

Central America Regional Program

The Development Challenge: With negotiations complete between the United States and El Salvador, Guatemala, Honduras, and Nicaragua, Central America is poised for a Central America Free Trade Agreement (CAFTA) with the United States and is taking a historic step toward regional integration and opening economies to global markets. Central America's \$68 billion economy and its population of 36 million make it the seventh-largest Latin American economy. U.S. exports to Central America in 2000 exceeded \$8.8 billion - more than U.S. exports to Russia, Indonesia, and India combined.

Central America is still recovering from decades of civil conflict and dealing with spiraling crime and widespread poverty. Four countries in the region suffered from military-controlled regimes and over a quarter of a million lives were lost in Cold War-related conflicts of the 1970s and 1980s. During the 1990s, Central America's annual average GDP growth rate was around 1.6%, less than population growth. The economic situation has worsened due to combined fall-out from a decline in coffee prices and the global economic slowdown. The result is a social crisis with increases in chronic malnutrition, gang violence, and a proliferation of organized criminal activities such as drug smuggling, human trafficking, and money laundering. Central America continues to rely on the "escape valve" of migration to the United States in the face of deteriorating economic and social conditions. The rapidly growing Hispanic population (13% of the U.S. population) is the largest minority group in the United States. Five percent of the documented U.S. Hispanic population is from Central America and four of the 10 leading source countries for U.S. undocumented immigrants are from the region. This combined population of documented and undocumented U.S. residents sends \$4 billion annually to Central America, funds which are essential for sustaining the region's economies.

Central America's 2002 per capita income was \$1,883. Despite its lower-middle income classification, over one-fourth of its population lives below the poverty line and one-third is illiterate. Central America has the worst primary school repetition and completion rates in Latin America, undermining its competitiveness in the global economy. Regional poverty stems from reliance on traditional agricultural products and deeply rooted social inequalities, with wide gender, ladino - indigenous and rural - urban gaps. The low income-generating ability of the vast majority of Central Americans is reflected in poor living conditions, including an unacceptably high rate of infant mortality (28 per 1,000 live births) and persistent chronic malnutrition among children.

Living standards are deteriorating and economic growth is limited by environmental degradation, including persistent and unchecked deforestation that limits water for industry, towns, and surrounding agricultural lands. In many areas, hunting, fishing, tourism, and extraction of wood for timber, fuel, and non-wood products have reached unsustainable levels, causing irreversible damage and growing threats to the region's water supply and sustainable economic growth. Environmental degradation also destroys refuges for endangered species. Regional forests, coastal areas, and wetlands are increasingly under pressure from human population growth, road building, and conversion of land for grazing and agriculture.

Central America is threatened by the emerging HIV/AIDS epidemic. Conservative estimates indicate that there are currently more than 175,000 infected individuals, the majority of whom are unaware of their condition and unable to take measures to prevent future transmission. While the epidemic began among homosexual and bisexual men, there has been a steady increase among women. As HIV/AIDS becomes established in the heterosexual population, vertical transmission (from mother to unborn/newborn child) is increasing. AIDS is the leading cause of death for women of reproductive age in Honduras, and the leading cause of death for adults aged 20 to 49 in Panama. In other countries it is one of the main causes of admittance to hospitals. The region's future economic development is threatened since the costs of AIDS-related morbidity and mortality tax both human and financial resources. HIV/AIDS is most likely to affect labor productivity, medical costs, the orphan population, and the size of the labor force.

The persistence of organized crime, including a proliferation of gangs, poses a continuing challenge. The Mesoamerican corridor is the preferred route for illegal migrants and narcotics; up to 70% of illicit South American narcotics shipments pass through the isthmus to the United States. Weak governments and

deteriorating living standards could undermine U.S. efforts to contain illegal migration, HIV/AIDS, organized crime, and other potential threats to homeland security.

Although the size of Mexico's economy (per capita GDP of \$6,884 in 2002) and population (100 million) far outweigh those of its Central American neighbors, Mexico faces some similar challenges. About 53% of Mexicans have an annual income of less than \$720, and environmental degradation presents a significant challenge to the country's biodiversity and continued economic growth, particularly in rural areas. On the other hand, Mexico has developed some institutions that can serve as models for other countries. For example, Mexico is a regional leader in its efforts to combat the HIV/AIDS. Inclusion of Mexico in the common framework of Central America regional programs provides an opportunity for increased cooperation across borders.

U.S. national interests in Central America include: 1) regional trade integration; 2) democracy; and 3) containment of illegal migration, organized crime (including gangs), and narcotrafficking. Trade remains at the top of the region's political agenda. The United States expects to complete negotiations for CAFTA in January, which will serve as a vital step toward completion of the Free Trade Area of the Americas (FTAA) by 2005. Since 1990, trade between the five countries and the United States has nearly tripled. The United States is Central America's most important trading partner, accounting for 43% of Central American exports and providing 41% of its imports. In spite of the region's relative non-competitiveness, U.S. private investment in the region is around \$1 billion, and is anticipated to increase substantially under CAFTA. The free trade agreement is expected to reinforce the region's integration process and help maintain stability while assisting the region to invigorate its faltering economies. U.S. assistance will play a critical role in addressing the challenge of implementing CAFTA by engaging the region's governments and civil society, and, ultimately, supporting the creation of an integrated Central American economy.

The USAID Program: The Data Sheets provided below notify four strategic objectives (SOs) for which USAID is requesting FY 2004 funds: 1) strengthening regional economic integration by promoting open trade and investment policies; 2) promoting environmental management and disaster prevention; 3) diversifying rural economies; and 4) containing and controlling HIV/AIDS (this Data Sheet also notifies FY 2005 funds). Beginning in FY 2005, the Regional Trade and Investment, Regional Environment, and Rural Economic Diversification SOs will be incorporated into SO 596-022 "Economic Freedom: Open, Diversified, Expanding Economies" under USAID's new Central America and Mexico Regional Strategy, which is also notified below. A new Performance Fund for Central America and Mexico also notifies FY 2005 funds.

Other Program Elements: Central America benefits from programs managed by USAID's Office of Regional Sustainable Development (LAC/RSD) to strengthen regional mechanisms to promote human rights, fortify government accountability, promote decentralization and local governance, and provide outreach to civil society on trade and economic issues. LAC/RSD also manages programs to develop cleaner production technologies, as well as the Parks in Peril program to mitigate threats to conservation. The Bureau for Democracy, Conflict and Humanitarian Assistance's (DCHA) matching grant program leverages U.S. private voluntary financial resources to improve primary health care, evaluate nonprofit housing organizations, and promote microenterprise development. Through its farmer-to-farmer program, the Office of Private and Voluntary Cooperation (DCHA/PVC) funds short-term voluntary technical assistance to increase farm and agribusiness productivity and incomes. Finally, the Global Health Bureau's child survival program funds activities that provide technical assistance to reduce infant, child, and maternal mortality and morbidity.

Other Donors: USAID has been successful in encouraging other donors to work together on regional efforts in trade capacity building, the environment, and HIV/AIDS control. Overall development assistance to the region totals around \$1.8 billion per year, excluding debt relief. The United States and Canada are the region's first and second largest bilateral partners, followed by Japan, the Netherlands, and Germany. Multilateral donor support is led by the Inter-American Development Bank, followed by the Central American Bank for Economic Integration, the World Bank, the European Union, and the United Nations.

Central America Regional Program PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	4,000	4,950	4,950	6,708
Development Assistance	15,792	24,383	16,487	21,582
Development Credit Authority	0	469	0	0
Total Program Funds	19,792	29,802	21,437	28,290

STRATEGIC OBJECTIVE SUMMARY

596-005 Regional Trade and Investment				
DA	2,800	7,300	7,616	0
596-006 Central America Regional Environment Program				
DA	6,842	9,821	6,021	0
DCA	0	469	0	0
596-008 Regional HIV-AIDS				
CSH	4,000	4,186	0	0
DA	150	0	0	0
596-009 Increased Diversification of the Rural Economy				
DA	6,000	7,262	2,850	0
596-022 Economic Freedom				
DA	0	0	0	14,795
596-023 Investing in People				
CSH	0	764	4,950	4,950
596-025 Performance Fund				
CSH	0	0	0	1,758
DA	0	0	0	6,787

Mission Director,
Glenn Anders

Data Sheet

USAID Mission:	Central America Regional Program
Program Title:	Regional Trade and Investment
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	596-005
Proposed FY 2004 Obligation:	\$7,616,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$0
Year of Initial Obligation:	FY 2001
Year of Final Obligation:	FY 2004

Summary: The Regional Trade and Investment Program for Central America is increasing Central America's competitiveness in global markets by providing technical expertise to: 1) promote more open trade and investment policies; 2) accelerate Central America's process of regional integration; 3) promote more equitable and efficient labor markets; and 4) prepare Central America for free trade negotiations.

Inputs, Outputs, Activities:

FY 2004 Program:

Trade and investment policies (\$1,631,500 DA). USAID will continue to promote more effective participation by the Central American countries in trade negotiations in order to advance the Central America Free Trade Agreement (CAFTA), the Free Trade Area of the Americas (FTAA), and World Trade Organization (WTO) meetings. Technical assistance to the governments of Central America will assist them to: meet WTO and other international trade commitments; monitor and enforce intellectual property rights agreements; and design and enforce a legal framework for competition. These activities are being implemented by the Secretariat for Central American Economic Integration (SIECA) and new technical assistance from Robert Nathan Associates and Booz Allen & Hamilton.

Regional integration (\$3,131,500 DA). USAID will fund technical assistance to: further reduce tariff and non-tariff barriers to trade within Central America; operationalize a regional trade dispute settlement mechanism in SIECA; consolidate and strengthen the regional customs union; harmonize commercial and regional electrical power laws and regulations; and promote integration and harmonization of regional road construction standards. These activities are being implemented by SIECA, PA Consulting (for energy-related assistance), and by new technical assistance from Booz Allen & Hamilton.

Equitable and efficient labor markets (\$721,500 DA). Technical assistance to the Central American Ministries of Labor will increase the Ministries' capabilities to protect workers' rights and prepare them for CAFTA implementation. Technical assistance will also help governments develop harmonized labor skills certification standards, and support technical cooperation between and among the countries of Central America, Mexico, and Panama for best practices in vocational training. These activities are being implemented by SIECA.

Trade negotiations preparation (\$2,131,500 DA). USAID will continue activities such as seminars, conferences, forums, and technical assistance that increase awareness and effective communication between Central American non-governmental organizations, the private sector, and Central American governments about the benefits of free trade negotiations and agreements. This activity is being implemented by SIECA, Carana Corporation, the Organization of American States' Trust for the Americas, and Counterpart International/Humane Society of the United States.

FY 2005 Program:

In FY 2005, activities will be reprogrammed into the new Regional Program Plan (SO 596-022 Economic Freedom: Open, Diversified Expanding Economies) under the Central America and Mexico (CAM) Regional Strategy.

Performance and Results: USAID assistance has directly resulted in harmonization of customs tariffs for 79% of products traded within Central America and elimination of customs tariffs for three (wheat flour, roasted coffee, and ethyl alcohol) of the seven remaining products subject to tariffs in trade within the region. USAID also improved functioning of border customs operations in seven Central American international ports and six integrated customs operations at border crossings between El Salvador, Honduras, and Guatemala.

USAID supported the establishment of a regional trade dispute settlement mechanism in SIECA that will facilitate increased intraregional trade and better transparency in dispute settlement. Establishment of this mechanism brings to fruition a commitment made 40 years ago in the Central American Common Market Treaty.

USAID was instrumental in effectively preparing Central American trade ministers for CAFTA negotiations. USAID provided a total of \$1 million during FY 2003 to the five Central American trade ministries to support public outreach activities to increase public awareness about CAFTA and its benefits. This support helped keep the negotiation process on track and demonstrated clearly to Central American governments the U.S. government commitment to trade capacity building. USAID-funded technical assistance to the Central American Ministers of Labor facilitated negotiation of labor issues in CAFTA, helped harmonize core labor standards, and introduced the concept of private-sector voluntary enforcement of labor standards.

USAID funded the development and approval of two road construction guideline manuals (environmental standards for road construction, maintenance and design, and a study and evaluation of pavement bearing capacity) in FY 2003, which were approved by the Central American Council of Transport Ministers and are now being applied by universities, construction firms and municipalities in Central America.

By the end of activities USAID will have contributed to Central America's economic integration. Central Americans will have applied a better understanding and dialogue about the benefits and costs of free trade to make the region's economies more internationally competitive. CAFTA and FTAA will be in implementation. The staff of Central American labor and trade ministries will be trained in trade and labor issues, such as labor skills certification, labor regulations in CAFTA, customs valuation, and procedures and administration of free trade agreements. The Central American countries will be successfully implementing WTO commitments. The Central American customs union will be functioning well, reducing customs transit time and cost among countries. The region's intellectual property rights laws will be harmonized and enforced. Tariff and non-tariff barriers to intraregional trade will be reduced. The Central American trade dispute resolution mechanism will be fully functional. Regional energy laws and standards will have been developed and implemented, supporting the development of a regional energy market. Regional economic integration will be further enhanced by improved roads made possible in part by harmonized road construction and maintenance standards. Follow-on activities will build on the success of this objective.

US Financing in Thousands of Dollars

Central America Regional Program

596-005 Regional Trade and Investment	DA
Through September 30, 2002	
Obligations	3,400
Expenditures	1,108
Unliquidated	2,292
Fiscal Year 2003	
Obligations	7,300
Expenditures	2,944
Through September 30, 2003	
Obligations	10,700
Expenditures	4,052
Unliquidated	6,648
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2004 NOA	
Obligations	7,616
Total Planned Fiscal Year 2004	
Obligations	7,616
Proposed Fiscal Year 2005 NOA	
Obligations	0
Future Obligations	0
Est. Total Cost	18,316

Data Sheet

USAID Mission:	Central America Regional Program
Program Title:	Central America Regional Environment Program
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	596-006
Proposed FY 2004 Obligation:	\$6,365,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$0
Year of Initial Obligation:	FY 2001
Year of Final Obligation:	FY 2004

Summary: The Regional Environmental Program for Central America supports improved environmental management, including disaster mitigation, in the Mesoamerican Biological Corridor by providing training and technical assistance to: 1) improve protected area management; 2) increase access to financial resources and expanded markets for environmentally sound products and services; 3) harmonize environmental standards and regulations; and 4) increase use of less polluting technologies by municipalities and the private sector. Beneficiaries are all the people of Central America (36 million), particularly those whose livelihoods depend on the natural resource base.

Inputs, Outputs, Activities:

FY 2004 Program:

Protected area management (\$1,000,000 DA). In order to improve management of protected areas, USAID will fund technical assistance to complete development of co-management guidelines, which will allow local non-governmental organizations (NGOs) to work with local governments to manage protected areas. In addition, USAID will fund training in site conservation planning, financial planning, and participatory management of protected areas for park personnel. Principle grantees are: the Nature Conservancy (prime), the World Wildlife Fund (sub), and the Rainforest Alliance (sub).

Market access for environmentally sound products and services (\$800,000 DA). USAID will fund technical assistance to develop a commercial forestry database, agricultural certification models, and linkages with organic producers and markets to increase market access for environmentally sound products and services. Better management practices for traditional fisheries and coral reef conservation will be disseminated and promoted. As part of a private sector alliance, USAID will begin implementing sustainable agriculture activities and improving the way forest products are marketed. Principle grantees are: the Nature Conservancy (prime), the World Wildlife Fund (sub), and the Rainforest Alliance (sub).

Regional environmental laws and international agreements (\$925,000 DA). USAID-financed technical assistance and training will advance development of regional air quality policies, as well as regional norms on product packaging, classification, and labeling, and teach government officials how to conducting environmental inspections. In addition, USAID will focus efforts on creating the conditions to enforce key environmental agreements dealing with hazardous chemical substances. Principle grantees and agencies are: Central American Commission on Environment and Development, U.S. Environmental Protection Agency (EPA), and the U.S. Department of Agriculture (USDA).

Use of less polluting technologies (\$640,000 DA). USAID will finance technical assistance to update and finalize three environmental management guidebooks for use by municipalities in regional watersheds. Development of 15 pilot projects for slaughterhouse wastewater treatment and solid waste prevention and management will advance adoption of less polluting technologies in these industries. USAID will also test sustainable wastewater management plants in two municipalities and finance training for 30 municipalities on designing municipal solid waste and wastewater management systems and leveraging financial resources. USAID will fund technical assistance to develop bankable projects under the Central America

Regional Clean Production Development Credit Authority (DCA), which makes available a \$10 million line of credit for associations of private sector industries to incorporate environmental management into their operations. The prime contractor is Associates in Rural Development, Inc.

Small grants program (\$600,000 DA). USAID will award grants to Central American NGOs to improve environmental management in the Mesoamerican Biological Corridor. Along with monitoring the first set of activities approved in FY 2003, USAID will fund assistance to recipient NGOs to strengthen their administrative and technical capacities. Principle grantee is the Tropical Agricultural Research and Higher Education Center (CATIE).

Fire and pest management (\$600,000 DA). USAID will fund an analysis of fire and pest management issues and organizations in Central America, and preparation of a proposal for effective financial mechanisms for fire and pest management. This project includes: a review of regulatory frameworks; creation of a web-based regional information network; training for strategy development; establishment of a small grants program; and donor coordination. The principle agency is the U.S. Department of Interior.

Mesoamerican food security early warning system (MFEWS) (\$1,000,000 DA). MFEWS will support formation of networks that provide timely information for food security. MFEWS will establish its field presence, develop an annual work plan, inventory country needs in Guatemala, Honduras, and Nicaragua, begin development of a nutritional indicator, and facilitate an annual outlook conference in each country. The prime contractor is Chemonics International, Inc.

Global climate change (\$800,000 DA). USAID will fund training for national governments, universities, and NGOs on the International Panel of Climate Change Good Practices, and analyze land cover data. Technical assistance to Central American governments will assist governments in analyzing key greenhouse gas emission sources, documenting institutional arrangements, and begin preparing a template for inventory improvement plans. This project will establish a network of Geographic Information System (GIS) workstations and collate and analyze regional climate data. Principle agencies are EPA and the National Aeronautics and Space Administration (NASA).

FY 2005 Program:

In FY 2005, activities will be reprogrammed into the new Regional Program Plan (SO 596-022 Economic Freedom: Open, Diversified Expanding Economies) under the Central America and Mexico (CAM) Regional Strategy.

Performance and Results: USAID has established several Global Development Alliance activities including: the Mesoamerican Reef Alliance between USAID (\$1.5 million) and the United Nations Foundation (\$1.5 million); the Rainforest Certified Sustainable Products Alliance (a three-year activity to promote certified products, i.e., coffee, bananas and timber); and the Conservation International/Starbucks coffee alliance. USAID and three Central American banks (Cuscatlán in El Salvador, Panabank in Panama, and Bancentro in Nicaragua) have established the regional Clean Production DCA, and additional banks in two other countries will join in March 2004. In Nicaragua, the concept of "Preferential Purchase Programs" was incorporated into the forestry law. Thirty-five private industries have implemented low-cost best practices in their production processes. Three municipalities in El Salvador improved solid waste and wastewater management by introducing low-cost technologies. Río Plátano Biosphere Reserve (Honduras), which accounts for 832,024 hectares under improved management as a result of USAID's work, moved from level two to level three on the improved management scale.

By completion of these activities, USAID expects that 16 protected areas (more than 1.6 million hectares) will be effectively managed; and 402 forestry, agricultural and tourism operations covering 54,000 hectares will be or in process of being certified, producing 15,500 cubic meters of certified wood and 270,144 tons of certified agricultural products. Central American environmental standards and regulations will be harmonized, with greater regional capacity to apply them. A total of 60 municipalities and private sector firms will be implementing improved environmental management practices. Follow-on activities will build on these results.

US Financing in Thousands of Dollars

Central America Regional Program

596-006 Central America Regional Environment Program	DA	DCA
Through September 30, 2002		
Obligations	15,072	0
Expenditures	4,201	0
Unliquidated	10,871	0
Fiscal Year 2003		
Obligations	10,412	469
Expenditures	5,131	0
Through September 30, 2003		
Obligations	25,484	469
Expenditures	9,332	0
Unliquidated	16,152	469
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2004 NOA		
Obligations	6,021	0
Total Planned Fiscal Year 2004		
Obligations	6,021	0
Proposed Fiscal Year 2005 NOA		
Obligations	0	0
Future Obligations	0	0
Est. Total Cost	31,505	469

Data Sheet

USAID Mission:	Central America Regional Program
Program Title:	Increased Diversification of the Rural Economy
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	596-009
Proposed FY 2004 Obligation:	\$3,250,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$0
Year of Initial Obligation:	FY 2002
Year of Final Obligation:	FY 2004

Summary: The Rural Diversification Strategic Objective supports the President's Opportunity Alliance for Central America and Mexico. The Opportunity Alliance responds to the challenge of addressing poverty issues in Mesoamerica, while reducing vulnerability to external shocks and disasters, through a trade-led, rural development initiative to forge stronger institutional ties within the region. The Opportunity Alliance is pioneering innovative ways to mobilize private sector partners, donors, and voluntary organizations to leverage resources in support of a common agenda. This strategic objective was developed in close collaboration with USAID bilateral missions in the region to support other regional and bilateral efforts to help reduce dependence on traditional crops and address structural problems that constrain rural economic growth and diversification.

Inputs, Outputs, Activities:

FY 2004 Program:

Coffee quality and marketing (\$250,000 DA). USAID-funded technical assistance will help increase the competitiveness and sustainability of small- and medium-scale coffee producers by: enhancing quality at the farm and coffee wet mill levels; introducing better business practices; improving market differentiation and certification; increasing value added; enhancing promotional strategies; improving market information and linkages with buyers and roasters; and encouraging market-oriented policies to enhance coffee export competitiveness. Principal contractors and grantees are: Chemonics International (prime), the Coffee Quality Institute, the United States Geological Survey, and the Rainforest Alliance (sub).

Competitiveness of the rural economy (\$2,500,000 DA). USAID will help develop a more competitive rural private sector in Central America by facilitating the development of alliances and networks to address immediate problems. Alliances and networks will improve access to markets, facilitate effective business partnerships, improve business skills, and increase sales of higher quality goods and services produced in rural areas. Principal activities will focus on business development and market intelligence, sanitary and phytosanitary services (regulatory capacity, admissibility, accreditation, and quality assurance), regional agricultural statistics, and policy. Principal agencies are: the U.S. Department of Agriculture (USDA) National Agricultural Statistics System, the USDA Animal and Plant Health Protection Service, and other contractors and grantees to be determined.

Electronic alliance (\$500,000 DA). USAID will establish a regional information system to facilitate public-private alliance brokering, public outreach, information sharing, and results reporting. The system will include an innovative web-based toolkit, with links to related sites, to promote alliances, consolidate partnerships, facilitate timely communication and virtual consultation, improve progress reporting and publicity, and increase access to information in order to enhance competitiveness and improve risk management. Activities will begin during FY 2004. The principal contractor is to be determined.

FY 2005 Program:

In FY 2005, activities will be reprogrammed into the new Regional Program Plan (SO 596-022 Economic Freedom: Open, Diversified Expanding Economies) under the Central America and Mexico (CAM) Regional Strategy.

Performance and Results: The Rural Diversification Strategic Objective will increase the sale of nontraditional goods, services, and crops (including high quality coffees) by small- and medium-scale producers. Implementation began in the second quarter of FY 2003, with activities for improved coffee quality and marketing concentrated in the regions within the Dominican Republic and the six countries of Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama) that are the main producers and exporters of high quality and premium coffees. These activities emphasize small- and medium-scale producers as the first line beneficiaries within the context of a market-driven approach.

In the first nine months of implementation, USAID assessed 25 producer groups for managerial and financial needs in Guatemala (6), El Salvador (8), Honduras (3), Nicaragua (3), Costa Rica (3), and Panama (2). Cupping laboratories were reviewed for six producer groups in El Salvador (1), Honduras (1), and Costa Rica (3); and wet mill needs assessed for 18 producer groups in Guatemala (5), Honduras (3), Costa Rica (3), Panama (1), and the Dominican Republic (6). Timely commercial-scale market trials with the Marcala Organic Coffee Company late in the marketing year also resulted in the sale of three containers (75,000 pounds) of high-value coffee from Honduras at \$0.85/pound. Recently, this organization sold three containers (112,500 pounds) of high-value coffee at \$0.95/pound during the 2003-2004 harvest season that were bought before the harvest, and before the coffee could be sampled. This is an indication of increased buyer confidence in the quality of the coffee.

Achievement in the coffee quality and marketing component will be measured by the increase in the market share and value of quality coffee originating in Central America and the Dominican Republic. In FY 2004, efforts are expected to result in: the sale of 50 containers of quality coffee; certification of 500 coffee producers; provision of direct services to 5,000 producers, producing 500,000 bags of quality coffee; formation of a Regional Specialty Coffee Association; and price premiums of \$80 to \$100 per quintal received for quality coffee.

The rural competitiveness component was designed in FY 2003, and implementation will begin in FY 2004. Overall achievement will be measured by increased volume and value of sales of goods and services produced in rural areas. Baseline data and indicator targets will be finalized during the coming year and carried forward under the new CAM Regional Strategy.

By the end of activities, USAID expects to increase the sale of nontraditional goods, services and crops (including high quality coffees) by small- and medium-scale producers. The program will specifically seek to increase: the area producing quality coffee; income for farmers engaged in quality coffee production; the volume and value of quality coffee exports; domestic consumption of quality coffee; and intraregional coffee trade. Follow-on activities will build on these results.

US Financing in Thousands of Dollars

Central America Regional Program

596-009 Increased Diversification of the Rural Economy	DA
Through September 30, 2002	
Obligations	6,000
Expenditures	0
Unliquidated	6,000
Fiscal Year 2003	
Obligations	7,550
Expenditures	1,821
Through September 30, 2003	
Obligations	13,550
Expenditures	1,821
Unliquidated	11,729
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2004 NOA	
Obligations	2,850
Total Planned Fiscal Year 2004	
Obligations	2,850
Proposed Fiscal Year 2005 NOA	
Obligations	0
Future Obligations	0
Est. Total Cost	16,400

Data Sheet

USAID Mission:	Central America Regional Program
Program Title:	Economic Freedom
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	596-022
Proposed FY 2004 Obligation:	\$0
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$17,199,000 DA
Year of Initial Obligation:	FY 2005
Year of Final Obligation:	FY 2008

Summary: As part of the new Central America and Mexico (CAM) Regional Strategy, USAID assistance to promote trade-led growth in the region will focus on achieving open, diversified and expanding economies. The principal results anticipated by the end of this strategy are: increased trade, both intraregional and total; greater contributions of higher value-added sectors (such as manufacturing, tourism, services, and “green products”) to the economy; new jobs and economic opportunities leading to increased and more equitably distributed incomes; and improved management of critical watersheds and natural resources. These results will be achieved by assisting countries to: negotiate and implement free trade agreements; improve the quality of the business environment and enterprise competitiveness; broaden access to financial markets and services; and improve management and conservation of priority watersheds.

Inputs, Outputs, Activities:

FY 2004 Program:

Implementation of these activities begins in FY 2005, building on activities under SOs 596-005, 596-006, and 596-009.

FY 2005 Program:

Trade and investment (\$5,700,000 DA). USAID will work with the member countries of the Central America Economic Integration Secretariat (SIECA) and affiliated countries to: 1) promote more open trade and investment policies within the Central America Free Trade Agreement (CAFTA), the Free Trade Area of the Americas (FTAA), and the World Trade Organization (WTO) framework; 2) undertake regional initiatives to increase domestic and foreign investment; 3) harmonize environmental laws, regulations, and systems to respond to CAFTA requirements and the Central America-U.S. Agreement on biodiversity conservation (CONCAUSA); 4) accelerate regional integration through consolidation of the customs union and timely resolution of intraregional trade disputes; 5) promote more equitable and efficient labor markets through enactment and enforcement of harmonized labor laws and codes; 6) implement CAFTA through institutionalization of regional trade capacity building; and 7) prepare for the FTAA. The implementers will be SIECA and others to be identified.

Private enterprise competitiveness (\$7,542,000 DA). USAID will promote linkages to markets and incentives for better management practices (such as premium prices for certified products). Conservation agreements with communities may be strengthened in key clusters. Sectors benefiting from this approach include, but are not limited to, tourism, forestry, and agribusiness. USAID will promote clean production practices among private enterprises in selected sites throughout the region. For example, in the Gulf of Fonseca, USAID will work with watermelon, melon, and peanut producers to decrease watershed contamination. The program will also support implementation of wastewater and solid waste management systems in collaboration with municipalities and the private sector. USAID will support a more competitive rural private sector in Central America by facilitating the development of alliances and networks to address immediate problems of regional importance. Alliances and networks will improve access to markets, facilitate effective business partnerships, improve business skills, and increase sales

of higher quality goods and services produced in rural areas. Principal activities will focus on business development and market intelligence, sanitary and phytosanitary services (regulatory capacity, admissibility, accreditation, and quality assurance), regional agricultural statistics, and policy. USAID will continue supporting a regional information system to facilitate public-private alliance brokering, information sharing, public outreach, and results reporting. Principal implementers will include the U.S. Department of Agriculture (USDA) National Agricultural Statistics System, the USDA Animal and Plant Health Protection Service, and other contractors and grantees to be determined.

Financial markets and services (\$1,000,000 DA). USAID will promote integration of Central American financial markets and harmonization of financial market supervision. USAID plans to: support reforms to the banking legal framework of regional import, including secured transactions policies; promote use of the Development Credit Authority (DCA) to attract commercial banks into microfinance and export finance; promote linking of microfinance to commercial bank financing or “second-story” financial institutions; assist government regulatory entities to improve region-wide bank supervision; promote means of lessening transaction costs of remittances and increasing savings for productive uses and investments that facilitate growth; and promote competition among institutions in charge of transferring remittances. USAID will also facilitate and support submission of bankable projects to the regional Clean Production DCA - a \$10 million line of credit for associations of private sector industries to incorporate environmental management into their operations - and look for new mechanisms to finance sustainable tourism activities in the region.

Watershed management (\$2,957,000 DA). USAID will promote sustainable management of key watersheds and protected areas within the Mesoamerican Biological Corridor and promote the integrated natural resource methodology needed for sustainable use of productive resources across the region. Large-scale activities are designed to reduce or mitigate vulnerability to climate change at the local level and allow planners to target interventions to mitigate impacts from changes in land use. Information gathered will be provided to the Mesoamerican Early Warning System to inform decision making regarding disaster preparation/mitigation and food security. Activities also will mitigate the impact of fire by encouraging early planning and action to reduce the extent and severity of damage during the fire season. Finally, but most importantly, a concerted effort will be made to promote Tropical Forestry Conservation Act arrangements (where applicable), payment for environmental services through alliances with the private sector (i.e., water fund for Lake Yojoa in Honduras and Sierra de las Minas in Guatemala), and encouraging direct involvement by local groups that benefit directly from conservation efforts in their watersheds. Principal implementers will include the U.S. Environmental Protection Agency, the National Aeronautics and Space Administration, the Department of the Interior, the Oakridge National Laboratory, and other contractors and grantees to be determined.

Performance and Results: By strategic objective completion, Central America will increase trade, both intraregional and total; higher value-added sectors will be contributing to the economy; availability and access to financial services by small- and medium-sized enterprises and exporters will increase; and watershed management will be improved.

US Financing in Thousands of Dollars

Central America Regional Program

596-022 Economic Freedom	DA
Through September 30, 2002	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2003	
Obligations	0
Expenditures	0
Through September 30, 2003	
Obligations	0
Expenditures	0
Unliquidated	0
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2004 NOA	
Obligations	0
Total Planned Fiscal Year 2004	
Obligations	0
Proposed Fiscal Year 2005 NOA	
Obligations	14,795
Future Obligations	0
Est. Total Cost	14,795

Data Sheet

USAID Mission:	Central America Regional Program
Program Title:	Investing in People
Pillar:	Global Health
Strategic Objective:	596-023
Proposed FY 2004 Obligation:	\$4,950,000 CSH
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$4,950,000 CSH
Year of Initial Obligation:	FY 2003
Year of Final Obligation:	FY 2008

Summary: HIV/AIDS continues to threaten development in Central America and Mexico. Regional migration due to past civil unrest, the demand for seasonal labor, greater economic integration, more open border policies, and improved regional transportation routes exacerbate the spread of HIV/AIDS both within the region and towards the North. The overall cumulative prevalence of AIDS cases for the region, as well as under-reporting of the number of cases, shows considerable variation across countries. The limited existing data indicates that all the countries except Honduras fall into the "Concentrated" category with certain sub-groups of the population being particularly affected. In Honduras, the pandemic has spread to the general population and is the leading cause of death among women of reproductive age. As HIV/AIDS becomes well established in the heterosexual population, transmission from mother to unborn/newborn child clearly increases. However, there is still an opportunity to contain the spread of the pandemic in Central America through sound targeted prevention practices and avoid a full blown epidemic and loss of life and cost to society. Therefore, the Regional HIV/AIDS Program, under the Central America and Mexico Regional Strategy, focuses on: 1) increasing use of prevention practices and services to combat HIV/AIDS; 2) implementing improved HIV/AIDS policies and surveillance; and 3) effective and efficient delivery of comprehensive care and treatment for people living with HIV/AIDS.

Inputs, Outputs, Activities:

FY 2004 Program:

HIV/AIDS prevention (\$1,935,000 CSH). USAID will continue to support targeted behavior change interventions to high-prevalence and other vulnerable populations that will result in reduction of risky behaviors (e.g., reduction of multiple partners, delayed initiation of sexual activity, and increased condom use in high-risk relations). USAID will expand interpersonal education services to reach higher-prevalence populations, while making affordable condoms available by increased nontraditional sales in high-risk zones. A revamped media campaign will strongly support the ABC (abstinence, be faithful, use condoms) strategy. Pending the results of an external evaluation, USAID may also support community-based planning through technical assistance, training, and small grants to municipalities with rapidly growing HIV/AIDS epidemics. Principal grantees are Population Services International and the Academy for Educational Development (AED).

HIV/AIDS policies (\$1,546,300 CSH). USAID will continue to provide technical assistance to support implementation of improved HIV/AIDS policies, strategic plans, and monitoring and evaluation strategies. USAID has supported the national strategic planning processes as well as development of proposals to the Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM), and will continue to work closely with countries in the modification of pending proposals, preparation of future proposals, and implementation, management, monitoring and evaluation, and coordination of GFATM activities in the context of the national strategic plans. Development and dissemination of projection models and socioeconomic impact studies will inform discussion on these issues. USAID-funded training and technical assistance will strengthen strategic alliances and existing legal rights service groups to work in HIV/AIDS-related areas and help people living with HIV/AIDS and other vulnerable groups under existing legislation. Principal grantees are: AED (prime) and The Futures Group International (sub).

Surveillance and data (\$1,268,700 CSH). USAID-funded technical assistance will help improve and implement national and regional surveillance systems. USAID will fund situation assessments, technical assistance, training, and rapid tests. The improved regional and national surveillance systems will ensure that: 1) AIDS and HIV case data are complete and accurate; 2) seroprevalence data are collected periodically from appropriate populations, analyzed and disseminated; 3) behavioral and special case-investigation studies are conducted periodically; 4) program and other relevant data are incorporated into the surveillance system; and, 5) information from the surveillance system is used to influence decision makers and other audiences. Principal agency will be the Centers for Disease Control/Global AIDS Program through an Inter-Agency Agreement.

Comprehensive care (\$200,000 CSH). USAID will fund the development of in-service training curricula for health professionals, as well as implementation of a graduate-level diploma course. A balanced ABC prevention component will be integrated into all of the activities. Contractor/grantee has not yet been selected.

FY 2005 Program:

HIV/AIDS prevention (\$1,935,000 CSH). USAID will continue to support targeted behavior change interventions to high-prevalence and other vulnerable populations.

HIV/AIDS policies (\$1,546,300 CSH). USAID plans to continue funding technical assistance activities to support implementation of improved HIV/AIDS policies, strategic plans, and monitoring and evaluation strategies as described above.

Surveillance and data (\$1,268,700 CSH). USAID expects to continue funding activities to improve and implement national and regional HIV/AIDS surveillance systems as described above.

Comprehensive care (\$200,000 CSH). USAID plans to continue funding the development of in-service training curricula for health professionals, as well as implementation of a graduate-level course.

Performance and Results: USAID has developed a pool of highly-qualified Central American professionals capable of providing guidance and leadership for the development and implementation of strategies and HIV/AIDS programming. All governments in the region have committed to expanding access to antiretroviral therapy, and all countries except Panama have been approved for funding by the Global Fund to Fight AIDS, Tuberculosis, and Malaria. These commitments lay the foundation for comprehensive care and prevention programs. Furthermore, all of the governments except Belize have positive legislation protecting the rights of people living with AIDS. Seven new positive policy changes were recorded in FY 2003, including clinical protocols, commitment to expand access to low-cost generic medicines, and derogation of a discriminatory article on hiring people living with HIV/AIDS. These policies have contributed significantly to making antiretroviral therapy accessible to people living with HIV/AIDS, a key element in AIDS control. The number of people receiving antiretroviral therapy in the four core countries (Panama, El Salvador, Nicaragua and Guatemala) increased from 2,906 to 3,987, a gain of 37%. The policies have also helped reduced stigma and discrimination by emphasizing human rights for people living with HIV/AIDS. In December 2003, USAID completed a behavioral study which provides information on changes in behavior compared to 2000. The study also serves as a baseline for attitudes and knowledge of human rights, and will be used to develop a standardized questionnaire that can be compared internationally.

By program completion, USAID expects reduced incidence of HIV among high-prevalence groups and prevalence in the general population age 15 to 49 (male and female) maintained below 1%.

US Financing in Thousands of Dollars

Central America Regional Program

596-023 Investing in People	CSH
Through September 30, 2002	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2003	
Obligations	764
Expenditures	0
Through September 30, 2003	
Obligations	764
Expenditures	0
Unliquidated	764
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2004 NOA	
Obligations	4,950
Total Planned Fiscal Year 2004	
Obligations	4,950
Proposed Fiscal Year 2005 NOA	
Obligations	4,950
Future Obligations	32,336
Est. Total Cost	43,000

Data Sheet

USAID Mission:	Central America Regional Program
Program Title:	Performance Fund
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	596-025
Proposed FY 2004 Obligation:	\$0
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$1,758,000 CSH; \$6,787,000 DA
Year of Initial Obligation:	FY 2005
Year of Final Obligation:	FY 2008

Summary: The Bureau for Latin America and the Caribbean (LAC) is implementing a number of new approaches designed to improve the effectiveness and strategic focus of its programs. Foremost among these reforms are: strategic budgeting and a greater focus on regional priorities; a closer alignment with the Administration's proposed Millennium Challenge Account (MCA); and the establishment of an incentive-based Performance Fund that rewards good country performance.

The LAC Bureau Performance Fund supports the principles underlying the Administration's proposed Millennium Challenge Account, which conditions development assistance on performance and accountability. The three performance categories of the LAC Performance Fund parallel the performance categories of the MCA: Ruling Justly, Investing in People, and Encouraging Economic Freedom. For each LAC sub-region, the Performance Fund will be divided into three major categories corresponding to the three principal MCA categories, and awards will be made to the best performer under each category.

As part of Investing in People, the Fund will reward education performance in support of the Presidential Initiative on Central American Centers of Excellence for Teacher Training (CETT), which will help strengthen Spanish language teacher training methodologies and materials as well as complement USAID objectives regarding teacher professional development and improving basic education.

Inputs, Outputs, Activities:

FY 2004 Program:

None.

FY 2005 Program:

Performance Fund (\$6,787,000 DA, \$1,758,000 CSH). The Performance Fund will serve as an incentive to both USAID missions and host countries to work collaboratively to realign their approach to development, improving their focus on performance, and the achievement of measurable results. Funds will be disbursed to USAID missions, not the countries, for programming. However, USAID missions will work closely and collaboratively with the host country in applying to the LAC Bureau for funds in order to assure host country commitment to Performance Fund objectives. The Performance Fund is also supportive of the intent of USAID's new strategic budgeting process, which seeks to make the programming of USAID assistance more performance-driven.

The fund will not be available to countries that qualify for the MCA, but rather will focus on working to move countries towards MCA qualification. For many countries in the region, a Performance Fund award could be an important step leading towards MCA eligibility as it could provide the financing needed to make reforms required to meet MCA criteria. However, once a country qualifies for receiving MCA funding, it will no longer be included for consideration under the Performance Fund.

Funds will be divided roughly by the three strategic MCA categories identified above. The LAC Performance Fund will not, however, use MCA criteria to measure performance. Instead, it will use

criteria that will be specifically developed for each LAC subregion. The Performance Fund will operate on a competitive basis, with the best performer(s) in the subregion awarded funds. The LAC Bureau will analyze countries' performance annually, review proposals on how the missions would each use the additional funds, and select the best performing country and program under each strategic category. Once funding allocation decisions have been made, recipient missions will submit Congressional Notifications that describe how the additional funds will be used.

Performance and Results: High-level host country awareness of and commitment to the Performance Fund's objectives will rely on close host country involvement in developing indicators, benchmarks, and applications for funding; in-country ceremonies with high-level participation for funding awards; and press events. Expected principal outcomes are: 1) a greater focus on regional priorities by governments within the LAC region; 2) a closer alignment of USAID activities with the Administration's proposed MCA; and 3) positive policy reforms.

US Financing in Thousands of Dollars

Central America Regional Program

	CSH	DA
596-025 Performance Fund		
Through September 30, 2002		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2003		
Obligations	0	0
Expenditures	0	0
Through September 30, 2003		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2004 NOA		
Obligations	0	0
Total Planned Fiscal Year 2004		
Obligations	0	0
Proposed Fiscal Year 2005 NOA		
Obligations	1,758	6,787
Future Obligations	0	0
Est. Total Cost	1,758	6,787