

Paraguay

The Development Challenge: Since the fall of Paraguay's dictatorship 14 years ago, the country has adopted a new constitution, established freedom of expression, developed a transparent and free electoral process, made improvements in the judicial system, and defended democratic institutions in the face of severe challenges. These challenges include several coup attempts, the assassination of a vice president, and the resignation of a president. Consolidating democracy and promoting a fair and licit market economy are the primary U.S. national interests in Paraguay. During the past two years Paraguay has been a valuable U.S. ally in the war on terrorism.

During 2003, the country continued its eighth consecutive year in which per capita income was stagnant or declined. Poverty rates increased at an alarming rate, especially in rural areas, and the value of the Paraguayan currency depreciated significantly against the dollar. Perceptions of government corruption are among the highest in Latin America. With the newly-elected President having taken power in August 2003, there is renewed optimism that serious problems such as poverty, corruption, environmental degradation, and lack of effective basic services to Paraguay's citizens will be addressed. In 2002, the Office of the President was perceived to be the second most corrupt institution in Paraguay; whereas, it is now perceived to be the least corrupt institution. This dramatic change in perception from a year ago is directly attributable to strong anti-corruption measures taken by President Duarte's administration. During his first months in office, President Duarte has demonstrated a serious commitment to fighting corruption, reactivating the economy and providing hope to the growing ranks of the poor. Enormous challenges lie ahead.

Paraguay's external debt is approximately \$2.2 billion, over 40% of its gross domestic product. While Paraguay has historically pursued a conservative macroeconomic policy, the economic tribulations of Brazil and Argentina (Paraguay's two most important trading partners) and weak political will have combined to produce worsening budget deficits and expedient short-term borrowing. A very positive indicator of how multilateral banks now view Paraguay is the December 2003 International Monetary Fund approval of a stand-by agreement, the first one in 50 years.

Sustainable development in Paraguay is threatened by the indiscriminate exploitation of land, water, and wildlife resources. Economic growth is severely threatened by the depletion of Paraguay's rich endowment of natural resources. The once rich topsoil of the eastern border region (largely uncultivated until the 1970s) is now severely eroded. The eastern border region sits on the largest underground water aquifer on the continent which is being threatened by unchecked use of land.

There is limited access to quality reproductive health services in Paraguay. Approximately 35% of pregnant women do not receive adequate pre-natal care. Citizens also lack access to other basic services, such as education, potable water, sewerage systems, solid waste collection, and basic infrastructure. The national government is increasingly hard pressed to provide these services, and some local governments are struggling to compensate for these deficiencies.

At a minimum, Paraguay must be able to demonstrate an ability to improve economic conditions, ensure the provision of basic services to its citizens, and reduce crime and corruption. If democracy does not provide hope for the future, there is a real possibility that people will lose faith in it and select another form of government. This is reflected in recent survey findings of the Latinobarometro poll indicating that Paraguayans were the least satisfied in all of Latin America with democracy and the second least satisfied with a market economy.

The USAID Program: USAID's program focuses on four strategic objectives for which funds are requested: economic growth, reproductive health, environmental initiatives, and democracy. Two themes that link these objectives are: (1) a pluralistic civil society is the basis for democratic governance, improved trade capacity (poverty alleviation), improved health and provision of services, and care of natural resources; and (2) government responsiveness, accountability, and accessibility are strengthened through the decentralization of power and authority to local levels and measures which promote honesty

and transparency throughout all levels of government. These activities are further described in the following data sheets.

Other Program Elements: USAID's Democracy, Conflict, and Humanitarian Assistance Bureau, Office of U.S. Foreign Disaster Assistance, assists Paraguayans to coordinate efforts in disaster preparedness, emergency training activities, and disaster relief activities. The Global Development Alliance Office awarded a grant that includes Paraguay as one of the countries to receive information technology training and assistance to graduates looking for jobs. The Latin America and Caribbean Bureau's Office of Regional Sustainable Development has programs to increase citizen participation, strengthen civil society organizations, and promote human rights in Paraguay. Finally, USAID monitors a USAID centrally funded grant to the Integrated Water Resource Management Incentive Fund.

Other Donors: USAID has been very active in organizing a previously disjointed donor community and continues to be successful in having other donors build upon its pioneering activities. USAID has organized donor coordination activities in areas of decentralization, judicial reform, environment, and health and is participating in donor programs related to competitiveness and adolescents.

In the health sector, the World Bank, the United Nations Population Fund, and USAID are collaborating with the Ministry of Health to implement a demographic and health survey and to provide technical assistance to develop the National Reproductive Health Plan. These are major achievements in terms of donor coordination.

The major bilateral donors and their interests are: Japan (agriculture and health), Germany (state reform and natural resources), and Spain (education and cultural support). The Inter-American Development Bank, the World Bank, the European Union, various United Nations agencies, and the Global Environmental Facility play a major role in the international development community.

Paraguay 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	2,525	1,959	2,125	1,907
Development Assistance	3,600	3,895	4,140	4,040
Economic Support Fund	3,500	3,000	2,982	3,000
Total Program Funds	9,625	8,854	9,247	8,947

STRATEGIC OBJECTIVE SUMMARY				
526-004 Democracy & Governance				
DA	2,600	2,095	1,952	1,847
ESF	3,500	3,000	2,982	3,000
526-005 Environment				
DA	1,000	1,000	938	911
526-006 Reproductive Health				
CSH	2,525	1,959	2,125	1,907
526-007 Economic Growth				
DA	0	800	1,250	1,282

Mission Director,
Wayne Nilsestuen

Data Sheet

USAID Mission:	Paraguay
Program Title:	Democracy & Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	526-004
Proposed FY 2004 Obligation:	\$1,952,000 DA; \$2,982,000 ESF
Prior Year Unobligated:	\$200,000 ESF
Proposed FY 2005 Obligation:	\$1,847,000 DA; \$3,000,000 ESF
Year of Initial Obligation:	FY 2001
Year of Final Obligation:	FY 2005

Summary: Providing a range of technical assistance, training, and small grants, USAID, through its democracy and governance program, is working to strengthen the capacity of local governments to deliver services in response to the needs of citizens; improve the ability of civil society to be able to put pressure on the current political system to change and become more responsive; and develop an open, transparent policy dialogue that allows for the inclusion of all citizens and their organizations. Citizen participation, oversight, transparency, and accountability are incorporated throughout the democracy program to promote anti-corruption efforts.

Inputs, Outputs, Activities:

FY 2004 Program:

Local governance (\$1,952,000 DA). USAID will provide technical assistance and training to expand local governments' capacities to implement good governance practices, including providing services, enhancing revenue collection and increasing citizen participation. USAID will fund programs that strengthen local governments and municipal associations to advocate for decentralization and act as a counterweight to the central government. USAID will provide training in alternative dispute resolution to the Justices of the Peace as a means to provide greater access to justice at the local level. USAID will fund an expansion of a successful sub-grant program, designed to strengthen civil society organizations in promoting citizen participation, citizen oversight and control, and advocacy. The prime implementers are the Information and Resources Center for Development, the Institute of Comparative Studies in Social and Criminal Law and Peace Corps.

Transparency and accountability (\$2,982,000 ESF). USAID provides technical assistance to help local governments become more responsive, transparent, and accountable, and to support civil society in providing control and oversight of the public sector. USAID will continue supporting successful anti-corruption efforts by providing training to local governments in areas of integrated financial management systems, fiscal transparency, public hearings, and open procurement processes that assure citizen participation. Local governments will provide new services and expand existing services through increased revenue generation and private partnerships. A national network of watchdog groups will be expanded and strengthened to provide oversight of public institutions and expose corruption. USAID will provide technical assistance to enhance coordination and collaboration between the Controller's Office, the Prosecutor's Office, and the Supreme Court towards improving convictions of public corruption cases. USAID will also provide technical assistance to civil society organizations to strengthen their capacity to advocate for policy reforms relating to decentralization, access to public information, and inclusive participation mechanisms in the public decision-making process, both at the local and national levels. The prime implementers are the Information and Resources Center for Development, the Institute of Comparative Studies in Social and Criminal Law, Management Systems International/Florida International University (sub), and Chemonics.

FY 2005 Program:

Local governance (\$1,847,000 DA). USAID will provide technical assistance to local government associations and expand the number of local governments implementing good governance practices. Civil society will be supported to improve its capacity to exercise oversight of public sector institutions, advocate for policy reforms (e.g., decentralization), and strengthen organized groups. USAID will support national reform processes and transparency within government institutions by promoting public participation in the policy decision making process. Same implementers as above.

Transparency and accountability (\$3,000,000 ESF). USAID will provide technical assistance to help local governments become more responsive, transparent and accountable to citizens by increasing revenue generation and partnerships with the private sector (promoting transparent procurement and contracting), improving their financial management and fiscal transparency, and encouraging public hearings and access to information. USAID will also provide technical assistance to civil society organizations, including the media and watchdog groups, to better oversee public institutions and expose corruption. USAID will provide grants to strengthen institutions such as the Prosecutor's Office, Controller's Office, Council of Magistrates and Jury for the Prosecution of Magistrates to promote transparency, including changes to assure civil society oversight. Same implementers as above.

Performance and Results: During the past year, USAID expanded implementation of anti-corruption activities. In addition to improving municipal services with increased revenue, transparency and citizen participation, governance mechanisms were implemented in areas as public budget hearings, citizen committees for monitoring public works, access to local government by watchdog groups, and disclosure of key financial information on municipal web sites. Citizen groups and department networks expanded oversight and control of their local governments to increase anti-corruption efforts. The National Network of Citizen Watchdog Groups signed an agreement with the Ministry of Finance to provide oversight and promote greater transparency in the Ministry. A new judicial transparency and accountability component that includes civil society oversight of the judicial sector began implementation. USAID supported an alliance of six non-governmental organizations that are promoting judicial transparency and oversight, including the process of selecting new Supreme Court justices. A nationwide federation of local government associations developed a decentralization bill that will be presented to Congress.

The overall impact of the democracy program will be a deepening of the democratic process in this recently established democracy. By focusing on building effective, responsive, transparent, and accountable local governments and a politically viable civil society, USAID hopes to promote democratic reforms from "the bottom up." USAID is also promoting policy formulation and implementation in such areas as decentralization and the judicial sector. USAID's support to the development of local institutions and political processes will assist Paraguay in strengthening its nascent democracy.

US Financing in Thousands of Dollars

Paraguay

	DA	ESF
526-004 Democracy & Governance		
Through September 30, 2002		
Obligations	5,450	7,098
Expenditures	2,968	3,341
Unliquidated	2,482	3,757
Fiscal Year 2003		
Obligations	2,125	3,000
Expenditures	2,598	2,719
Through September 30, 2003		
Obligations	7,575	10,098
Expenditures	5,566	6,060
Unliquidated	2,009	4,038
Prior Year Unobligated Funds		
Obligations	0	200
Planned Fiscal Year 2004 NOA		
Obligations	1,952	2,982
Total Planned Fiscal Year 2004		
Obligations	1,952	3,182
Proposed Fiscal Year 2005 NOA		
Obligations	1,847	3,000
Future Obligations	0	0
Est. Total Cost	11,374	16,280

Data Sheet

USAID Mission:	Paraguay
Program Title:	Environment
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	526-005
Proposed FY 2004 Obligation:	\$938,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$911,000 DA
Year of Initial Obligation:	FY 2001
Year of Final Obligation:	FY 2005

Summary: USAID's environment program provides technical assistance and training to Paraguayan leaders and non-governmental organizations to strengthen their capacity to manage three globally important eco-regions (Pantanal wetlands, interior Atlantic rain forest, and Chaco dry forest). USAID also helps to develop the necessary policy, legal, and financial tools for improved and effective ecological management that are integrated with efforts in Argentina, Bolivia, and Brazil.

Inputs, Outputs, Activities:

FY 2004 Program:

Chaco and Pantanal ecoregions (\$440,000 DA). USAID will provide technical assistance, focusing on improving the capacity of municipal and departmental officials to incorporate environmental designs into local development plans; develop action plans for international environmental conventions; and increase the capacity of local judges to enforce national environmental regulations. A new USAID-funded activity in the Biosphere Reserve of the Chaco will help improve the capacity of national park personnel to implement conservation activities; provide technical assistance towards establishment of biological corridors in the area; and coordinate efforts with institutions in Bolivia and Argentina. The prime implementer is the Foundation for the Sustainable Development of the Chaco Region.

Upper Parana Atlantic Forest (UPAF) ecoregion in Eastern Paraguay (\$200,000 DA). USAID will fund technical assistance to improve the capacity of ten local non-governmental organizations to implement conservation efforts in the UPAF; promote the protection of 68,000 hectares by training local government officials to enforce environmental regulations; design and implement a policy to protect against indiscriminate deforestation; and coordinate efforts with similar institutions in Brazil and Argentina. The prime implementer is World Wildlife Fund.

Northern Block sub-ecoregion of the UPAF (\$298,000 DA). USAID will promote conservation efforts in an ecologically sensitive area where few conservation efforts have been carried out to date. Technical assistance and training will assist with the creation of private protected areas and improve the capacity of local government officials to enforce environmental regulations. Policy and legal tools will be developed to improve the current environmental framework. The prime implementer is the Institute of Law and Environmental Economics.

During the year, improved coordination between involved organizations will lead to concrete decisions taken with regard to the Tropical Forest Conservation Act (TFCA). USAID partners will use resources from their grants to promote this effort.

FY 2005 Program:

Protection of ecoregions (\$911,000 DA). USAID will increase protection of the three targeted ecoregions in Paraguay. Various methods will be used to conserve land, such as resource management areas, conservation easements and leasing, land purchases and zoning, and protection of public parks. The use of financial incentives, such as the development of a national environmental fund, carbon offset projects,

and other donor assistance, will encourage the conservation of land. Support will be provided to improve the legal and policy framework related to environmental issues. Same implementers as above.

Performance and Results: During the past year, a Biological Vision for the UPAF was developed with participation by governmental and non-governmental entities from Argentina, Paraguay and Brazil. The Vision serves as an eco-regional management document shared by all three countries and has resulted in renewed financial and political support for Paraguay's Atlantic Forest (most of the forest remaining on or near the Atlantic coast). Paraguay's Environment Secretariat has incorporated this Vision into its National Biodiversity Strategy policy. Also, two decrees contributed substantially to the protection of various sections of the UPAF. One decree established a biological corridor between two established protected areas and another declared 102,000 hectares as Resource Management Areas.

Departmental and municipal governments have begun to understand the role they can play in conservation efforts. Coordination among and between municipal and departmental governments has resulting in improved awareness-raising programs, training for local level officials, promotion of land zoning, and implementation of a biosphere reserve.

Finally, initial discussion of a debt-for-nature swap under the TFCA has been held between USAID, other donors, non-governmental organizations, and the Government of Paraguay.

Continued progress is expected to result in an improvement in the overall sustainable management and protection of the globally important ecoregions that Paraguay shares with its neighbors. Successful models, experiences, and lessons learned will be shared with Argentina, Bolivia, and Brazil.

US Financing in Thousands of Dollars

Paraguay

526-005 Environment	DA
Through September 30, 2002	
Obligations	2,000
Expenditures	1,367
Unliquidated	633
Fiscal Year 2003	
Obligations	1,000
Expenditures	731
Through September 30, 2003	
Obligations	3,000
Expenditures	2,098
Unliquidated	902
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2004 NOA	
Obligations	938
Total Planned Fiscal Year 2004	
Obligations	938
Proposed Fiscal Year 2005 NOA	
Obligations	911
Future Obligations	0
Est. Total Cost	4,849

Data Sheet

USAID Mission:	Paraguay
Program Title:	Reproductive Health
Pillar:	Global Health
Strategic Objective:	526-006
Proposed FY 2004 Obligation:	\$2,125,000 CSH
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$1,907,000 CSH
Year of Initial Obligation:	FY 2001
Year of Final Obligation:	FY 2005

Summary: USAID's reproductive health program provides technical assistance and training to improve the provision of decentralized, community-based health care and to expand access to quality reproductive health services.

Inputs, Outputs, Activities:

FY 2004 Program:

Decentralization of health services (\$440,000 CSH). USAID will provide technical assistance to improve decentralized community-based health care through the implementation of reproductive health policies and greater community participation in the design, evaluation, and financing of health care. The community pharmacy concept will be fully extended into a second department by increasing awareness and providing support to the departmental government, ten municipal governments, and local health councils. A successful grassroots insurance scheme will be strengthened in two municipalities, and information about its success will be disseminated to other municipalities and departments, as well as to the Ministry of Health (MOH) and other donors. The prime implementer is the Information and Resources Center for Development.

Improved access to health services (\$1,685,000 CSH). Technical assistance will be provided to improve access to quality reproductive health services including a demonstration model of a maternal health system. Maternal and reproductive health services will continue to be provided in 28 health centers and six hospitals. Health providers will be trained to improve their capacity to offer reproductive health services in communities. Community promoters will also be trained to improve their capacity to raise awareness of reproductive health topics in communities and to organize and develop obstetric emergency plans at the village level. A rotating fund for the purchase and distribution of contraceptives will be established, and reproductive health activities at a new clinic located in an economically depressed area of the capital will be implemented. Prime implementers are IntraHealth International, affiliated with the University of North Carolina, and the Paraguayan Center for Population Studies.

FY 2005 Program:

Reproductive health (\$1,907,000 CSH). USAID plans to support implementation of the national reproductive health plan; strengthen local government control in the provision of health services; disseminate financial models of providing health services; and develop community models of information, education, and communication that will help prevent unwanted pregnancies. The overall quality of health care will be improved by strengthening networks of health facilities, training of health care providers, and the development of community health agents. USAID will continue efforts to improve maternal and neonatal health; devise local solutions to ensure that essential obstetric care is provided to women; and organize communities to better respond to obstetric emergencies that may result in maternal and infant health problems or deaths. Same implementers as above.

All family planning agreements will incorporate clauses that implement the President's directive reinstating the Mexico City Policy.

Performance and Results: In FY 2003, the community pharmacy program was successfully introduced into a second department and now includes 85 pharmacies. Prices are kept low through bulk purchases and low operating costs. In areas where the pharmacies operate, pregnant women now have access to low-cost medicines and supplies necessary during pregnancy and birth. The system in one of the municipalities covers 70% of the population. The results of this effort are being disseminated to other locations for possible replication by the MOH or other departments.

Quality health services were improved by strengthening the capacity of 40% of facilities where USAID is supporting the provision of basic essential obstetric care. USAID supported these facilities by training health providers to offer quality maternal health services. The number of delivery points offering quality reproductive health services increased to 15. These delivery points are staffed by trained health providers and offer counseling to clients on family planning methods and alternatives.

A high level of community participation is occurring through local health councils to improve preventive health measures and promote reproductive health. A system of community promoters raise awareness of services and maternal care; undertake surveys to increase knowledge of the local health situation; and help identify health services for children and women. The number of communities implementing the promoter system increased by two during FY 2003 to a total of four. The system is a critical link between expectant mothers and local health facilities. USAID continued to support a non-governmental organization that operates a system of clinics to provide family planning and other reproductive health services at affordable prices. Finally, a five-year strategy for reproductive health was developed through a participatory process that included MOH officials, local government, and civil society. The strategy is a practical one in which progress towards objectives can be effectively monitored and measured.

Continued progress in this program will result in a reduction in Paraguay's high fertility and maternal and infant mortality rates. More people will have been reached with reproductive health services resulting in improved maternal and infant health. Family planning services will have been expanded to marginalized populations in need of these services. Local participation will have ensured that the services demanded are actually provided and that the concerns of local customers are addressed. Cost-effective interventions will be identified to assist in planning services for maximum long-term effectiveness.

US Financing in Thousands of Dollars

Paraguay

	CSH	DA
526-006 Reproductive Health		
Through September 30, 2002		
Obligations	2,525	2,495
Expenditures	8	2,495
Unliquidated	2,517	0
Fiscal Year 2003		
Obligations	1,959	0
Expenditures	1,950	0
Through September 30, 2003		
Obligations	4,484	2,495
Expenditures	1,958	2,495
Unliquidated	2,526	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2004 NOA		
Obligations	2,125	0
Total Planned Fiscal Year 2004		
Obligations	2,125	0
Proposed Fiscal Year 2005 NOA		
Obligations	1,907	0
Future Obligations	0	0
Est. Total Cost	8,516	2,495

Data Sheet

USAID Mission:	Paraguay
Program Title:	Economic Growth
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	526-007
Proposed FY 2004 Obligation:	\$1,250,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$1,282,000 DA
Year of Initial Obligation:	2003
Year of Final Obligation:	FY 2005

Summary: USAID's economic growth program comprises technical assistance to develop and implement business development strategies, expand trade, and improve the business environment for local businesses and farmers. The impact will bring economic relief to one of the poorest regions in Latin America.

Inputs, Outputs, Activities:

FY 2004 Program:

Business development services (\$1,250,000 DA). USAID plans to provide business development services such as marketing assistance for agricultural products and feasibility analyses of marketing and processing facilities to expand trade. It is estimated that \$900,000 in additional sales of Paraguayan products will be generated. These sales will be mostly domestic, although, it is estimated that approximately one-third will be exports. The generation of this amount in sales is expected to lead to the creation of at least 250 jobs and an additional investment of \$100,000. Technical assistance will be provided to companies in selected rural areas to increase sales through improved marketing; improved efficiency in producing specific products; and to improved organizations of producers resulting in the sale of products in larger bulk quantities. The implementers are Chemonics (prime) and various local subcontractors.

FY 2005 Program:

Business development services (\$1,282,000 DA). USAID plans to continue to provide business development services that are expected to increase sales of Paraguayan products leading to increased employment and investment.

Performance and Results: Implementation of the economic growth program began in late 2003. Three cities were identified where activities will take place. One of them, Ciudad del Este, is located in Paraguay's border region with Brazil and Argentina, an area noted for illicit activity, including smuggling, drug transshipment, money laundering, and funding of terrorist activities. A work plan has been developed to begin to help businesses improve their sales.

The successful completion of this program will contribute to economic growth and trade expansion. Economic improvements will also help maintain political stability and help preserve democracy in Paraguay.

US Financing in Thousands of Dollars

Paraguay

526-007 Economic Growth	DA
Through September 30, 2002	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2003	
Obligations	1,000
Expenditures	2
Through September 30, 2003	
Obligations	1,000
Expenditures	2
Unliquidated	998
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2004 NOA	
Obligations	1,250
Total Planned Fiscal Year 2004	
Obligations	1,250
Proposed Fiscal Year 2005 NOA	
Obligations	1,282
Future Obligations	6,500
Est. Total Cost	10,032