

Peru

The Development Challenge: Throughout the 1990's, Peru made significant progress in combating terrorism, reducing the production of coca, stabilizing its economy, and improving social services. However, the government of President Fujimori collapsed under the weight of corruption, authoritarian rule, an economic downturn and discredited elections. Following President Fujimori's resignation in disgrace in November 2000, a transitional government took measures to begin to stabilize the political and social environment in Peru, including conducting open and fair Presidential and Congressional elections. Since assuming power in July 2001, the Government of President Alejandro Toledo has made a commitment to re-establish the country's democracy and promote a market-based economy that will provide benefits to all of Peru's citizens.

However, Peru's path towards sustainable economic and democratic development remains precarious. The current situation is characterized by a declining trend in annual per capita income (at approximately \$2,100, Peru's current per capita gross domestic product (GDP) in real terms is similar to that in 1967); a ballooning debt servicing requirement (estimated to reach 4% of GDP in 2004), high combined unemployment/underemployment rates (app. 8% / 52%); and unequal income distribution and endemic poverty (about 55% live below the poverty line and 24% live in extreme poverty). Peru also faces inadequate social service delivery-especially in rural areas (40% of children under age five in rural areas are chronically malnourished and nearly 25% of women in rural sierra and jungle areas are illiterate); rampant corruption and weak governmental institutions; and resurgent political terrorism and narco-trafficking, which undermine social and political stability. In addition, Peru's tropical forests, which are the fourth largest in the world, are increasingly threatened by shifting migration patterns, unsustainable logging and forest product extraction, and the destructive impact of coca production/processing.

Peru stands at a critical juncture in its history: in order to live up to the very high expectations that greeted the Toledo government, Peru must address the significant obstacles cited above by exploiting its competitive advantages and market opportunities. While overall economic performance in 2002 was generally positive (growth is expected to be approximately 4.8%, which would represent the highest growth rate in Latin America and the most significant growth in Peru since 1997), the government remains politically weak and social discontent prevails. To move forward, Peru must 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) and the planned establishment of the Free Trade Area of the Americas (FTAA) to stimulate economic growth and reduce poverty levels. Likewise, Peru must successfully conclude its decentralization process-which is now in full march, including the recent election of new regional and local authorities-to facilitate the dispersion of economic activity and more representative and effective governance throughout the country. Within this context, the Embassy's Mission Program Plan establishes that the overriding U.S. national interest in Peru is to help consolidate the country's democracy. Other U.S. Government (USG) interests in Peru include the elimination of coca cultivation, strengthening law enforcement and judicial institutions, opening markets, and reducing poverty.

The USAID Program: USAID works as an integral part of the USG Country Team in Peru, and collaborates with Peruvian partners, other donors, non-governmental organizations, and the private sector, to help Peru achieve a secure, democratic and prosperous future for its citizens. USAID will facilitate both Peru's international and national integration, thereby contributing to the goals of good governance, security and prosperity. Sustainable progress towards these goals requires increased public and private investment in social and economic infrastructure. The attached Data Sheets outline how USAID will use FY 2003 and FY 2004 funding to promote a more efficient and competitive enabling environment for trade and investment by encouraging systemic reforms through democratic institutions that will lead to the expansion of sustainable opportunities for employment, higher incomes, and improved quality of life for all Peruvians. Across its various management/programmatic units, USAID's interventions will all contribute in some measure to establishing the democratic, social, and economic governance conditions that will attract investment. Only through such an engagement will USAID be able to influence the extent to which the country integrates into the world economy, formalizes its internal

economic elements, reduces poverty, and incorporates marginalized groups into the nation-state and society. In addition, in recognition of both program imperatives and resource limitations, USAID will also support complementary “on-the-ground” activities (e.g. demonstrating innovations in service delivery, business and economic development, and environmental management) in certain geographic areas that have been prone to conflict. These areas include: (a) the Peru-Ecuador border region, to help ensure a lasting peace between the two countries (based on the USG’s pledge of financial support for the 1999 Peru-Ecuador Peace Accords) and (b) the coca-growing regions, to combat the flow of illicit narcotics to the United States and to ensure that these areas are no longer a breeding ground for crime, terrorism, and social unrest. The USAID “geographic focus area” in Peru comprises the departments of Ayacucho, Cusco, Ucayali, Huanuco, Junin, Pasco, and San Martin.

In addition to the Data Sheets for USAID's seven bilateral objectives in Peru (democracy/governance, economic growth, health, environment, alternative development, education and Peru-Ecuador Border Program), a Data Sheet is provided for a new regional initiative designed to facilitate the participation of the Andean countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) in the Free Trade Area of the Americas and the implementation of rules of trade emerging from the FTAA negotiations and other related structures (e.g., World Trade Organization). Furthermore, discrete regional education and health initiatives are mentioned within the Data Sheets for those sectors.

Other Program Elements: In addition to resources requested in the attached Data Sheets, a variety of USAID centrally-funded activities are implemented in Peru. In the democracy area, centrally-funded programs support assistance to strengthen regional mechanisms to promote human rights and rule of law, civil society and educational reform. In the health sector, Washington-based activities support maternal and child care, nutrition and malaria control. Central funds also support credit and small business development programs, as well as activities to alleviate the effects of poverty on women and children.

Other Donors: Official international technical cooperation to Peru for 2001 was over \$661 million, which includes bilateral and multilateral assistance and loans. The United States is the largest bilateral donor. Other donors include Germany (in agriculture, democracy health, education and microenterprise), Spain (microenterprise and environment), Japan (agriculture and microenterprise), Canada (democracy, economic growth, and education) and Great Britain (democracy, health, and education). Major multi-lateral donors include the United Nations, the Inter-American Development Bank, the World Bank, the Andean Development Corporation, and the European Community. In recent years, the Government of Peru's (GOP's) donor coordination structures and functions have done little to facilitate overall planning of donor assistance around a comprehensive consensus on national priorities. While the new GOP appears to be working towards this end, at the sectoral level donor assistance has been fairly well organized through various working groups focused on gender, education, good governance, counternarcotics, health, environment and poverty reduction.

Peru
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Andean Counterdrug Initiative	25,750	62,500	69,000	50,000
Child Survival and Health Programs Fund	9,603	23,666	22,027	16,732
Development Assistance	28,488	14,969	17,870	15,316
Development Credit Authority	0	131	0	0
Economic Support Fund	5,696	16,750	12,250	11,250
PL 480 Title II	42,553	37,035	25,053	20,472
Total Program Funds	112,090	155,051	146,200	113,770

STRATEGIC OBJECTIVE SUMMARY

527-001 Citizens involved in democratic processes				
DA	2,844	0	0	0
ESF	2,003	0	0	0
527-002 Increased incomes of the poor				
DA	7,345	0	0	0
PL 480	42,553	0	0	0
527-003 Health and Family Planning				
CSH	8,505	0	0	0
DA	14,218	0	0	0
527-004 Improved environmental management				
DA	4,081	0	0	0
527-005 Reduced illicit coca production				
ACI	25,750	0	0	0
527-006 Basic Education				
CSH	1,098	0	0	0
DA	0	2,000	2,424	2,424
527-008 Peru-Ecuador Border Region Development				
ESF	3,493	2,250	2,250	2,250
527-009 Democratic Strengthening				
DA	0	2,322	3,026	1,672
ESF	0	14,500	10,000	9,000
527-010 Poverty Reduction				
DA	0	5,920	8,120	6,920
DCA	0	58	0	0
PL 480	0	37,035	25,053	20,472
527-011 Improved Health for Peruvians				
CSH	0	23,666	22,027	16,732
527-012 Environment and Natural Resources				
DA	0	4,727	4,300	4,300
DCA	0	73	0	0
527-013 Alternative Development Program				
ACI	0	62,500	69,000	50,000

Strategic Objective / Account	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
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TRANSFER				
ESF	200	0	0	0
598-023 Education and Training (CETT)				
DA	0	0	(1,000)	0

Data Sheet

USAID Mission:	Peru
Program Title:	Basic Education
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	527-006
Status:	Continuing
Proposed FY 2003 Obligation:	\$2,424,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$2,424,000 DA
Year of Initial Obligation:	FY 2002
Estimated Completion Date:	FY 2007

Summary: USAID is working to enhance the capacity of the Peruvian private and public sectors to meet the population's basic education needs in order to increase the productive capacity of the Peruvian workforce and reduce the potential for social conflict. USAID's program to improve local management of quality basic education services focuses on the development and implementation of education policies that promote decentralized education sector management and improvement of local basic education programs in selected communities. The regionally-funded Andean Center of Excellence for Teacher Training (CETT) will complement USAID's bilateral education efforts.

Inputs, Outputs, Activities:

FY 2003 Program:

Support policy and program reforms (\$1,000,000 DA). USAID is initiating a new five-year program in support of the Government of Peru's (GOP's) planned decentralization of education. USAID will provide technical assistance to the Ministry of Education to develop a legal framework and regulations for decentralized local management of public education. The activities will facilitate the transfer of authority, resources and control of primary education to local authorities and schools, and strengthen the capacity of local school and community networks to promote and monitor policy reforms. The major contractor/grantee will be a U.S.-based implementing agency to be selected.

Support improvements in the quality of basic education (\$1,424,000 DA). Through the provision of technical assistance and training, USAID will implement a program aimed at improving the quality of basic education in selected communities in the San Martin region, where most children attend one-room schools (with one teacher for all grades) or multi-grade schools (with two or three teachers for all grades). These activities will also promote the participation of parents, teachers, community members and local authorities in the management of their schools. The major contractor/grantee will be the same U.S.-based implementing agency to be selected.

FY 2004 Program:

Support policy and program reforms (\$1,000,000 DA). Using FY 2004 resources, USAID will further facilitate the implementation of a legal framework required for decentralization of public education, as well as strengthen the capacity of the Ministry of Education at the national, regional and local levels. Major contractors/grantees are not expected to change.

Support improvements in the quality of basic education (\$1,424,000 DA). USAID expects to increase the coverage of its technical assistance and training activities to additional schools within the San Martin region. Major contractors/grantees are not expected to change.

Performance and Results: While USAID will initiate a comprehensive education sector reform program in FY 2003, to date USAID has pursued only limited-scope education initiatives. However, through several pilot initiatives, USAID has had significant impact and laid the groundwork for future work in the sector. Activities aimed at expanding opportunities for girls' quality basic education in target rural areas

have been successful, with major improvements at the policy and regulatory level, and the broader adoption by the Ministry of Education of classroom models tested under USAID's pilot efforts. USAID supported the National Network for Girls' Education and a nationwide, participatory consultation process that established the National Council on Education, whose role is to review, modify, develop and promote consensus and commitment to a long-term vision and policies in education.

The new education program will work simultaneously with Ministry of Education authorities at the central, regional and local levels to promote policy and programmatic improvements. Through the establishment of networks-such as formal associations of school boards and school directors-and the implementation of local town meetings and communications programs, parents and community members will take on active roles and responsibilities in policy advocacy and financial/administrative management of schools. Teachers will be encouraged to participate in "teachers' networks," small groups of teachers from a specific geographical area that focus on reforming education practices at the local level. Teachers will learn modern teaching methods, including cooperative learning, peer tutoring, cross-age tutoring, and individualized instruction, all of which help to create flexibility in the classroom and enable children to advance academically. USAID interventions will improve the quality of local basic education programs in selected communities and reinforce the GOP's commitment to establishing a decentralized education system that is characterized by greater community participation. USAID will clarify specific performance targets as the expanded education program gets underway.

US Financing in Thousands of Dollars

Peru

	CSH	DA
527-006 Basic Education		
Through September 30, 2001		
Obligations	3,586	0
Expenditures	1,971	0
Unliquidated	1,615	0
Fiscal Year 2002		
Obligations	0	2,000
Expenditures	1,037	0
Through September 30, 2002		
Obligations	3,586	2,000
Expenditures	3,008	0
Unliquidated	578	2,000
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	0	2,424
Total Planned Fiscal Year 2003		
Obligations	0	2,424
Proposed Fiscal Year 2004 NOA		
Obligations	0	2,424
Future Obligations	0	0
Est. Total Cost	3,586	6,848

Data Sheet

USAID Mission:	Peru
Program Title:	Peru-Ecuador Border Region Development
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	527-008
Status:	Continuing
Proposed FY 2003 Obligation:	\$2,250,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$2,250,000 ESF
Year of Initial Obligation:	FY 1999
Estimated Completion Date:	FY 2007

Summary: USAID's program in the Peru-Ecuador border areas includes training and technical assistance for integrated activities targeted to improve the quality of life of border populations. Assistance is aimed at improving local capacities of border communities to manage their own development processes; developing basic capacities for providing social services necessary for a healthy and productive life; increasing respect and protection of rights of the border population, particularly those of women and indigenous people; and increasing support to the 1999 Peru-Ecuador Peace Accords.

Inputs, Outputs, Activities:

FY 2003 Program:

Increase capacity of border communities to manage development processes (\$630,000 ESF). USAID's efforts will strengthen local governments, including local organizations, in 15 districts in border areas. Activities include assistance and training to strengthen local governments' ability to plan, target and manage resources dedicated to the improvement of infrastructure and services in a responsible and accountable manner. Interventions will focus on good governance practices, particularly for the newly elected municipal officials that take office in January 2003. USAID will finance training of municipal officials and community leaders-especially women and indigenous leaders, civil society organizations and the population in general. CARE is the prime grantee, with local nongovernmental organizations acting as subgrantees.

Develop basic capacities for a healthy and productive life (\$1,050,000 ESF). Activities include: 1) technical assistance for curriculum development and teacher training to expand quality education to rural indigenous communities, focusing on such skills as health, nutrition, production practices, environment, democratic principles and bilingual education for girls and women; 2) training of health workers and communities in basic health interventions to reduce maternal and newborn mortality, infectious diseases and child malnutrition; 3) support for the development of small, community-based projects (e.g., health surveillance systems, potable water, etc.); and 4) area development plans. CARE is the prime grantee, with the Agricultural Services for Research and Economic Promotion (SAIPE) acting as a subgrantee.

Increase respect and protection of rights of the border population (\$400,000 ESF). Interventions will focus on establishing permanent mechanisms for the protection of basic rights through local institutions and networks of human rights promoters. Activities will include training of human rights promoters with a focus on indigenous women's and children's rights, in areas such as civil registration, domestic violence, conflict resolution. Training will also focus on indigenous populations' rights to control natural resources and land titling. CARE is the prime grantee, with the Peruvian Institute of Education, Human Rights and Peace (IPEDEHP) and the Ombudsman acting as subgrantees.

Increase support to peace accords (\$170,000 ESF). USAID activities promote a culture of peace among Peruvians and Ecuadorians, and between indigenous and non-indigenous communities in the area, and develop greater support for the Peace Accords. Efforts will include information campaigns through mass-

media on the Peace Accords, bilateral trade regulations, and cross-border exchanges. CARE is the prime grantee, with local nongovernmental organizations acting as subgrantees.

FY 2004 Program:

FY 2004 funding will be used to initiate a second phase of the Peru-Ecuador Border Program. This program is expected to comprise:

Increased Economic Integration and Trade (\$ 2,000,000 ESF). Building on the capacity developed during the first years of the Border program, USAID will enhance the ability of border communities to identify and implement productive initiatives to generate jobs and income, as well as support the improvement of infrastructure linking producers to markets. USAID is likely to focus its efforts in the more populated Piura and Iquitos areas. Major contractors/grantees are to be determined.

Increased Support for the Peace Accords (\$250,000 ESF). As a complement to increasing economic integration and trade, USAID will finance a communications program to develop a better awareness of the benefits of peace with Ecuador. Major contractors/grantees are to be determined.

Limited support may also be provided to complete the Phase One activities described above.

Performance and Results: With USAID support, 346 communities have established participatory local development plans in 2002, which were used as a basis for district level plans. With the co-funding of their municipalities, communities completed 21 infrastructure projects (health posts, classrooms, water and sanitation systems) and initiated a water and sanitation project with co-funding from Luxembourg. Additionally, 78 health providers received training, which, combined with infrastructure and/or equipment improvements in 20 health posts, will provide better service to 50,000 native people. Eleven rural school networks were established, to promote the democratic participation of students, teachers and parents in school planning and administration. 1,100 people received training to improve productivity in areas such as agriculture, fishponds, and poultry. One hundred and seventy-six families participated in small commercial production, increasing their average net income by \$86 a year. The four itinerant Ombudsman teams operating in the border area heard nearly 1,000 cases and requests; trained 280 human rights promoters and 265 school teachers in basic rights; and promoted fair and transparent elections in targeted border districts. USAID also helped 26 native communities solve land titling conflicts and gain formal land ownership. Finally, USAID trained 170 media professionals on the terms of the Peace Accords, financed bi-national exchanges involving 320 people, and sponsored four cross-border cultural events.

Important outcomes expected over the life of this program are a 25% increase in the access to and use of basic services; a 20% decrease in child malnutrition rates; improved management capacity in 95% of targeted border local governments; and a 20% increase in people's knowledge of their basic rights, particularly those of women and the indigenous population. By addressing these quality-of-life issues, USAID's interventions will promote political and social 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	ESF
Through September 30, 2001	
Obligations	9,143
Expenditures	1,486
Unliquidated	7,657
Fiscal Year 2002	
Obligations	2,250
Expenditures	2,822
Through September 30, 2002	
Obligations	11,393
Expenditures	4,308
Unliquidated	7,085
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	2,250
Total Planned Fiscal Year 2003	
Obligations	2,250
Proposed Fiscal Year 2004 NOA	
Obligations	2,250
Future Obligations	0
Est. Total Cost	15,893

Data Sheet

USAID Mission:	Peru
Program Title:	Democratic Strengthening
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	527-009
Status:	Continuing
Proposed FY 2003 Obligation:	\$3,026,000 DA; \$10,000,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$1,672,000 DA; \$9,000,000 ESF
Year of Initial Obligation:	FY 2002
Estimated Completion Date:	FY 2007

Summary: USAID's program to strengthen democratic processes and institutions in critical areas includes the provision of technical assistance and training to promote key policy reforms; increase the capacity of regional and local governments; enhance Congressional oversight and legislative capacity; improve the performance of selected justice institutions; and facilitate the efforts of the Truth and Reconciliation Commission in investigating past human rights abuses. USAID will support anti-corruption measures within each of these program areas.

Inputs, Outputs, Activities:

FY 2003 Program:

Increased peruvian citizen participation in the adoption and implementation of key policy reforms (\$3,026,000 DA and \$550,000 ESF). USAID will finance the second year of activities initiated by three civil society coalitions focused on the development, promotion and oversight of key policy reforms related to decentralization, Congressional operations and the justice sector. Funding will also be used to provide technical input for anti-corruption activities aimed at promoting a more transparent and accountable governing system. Major contractors/grantees are three civil society coalitions led by Catholic Relief Services and the Peruvian non-governmental organizations, Manuela Ramos Movement and the Institute for Legal Defense.

Increased support for decentralization and strengthening of local governments (\$4,300,000 ESF). USAID will finance a management and public administration training and technical assistance program for regional, provincial and district governments, as well as community groups, in the seven departments that comprise USAID's geographic focus area in Peru. USAID will also provide policy support for the decentralization process in general, including strengthening the National Decentralization Council. Additionally, USAID will assist the State Contracts and Acquisition Council to simplify the governmental procurement process and the Controller General to strengthen accountability. Major contractors/grantees include the Presidency of the Council of Ministers, the National Decentralization Council, the Office of the Controller General, the State Contracts and Acquisition Council and a U.S. contractor to be selected.

Congressional reform (\$550,000 ESF). Funding will be used to support the start-up of a congressional research center, provide technical expertise for committees in selected areas of interest (such as those related to decentralization, access to government information, justice sector and constitutional reforms), and support public hearings on draft legislation. The prime contractor providing technical assistance and training is the State University of New York (SUNY).

Justice sector reform (\$4,600,000 ESF). In this area, USAID will strengthen the public defender service and expand a pilot program to reduce the percentage of prison detainees who have not been sentenced. Support for the Ombudsman will focus on increasing its role in promoting public sector modernization and expanding its presence in alternative development areas. A major new justice sector activity will focus on strengthening the selection/ratification process and disciplinary procedures for judges, training on commercial issues, redistributing court resources to match types of cases through the establishment of

judicial circuits, and a pilot program to improve the processing of commercial dispute and criminal cases in Lima and alternative development areas. USAID may also provide resources to help apply the recommendations made by the Truth and Reconciliation Commission. In addition, Andean Counterdrugs Initiative funds referenced in the Alternative Development Program Data Sheet (527-013) may be used for a community-police relations program in the alternative development areas. Major contractors/grantees include the Peruvian Ministry of Justice, the Office of the Ombudsman and a U.S. contractor to be selected.

FY 2004 Program:

Increase Peruvian citizen participation in the adoption and implementation of key policy reforms (\$1,672,000 DA and \$500,000 ESF). USAID will continue to support the civil society coalitions mentioned above, to include increased emphasis on anti-corruption. Major contractors/grantees are not expected to change.

Increased support for decentralization and strengthening of local governments (\$3,700,000 ESF). USAID will continue to support the decentralization process. Technical assistance and training will be expanded to cover local and regional governments and community groups in an additional 125 locations. Major contractors/grantees are not expected to change.

Congressional reform (\$1,100,000 ESF). Assuming progress towards implementing the recommendations included in the Congressional strategic plan, additional funding may be provided to improve internal management systems, increase the quality of the legislative process and promote other reforms that increase transparency and citizen participation. Major contractors/grantees are not expected to change.

Justice sector reform (\$3,700,000 ESF). USAID plans to continue support to the Ombudsman, to include further expanding its presence in areas where coca is produced. In addition, USAID will support the implementation of the criminal procedures code and the expansion of specialized training for justice sector personnel to improve the handling of critical commercial and criminal cases. Major contractors/grantees are not expected to change.

Performance and Results: In the aftermath of the collapse of the Fujimori Government and the successful 2001 elections, the enthusiasm of the new Government of Peru (GOP), and Peruvians in general, to pursue a course of democratic reform presented USAID with opportunities to provide catalytic support for key processes and institutions. While the broader democracy program outlined above was largely in a design and start-up phase during FY 2002, USAID, working through civil society coalitions, the GOP, and USAID's Office of Transition Initiatives (OTI), provided timely support in priority areas and lay the groundwork for longer-term institutional development programs. With USAID's assistance over the last year, the GOP initiated a decentralization process, including passage of a law outlining a phased approach to transfer resources and responsibilities to sub-national government entities. It also signed regional "governability" agreements based on the National Accords reached by all political parties and representatives of civil society. USAID's efforts helped the Congress establish mechanisms to consult with constituents on key issues. With USAID's assistance, the Truth and Reconciliation Commission collected over 13,000 testimonies that will form the basis of the final report (due in July 2003) and Ombudsman attended over 50,000 complaints (ranging from human rights abuses to corruption), resolving more than 80% of the cases, and began opening offices in the more remote regions of the country where coca is grown and political/social violence is most common. Through support to the Controller General, USAID helped the GOP identify and respond to corruption issues that could be obstacles to the decentralization of resources and responsibilities to sub-national government units. By 2006, 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 improved significantly, and key decentralization policies will be in place with broad input from civil society. More than 80% of the targeted local governments will have been certified to receive greater authorities and resources.

US Financing in Thousands of Dollars

Peru

	DA	ESF
527-009 Democratic Strengthening		
Through September 30, 2001		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2002		
Obligations	0	0
Expenditures	0	0
Through September 30, 2002		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	3,026	10,000
Total Planned Fiscal Year 2003		
Obligations	3,026	10,000
Proposed Fiscal Year 2004 NOA		
Obligations	1,672	9,000
Future Obligations	0	0
Est. Total Cost	4,698	19,000

Data Sheet

USAID Mission:	Peru
Program Title:	Poverty Reduction
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	527-010
Status:	Continuing
Proposed FY 2003 Obligation:	\$8,120,000 DA; \$25,053,000 PL 480
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$6,920,000 DA; \$20,472,000 PL 480
Year of Initial Obligation:	FY 2002
Estimated Completion Date:	FY 2007

Summary: USAID's program to increase economic opportunities for the poor includes training and technical assistance to improve the enabling environment for economic growth, trade and investment; improve access to and participation in markets; increase availability of microfinance services for small producers and micro-entrepreneurs; and improve the nutrition, as well as the productive and social capacity, of the extremely poor.

Inputs, Outputs, Activities:

FY 2003 Program:

Enabling environment for economic growth through trade and investment (\$5,720,000 DA). A major new element of USAID's program will be support for policy and institutional reforms to facilitate trade and investment in Peru. This support is specifically designed to allow Peru to take full advantage of the Andean Trade Promotion and Drug Eradication Act (ATPDEA) and prepare for accession to the Free Trade Area of the Americas (FTAA). USAID will provide training and technical assistance in areas such as commercial law, tax/fiscal management, e-government, capital markets, bank supervision, labor laws, World Trade Organization (WTO) compliance, competition policy, and infrastructure development/regulation. Funds will be also used to reform government procurement, including agricultural commodities, and improve the targeting of Government of Peru (GOP) resources for social programs. USAID will also support a public dialogue among various organizations (e.g., government, press, labor unions, universities, farmer and domestic industry associations) on the benefits and adjustments associated with free trade. Major contractors/grantees are to be selected.

Improved access to and participation in markets (\$500,000 DA). To increase access to markets for micro-entrepreneurs and small producers, USAID will fund technical assistance to provide current and projected market information along with information regarding 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 help identify markets for local products, and then link entrepreneurs/producers to organizations that provide services to improve their productivity and competitiveness in the marketplace. Since USAID's productive/marketing efforts will take place primarily in the seven-department area where Peru's coca production is concentrated, Andean Counterdrugs Initiative funds referenced in the Alternative Development Data Sheet (527-013) will be the major source of financing for these activities. The prime contractor is Chemonics International.

Increased availability of microfinance services for micro-entrepreneurs and small producers (\$1,900,000 DA). USAID will fund technical assistance to ten microfinance institutions (MFIs) related to strategic planning, market research, credit technology, incentives and salary structure, internal control systems, and impact assessment. In addition, Development Credit Authority loan guarantees will be used to expand the outreach of financial services for micro-entrepreneurs through commercial banks. Additional resources will be provided from the Andean Counterdrugs Initiative funds referenced in the Alternative Development Program Data Sheet (527-013). Major contractors/grantees include the Consortium of

Organizations that Support Small and Micro Enterprises (COPEME), USAID's prime partner and Chemonics International.

P.L. 480 assistance. Activities will improve health and productive capacities of food insecure families to participate in economic and social life. Basic health, nutrition and food assistance interventions will be targeted to 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). Monetization proceeds will be used to help food insecure families increase their food production and cash incomes through assistance to improve productivity and market linkages. Major contractors/grantees include USAID's prime grantees, the Adventist Development and Relief Agency (ADRA) and CARE, as well as local NGOs, Caritas and PRISMA.

FY 2004 Program:

Enabling Environment for Economic Growth through Trade and Investment (\$4,920,000 DA). USAID will continue with policy reform activities to promote trade and investment. Major contractors/grantees are not expected to change.

Improved Access to and Participation in Markets (\$500,000 DA). USAID will continue the activities described above, with an emphasis in Peru's coca-growing regions. Andean Counterdrugs Initiative funds referenced in the Alternative Development Data Sheet (527-013) will continue to be the major source of financing for these activities. Major contractors/grantees are not expected to change.

Increased availability of Microfinance Services for Micro-entrepreneurs and Small Producers (\$1,500,000 DA). USAID will continue strengthening microfinance institutions through technical assistance and training. Activities may expand to include capital support funding from commercial banks and other financial mechanisms available through the Development Credit Authority. Additional resources will be provided from the Andean Counterdrugs Initiative funds referenced in the Alternative Development Data Sheet (527-013). Major contractors/grantees are not expected to change.

P.L. 480 Assistance. USAID plans to continue P.L. 480 funded activities as described above. Major contractors/grantees are not expected to change.

Performance and Results: During 2002, USAID-assisted micro-entrepreneurs and small producers generated \$23.4 million in new sales and the equivalent of over 12,000 full time jobs through new or expanded market opportunities. As of June 2002, USAID-supported microfinance institutions provided financial services to 97,700 poor people. USAID also provided Development Credit Authority funding to develop two guarantee programs through Peruvian commercial banks, which will provide credit access to an additional 6,000 micro-entrepreneurs.

USAID's P.L. 480, Title II Food for Peace Program benefited over 41,500 families, with more than 100,200 children enrolled in feeding programs and their mothers receiving training in preventive health practices. In addition, 13,100 families increased their access to sanitary health infrastructure services.

Through FY 2007, USAID expects to facilitate the steady recuperation of the Peruvian economy and provide sustainable economic opportunities for the poor in selected geographic areas. USAID expects to contribute to the generation of 22,000 full-time equivalent jobs, an increase in sales by \$67 million, and provision of financial services to 180,000 poor people. By improving the enabling environment for trade and investment and providing greater access to essential goods and services, USAID expects to reduce the levels and incidence of poverty in target areas by 10% over the life of the strategy. In addition, the Title II program expects to reduce chronic malnutrition rates in target areas by 10%.

US Financing in Thousands of Dollars

Peru

	DA	DCA
527-010 Poverty Reduction		
Through September 30, 2001		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2002		
Obligations	3,692	58
Expenditures	200	0
Through September 30, 2002		
Obligations	3,692	58
Expenditures	200	0
Unliquidated	3,492	58
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	8,120	0
Total Planned Fiscal Year 2003		
Obligations	8,120	0
Proposed Fiscal Year 2004 NOA		
Obligations	6,920	0
Future Obligations	0	0
Est. Total Cost	18,732	58

Data Sheet

USAID Mission:	Peru
Program Title:	Improved Health for Peruvians
Pillar:	Global Health
Strategic Objective:	527-011
Status:	Continuing
Proposed FY 2003 Obligation:	\$22,027,000 CSH
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$16,732,000 CSH
Year of Initial Obligation:	FY 2002
Estimated Completion Date:	FY 2007

Summary: USAID is working to enhance the capacity of the Peruvian private and public sectors to meet the population's basic health needs in order to increase the productive capacity of the Peruvian workforce and reduce the potential for social conflict. USAID's health sector program comprises three major thrusts: (1) improving the quality of health services with emphasis on the seven departments in the coca-growing part of the country; (2) using communication and education interventions to change behaviors that expose Peruvians to health risks; and (3) supporting policy reforms, decentralization and evidence-based decision-making. The program has strong crosscutting activities dealing with emerging and re-emerging infectious diseases, including HIV/AIDS, tuberculosis and malaria. Given the cross-border threat posed by these diseases, USAID may pursue regional approaches to combating them. Reproductive health activities will continue to emphasize the human and reproductive rights of Peruvian women and families.

Inputs, Outputs, Activities:

FY 2003 Program:

Improved health services (\$9,100,000 CSH). USAID is developing a new methodology for improving the quality of health services that involves defining indicators of quality services, building accreditation and licensing systems based on those indicators, and assisting in the implementation of these systems. USAID will also fund the upgrade of Ministry of Health (MOH) facilities and staff in coca-growing areas in coordination with the Alternative Development Program. In family planning and reproductive health, USAID will support the monitoring of client rights to informed consent, efforts to reduce maternal mortality in the geographic focus area, and limited provision of contraceptives. Major contractors/grantees include the MOH, the local NGO = PRISMA, Pathfinder International, and UNICEF.

Health behavior change (\$8,300,000 CSH). USAID will create a "Development Communication Service Center," a consortium of Peruvian organizations with capabilities to develop, produce, research and disseminate information on health issues and healthy behaviors. The Center will be based in part on successful population and health sector experience in using communication and education to promote behavior change. At the same time, USAID will launch behavior change activities related to HIV/AIDS, the health consequences of coca production and climate changes from the expected "El Nino", and the promotion of institutional childbirth to reduce maternal mortality. Finally, the health communication capabilities of universities and other partners in the geographic focus region will be assessed and upgraded. Major contractors/grantees include the local nongovernmental organization Manuela Ramos and U.S. cooperating agencies the Academy for Educational Development and Pathfinder International.

Policy and evidence-based decision-making (\$4,627,000 CSH). USAID will provide major new support to the MOH in the conceptualization and design of administrative decentralization of the health sector. Three pilot health reform projects will be initiated (linking Social Security and MOH services, reallocating services among the various Ministry levels, and linking public and private sector services). The private sector health provider in Chiclayo, MaxSalud, will increase the revenues generated by its low cost, high quality services, demonstrating the feasibility of sustainable fee-for-service health services. In the area of infectious diseases, a new HIV/AIDS strategy will be developed and launched, adding new preventive

activities to ongoing surveillance and research. A new epidemiological laboratory will be constructed and equipped in the jungle city of Iquitos. Malaria and tuberculosis activities will continue to be addressed in the context of integrated health services. Major contractors/grantees include the MOH, the local NGO - MaxSalud, Abt Associates, the Futures Group, and the Population Council.

FY 2004 Program:

Improved health services (\$6,087,000 CSH). USAID will expand accreditation and licensing to new institutions and professionals. Health facilities and staff will be upgraded in USAID's geographic concentration zone, guided by the requirements for formal accreditation. Support for monitoring of reproductive rights and contraceptive sustainability will be continued. Major contractors/grantees are not expected to change.

Health behavior change (\$6,427,000 CSH). Intensive new health education and behavior change activities will begin in schools and mass media, mainly in USAID's geographic focus area. Commercial partners such as companies selling health, nutrition and hygiene products will co-sponsor entertaining, instructive, and motivational programming. Subjects such as nutritional practices, delaying sexual debut, avoiding sexually transmitted diseases, and healthy environmental practices will be added to the ongoing agenda of subjects. USAID will help establish a Masters Degree program to train professional health communicators. Major contractors/grantees are not expected to change.

Policy and evidence-based decision-making (\$4,218,000 CSH). USAID will support the implementation of new decentralized administrative and management information systems in selected regional governments, training for regional health administrators, and citizens' involvement in the management of local health services. Major contractors/grantees are not expected to change.

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

Performance and Results: In spite of a period of transition and political conflict in the Peruvian health sector, USAID was able to play a constructive role and build its credibility as a trustworthy and effective partner with a range of health-oriented organizations, both public and private. In the area of infectious diseases, USAID is supporting research, surveillance and prevention, and is taking the lead in developing new approaches to dealing with malaria and HIV/AIDS. As a result, the MOH began utilizing new research to plan preventive measures against dengue fever; 19 public health reference laboratories were equipped to enhance their diagnostic capabilities; a surveillance system for anti-malaria resistance was designed and implemented; and rapid diagnostic testing for malaria was widely applied by health promoters in endemic areas. Over 200,000 poor rural women have changed important health and reproductive health behaviors, including acceptance of family planning. Three USAID supported non-governmental organizations inaugurated new primary health care centers using income generated from USAID-funded activities. Several USAID-supported NGOs covered over 80% of their operating costs with income generated by charging modest fees for their services. Through a USAID funded project, the MOH expanded and institutionalized new administrative systems, including cost-based budgeting and a prospective payment mechanism to improve resource allocation and a perinatal information system to detect risks and complications during pregnancy and delivery. A new budgeting and programming system was installed in all 34 regional Health Directorates of the country.

One major challenge for USAID over the next two years is to help the government of Peru design and implement a sensible approach to administrative decentralization of health services that will lead to increased efficiency and greater responsiveness to the needs of the clients and communities. Successful decentralization of health services will be a major contributor to improved health in Peru. By 2006, it is hoped that the infant mortality rate will decrease from 52 to 40 per 1,000 live births, the percentage of births attended by trained personnel will increase from 48% to 65%, and the number of accredited health institutions will increase from six to 54.

US Financing in Thousands of Dollars

Peru

527-011 Improved Health for Peruvians	CSH
Through September 30, 2001	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2002	
Obligations	9,169
Expenditures	221
Through September 30, 2002	
Obligations	9,169
Expenditures	221
Unliquidated	8,948
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	22,027
Total Planned Fiscal Year 2003	
Obligations	22,027
Proposed Fiscal Year 2004 NOA	
Obligations	16,732
Future Obligations	0
Est. Total Cost	47,928

Data Sheet

USAID Mission:	Peru
Program Title:	Environment and Natural Resources
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	527-012
Status:	Continuing
Proposed FY 2003 Obligation:	\$4,300,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$4,300,000 DA
Year of Initial Obligation:	FY 2002
Estimated Completion Date:	FY 2007

Summary: USAID's environmental program includes national-level efforts to improve environmental policy and build the capacity of Peru's environmental institutions; support for local governments and communities to address key environmental issues; and initiatives to increase the knowledge of environmental problems and public demand to address them. These efforts promote the sustainable use and protection of natural resources, enhancing Peru's potential to attract investment and generate jobs and income.

Inputs, Outputs, Activities:

FY 2003 Program:

Renewable natural resources (\$1,800,000 DA). USAID will continue to support sustainable forest and protected areas management. This will include the establishment of a nationwide system to issue controlled concessions for forest production, curb illegal logging, and develop a process for timber certification. In addition, USAID will finance park personnel training and technical assistance to strengthen the Natural Resources Institute (INRENA). These programs support the U.S. Government (USG) counternarcotics effort, and therefore will also receive Andean Counterdrug Initiative (ACI) funding referenced in the Alternative Development Program Data Sheet (527-013). Major contractors/grantees include INRENA, the World Wildlife Fund, the U.S. Department of the Interior, Chemonics International, and The Nature Conservancy.

Industrial and urban pollution (\$1,400,000 DA). USAID supports the National Environment Council and the Directorate of Environmental Health in the Ministry of Health to strengthen their capacity to manage industrial and urban environmental issues. Technical assistance is provided to the National Clean Production Center, coupled with a Development Credit Authority loan guarantee for capital improvements to introduce clean production technologies. Environmental health activities will continue to be implemented in five cities in Peru, providing waste management and water and sanitation systems. Major contractors/grantees include prime grantees the National Environment Council, the Directorate of Environmental Health in the Ministry of Health, CARE, PA Consultants, Inc., the U.S. Centers for Disease Control, the Peruvian Clean Production Center, and Camp, Dresser and McKee.

Environmental education and locally based environmental management systems (\$1,100,000 DA). USAID will implement a program to increase knowledge of environmental issues and create demand for sustainable environmental management. Communications will focus on decision-makers; however messages for the general public are planned as well. USAID also plans to support a clearinghouse for environmental information, environmental messages for schools, and assistance to the National Environment Council in developing their environmental communications programs. Training will be provided to local governmental and non-governmental organizations to plan, implement and monitor environmental interventions through participatory local projects related to environmental health, pollution abatement, forest management, reforestation and watershed protection. Major contractors/grantees include the Academy for Educational Development, the National Environment Council, and Greengom,

with Peruvian municipal and regional governments and other local non-governmental organizations acting as sub-grantees.

FY 2004 Program:

Renewable natural resources (\$1,500,000 DA). Support for a nationwide forest management and wood certification system will continue, with efforts expanded to include additional forest concessions. USAID also plans to continue providing assistance to improve national park and protected area management systems. These programs support the USG counternarcotics effort, and therefore will also receive ACI funding referenced in the Alternative Development Program Data Sheet (527-013). Major contractors/grantees are not expected to change.

Industrial and urban pollution (\$1,300,000 DA). USAID will continue to support the National Environment Council and the Directorate of Environmental Health in the Ministry of Health to strengthen the institutions' capacity to better manage industrial and urban environmental issues. This will be the final year of USAID assistance to the National Clean Production Center, although the Development Credit Authority loan guarantee for capital improvements in industry related to clean production will continue. Environmental health activities, including waste management and water and sanitation will be completed in 2004. Major contractors/grantees are not expected to change.

Environmental education and locally based environmental management systems (\$1,500,000 DA). USAID will continue to fund environmental education for decision-makers and the public as well as communications training for local governments and local organizations. Major contractors/grantees are not expected to change.

Performance and Results: USAID's environmental activities achieved important results in 2002, contributing to a strengthened capability to sustainably manage Peru's environmental assets and natural resources. The Forestry Law, which came under heavy attack by illegal loggers and several large timber companies, has remained intact and the law is being implemented through a forestry concessions bidding process. As of October of 2002, 3.3 million hectares of forest are under sustainable management. Peru's National Council for the Environment has continued its decentralization process by opening an additional three regional centers; now 18 of 25 departments have regional environment offices. Twenty-one industrial plants have received assistance from the Clean Production Center, and two of these plants have reduced their pollution by 10%.

By 2006, USAID will increase the number of hectares of sustainably managed forest to five million hectares and fifty industrial plants will have reduced pollution by ten percent.

US Financing in Thousands of Dollars

Peru

527-012 Environment and Natural Resources	DA	DCA
Through September 30, 2001		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2002		
Obligations	324	73
Expenditures	0	0
Through September 30, 2002		
Obligations	324	73
Expenditures	0	0
Unliquidated	324	73
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	4,300	0
Total Planned Fiscal Year 2003		
Obligations	4,300	0
Proposed Fiscal Year 2004 NOA		
Obligations	4,300	0
Future Obligations	0	0
Est. Total Cost	8,924	73

Data Sheet

USAID Mission:	Peru
Program Title:	Alternative Development Program
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	527-013
Status:	Continuing
Proposed FY 2003 Obligation:	\$69,000,000 ACI
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$50,000,000 ACI
Year of Initial Obligation:	FY 2002
Estimated Completion Date:	FY 2007

Summary: USAID's Alternative Development Program (ADP) is a key component of the US Government's comprehensive counter-narcotics strategy, which also includes law enforcement components. In late 2002, in response to challenges that included high coca leaf prices, low market prices for licit products, an organized opposition by coca growers, and the possible displacement of coca production from Colombia, USAID and the Government of Peru (GOP) revised their strategies to more directly link the ADP to eradication and interdiction efforts. As part of this new strategy, the Mission is also using Development Assistance (DA) and Economic Support Funds (ESF) resources to complement Andean Counterdrug Initiative (ACI) funding in the coca-growing region. ADP interventions are focused on: (a) providing immediate economic and social impact via temporary income, community organization and other short-term support in communities where coca has been eradicated; (b) promoting sustainable economic and social development in and around the primary coca-growing areas via major road rehabilitation and other infrastructure works, technical assistance and training to local/regional governments, other GOP agencies, private sector entrepreneurs and small farmers; (c) improving the policy and institutional framework related to alternative development (AD) and counter-narcotics through studies and technical assistance to key allies; and (d) generating political will, encouraging key behavior change, and disseminating accurate information to beneficiaries through a crosscutting communications program.

Inputs, Outputs, Activities:

FY 2003 Program:

Short-term community support (\$7,400,000 ACI). USAID will fund small labor-intensive infrastructure works as a means of providing temporary income for families in communities where coca crops are eradicated. Participatory processes to identify and prioritize these small projects will serve as the basis for linking communities to municipal level governance and sustainable licit development activities. Health and nutrition activities will mitigate immediate negative economic consequences of eradication. Chemonics International is the prime contractor, with multiple local nongovernmental organizations, specialized GOP agencies and municipal associations acting as subcontractors.

Sustainable local/regional development (\$37,900,000 ACI). USAID will provide technical assistance and training to strengthen local/regional governments and to improve health and education services. The AD Program will fund infrastructure works, such as schools, health posts, sanitation, roads, and bridges. USAID will also rehabilitate a 172 kilometer segment of the principal national highway in the region, thus dramatically reducing transport costs for producers and increasing the region's economic competitiveness. A joint USG-GOP environmental agenda will focus on sustainable productive forest management through a forest concession process and forest product certification, an activity that protects the environment and has great income generation potential. USAID will assist private entrepreneurs in the coca-growing region with information and technical assistance to link their production to market demand and encourage private investment. Additionally, USAID will provide technical assistance to small farmers, as well as financial services guaranteed by the Development Credit Authority (DCA). Major contractors/grantees include prime contractor Chemonics International, local nongovernmental

organizations, the World Wildlife Fund, The Nature Conservancy, and the U.S. Army Corps of Engineers and specialized GOP branches.

National framework for counternarcotics/alternative development (\$2,400,000 ACI). USAID will provide specialized consultancy services and fund selected costs of the GOP's counter-narcotics coordinating body (DEVIDA) to improve its institutional capacity to implement the GOP's counter-narcotics strategy. Specific studies and advocacy efforts will support policy changes related to such issues as a law to better delineate legal from illegal coca, land titling, and policies and procedures that catalyze greater economic growth and more effective and responsive state presence in the coca-producing regions. Major contractors/grantees include Chemonics International, DEVIDA and Development Associates, Inc., with local nongovernmental organizations as subcontractors.

Communications (\$2,300,000 ACI). A range of media will be used to: (a) inform the communities undergoing eradication to better understand the process and mitigate social unrest; (b) change attitudes and practices to contribute to a decrease in coca production; and (c) gain support among decision-makers and the general public for alternative development/counter-narcotics measures. Chemonics International is the prime contractor, with CEDRO, a local NGO, and local marketing and communication firms as subs.

FY 2004 Program:

The Program will continue to reinforce each of the new strategic components initiated in FY 2002/2003. A new cross-component contract will be competed for overall program management; other major contractors/grantees are not expected to change.

Short-term community support (\$17,400,000 ACI). USAID will continue to fund small labor-intensive infrastructure works, providing temporary income for families in communities where coca crops are eradicated. Participatory processes to identify and prioritize these small projects will serve as the basis for linking communities to municipal level governance and sustainable licit development activities.

Sustainable local/regional development (\$43,900,000 ACI). USAID will continue to provide technical assistance and training to strengthen local/regional governments and to improve health and education services. Infrastructure works, such as schools, health posts, sanitation, roads, and bridges will also continue along with sustainable productive forest management through a forest concession process and forest product certification and technical assistance to small farmers, as well as financial services and support to entrepreneurs

National framework for counter-narcotics/alternative development (\$5,400,000 ACI). USAID will continue to provide specialized consultancy services and fund selected costs of the GOP's counter-narcotics coordinating body (DEVIDA) and finance specific studies and advocacy efforts.

Communications (\$2,300,000 ACI). Communications efforts will continue to inform the communities undergoing eradication to better understand the process and mitigate social unrest; change attitudes and practices to contribute to a decrease in coca production; and gain support among decision-makers and the general public for alternative development/counter-narcotics measures.

Performance and Results: After the rapid decline in coca production in Peru from approximately 115,000 hectares in 1995 to 32,200 in 2000, the pace of coca reduction efforts has slowed in recent years. There are also indications that opium poppy cultivation is on the rise. Historically high coca leaf prices and the displacement of production from other countries have provided incentive for new coca planting that could not be offset by eradication efforts, despite a very aggressive end-of-year push by the GOP that resulted in the eradication of approximately 7,000 hectares of coca, including 1,000 through a new USAID-financed auto-eradication program. While it is anticipated that there will be a small net increase in coca production in 2002, the revised USAID approach outlined above-including the direct link of alternative development to eradication and interdiction efforts-responds to the new domestic and international scenario. At the output level, ADP achievements during FY 2002 included the initiation of 97 social infrastructure works, rehabilitation/maintenance of 597 kilometers of roads, construction of three

bridges and an irrigation channel. Over 800 loans were provided mostly for agricultural activities. USAID provided support to 10,869 families for licit economic activities within four coca-growing areas.

Based on the joint commitment of the governments of Peru and the United States to an aggressive joint counter-narcotics strategy, it is expected that substantial progress will be made towards the elimination of Peru's coca production for illicit uses by the end of the strategy period. By 2007, there will be a strengthened licit economy in current coca-growing areas, based on stable links to local and outside markets; farmers' productivity will be increased; and natural resources will be sustainably managed. Social conditions, including access to quality health and education services will be substantially improved in target areas. The legal, policy and institutional framework at the regional and national levels will provide adequate conditions for sustained illicit coca elimination, by enhancing law enforcement and providing a favorable environment for trade and investment in current coca-growing region.

US Financing in Thousands of Dollars

Peru

527-013 Alternative Development Program	ACI
Through September 30, 2001	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2002	
Obligations	34,256
Expenditures	3
Through September 30, 2002	
Obligations	34,256
Expenditures	3
Unliquidated	34,253
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	69,000
Total Planned Fiscal Year 2003	
Obligations	69,000
Proposed Fiscal Year 2004 NOA	
Obligations	50,000
Future Obligations	0
Est. Total Cost	153,256