

Paraguay

The Development Challenge: Consolidating democracy is the primary U.S. national interest in Paraguay. During the past year Paraguay has been a valuable U.S. ally in the war on terrorism. Since the fall of Paraguay's dictatorship 13 years ago, the country has adopted a new constitution, established freedom of expression, developed a transparent and free electoral process, improved the judicial system to permit public scrutiny of legal cases, and defended democratic institutions in the face of severe challenges. These challenges have included several coup attempts, the assassination of a vice president, the resignation of one president, and impeachment proceedings against the current president.

Serious problems persist despite efforts to reduce poverty, decrease corruption, address environmental degradation, and provide effective basic services to Paraguay's citizens. During 2002, the country experienced its sixth consecutive year of declining per capita income and increasing poverty, especially in rural areas. The value of Paraguayan currency continues to depreciate significantly against the dollar (by approximately 100% during the past two years) and perceptions of corruption are the highest in Latin America. Paraguay's external debt is approximately \$2.2 billion, over 40% of gross domestic product. While Paraguay has historically pursued conservative macroeconomic policies, the economic tribulations of Brazil and Argentina (Paraguay's two most important trading partners) and weak political will have combined to produce worsening levels of budget deficits, expedient short term borrowing, and rising inflation rates.

Very high fertility rates contribute to poverty, and better reproductive health services are needed. 30% of the population does not have regular access to health services and those services that are available are often of a very low quality. Many 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 adequately provide these services, and some local governments are struggling to compensate for these deficiencies.

Paraguay's fragile democracy is further threatened by unsustainable exploitation of land, water, and wildlife resources. The depletion of Paraguay's rich endowment of natural resources severely threatens economic growth. Timber reserves have been exhausted. The once rich topsoil of the eastern border region (largely uncultivated until the 1970s) is now considered to be severely eroded.

At a minimum, Paraguayan democracy 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 this fledgling democracy 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 the way democracy works.

The USAID Program: The Data Sheets provide details on the four objectives for which USAID is requesting funds. These four objectives concentrate on strengthening local government and civil society; protecting the environment through better management of globally important ecoregions; decentralizing and expanding access to quality reproductive health services and reducing maternal mortality; and increasing incomes in rural areas.

Other Program Elements: USAID's Office of U.S. Foreign Disaster Assistance assists a network of Paraguayan organizations that coordinate efforts in disaster preparedness, emergency training and disaster relief activities. The Global Development Alliance Office awarded a grant to the International Youth Foundation that includes Paraguay as one of the countries in which the program will create jobs for young people. The Latin America and Caribbean Bureau's Office of Regional Sustainable Development manages activities to increase citizen participation, strengthen civil society organizations and promote human rights in Paraguay.

Other Donors: USAID has been instrumental in organizing a previously disjointed donor community and has been quite successful in having other donors build upon its pioneering activities. Donor coordination at a sectoral level in Paraguay is improving. USAID organized donor coordination activities related to decentralization, judicial reform, environment, and health and is participating in donor programs related to competitiveness and adolescents.

Japan is Paraguay's largest bilateral donor, followed by the United States, Germany and Spain. 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, the Global Environmental Facility and the Pan-American Health Organization are major multilateral contributors.

**Paraguay
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Child Survival and Health Programs Fund	0	2,525	2,025	2,025
Development Assistance	6,320	3,600	4,600	4,000
Economic Support Fund	3,492	3,500	3,500	3,500
Total Program Funds	9,812	9,625	10,125	9,525

STRATEGIC OBJECTIVE SUMMARY

526-004 Democracy & Governance				
DA	2,850	2,600	2,600	2,000
ESF	3,492	3,500	3,500	3,500
526-005 Environment				
DA	1,000	1,000	1,000	1,000
526-006 Reproductive Health				
CSH	0	2,525	2,025	2,025
DA	2,470	0	0	0
526-007 Economic Growth				
DA	0	0	1,000	1,000

Data Sheet

USAID Mission:	Paraguay
Program Title:	Democracy & Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	526-004
Status:	Continuing
Proposed FY 2003 Obligation:	\$2,600,000 DA; \$3,500,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$2,000,000 DA; \$3,500,000 ESF
Year of Initial Obligation:	2001
Estimated Completion Date:	2006

Summary: Through a range of technical assistance, training, and small grants, the democracy and governance program is developing the capacity of local governments to deliver services in response to the needs of citizens, improving the ability of civil society to put pressure on the current political system to become more responsive, and developing an open policy dialogue that allows for the inclusion of all citizens and their organizations. Citizen participation, transparency, and accountability are incorporated throughout the democracy program to promote anti-corruption efforts.

Inputs, Outputs, Activities:

FY 2003 Program:

Local governance (\$2,600,000 DA). USAID will provide technical assistance to disseminate and adapt successful models of basic service provision that involve high levels of community participation to a large number of municipalities. Communities will learn how to effectively participate in policy decisions on a local and national level. Mediation programs that reduce the number of cases that need to be heard in a formal courtroom setting will advance judicial reform. USAID will expand the overall decentralization process through the development of effective local government associations. The prime implementers are Alternatives for Life, the Information and Resources Center for Development, and the Institute of Comparative Studies in Social and Criminal Sciences (all Paraguayan organizations).

Transparency and accountability (\$3,500,000 ESF). Technical assistance and training will help local governments become more effective, accountable and capable of generating a variety of resources to provide expanded services. Further support to civil society organizations and the formation of a system of informational networks will equip civil society to provide oversight of public institutions and permit informed decisions on policy issues. The national reform agenda will be promoted through the development of coherent civil and human rights policies, constitutional reform and strengthened civilian control over the military. Chemonics (prime), Associates in Rural Development (prime) and the Paraguayan Information and Resources Center for Development (prime).

FY 2004 Program:

Local governance (\$2,000,000 DA). USAID intends to expand the number of local governments that are implementing good governance practices, including service provision, revenue enhancement and citizen participation mechanisms. Technical assistance for mediation will be provided to the Justices of the Peace as a means to provide greater access to justice at the local level. USAID will continue to support local governments and their associations to advocate for decentralization. The successful ongoing sub-grant program to strengthen civil society organizations in promoting citizen participation, citizen oversight and control, and advocacy will be expanded.

Transparency and accountability (\$3,500,000 ESF). Technical assistance will help local governments become more responsive, transparent, and accountable and will help support civil society in providing control and oversight of the public sector. Successful anti-corruption efforts will be expanded by helping local governments implement transparent practices, such as integrated financial management systems,

fiscal transparency, public hearings, and open procurement processes that assure citizen participation. In addition, local governments will implement new services and expand existing services through increased revenue generation and private partnerships. USAID will also 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 and strengthening the criminal justice process. Civil society organizations will be strengthened to advocate for policy reforms (decentralization, access to public information, and inclusive participation mechanisms in the public decision-making process), both at the local and national levels. USAID will promote constitutional reform by ensuring that civil society organizations actively participate in the reform process.

Performance and Results: USAID expanded the delivery of municipal services, often with increased revenue collections. A service provision project at the departmental level, in which participating municipalities shared planning and resources with the department, led to a major improvement in solid waste disposal throughout the department and a replicable model of local governments working together. A nationwide federation of local government associations was formed and is promoting local government interests on a national level. Civil society organizations successfully advocated for reforms, such as transparent public procurement. Corruption was exposed through tremendous improvements in investigative journalism, citizen oversight networks, and through the implementation of financial control systems. Not only is corruption being exposed, but corrupt officials are also being removed from office through pressure from civil society. USAID successfully worked with local governments to provide services in response to citizen demands, while at the same time working with citizen groups to provide oversight and control of their local governments.

The overall impact of the democracy program will be a deepening of the democratic process in this recently established democracy. The program is expected to increase citizen participation and confidence in a better-functioning democratic system capable of increasing and improving the delivery of basic services at the local level. USAID will strengthen democracy in Paraguay through the development of local institutions and political processes.

US Financing in Thousands of Dollars

Paraguay

	DA	ESF
526-004 Democracy & Governance		
Through September 30, 2001		
Obligations	2,850	3,598
Expenditures	1,220	1,750
Unliquidated	1,630	1,848
Fiscal Year 2002		
Obligations	2,588	3,500
Expenditures	1,748	1,591
Through September 30, 2002		
Obligations	5,438	7,098
Expenditures	2,968	3,341
Unliquidated	2,470	3,757
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	2,600	3,500
Total Planned Fiscal Year 2003		
Obligations	2,600	3,500
Proposed Fiscal Year 2004 NOA		
Obligations	2,000	3,500
Future Obligations	3,100	3,500
Est. Total Cost	13,138	17,598

Data Sheet

USAID Mission:	Paraguay
Program Title:	Environment
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	526-005
Status:	Continuing
Proposed FY 2003 Obligation:	\$1,000,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$1,000,000 DA
Year of Initial Obligation:	2001
Estimated Completion Date:	2006

Summary: The environment program provides technical assistance and training to improve the capacity of Paraguayan leaders and non-governmental organizations (NGOs) to manage three globally important ecoregions (Pantanal wetlands, interior Atlantic rain forest, and Chaco dry forest). The program 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 2003 Program:

Strengthening local organizations (\$1,000,000 DA). USAID will provide technical assistance and training to NGOs and local governments with increased emphasis on developing legislation to promote financial and structural incentives for ecological management and forest conservation in the three ecoregions. The prime implementers are The Nature Conservancy, the World Wildlife Fund, and the Paraguayan Foundation for the Sustainable Development of the Chaco Region.

FY 2004 Program:

Protection of ecoregions (\$1,000,000 DA). USAID may provide technical assistance to increase protection of important areas of the three targeted ecoregions in Paraguay. Various methods will be utilized to conserve land including: resource management areas, conservation easements and leasing, land purchases and zoning, and protecting public parks. The use of financial incentives, such as the development of a national environmental fund and carbon offset projects, will be developed to encourage the conservation of land. The legal and policy framework related to environmental issues will be improved.

Performance and Results: USAID financed the development of a detailed biological vision of the interior Atlantic rainforest and the conservation of core areas of three main ecoregions in Paraguay. A detailed analysis of the overall environmental policy framework revealed which legal areas need to be targeted for the future. New legal methods of protecting biological diversity were employed. Local governments and civil society developed new information on ways to manage land usage for environmental purposes.

Continued progress is expected to result in trained Paraguayan leaders, strengthened NGOs, and the development of necessary policy, legal, and financial tools. This will improve the overall sustainable management and protection of the globally important ecoregions that Paraguay shares with its neighbors. Successful completion of this program will be measured by the level of adequate and competent Paraguayan participation in the development and initial implementation of regionally-coordinated conservation plans. 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, 2001	
Obligations	1,000
Expenditures	613
Unliquidated	387
Fiscal Year 2002	
Obligations	1,000
Expenditures	754
Through September 30, 2002	
Obligations	2,000
Expenditures	1,367
Unliquidated	633
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	1,000
Total Planned Fiscal Year 2003	
Obligations	1,000
Proposed Fiscal Year 2004 NOA	
Obligations	1,000
Future Obligations	1,750
Est. Total Cost	5,750

Data Sheet

USAID Mission:	Paraguay
Program Title:	Reproductive Health
Pillar:	Global Health
Strategic Objective:	526-006
Status:	Continuing
Proposed FY 2003 Obligation:	\$2,025,000 CSH
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$2,025,000 CSH
Year of Initial Obligation:	2001
Estimated Completion Date:	2006

Summary: The 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 2003 Program:

Decentralization of health care (\$2,025,000 CSH). USAID will provide technical assistance to improve community-based health care through the implementation of more effective reproductive health policies. Technical assistance will be used to encourage greater community participation in the design, evaluation and financing of health care. Access to quality reproductive health services will be expanded through the use of a demonstration model of a maternal and neonatal health system. The implementers are University of North Carolina (prime), Program for Appropriate Technology in Health (sub), Training Resources Group (sub), the Paraguayan Center for Population Studies (prime) and the Paraguayan Information and Resources Center for Development (prime).

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

FY 2004 Program:

Reproductive health reform and decentralization (\$1,000,000 CSH). Technical assistance may continue to be used to promote reproductive health reform, strengthen local government involvement 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.

Improve quality of health care (\$375,000 CSH). The overall quality of health care will be improved through networks of health facilities, training to providers and the development of community health agents.

Improve maternal and neonatal health (\$650,000 CSH). USAID will provide technical assistance and training 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.

Performance and Results: During FY 2002, several systems to provide sustainable methods to finance local health services were developed. The utilization of community pharmacies helped provide needed medicines and supplies, while at the same time supplying operating funds to local hospitals, health centers, and health posts. Community oversight and control prevented corruption from occurring and helped expand the provision of affordable health services by identifying and defining basic health priorities and needs.

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, 2001		
Obligations	0	2,495
Expenditures	0	1,634
Unliquidated	0	861
Fiscal Year 2002		
Obligations	2,525	0
Expenditures	8	861
Through September 30, 2002		
Obligations	2,525	2,495
Expenditures	8	2,495
Unliquidated	2,517	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	2,025	0
Total Planned Fiscal Year 2003		
Obligations	2,025	0
Proposed Fiscal Year 2004 NOA		
Obligations	2,025	0
Future Obligations	7,950	0
Est. Total Cost	14,525	2,495

Data Sheet

USAID Mission:	Paraguay
Program Title:	Economic Growth
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	526-007
Status:	New
Proposed FY 2003 Obligation:	\$1,000,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$1,000,000 DA
Year of Initial Obligation:	2003
Estimated Completion Date:	2006

Summary: The economic growth program consists of technical assistance to develop and implement business development strategies, expand trade and marketing, and improve the business environment for micro and small businesses and farmers.

Inputs, Outputs, Activities:

FY 2003 Program:

Marketing, financial services and trade policy (\$1,000,000 DA). USAID will provide technical assistance to establish business development services that will provide marketing assistance for agricultural products and assist producer associations with feasibility analyses of marketing and processing facilities to expand trade. Financial services in selected rural areas will be expanded by designing credit products tailored to the need of rural clientele and by developing ways to use assets owned by rural residents, especially land, as collateral to obtain loans. In addition, agricultural and trade policy will be developed to encourage more efficient business practices relating to agricultural product processing, marketing and exporting. Contractors/grantees will be determined through a competitive process.

FY 2004 Program:

Improve the enabling environment (\$750,000 DA). USAID will provide technical assistance to improve the enabling environment to expand trade, investment, and business development and improve the competitiveness of local producers in domestic and international markets. The objective is to create employment and income opportunities through expansion of business and trade activities.

Policy reform (\$250,000 DA). Technical assistance will assist in developing a constituency for policy reform relating to improve agricultural production, marketing and export.

Performance and Results: Approximately one-third of Paraguayans live below the poverty line and rural Paraguay is particularly poor. With the economy of Paraguay still heavily dependent on agriculture, USAID's efforts will focus on agricultural economic opportunities. 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, 2001	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2002	
Obligations	0
Expenditures	0
Through September 30, 2002	
Obligations	0
Expenditures	0
Unliquidated	0
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	1,000
Total Planned Fiscal Year 2003	
Obligations	1,000
Proposed Fiscal Year 2004 NOA	
Obligations	1,000
Future Obligations	6,500
Est. Total Cost	8,500