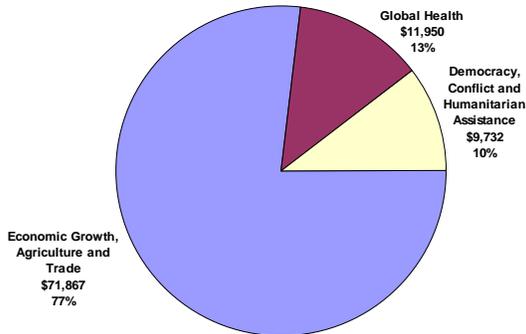
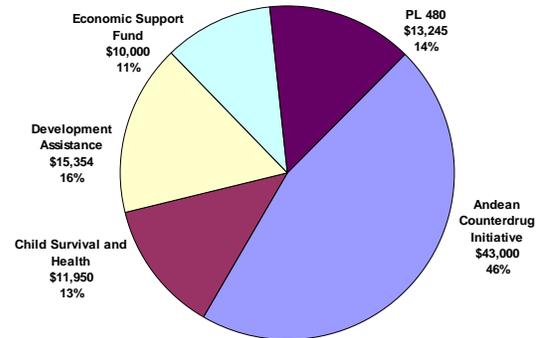


# Peru

**FY 2006 Assistance by Sector**



**FY 2006 Assistance by Account**

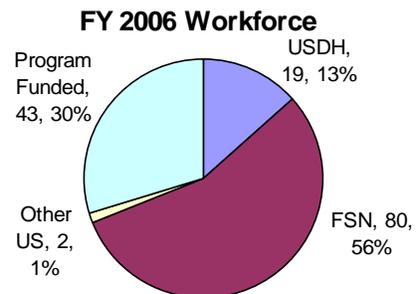


## Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Education	527-006	2,624	2,475	4,000
Peru-Ecuador Border Region Development	527-008	1,988	1,488	2,000
Democratic Strengthening	527-009	9,385	9,235	9,732
Economic Growth	527-010	5,170	2,935	6,358
Health	527-011	17,582	13,756	11,950
Environment and Natural Resources	527-012	4,060	4,549	3,264
Alternative Development	527-013	49,705	53,866	43,000
PL 480 Title II		23,868	12,921	13,245
<b>Total (in thousands of dollars)</b>		<b>114,382</b>	<b>101,225</b>	<b>93,549</b>

## Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	5,678	5,375	5,552
USDH Salaries & Benefits	2,776	2,700	2,758
Program Funds	4,297	4,572	4,290
<b>Total (in thousands of dollars)</b>	<b>12,751</b>	<b>12,647</b>	<b>12,600</b>



Mission Director: Hilda Arellano

## Peru

**The Development Challenge:** Throughout the 1990s, Peru made significant progress combating terrorism, reducing the production of coca, stabilizing its economy, and increasing access to social services. Since 2001, under President Toledo, the Government of Peru (GOP) has pursued an ambitious program to re-establish democracy, following a decade of increasingly authoritarian rule and rampant corruption under the former Fujimori government, and is promoting a market-based economy that will benefit all citizens. While Peru has maintained unprecedented economic performance averaging over 4% growth for the past three years, the reality is that even higher growth rates for many years will be necessary to reduce poverty, which impacts over half of the population or 14 million Peruvians.

The limited state presence in large portions of the country's interior challenges the Government's ability to ensure broad-based development for all Peruvians. Per capita gross domestic product (GDP) of approximately \$2,150 for 2003 is the same in real terms as it was in 1967, a result of years of flawed economic policies. Income remains unevenly distributed, with over 50 percent of the population living below the poverty line, almost half of whom live in extreme poverty. The country's total debt servicing requirement is estimated at 29.5% of exports in 2005. Unemployment and underemployment rates remain very high (approximately 10% and 50%, respectively). Social services, especially in isolated, conflict-prone regions in Peru's highlands and jungles, are inadequate. For example, in USAID's geographic focus areas, 36% of children under five years old are malnourished, 31% of women are illiterate, 39% of the population do not have access to electricity, and 69% do not have access to acceptable sanitation services. Peru's tropical forests are the fourth largest in the world, but they are increasingly threatened by shifting migration patterns, unsustainable exploitation of the forest, and the destructive impact of illicit coca production and processing. The lack of state presence allows drug trafficking, illegal logging, terrorism and other criminal practices to flourish, creating a corrupt, violent and conflictive environment that discourages investment, limits economic opportunities, and prevents sustainable economic growth and development.

While Peru's 2003 economy outperformed most of Latin America (Peru experienced 3.8% GDP growth in 2003 with 4.5% projected in 2004), the government remains politically weak and social discontent prevails. To move forward, Peru must accelerate structural economic reforms, take full advantage of the recent extension and expansion of tariff-free entry of Peruvian products to the U.S. market under the Andean Trade Promotion and Drug Eradication Act (APTDEA), complete negotiations of a free trade agreement with the United States, and conclude trade agreements in the Latin America and Caribbean (LAC) region and with Asia to stimulate economic growth and reduce poverty levels. Likewise, Peru's mandates are many. It must move forward with its efforts to bolster democratic institutions and increase citizen confidence. It must successfully complete its decentralization process to facilitate more representative and effective governance throughout the country. The justice system must continue to be reformed to ensure predictable and equitable application of criminal and commercial law. The government must increase its investment in critical infrastructure and services as well as comprehensively restructure its institutions to reduce corruption, control government expenses, and provide appropriate and effective services.

In the Toledo Government, the U.S. Government has a partner that is committed to advancing the mutual national interests of building the infrastructure of democracy, promoting sustainable development, and defeating narco-terrorism. U.S. assistance can play a decisive role in addressing the obstacles of corruption and conflict where there is a lack of state presence and of economic competitiveness.

**The USAID Program:** USAID works as an integral part of the U.S. Country Team in Peru and collaborates with Peruvian partners, other donors, nongovernmental organizations, and the private sector to help Peru achieve a secure, democratic, and prosperous future for its citizens. USAID's overarching goal in Peru is to facilitate both Peru's international and internal integration, thereby contributing to the mutual U.S. and Peruvian goals of good governance, security, and prosperity. Expanded commerce will further integrate Peru into the world economy and enhance cross-border relations, helping to improve living standards and reduce the potential for conflict. Within Peru, effective regional and local governments, along with improved economic infrastructure and social service delivery, will increase

national integration, reducing the potential for conflict associated with the marginalization of certain geographic areas and social groups.

USAID will use FY 2005 and FY 2006 funding to provide: national-level assistance related to policy reform and institutional strengthening; and health, education, environment, infrastructure, business development, and governance activities in geographic areas that have been prone to conflict, and thus present obstacles to investment, economic growth and employment generation. These areas include the Peru-Ecuador border region, where USAID efforts will help ensure a lasting peace between the two countries; and the seven regions that include Peru's major coca-growing valleys, where USAID and other U.S. agencies work to combat the flow of illicit narcotics to the United States and other markets. USAID works to ensure that these areas are no longer a breeding ground for crime, terrorism, and social unrest.

**Other Program Elements:** A range of USAID centrally funded activities are implemented in Peru. In the democracy area, centrally-funded programs strengthen regional mechanisms to promote human rights and improve Peru's tracking of political party financing. In the health sector, USAID's Washington-based activities support programs that address maternal and child care, nutrition, and HIV. During the past year, the Capable Partners Program (CAP) has supported the institutional strengthening of the National Environment Society, an umbrella organization representing environmental networks and non-governmental organizations in Peru. Central funds also support credit and small business development programs, as well as activities to alleviate the effects of poverty on women and children.

Under the South America Regional Program, USAID also manages four programs that involve Peru: the Andean Region Trade Capacity Building program, which enhances capacity of Peru, Ecuador, Colombia and possibly Bolivia to negotiate a Free Trade Agreement (FTA) and strengthens national capacity to implement the rules of trade emerging from FTA negotiations; the Centers of Excellence for Teachers Training (CETT) in the Andean region, to improve the quality of reading instruction in disadvantaged communities; the Amazon Malaria Initiative (AMI) to address the threat of malaria in Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela; and the South America Infectious Diseases Initiative to strengthen the capacity of Peru, Bolivia, Ecuador and Paraguay in infectious disease surveillance and antimicrobial resistance. Results of and plans for these South American programs are reported separately.

USAID's program in Peru includes activities that contribute to eight U.S. Presidential Initiatives: Anti-Illegal Logging, Global Climate Change, Digital Freedom, Water for the Poor, Clean Energy, Center for Excellence in Teacher Training, Last Mile Initiative, and HIV/AIDS.

**Other Donors:** Official international technical cooperation to Peru for 2004 was over \$506 million, including both bilateral and multilateral assistance. The United States is the largest bilateral donor and contributes almost 40% of all bilateral assistance. Other bilateral donors include: Germany (in democracy, environment, education and health, economic growth and water and sanitation); Canada (in economic growth, education, health, environment, natural resources management, water and sanitation, and democracy); Switzerland (in economic growth, natural resources and democracy); the United Kingdom (in democracy, economic growth and health); and Spain (in democracy, education and health). The largest multilateral donor, the Inter-American Development Bank, provides almost 86% of all multilateral assistance. Other multilateral donors include the United Nations, the World Bank, the Andean Development Corporation, and the European Community. Absent an effective mechanism within the Government of Peru or donor community to broadly coordinate efforts, donors have relied on sectoral-level working groups to share information, conduct analysis, and collaborate on program design/implementation. Focus areas of these working groups include gender, basic education, governance/decentralization/justice, counternarcotics, health, environment, and nutrition.

**Peru  
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2003 Actual	FY 2004 Actual	FY 2005 Current	FY 2006 Request
Andean Counterdrug Initiative	68,552	49,705	53,866	43,000
Child Survival and Health Programs Fund	19,912	17,582	13,756	11,950
Development Assistance	16,437	13,786	11,258	15,354
Development Credit Authority	[557]	0	0	0
Economic Support Fund	11,000	9,441	9,424	10,000
ESF - Wartime Supplemental	2,000	0	0	0
PL 480 Title II	26,678	23,868	12,921	13,245
<b>Total Program Funds</b>	<b>144,579</b>	<b>114,382</b>	<b>101,225</b>	<b>93,549</b>

**STRATEGIC OBJECTIVE SUMMARY**

527-003 Health and Family Planning				
ESF	0	0	0	0
ESF - Wartime Supplemental	2,000	0	0	0
527-006 Education				
DA	3,174	2,624	2,475	4,000
527-008 Peru-Ecuador Border Region Development				
ESF	3,000	1,988	1,488	2,000
527-009 Democratic Strengthening				
DA	2,141	1,932	1,299	1,732
ESF	8,000	7,453	7,936	8,000
527-010 Economic Growth				
DA	7,320	5,170	2,935	6,358
527-011 Health				
CSH	19,912	17,582	13,756	11,950
527-012 Environment and Natural Resources				
DA	3,802	4,060	4,549	3,264
527-013 Alternative Development				
ACI	68,552	49,705	53,866	43,000
DCA	557	0	0	0

Mission Director,  
Hilda Arellano

## Data Sheet

<b>USAID Mission:</b>	Peru
<b>Program Title:</b>	Education
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	527-006
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$2,475,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$4,000,000 DA
<b>Year of Initial Obligation:</b>	2002
<b>Estimated Year of Final Obligation:</b>	2007

**Summary:** USAID improves the quality of basic education in rural Peruvian communities by promoting decentralized local management of services and resources. USAID programs work at both the national level on decentralization policy and at the local level on improving quality of, and access to, rural primary schools. National and regional policy-related activities provide technical assistance to the Ministry of Education (MOE) and regional governments to facilitate the decentralization process and to increase civil society participation. To complement national policy changes, USAID also focuses on school and community activities that improve the quality of basic education and develop girls' and boys' capabilities to become constructive actors in the democratic, social, and economic development of their communities.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improve the Quality of Basic Education (\$2,475,000 DA). USAID's Innovations in Decentralization and Active Schools program will continue to provide technical assistance and teacher training to the initial 71 rural primary multi-grade schools while it expands to 70 additional schools. Activities include: teacher training in active learning methodologies focused on school and community actions that improve the quality of basic education; promoting democratic values through the creation of school governments; and increasing participation of parents, teachers, community members, and local authorities in the management of their schools.

USAID will provide technical assistance to the MOE and selected regional and local governments to develop detailed regulations for decentralized local management of public education; and facilitate the implementation of nationwide education decentralization programmed for 2006. USAID will also strengthen the capacity of local school and community networks to promote and monitor policy reforms. The Academy for Educational Development (AED) is the principal grantee, with the National Council on Education (CNE) and the School of Business Administration as sub-grantees.

**FY 2006 Program:** Improve the Quality of Basic Education (\$4,000,000 DA). USAID will expand the coverage of its technical assistance and training activities to additional schools and communities within the San Martin region, expecting to reach 100% of rural schools in the region. Additional resources will enable USAID to initiate the expansion of the Innovations in Decentralization and Active Schools program to another region of Peru, replicating the model with more involvement of regional authorities and commitment from the MOE. USAID will further expand and facilitate the nation-wide decentralization of the education sector, the implementation of the education law, and strengthen the capacity of the MOE at the national, regional, and local levels. AED will continue to be the principal grantee.

**Performance and Results:** In FY 2004, through USAID funded programs, more than 4,900 teachers and school directors received training, thus impacting more than 150,000 students last year alone. Since the start of the Innovations in Decentralization and Active Schools program in October 2003, the program has promoted close coordination with MOE authorities at the central, regional, and local levels on policy, curricula and programmatic activities. USAID provided technical recommendations and assistance to the MOE for carrying out consultations with civil society, including the teachers' unions, parents, and education nongovernmental organizations to facilitate the development of the regulations for the new education law. USAID's assistance funded campaigns for reading and writing improvement in public

schools; a strategy for teacher professional development, accreditation and certification in rural areas; an annual education budget increase; and activities aimed at fighting corruption.

USAID expects that the quality of education in San Martin will have improved by 2007. Parents and community members will assume active roles and responsibilities for policy advocacy and financial/administrative management of schools. Primary school completion rate in participating schools will have increased by 2% and student mastery of curricula will have increased by 5%. In addition, more than 60% of participating schools will have school councils participating in annual school planning. At the national level, USAID expects a 50% increase in the MOE incorporation of regional and local recommendations into national planning and policy. Based on the evidence of improved quality of education in San Martin, USAID expects that other regions will start replicating the decentralized active school model with technical assistance from USAID.

## US Financing in Thousands of Dollars

Peru

527-006 Education	CSH	DA
<b>Through September 30, 2003</b>		
Obligations	3,586	5,174
Expenditures	3,223	258
Unliquidated	363	4,916
<b>Fiscal Year 2004</b>		
Obligations	0	2,624
Expenditures	94	2,821
<b>Through September 30, 2004</b>		
Obligations	3,586	7,798
Expenditures	3,317	3,079
Unliquidated	269	4,719
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	0	2,475
<b>Total Planned Fiscal Year 2005</b>		
Obligations	0	2,475
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	0	4,000
Future Obligations	0	0
Est. Total Cost	3,586	14,273

## Data Sheet

<b>USAID Mission:</b>	Peru
<b>Program Title:</b>	Peru-Ecuador Border Region Development
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	527-008
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$1,488,000 ESF
<b>Prior Year Unobligated:</b>	\$110,000 DCA
<b>Proposed FY 2006 Obligation:</b>	\$2,000,000 ESF
<b>Year of Initial Obligation:</b>	1999
<b>Estimated Year of Final Obligation:</b>	2007

**Summary:** Phase I of USAID's Peru-Ecuador border program helped promote political and social stability on the border and built both individual and community capacities to address the most basic needs of the poorest border areas. Interventions were geared to improving the effective decentralization of services through strengthening local government and developing citizenship accountability in target areas; increasing protection of human rights; increasing state presence and availability and access to social services; improving natural resource management in selected areas; and promoting a culture of peace and public support for the 1999 Peru-Ecuador Peace Accords.

Starting in FY 2005, Phase II of the program will focus on economic integration of the border region through increased global trade and investment. Key government services will be improved, economic infrastructure will be strengthened, and the productivity of enterprises will be improved. This will ensure that the market access negotiated in the Free Trade Agreement (FTA) between the United States and Peru creates broad opportunities for border populations.

### **Inputs, Outputs, Activities:**

**FY 2005 Program:** Increase Private Sector Growth (\$1,150,000 ESF). USAID assistance will be used to support the creation and growth of private enterprises and private trade. USAID will fund technical assistance to small and medium enterprises through economic service centers to provide market information, to facilitate commercial contacts between national and international buyers (including Ecuadorians), and to identify companies willing to invest capital in local enterprises. Technical assistance will help producers add value to their products, facilitate investment, and increase competitiveness through access to financial services and improved infrastructure (e.g., roads, ports, and energy). Principal implementers: Chemonics International, local non-governmental organizations, Ministry of Transport, Ministry of Energy and Mines, and private sector institutions to be determined.

Increase Participation in Global Trade and Investment (\$250,000 ESF). USAID will provide training and technical assistance to targeted local public and private organizations to strengthen their capacity to respond to, and benefit from, opportunities created by bilateral and global trade and investment. Assistance will streamline business registration processes and resolve regulatory and administrative barriers faced by businesses. Where feasible, USAID will help develop regional or sub-regional competitiveness plans, regional or sub-regional export plans, and other measures designed to facilitate the identification and prioritization of opportunities for economic development in the areas included within the border region. USAID will also look for opportunities to streamline border and customs services to facilitate trade. Principal contractors/grantees: Nathan Associates, and others to be determined.

Support Peace Processes (\$88,000 ESF). USAID activities will promote a culture of peace and economic cooperation among Peruvians and Ecuadorians, and between indigenous and non-indigenous communities in the area, in support of the Peace Accords. To diminish tensions and create a constructive environment for private sector investment in which real growth can occur, USAID will finance a communications program to develop a better awareness of the benefits of peace and economic integration with Ecuador. The program will include outreach communication campaigns with regional and local authorities, as well as the general public, to increase their knowledge of trade regulations. Principal

contractors/grantees: Nathan Associates and others to be determined.

**FY 2006 Program:** Increased private sector growth (\$1,400,000 ESF). USAID plans to continue the activities described above. Implementers are not expected to change.

Increase Participation in Global Trade and Investment (\$500,000 ESF). USAID plans to continue the activities described above, and may expand activities to other provinces in the border region. Implementers are not expected to change.

Support Peace Processes: (\$100,000 ESF). USAID plans to continue the activities outlined above. Major contractors/grantees are not expected to change.

**Performance and Results:** FY 2004 was the final year of the community development phase (Phase I) of the program. USAID assistance contributed to the improvement of the quality of life for populations in targeted border areas. In the highlands, there was a reduction of the percentage of people living in conditions of extreme poverty from 63% to 53%; a reduction in chronic malnutrition prevalence from 32% to 28%; and an increase in the percentage of people who knew and were able to identify four to six basic human rights from 45% to 86%, in 2001 and 2004, respectively. Relationships fostering cooperation and joint action were established between citizens, including indigenous populations, and the local and district authorities. In the jungle, girls' attendance in school improved by six percent due to a bilingual education curriculum responsive to the cultural needs of indigenous populations. 360 school teachers from 87 schools incorporated the theme of peace in school curricula, and 95 communications professionals working in local and regional media were trained in communications techniques to foster a dialogue of peace. Information spots were broadcast on border crossing regulations and vehicles and border trade, and 150 officers were trained on border transit regulations. Bi-national exchanges were supported for 220 young leaders who exchanged experiences with Ecuadorian peers on community development and social work. Human rights promoters were trained in conflict prevention and natural resources management, as well as dealing with domestic violence.

Under Phase II, the Border Program will generate approximately 3,900 jobs, strengthen 690 small and microenterprises, and produce over \$19 million in new sales derived from increase trade. By addressing these quality-of-life issues, USAID's interventions will promote political, social, and economic stability on the border with Ecuador and help ensure a lasting peace between the two countries.

## US Financing in Thousands of Dollars

Peru

527-008 Peru-Ecuador Border Region Development	DCA	ESF
<b>Through September 30, 2003</b>		
Obligations	0	13,893
Expenditures	0	7,396
Unliquidated	0	6,497
<b>Fiscal Year 2004</b>		
Obligations	0	1,878
Expenditures	0	4,703
<b>Through September 30, 2004</b>		
Obligations	0	15,771
Expenditures	0	12,099
Unliquidated	0	3,672
<b>Prior Year Unobligated Funds</b>		
Obligations	110	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	0	1,488
<b>Total Planned Fiscal Year 2005</b>		
Obligations	110	1,488
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	0	2,000
Future Obligations	0	1,131
Est. Total Cost	110	20,390

## Data Sheet

<b>USAID Mission:</b>	Peru
<b>Program Title:</b>	Democratic Strengthening
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	527-009
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$1,299,000 DA; \$7,936,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$1,732,000 DA; \$8,000,000 ESF
<b>Year of Initial Obligation:</b>	2002
<b>Estimated Year of Final Obligation:</b>	2007

**Summary:** USAID's program strengthens democratic processes and institutions in critical areas, with a focus on: the overall decentralization process, to increase the capacity of regional and local governments to manage greater levels of resources and responsibilities; justice system reform, to more efficiently and effectively manage commercial and criminal cases; and implementation of recommendations from the Truth and Reconciliation Commission to address the structural causes and effects of past political violence. USAID will also help inform Peruvian citizens by providing pre-election support in FY 2005 for upcoming presidential, Congressional, and regional and local government elections scheduled for 2006. USAID incorporates anticorruption measures, including transparency, accountability and participation, within each of these program areas.

### **Inputs, Outputs, Activities:**

**FY 2005 Program:** Support Democratic Local Government and Decentralization (\$750,000 DA, \$4,100,000 ESF). USAID will continue providing training and technical assistance to strengthen six regional governments, all local governments and more than 1,000 community organizations in the seven regions of USAID's geographic focus area. Training and technical assistance covers financial management, planning, budgeting, procurement, and citizen participation, with a focus on preparing regional and local governments to manage greater resources and responsibilities as the decentralization process moves forward. During FY 2005, USAID will expand training to another 214 local governments to cover all 537 local governments within the seven regions. These municipalities represent 30% of municipalities nationwide. In addition, in response to growing levels of conflict with elected local authorities, USAID will include conflict prevention and resolution strategies within its training programs. USAID will continue providing policy support for and oversight of the overall decentralization process. Major implementers include Associates in Rural Development (ARD) and a civil society coalition led by Catholic Relief Services (CRS).

Improve Justice Sector/Legal Framework (\$549,000 DA, \$3,336,000 ESF). USAID will provide technical assistance, training and equipment for new specialized commercial courts in Lima (to be inaugurated in early 2005) and in preparation for the implementation of a new criminal procedures code in 2006. Assistance for criminal code implementation includes advice on national policy and institutional reforms, training of the police, prosecutors, public defenders and judges on their role in the new system, and backlog reduction, case tracking and other management and administrative improvements in criminal courts in eight selected judicial districts. At the same time, USAID will continue to promote changes in the overall judicial career system so that it is merit-based and transparent, and to increase the accessibility to and predictability of judicial decisions. USAID will provide financial assistance to the Ombudsman to oversee public sector modernization and to consolidate its presence in areas of the country prone to conflict. USAID will also continue oversight of the overall justice reform process. Major implementers include: the Peruvian Office of the Ombudsman, a civil society coalition led by a local NGO, the Institutional Reform and the Informal Sector center (IRIS) at the University of Maryland, and potentially a new U.S. contractor (to be selected).

Promote and Support Free and Fair Elections (\$500,000 ESF). In preparation for presidential, congressional, and regional and local government elections in calendar year 2006, USAID will design a

new activity to educate voters on election issues and candidates, and to provide oversight of the candidate selection process in order to strengthen Peru's democratic processes and increase voter awareness and participation. Principal contractor/grantee is still to be determined.

All areas of program intervention will include an emphasis on promoting and supporting anticorruption measures as part of the U.S. contribution to the Group of Eight (G-8) anticorruption compact with Peru. Although the Government of Peru's action plan is still being developed, the areas of most relevance are expected to relate to greater local government transparency and accountability.

**FY 2006 Program:** Support Democratic Local Government and Decentralization (\$1,000,000 DA, \$4,000,000 ESF). USAID will consolidate its support to 537 local governments, six regional governments, and more than 1,000 community organizations in the seven regions of USAID focus. USAID will also support new initiatives to enable a smooth transfer to the new regional and local authorities which will be elected in November 2006. USAID will continue its support to a civil society coalition, with an increased emphasis on the consolidation of oversight networks and tracking the transfer of resources and responsibilities from the central to the local level. Major implementers will remain the same.

Improve Justice Sector/Legal Framework (\$732,000 DA, \$4,000,000 ESF). USAID will reduce its technical assistance and training for commercial court operation as the courts gain greater experience. USAID will shift its focus to evaluating the impact of the specialized courts based on the efficiency with which commercial cases are handled, and preparing for the expansion of these courts to other locations. In the criminal justice area, USAID will intensify training of judges, prosecutors, public defenders and the police in those pilot locations where the new criminal procedures code will be implemented. Technical assistance and oversight will continue in relation to overall procedural and structural changes in the judicial career system and disciplinary mechanisms. Major implementers will remain the same.

**Performance and Results:** In FY 2004, USAID support for the decentralization process led to the passage of laws covering participatory budgeting, incentives for regional investment, fiscal decentralization and the formation of regions. USAID strengthened the capacity of 340 local governments and six regional governments in USAID's geographic focus areas, reaching 19% of municipalities nationwide. USAID trained nearly 650 nongovernmental organizations, including women's and indigenous organizations to strengthen their participation in local decision making. In a multi-donor effort, the Government of Peru produced a landmark national justice reform plan with technical assistance from USAID partners.

Through FY 2007, USAID expects that key constitutional reforms related to the balance of governmental power, reform of the electoral system and the judiciary, the independence of government institutions and the structure of sub-national government will be in place and maintained. Citizen approval of the performance of government institutions will have stabilized, and key decentralization policies will be in place with broad input from civil society. All 537 local governments in the seven geographic focus regions will be trained, and more than 80% will be certified to receive greater authorities and resources. A new criminal procedures code will be implemented in pilot districts, resulting in improved efficiency in case processing. Specialized commercial courts in Lima will be fully operational, reducing case processing time from four years to 18 months.

## US Financing in Thousands of Dollars

Peru

527-009 Democratic Strengthening	DA	ESF
<b>Through September 30, 2003</b>		
Obligations	5,017	22,500
Expenditures	3,190	8,265
Unliquidated	1,827	14,235
<b>Fiscal Year 2004</b>		
Obligations	2,932	7,553
Expenditures	2,270	9,765
<b>Through September 30, 2004</b>		
Obligations	7,949	30,053
Expenditures	5,460	18,030
Unliquidated	2,489	12,023
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	1,299	7,936
<b>Total Planned Fiscal Year 2005</b>		
Obligations	1,299	7,936
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	1,732	8,000
Future Obligations	4,588	8,947
Est. Total Cost	15,568	54,936

## Data Sheet

<b>USAID Mission:</b>	Peru
<b>Program Title:</b>	Economic Growth
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	527-010
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$2,935,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$6,358,000 DA
<b>Year of Initial Obligation:</b>	2002
<b>Estimated Year of Final Obligation:</b>	2007

**Summary:** USAID will facilitate trade and investment through policy reforms and institutional strengthening; will enhance competitiveness through improved economic infrastructure and business development services; and will enhance food security of vulnerable populations through expanding access to microfinance services, increasing agricultural productivity, and building capacity of the Government of Peru (GOP) to provide essential services to the extremely poor.

To the extent that programs are implemented in Peru's major coca-growing areas in support of counternarcotics objectives, public-private partnerships, market access and financial services activities will also be financed by Andean Counterdrug Initiative (ACI) funds referenced in the Alternative Development Data Sheet (527-013).

### **Inputs, Outputs, Activities:**

**FY 2005 Program:** Increase Participation in Global Trade and Investment (\$2,560,000 DA). USAID will support a public dialogue among various organizations, e.g., government, press, labor unions, universities, farmer and domestic industry associations, and a public outreach campaign on the benefits associated with the effective negotiation and implementation of a Free Trade Agreement (FTA) with the United States. USAID will also provide training and technical assistance in the highest priority areas identified as barriers to trade and investment. Assistance will be directed to improve the regulatory environment in areas such as property rights, customs, small business regulation, e-government, labor laws, and competition policy. Funds will also be used to improve the regulatory environment for infrastructure concessions, e.g., ports, roads, and telecommunications, and improve competitiveness. The prime contractor is Nathan Associates.

Expand and Improve Access to Economic and Social Infrastructure (\$1,000,000 DA). Funds will be used to provide technical assistance to promote and facilitate private investment and public-private partnerships for major road infrastructure. The prime contractor is Chemonics International.

Increase Private Sector Growth (\$200,000 DA). USAID funded economic service centers will provide market information, as well as information related to financial and transport services; facilitate commercial contacts between buyers and local producers; and identify companies willing to invest capital in local enterprises. In addition, USAID will identify markets for local products and then link entrepreneurs and producers to organizations that help improve productivity and competitiveness in the marketplace. The prime contractor is Chemonics International.

Strengthen Financial Sector's Contribution to Economic Growth (\$200,000 DA). A pledge to support an equity fund registered by Small Enterprise Assistance Funds (SEAF), targeting small and medium enterprises, will be executed. Investments of the fund will be accompanied by tailored technical assistance to improve profits. Companies creating licit economic opportunities in Peru's coca producing regions will be given priority.

Increase Food Security of Vulnerable Populations. P.L. 480 activities will improve health and productive capacities of poor families that lack access to adequate food. Basic health, nutrition, and food assistance

interventions will be targeted at malnourished and at-risk children. Food-for-work activities will help communities improve their social and productive infrastructure (such as safe water and sanitation systems, reforestation, and small irrigation systems). Proceeds from the sale of food will be used to help food insecure families increase their food production and incomes through assistance to improve productivity and market linkages. Finally, funds will also be used to support the decentralization of Government of Peru food security programs, while increasing program effectiveness. Major contractors/grantees include: Adventist Development and Relief Agency (ADRA) and CARE, as well as local NGOs, Caritas and PRISMA.

**FY 2006 Program:** Increase Participation in Global Trade and Investment (\$3,300,000 DA). USAID plans to continue activities to enhance the contribution of international trade and investment to economic growth, development and poverty reduction. Policy reform, strengthening institutional capacity, and meeting regulatory and market-driven trade and investment standards will be implemented with an emphasis on those areas identified during negotiations of the FTA. Major contractors/grantees will include those outlined above.

Expand and Improve Access to Economic and Social Infrastructure (\$1,000,000 DA). USAID plans to continue supporting public-private partnerships for key economic infrastructure. Major contractors/grantees are the same as above.

Increase Private Sector Growth (\$1,458,000 DA). USAID plans to continue the economic service center activity described above, with an emphasis in Peru's coca-growing regions. In addition, a business development services activity established in FY 2004 and implemented by the Consortium of Organizations that Support Small and Micro Enterprises (COPEME) will be financed to continue to expand markets for micro and small businesses. Improved information systems, quality control and management, and enhanced brokering services will enable micro and small businesses to take advantage of subcontracting and government procurement opportunities. Major contractors/grantees are Chemonics and COPEME.

Strengthen Financial Sector's Contribution to Economic Growth (\$600,000 DA). USAID plans to continue supporting the equity fund registered by Small Enterprise Assistant Funds (SEAF).

Increase Food Security of Vulnerable Populations. USAID plans to continue P.L. 480-funded activities as described above, consistent with an approved plan to phase out Title II assistance to Peru by 2008. Major contractors/grantees are the same as above.

**Performance and Results:** During 2004 USAID improved the regulatory environment for ports operation and facilitated business registration. Assistance in preparing the GOP for negotiating the FTA, creating an environment which builds consensus for the agreement and which emphasizes the need for open markets and investment has been provided. USAID-assisted micro-entrepreneurs, and small producers generated \$32.6 million in new sales and near 18,000 full-time equivalent jobs (45% were for women) through new or expanded market opportunities. USAID-supported microfinance institutions provided financial services to nearly 204,000 poor people. USAID's P.L. 480 Title II Program benefited over 145,800 families, with approximately 170,400 children enrolled in feeding programs and their mothers receiving training in preventive health practices. The program also provided access to sanitary health infrastructure services to 15,200 families, and temporary employment for 35,000 people.

Through FY 2007, USAID expects to contribute to the generation of 89,000 full-time equivalent jobs, increased sales of \$146 million, and provision of financial services to 245,000 small-scale producers/micro-entrepreneurs. With USAID assistance, Peru will be a more attractive destination for investment and increase its trade levels, based on the completion of a free trade agreement with the United States and participation in FTAA. In addition to positive economic growth and job creation at a national level and within selected regions, USAID expects poverty and chronic malnutrition rates to be reduced by 10%.

## US Financing in Thousands of Dollars

Peru

527-010 Economic Growth	DA	DCA	PL 480
<b>Through September 30, 2003</b>			
Obligations	13,182	58	0
Expenditures	5,627	0	0
Unliquidated	7,555	58	0
<b>Fiscal Year 2004</b>			
Obligations	5,754	16	10,125
Expenditures	7,033	25	0
<b>Through September 30, 2004</b>			
Obligations	18,936	74	10,125
Expenditures	12,660	25	0
Unliquidated	6,276	49	10,125
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	0
<b>Planned Fiscal Year 2005 NOA</b>			
Obligations	2,935	0	0
<b>Total Planned Fiscal Year 2005</b>			
Obligations	2,935	0	0
<b>Proposed Fiscal Year 2006 NOA</b>			
Obligations	6,358	0	0
Future Obligations	10,697	0	53,047
Est. Total Cost	38,926	74	63,172

## Data Sheet

<b>USAID Mission:</b>	Peru
<b>Program Title:</b>	Health
<b>Pillar:</b>	Global Health
<b>Strategic Objective:</b>	527-011
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$13,756,000 CSH
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$11,950,000 CSH
<b>Year of Initial Obligation:</b>	2002
<b>Estimated Year of Final Obligation:</b>	2007

**Summary:** USAID's health program provides broad support to strengthen health sector institutions and policies, extend effective health services to hard-to-reach populations, and build professional capacity to sustain progress. All family planning assistance agreements will incorporate clauses that implement the President's directive restoring the Mexico City Policy.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Build Health Systems Capacity (\$5,018,500 CSH). USAID will support health sector policy reform through high level technical assistance, operations research, testing of policy alternatives, and promotion of policy dialog and consensus-building. Principal themes in 2005 are decentralization and targeting of subsidies. USAID will strengthen new systems for certification of health professionals and accreditation of the academic institutions. Clinics and provider training in the focus region will be upgraded. Principal contractors and grantees are Abt Associates, the Futures Group and Pathfinder International.

Support Family Planning Programs (\$4,570,500 CSH). USAID will provide key technical assistance for installation of a nation-wide contraceptive and drug management system. USAID will expand private sector provision of family planning commodities in 2005. USAID will support natural family planning methods and the ABC (Abstinence, Be faithful, and Condoms) approach to reduce adolescent pregnancies, sexually transmitted infections, and abortions. Principal partners are Pathfinder International and a local nongovernmental organization.

Improve Maternal Health and Nutrition (\$630,000 CSH). The program to reduce maternal mortality in USAID's geographic focus area will continue by upgrading maternal health services, including in-service training for health professionals in obstetric emergencies, conducting community and patient education to increase births in health facilities. USAID's principal partners are the Peruvian Ministry of Health (MOH), UNICEF, The Futures Group, and Pathfinder International.

Prevent and Control Infectious Diseases of Major Importance (\$1,702,000 CSH). USAID will strengthen MOH capacity in the areas of prevention, surveillance and treatment of infectious diseases (especially tuberculosis and malaria). USAID-supported surveillance, laboratory research, and public information activities will help contain and prevent epidemics. Principal partners are the MOH and a local university.

Improve Child Survival, Health and Nutrition (\$843,000 CSH). USAID will extend child health activities in USAID's geographic focus area, emphasizing health promotion and disease prevention through community-based health promotion programs in schools and with municipalities, and integration of child health standards of care in professional certification programs. USAID will expand a program to improve early childhood health. Principal partners are Pathfinder International and UNICEF.

Reduce Transmission and Impact of HIV/AIDS (\$990,000 CSH). USAID's HIV/AIDS strategy supports national-level activities through the MOH and the Global Fund Country Coordinating Mechanism. USAID also coordinates with other U.S. Government agencies. Field activities will address an escalating HIV/AIDS threat in the Ucayali region. Support will continue for policy analyses, advocacy, behavioral

surveillance, and appropriate health services, representing a more proactive response to the growing menace of HIV/AIDS. Principal partners are the MOH, The Futures Group, Pathfinder International and the Naval Medical Research Center Detachment (NMRCD)-Peru.

**FY 2006 Program:** USAID plans to implement the following components. Major contractors/grantees are not expected to change.

**Build Health Systems Capacity (\$4,705,000 CSH).** USAID will concentrate on health sector policy reform through decentralization of public sector services, strengthening of key central public health functions such as standard-setting and integrated epidemiologic surveillance, effective targeting of subsidized programs, and promoting the expansion of high quality, reasonably priced private health services.

**Support Family Planning Programs (\$3,164,000 CSH).** USAID will support roll-out of Peru's contraceptive and drug logistics system. Simultaneously, it will promote expansion of private family planning and reproductive health services. USAID will help market the introduction of new private services and products, and will involve new partners such as pharmaceutical companies and drugstore chains.

**Improve Maternal Health and Nutrition (\$919,000 CSH).** USAID will expand the coverage of its educational services for pregnant women in order to increase institutional births and reduce maternal and infant mortality, and will upgrade selected health facilities with prenatal care areas, birthing equipment, ambulances, and communication equipment for emergency referrals.

**Prevent and Control Infectious Diseases of Major Importance (\$1,242,000 CSH).** USAID will support health promotion and prevention activities to reduce the incidence of infectious diseases. USAID will support MOH reforms to expand and upgrade monitoring and surveillance for infectious diseases, including establishing a new real-time disease reporting capability using telephone-based technology.

**Improve Child Survival, Health and Nutrition (\$920,000 CSH).** USAID will expand health promotion initiatives with schools and municipalities to improve nutrition, prevent disease, and increase appropriate care of sick children to reduce morbidity and mortality. USAID will work with new technologies, including solar energy and internet-based information services, to improve the quality of care offered by remote rural health facilities.

**Reduce Transmission and Impact of HIV/AIDS (\$1,000,000 CSH).** USAID will continue support to national and multi-donor initiatives and support health system capacity building and major information, education and communication campaigns focused on high-risk behaviors in high prevalence areas.

**Performance and Results:** USAID's objectives were advanced as community level health promotion activities with schools and municipalities expanded rapidly in the regional focus areas. Dependence on USAID-donated contraceptives ended, and alternative commercial sources of supply increased. USAID supported initiation of a complex decentralization process. Accreditation of schools of medicine, nursing, and midwifery, plus certification of individual health providers began. Maternal mortality showed signs of declining in communities where it has been very high. Data for decision makers became more timely as the new continuous Demographic Health Survey methodology came on line. Health information was transmitted via a telephone-based pilot project in Ucayali.

By FY 2007, USAID expects to achieve these important results: 1) major health sector policy reform, with extensive decentralization and effective targeting of subsidies; 2) permanent certification and accreditation systems; 3) reduced high-risk behavior in HIV/AIDS hot spots; effective intra-regional (south-to-south) networks to combat regional infectious diseases; 4) hundreds of health promotion activities with schools and municipalities underway; 5) reduced child and maternal mortality; and, 6) sustainable family planning services in the public and private sectors, with growing utilization and user satisfaction.

## US Financing in Thousands of Dollars

Peru

527-011 Health	CSH	ESF
<b>Through September 30, 2003</b>		
Obligations	43,378	2,000
Expenditures	29,885	0
Unliquidated	13,493	2,000
<b>Fiscal Year 2004</b>		
Obligations	17,582	0
Expenditures	14,185	933
<b>Through September 30, 2004</b>		
Obligations	60,960	2,000
Expenditures	44,070	933
Unliquidated	16,890	1,067
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	13,756	0
<b>Total Planned Fiscal Year 2005</b>		
Obligations	13,756	0
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	11,950	0
Future Obligations	38,834	0
Est. Total Cost	125,500	2,000

## Data Sheet

<b>USAID Mission:</b>	Peru
<b>Program Title:</b>	Environment and Natural Resources
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	527-012
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$4,549,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$3,264,000 DA
<b>Year of Initial Obligation:</b>	2002
<b>Estimated Year of Final Obligation:</b>	2007

**Summary:** USAID finances activities to improve the Government of Peru's environmental policy and build the capacity of Peru's environmental institutions to promote sustainable forest management, protect biodiversity, and to comply with the environmental chapter and cooperation agreement of the pending Free Trade Agreement (FTA) between the United States and Peru. USAID support enhances Peru's ability to sustainably utilize its natural resources to attract investment and generate jobs and income.

To the extent that work is carried out in Peru's major coca-growing areas in support of the US counter-narcotics objective, sustainable forest management, wood certification and biodiversity protection activities will also be financed by Andean Counterdrug Initiative (ACI) funds referenced in the Alternative Development Data Sheet (527-013).

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$2,499,000 DA). USAID will provide support to the Government of Peru (GOP) for sustainable forestry and protected area management. This includes the implementation and improvement of a nationwide forest concession process to curb illegal logging. Additionally, a timber certification process will be developed. In addition, USAID will finance park personnel training and direct technical assistance to strengthen the country's Natural Resources Institute (INRENA) to mitigate negative environmental impacts in key national parks, such as the Cordillera Azul National Park, Pacaya-Samiria National Reserve and the Paracas National Marine Reserve. USAID will encourage the integration of indigenous groups into these activities. Major contractors/grantees include INRENA, World Wildlife Fund (WWF), Field Museum of Chicago, Chemonics International, The Nature Conservancy, and International Resources Group (IRG).

Increase Participation in Global Trade and Investment (\$1,025,000 DA). USAID will support the GOP's ability to comply with the requirements of the eventual Environmental Chapter and accompanying Environment Cooperation Agreement of the FTA, through strengthening the GOP's environment and natural resources institutions and organizations. As negotiations proceed, specific support will be determined; however, institutional strengthening to combat illegal logging and compliance with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES II) will be a major focus. Major contractors/grantees include the Peruvian National Environment Council (CONAM), INRENA, IRG, and the WWF.

**FY 2006 Program:** Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$2,264,000 DA). USAID will continue support for a nationwide forest management and wood certification system, to include combating illegal logging. USAID will expand efforts to cover additional areas and consolidate the forest concessions process, and promote greater inclusion of indigenous groups. USAID also plans to continue providing assistance to improve national park and protected area sustainable management systems, exploring linkages to commercial uses. Major contractors/grantees are the same as above.

Increase Participation in Global Trade and Investment (\$1,000,000 DA). USAID will continue to support

Peruvian Government institutions compliance with the Environmental Chapter and Environmental Cooperation requirements of the FTA. In particular, the focus will be placed on CITES II compliance, on the socialization of benefits generated from environmentally sound trade, and partnerships between private sector industry and the environmental sector. Major contractors/grantees are the same as above.

**Performance and Results:** USAID's environmental activities achieved important results in 2004, contributing to a strengthened capability to sustainably manage Peru's environmental assets and natural resources. As of October 2004, more than seven million hectares of forest were under the sustainable forest concession system, with associated timber sales of over \$9 million and the creation of over 800 full-time-equivalent jobs. Major steps have been taken to confront the problem of illegal logging, a key issue in the negotiation of the FTA between the United States and Peru. These steps include the re-establishment of a national level multi-agency commission on illegal logging and the creation of sub-national commissions in three regions with major forest resources. Biodiversity protection has been improved in several major national parks through better management and sustainable natural resource use in park buffer zones.

By 2007, USAID will increase the area of sustainably managed forest to nine million hectares, systems for the control of illegal logging will be in place in compliance with CITES II and FTA requirements, and key national parks will have improved management with sustainable natural resource use by populations in the parks' buffer zones.

## US Financing in Thousands of Dollars

Peru

	DA	DCA
527-012 Environment and Natural Resources		
<b>Through September 30, 2003</b>		
Obligations	8,508	73
Expenditures	2,466	0
Unliquidated	6,042	73
<b>Fiscal Year 2004</b>		
Obligations	4,058	0
Expenditures	5,450	15
<b>Through September 30, 2004</b>		
Obligations	12,566	73
Expenditures	7,916	15
Unliquidated	4,650	58
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	4,549	0
<b>Total Planned Fiscal Year 2005</b>		
Obligations	4,549	0
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	3,264	0
Future Obligations	4,548	0
Est. Total Cost	24,927	73

## Data Sheet

<b>USAID Mission:</b>	Peru
<b>Program Title:</b>	Alternative Development
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	527-013
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$53,866,000 ACI
<b>Prior Year Unobligated:</b>	\$280,000 DCA
<b>Proposed FY 2006 Obligation:</b>	\$43,000,000 ACI
<b>Year of Initial Obligation:</b>	2002
<b>Estimated Year of Final Obligation:</b>	2007

**Summary:** USAID's Alternative Development (AD) Program is a key component of the U.S. Government's comprehensive counternarcotics strategy in Peru. AD interventions are focused on: (1) providing immediate economic and social impact by generating temporary income, supporting basic services, and promoting community organization where coca is voluntarily eradicated; (2) promoting sustainable economic and social development in and around the primary coca-growing areas via infrastructure projects, technical assistance and training to small farmers, private sector entrepreneurs and government entities; (3) improving the policy and institutional framework related to alternative development and counter-narcotics through studies and technical assistance to key allies; and (4) generating political will, encouraging key behavior change, and disseminating accurate information to beneficiaries through a crosscutting communications program.

### **Inputs, Outputs, Activities:**

**FY 2005 Program:** Develop and Expand Alternative Development: (\$53,866,000 ACI). The amounts listed below include \$2.12 million of administrative expenses associated with managing the AD Program. The program will be implemented through the following sub-components:

Voluntary Eradication (\$27,646,000 ACI). USAID will continue funding small, labor-intensive, infrastructure works, such as roads, bridges, schools, health posts and sanitation systems, as a means of improving local services and providing temporary income for families in communities where coca has been eradicated. USAID will also provide technical assistance for market-oriented crops, and will finance scholarships, land titling, and selected social services in participating communities. Participatory processes to identify and prioritize these projects will be coordinated with local governments. Chemonics is the prime contractor, and multiple local private firms, local nongovernmental organizations (NGOs), specialized Peruvian governmental agencies, and municipalities will act as sub-contractors/grantees.

Sustainable Local/Regional Development (\$17,200,000 ACI). USAID will assist entrepreneurs and small producers with information and technical assistance to link their production to market demand and encourage private investment in licit productive activities. USAID will promote private-public partnerships in economic infrastructure (mainly transportation and electrification) in target areas; and will fund the rehabilitation/maintenance of the Juanjui-Tocache road, and related interventions with communities along the road. The program will support sustainable productive forest management, including concession processes and forest product certification, thus protecting the environment and generating jobs and income. USAID will also facilitate increased state presence and improved governance in target regions. Development Credit Authority funds (including carry-over from FY 2004) will guarantee commercial bank loans to licit economic projects in the priority regions. Major contractors/grantees include Chemonics, the U.S Army Corps of Engineers, the World Wildlife Fund, the Chicago Field Museum, local NGOs, and specialized government agencies.

National Framework for Counternarcotics/Alternative Development (\$4,200,000 ACI). Specific studies and advocacy efforts will support policy changes related to such issues as precursor chemicals control, control of licit coca leaf production and commercialization, and policies and procedures that catalyze greater economic growth and more effective and responsive state presence in the coca-producing

regions. USAID will continue providing specialized consultancy services and fund specific costs of the GOP's counternarcotics coordinating body (DEVIDA), and other GOP agencies, to improve its institutional capacity to implement the Peruvian government's counternarcotics strategy. Major contractors/grantees include DEVIDA, Development Alternatives Inc. (DAI), and a new U.S. policy contractor to be selected; with local NGOs and firms acting as sub-contractors/grantees.

Communications/Operational Research (\$4,820,000 ACI). A range of media will be used to: 1) convince families in coca growing areas to embrace a licit lifestyle and reject illegal coca cultivation; 2) increase awareness among the general public of the negative impacts of and links between illegal coca and narco-trafficking; and 3) gain support among decision-makers in favor of AD/counternarcotics-related policy reforms. USAID will finance mechanisms to monitor program implementation and carry out operational research, in order to guide the implementation of counternarcotics and alternative development activities. Work will be carried out primarily by Chemonics, DAI and a new policy contractor, with local NGOs and marketing/communication firms acting as sub-contractors/grantees.

**FY 2006 Program:** Develop and Expand Alternative Development: (\$43,000,000 ACI). The amounts listed below include administrative expenses associated with managing the AD Program. USAID plans to implement the following sub-components. Major contractors/grantees are not expected to change.

Voluntary Eradication (\$20,000,000 ACI). USAID will continue funding small infrastructure works and productive projects, as well as finance scholarships, land titling, and selected social services in communities and areas where coca is eradicated or which remain coca-free.

Sustainable Local/Regional Development (\$16,000,000 ACI). USAID plans to continue the activities described above.

National Framework for Counternarcotics/Alternative Development (\$3,500,000 ACI). USAID will continue providing support to the GOP to improve its capacity to implement an effective counter-narcotics strategy.

Communications/Operational Research (\$3,500,000 ACI). USAID plans to continue the above activities to generate political will, encourage key behavior change, and increase public awareness on counternarcotics issues through a cross-cutting communications program.

**Performance and Results:** In FY 2004, USAID made significant progress in implementing the AD program, despite major challenges caused by continuing insecurity in target areas. Families participating in the program eradicated 4,919 hectares of coca, accounting for 35% of total eradication. In addition, \$14.8 million in licit products sales were generated in the priority regions, creating 9,688 full-time equivalent jobs. The first phase of rehabilitation of the major thoroughfare running through a traditional coca-growing region (the Juanjui - Tocache Road in San Martin) resulted in the reduction of transit time from 12 to six hours and transport costs by 25-30%. Communications activities generated support for the program, and resulted in approximately 20,000 families entering eradication agreements. Initiatives with the Peruvian press also helped build public support for a new precursor chemical law. USAID-contracted technical experts provided the impetus for the preparation and passage of that law and are building a body of evidence to support effective coca legislation, including a landmark study that officially determined Peru's demand of coca for licit uses.

By FY 2007, if political conditions are propitious under the new government, Peru will control new coca and will have gradually reduced coca in the zones traditionally producing coca for drugs. In the target areas there will be a strengthened licit economy, based on stable links to local and outside markets; farmers' productivity will be increased; and forest resources will be freed from threats associated to illegal crops. Social conditions, including access to quality health and education services, will be substantially improved. The legal, policy and institutional framework at the regional and national levels will provide adequate conditions for controlling licit uses for coca leaf and precursor chemicals, avoiding diversion of such materials for drug elaboration. An increased public awareness about the economic, social and environmental damages caused by illegal crops and narco-trafficking will enhance conditions for sustaining the achieved reduction of illicit crops.

## US Financing in Thousands of Dollars

Peru

527-013 Alternative Development	ACI	CSH	DCA
<b>Through September 30, 2003</b>			
Obligations	88,379	200	557
Expenditures	37,316	17	0
Unliquidated	51,063	183	557
<b>Fiscal Year 2004</b>			
Obligations	86,540	0	0
Expenditures	80,614	81	0
<b>Through September 30, 2004</b>			
Obligations	174,919	200	557
Expenditures	117,930	98	0
Unliquidated	56,989	102	557
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	280
<b>Planned Fiscal Year 2005 NOA</b>			
Obligations	53,866	0	0
<b>Total Planned Fiscal Year 2005</b>			
Obligations	53,866	0	280
<b>Proposed Fiscal Year 2006 NOA</b>			
Obligations	43,000	0	0
Future Obligations	77,178	0	0
Est. Total Cost	348,963	200	837