u>11/13/03</u>
DCHA/PPM, SParks	(draft) _____	date: <u>11/12/03</u>
GH/OFPS, KNurick	(draft) _____	date: <u>11/14/03</u>
M/AA, DJohnson	(draft) _____	date: <u>11/14/03</u>

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