

**USAID/Mexico**

**Annual Report**

**FY 2004**

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## Mexico

### Performance:

#### THE DEVELOPMENT CHALLENGE

Since the signing of the North American Free Trade Agreement (NAFTA) in 1994, Mexico has become the second largest trading partner of the United States, and is among the top ten export markets for 43 U.S. states. In 2001, it was ranked as the 9th largest economy in the world. As President Bush said in 2001 and reiterated in early May 2002: NAFTA "is a recognition that the United States has no more important relationship in the world than the one we have with Mexico . . . Good neighbors work together and benefit from each other's successes."

In 2002 with a population of 100 million, the Government of Mexico estimated gross domestic product (GDP) per capita at \$6,884. By comparison, the GDP per capita in Guatemala (population 13 million) in the same period was \$1,642 and in Honduras (population 6.2 million) was \$920. However, not all Mexicans are yet reaping the benefits that this extensive trade, international visibility, and close U.S. partnership might offer. About 53 percent of all Mexicans--over 50 million people--had an annual income of less than \$720.

The election of President Vicente Fox in July 2000 began a new era for Mexico, ending 71 years of one-party rule. Since taking office, the Fox Administration has initiated a number of promising programs to reduce poverty, improve accountability and governance, protect natural resources, and expand the benefits of trade to more Mexicans.

#### THE USAID PROGRAM

The USAID program is designed to help the U.S. and Mexico collaboratively address shared problems and issues. With a shared 2000 mile border and close economic and social ties, a common U.S.-Mexico development agenda has emerged that includes trade and investment; environmental protection; strengthening the small and micro enterprise sector; improving public administration, transparency and accountability; preventing infectious diseases; and furthering competitiveness. FY 2004 is a transition year for the USAID program in Mexico, as it moves to implement a new strategic plan, under the regional strategy recently approved for Central America and Mexico (CAM). During FY 2004, most activities will be completed and closed out under the old strategy, which covers six objectives: adoption of more democratic processes, biodiversity conservation, clean production/energy, tuberculosis prevention and control, HIV/AIDS prevention, and microfinance. Except for Tuberculosis, FY 2004 funds will be used to initiate the new five year CAM Strategy and Mexico Country Plan that builds on successes to date but addresses new challenges and opportunities while focusing USAID management and financial resources more effectively. The new strategy has four areas of focus: economic growth, including access to finance and natural resources management; accountable governance and rule of law; infectious disease prevention and control; and educational exchange and scholarships.

Key challenges and achievements during FY 2003. Addressing inequalities in Mexico has been a declared policy priority of President Vicente Fox's administration since taking office in 2000. The Fox Administration has pursued a policy of "socially responsible humanism," which promotes private sector-led trade, complemented with an explicit poverty reduction strategy ("Contigo, or "With You") and an emphasis on improving government transparency and accountability. Yet, despite key advances and successes achieved in President Fox's transparency and accountability agenda, near and medium-term economic inequality remains, with recent economic analysis citing Mexico as having the starkest contrast between rich and poor among all nations in its economic category. Additionally, despite the gains of

NAFTA, Mexico's competitiveness globally, has continued to lose ground steadily.

USAID already implements several activities that can help reverse this trend of declining competitiveness, through reform of the criminal justice system, helping states and municipalities better access the capital markets to rebuild decaying infrastructure, and improving education and health care available for the general population. But there is perhaps a unique opportunity now, over the next few years, given receptivity from many corners of Mexican political and economic society, to sharpen a focus on competitiveness. USAID's key challenge remains securing sufficient funding to keep up with Mexican "demand" and maximize opportunities for impact now.

FY 2003 saw the results of the tremendous inroads USAID has made with a wide range of political and economic actors in Mexico, particularly in the transparency and good governance arena. USAID's program in FY 2003 contributed significantly to the Mexican reform effort that gained passage of a new Federal Civil Service law, introducing for the first time to the country merit-based, non-partisan recruitment and evaluation, effectively revolutionizing the structure and character of public service. USAID also helped gain passage and spur implementation of a new Freedom of Information law, significantly raised professional standards for hundreds of key state and local budget officials and institutions, and pioneered new laws that will help Mexican states better access capital markets to raise funding to improve the country's decaying infrastructure.

USAID's environment/energy cooperation activities helped reduce carbon dioxide emissions in Mexico by 8 percent, and helped lead the state oil company giant PEMEX to adopt sustainable development and environmental protection as a central theme for its operations. Organizational manuals developed by USAID to guide microfinance institutions in adapting to, and complying with Mexico's new Popular Credit and Savings law, were disseminated by BANSEFI, the Mexican State Savings Bank, to a national network of more than 600 financial institutions that serve more than 2 million clients.

Mexico's leadership in combating stigma and discrimination associated with HIV/AIDS was fostered in part by USAID's continued policy-related work with the national HIV/AIDS program. USAID/Mexico also is pleased to report that a pilot border emergency health care activity in Nogales requested by the Bureau to treat trauma victims has leveraged USAID's funds on a 2 to 1 basis with contributions from the Mexican Government and private sector.

Finally, the Presidential initiative Training, Internships, Education, and Scholarships (TIES) continued to draw significant interest in 2003, with 17 partnership programs between U.S. and Mexican universities now underway, with this team of the partnership exhibiting greater than 1 to 1 matches to USAID funding from higher education institutions and the private sector. In addition Georgetown University's CASS program successfully launched in Mexico, recruiting and sending for college degrees 24 students from poor, rural communities.

**Beneficiaries.** The beneficiaries of the current program range from poor families who are most likely to contract TB and will be receiving improved care, indigenous groups who are trying to manage their land in more sustainable ways, and high risk groups who are learning how to prevent HIV/AIDS and address stigma and discrimination with the general population. They are the poor and middle class men and women who live near PEMEX facilities and can breathe cleaner air, those in isolated villages that are receiving electricity from renewable energy sources, and the population in general that will benefit from more transparent and accountable federal, state, and local government institutions. They are the male and female micro entrepreneurs who will have greater access to financial services to expand their businesses. U.S. citizens also will be indirect beneficiaries in several ways. Some will be less at risk from infectious diseases and from smoke from forest fires. Others will have closer academic applied research ties with Mexican institutions and individuals. Still others will benefit from the maintenance of natural resource areas that provide essential winter habitat for a wide variety of bird species and Monarch butterflies.

**Gender.** Gender considerations are important, and vary widely by program area. In health, HIV/AIDS prevention efforts take gender into account in order to effectively target high risk groups and slow the

spread of HIV/AIDS to the general population. For example, most women are now infected through the risky behavior of their male partners, which points to the need for better prevention among men in order to prevent new infections in women. In the democracy program, Mission and Washington initiatives support women's legal rights organizations, building capacity among women candidates for office, and ensuring more equitable treatment for women who are victims of crimes or accused of committing crimes. In addition, the mission is working with women's groups in Ciudad Juarez to address the concerns of women as victims relative to the justice system in Chihuahua and the importance of judicial reform. This type of grassroots activity is important in gathering Mexican support for efforts to improve the situation of women in Mexico. The ultimate beneficiaries of microfinance activities are mostly women entrepreneurs. Biodiversity conservation activities have stimulated more equitable inclusion of women in conservation efforts and have specifically targeted the participation of women in resource planning and eco-tourism activities. The education exchange and training program (TIES) is working to include women as more than 50 percent of trainees are disadvantaged and indigenous youth.

**Country Close and Graduation:**

## Results Framework

### **523-000 United States - Mexico: Third Country training and technical cooperation program (TTCP)/Partnership for Prosperity**

#### **SO Level Indicator(s):**

None

**IR 1** More third countries benefiting from collective experience of USAID and Mexico development partnerships

**IR 2** Mexico's development assistance program strengthened based on alliance with USAID and USAID partners

### **523-002 Enhanced Quality and Sustainability of HIV/AIDS and STI Services in Targeted Areas**

#### **SO Level Indicator(s):**

Number of target states with on-going public-private collaborations

**IR 2.1** Improved HIV/AIDS/STI policy environment at the national and subnational level.

**IR 2.2** Increased capacity of governmental and non-governmental partners to deliver HIV/AIDS/STI services and information

### **523-003 More Democratic Processes Adopted in Key Government Institutions**

#### **SO Level Indicator(s):**

Percentage of milestones achieved in a fiscal year

**IR 3.1** More effective local governance in target areas

**IR 3.2** Permanent structures strengthened to enhance Congress legislative function

**IR 3.3** More effective administration of justice in target courts

**IR 3.4** Enhanced capacity to increase transparency and accountability in target government institutions

### **523-006 Critical Ecosystems and Biological Resources Conserved**

#### **SO Level Indicator(s):**

Number and area of critical ecosystems with adequate management

**IR 6.1** Management of target protected areas and other critical ecosystems improved

**IR 6.2** Demonstration and implementation of sustainable use activities in biologically important areas

**IR 6.3** Improved policy framework for conservation and sustainable use of biological resources

**IR 6.4** Improved non-governmental and professional capacity for conservation and sustainable use of biological resources

**IR 6.4.1** Mexican Nature Conservation Fund (FMCN) fully operational and fulfilling its environmental mandate

### **523-007 Carbon Dioxide Emissions and Pollution Reduced**

#### **SO Level Indicator(s):**

Amount of carbon dioxide emissions (in thousands of metric tons) prevented through selected energy efficiency measures and adoption of renewable energy technologies

**IR 7.1** Wide scale replication of resource management systems (RSM) and renewable energy technologies and practices in four key institutions

**IR 7.2** Selected policies in place that promote the use of RSM and renewable energy technologies

**IR 7.3** Improved Mexican institutional capacity for RSM and renewable energy technologies

### **523-008 Sustainable and Effective Institutional Capacity Developed to Diagnose, Control, and Monitor Tuberculosis in Target Areas**

#### **SO Level Indicator(s):**

The proportion of tuberculosis cases detected and the proportion of tuberculosis cases cured

**IR 8.1** Improved national and local political and administrative commitment to a tuberculosis control program

**IR 8.2** Increased use of laboratory-based diagnosis to identify tuberculosis cases

**IR 8.3** Improved directly observed therapy meeting strict case definitions

**IR 8.4** Improved mechanisms for monitoring program activities

**523-009 Strengthen the Institutional Base for Sustainable Microenterprise Growth by Supporting Mexican Initiatives**

**SO Level Indicator(s):**

Achieving targets in five indicators measuring policy/regulatory improvements and MFI performance

**IR 9.1** Increased communication and collaboration among micro enterprise (ME) finance and other service providers to define constraints to ME, growth and organized Mexican initiative

**IR 9.2** Selected ME finance institutions' management ability strengthened, to help increase and improve credit and financial services to micro enterprises.

**IR 9.3** Increased understanding and appreciation of the role of micro enterprise in the Mexican economy

**523-010 Enhanced Capacity of Participating Mexican Scholars and Institutions to Respond to the Common Development Agenda**

**SO Level Indicator(s):**

Participating Mexican Institutions with new programs that respond to common development agenda (CDA) opportunities

**IR 10.1** New university partnerships established and functioning

**IR 10.2** University-trained scholars prepared to respond to CDA opportunities

**IR 10.3** Community-college trained scholars prepared to respond to CDA opportunities

**523-021 Ruling Justly: More Responsive, Transparent Governance**

**SO Level Indicator(s):**

To be developed as part of the Central America strategy process

**IR 1.1** Strengthened Rule of Law

**IR 1.2** More Accountable Policy Making and Implementation

**523-022 Economic Freedom: Open, Diversified, Expanding Economies**

**SO Level Indicator(s):**

To be developed as part of the Central America strategy process

**IR 2.3** Broader Access to Financial Markets and Services

**IR 2.4** Improved Management and Conservation of Critical Watersheds

**523-023 Investing in People: Healthier, Better-Educated People**

**SO Level Indicator(s):**

To be developed as part of the Central America strategy process

**IR 3.3** HIV/AIDS and Other Infectious Diseases Contained and Impact Mitigated