

TO: AA/PHA, Mrs. Harriett S. Crowley (Acting)

DATE: November 10, 1975

FROM: R. T. Ravenholt

SUBJECT: Loan Funding of Family Planning Commodities

As this Bureau and the Agency move to implement Deputy Administrator Murphy's directive of 23 October, "Loan Funding of Family Planning Commodities", the following facts and considerations should be kept in mind:

1. Use of loans for provision of contraceptives to LDCs has no successful precedent.
2. Use of loans for other components of LDC family planning programs has repeatedly had disastrous effects upon such programs, e.g. A.I.D. loans for family planning vehicles in Turkey, India and Pakistan. Each time attempts have been made to use loans for such programs components it has blocked or greatly slowed program implementation.
3. If it is impractical to fund vehicular and other components of family planning programs in timely fashion with loans, then it is foreseeable that use of loans for purchase of contraceptives will prove even more difficult if not impossible.
4. If it is absolutely necessary that A.I.D. use loan funds for support of family planning programs (no matter how ineffective or unwise) then it would surely be preferable to use such loan funds for non-contraceptive program elements, rather than for the contraceptive payloads of these programs. With a switch to loan funding for contraceptives most LDC programs would minimize rather than maximize contraceptive availability resulting in lowered efficiency and wastage of funds made available for non-contraceptive program components.
5. The first loss due to the proposed use of loans will be the leverage which USAIDs have enjoyed during recent years in the Philippines and Indonesia and elsewhere because of their dependable capacity to provide timely and substantial grant assistance to population and family planning programs.
6. The second loss will be those innovative actions urgently needed to achieve village and barrio availability of oral contraceptives and condoms. This is a difficult action under the best of circumstances and probably only possible -when an abundance of donor supplied contraceptives is available cc the program.
7. The Congress has not directed this Agency to use loan funds for population programs, and there is at least some awareness that loans may not be appropriate for the funding of family planning programs.
8. This Agency has a mandate from both the Executive Branch and the Congress to move with maximal speed to solve the World Population Crisis. :It has a responsibility to request not only the quantity but also the quality of monies needed for this work. Loan funds are demonstrably inappropriate for support of family planning programs; their use will slow or block implementation of such programs; and they generally return no advantage to the taxpayer. For those poor countries most in need of family planning

assistance use of "loan" terminology and procedures is a wasteful charade.

9. Although the Office of Population considers interjection of loan funding for support of family planning in the Philippines and Indonesia hazardous at this time, I reckon there is a better chance that the Indonesian program could be sustained by this mechanism than in the case of the Philippines. Indonesia has a more coherent and powerful population program; it has Substantial foreign exchange, and it has the very capable USAID team of Niblock and Clinton.
10. If loan funding of family planning programs has any role in U. S. assistance to LDC family planning programs, then it would be during the recessional phase of our assistance: to cover costs as the U. S. phases down its assistance after attaining total country availability and extensive use of contraceptives. Neither the Philippines nor Indonesia has achieved that stage, though they might be there within three years.

By shifting to loan funding of contraceptive commodities at this time, A.I.D. jeopardizes the value of its earlier assistance and may once again "snatch defeat from the jaws of victory"!

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