

CURRENT AND NEW URBAN DEVELOPMENT ACTIVITIES

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DEVELOPMENT AID PROGRAM FY 1973

INDUSTRY, TRANSPORTATION AND URBAN DEVELOPMENT

Industry and Transportation

Industrialization is a symbol as well as an essential element of development. If the industrial sector is to contribute to overall economic advancement, it requires the concurrent development of physical infrastructure, especially the transportation network; capital resources; imported raw materials and equipment; appropriate industrial policies; an adequate supply of trained manpower; and earnings from exports and tourism.

Our assistance to capital resource development takes many forms. We lend to development banks and intermediate credit institutions in less developed countries, which use loan funds provided by the United States to make subloans to local entrepreneurs. This system of lending, which expands existing credit institutions and establishes new ones, allows for lending on a small scale to small businessmen and permits the application of these institutions' local knowledge to the business of investment. Assistance is also provided to other financial institutions to mobilize capital for development.

In recent years, there have been increased efforts to promote private industrial enterprise in the developing countries (1) by encouraging direct private investment from the United States, now through Overseas Private Investment Corporation (OPIC), (2) by advising on the development of local capital markets and supporting credit institutions, and (3) by assisting in tourism and identifying products which can be manufactured in the developing countries for export sales.

Recognizing that the policies and strategies that a developing country pursues determine the extent to which industrialization contributes to overall development, we seek

to ensure that aid recipients are cognizant of the effects of the policy options that they consider in formulating development strategy. We also acquaint these countries with the results of research efforts on relevant problem areas.

The development of a supply of trained manpower is assisted by a variety of approaches. We furnish technical assistance to intermediate credit institutions and other organizations that provide skills and services for private industry. We also assist a variety of educational institutions whose training efforts range from graduate business administration to basic industrial skills. We also help developing countries make contractual arrangements with private U.S. firms for assistance in technical and management skills.

In transportation, our assistance is directed towards capital development inputs for constructing roads and highways; upgrading and maintaining existing rail facilities; communications, navigational aids, and operational management for air transportation facilities; and capital improvements for ports and harbors.

Urban Development

Urbanization appears to be an inevitable complement to modernization and industrialization. As such, it places additional demands on development.

In the past our assistance efforts have been concentrated on a guaranty program for housing loans, with limited emphasis placed on infrastructure such as roads, sewage and water facilities and transportation.

Today we are directing our assistance in the urban area along the lines of the sector approach. This technique allows us to provide capital and technical assistance in an integrated manner to attack problems such as deficiencies in planning and administrative capacity; lack of basic infrastructure such as roads, sewage and water facilities, and transportation systems; shortages in housing for low-income families; and urban employment.

Already well established in Latin America, our assistance in the housing loan area through the housing guaranty program will be expanded through new activities in Asia and Africa.

Science and Technology

Science and technology are an integral part of and make major contributions to the development process. Increased production, proper management of natural resources, alternative employment opportunities, and better physical infrastructure are all possible through the correct application of modern science and technology.

Our assistance efforts have used talent from the scientific and technical fields for many years. But the scope of the efforts has been narrow and the impact short in duration, usually leaving no indigenous scientific or technical capability.

U.S. expertise in these fields represents great potential for solving the problems of the developing countries. A.I.D. has begun a systematic effort to bring together and direct to development needs the resources of U.S. institutions. The purpose of this effort is to strengthen the capacity of developing countries to acquire and use science and technology more effectively.

We shall continue to support promising centers of excellence that form the basis for expanding local competence and can assist in the development of national science policies in the developing countries.

As the developing countries increase their awareness of the necessity to use scientific and technological resources more effectively, we feel that a collaborative style of assistance can make significant contributions to sustained economic development. The National Academy of Sciences, with A.I.D. support, has developed collaborative programs with a number of developing countries to assist them in integrating local

into overall development efforts. A.I.D. is also involved in collaborative activities with various international agencies, as we look to these agencies to provide the framework within which specific A.I.D. activities can contribute to multilateral efforts.

INDUSTRY, TRANSPORTATION, AND URBAN DEVELOPMENT

INDUSTRIAL AND URBAN DEVELOPMENT

Industrialization is a means to and a symbol of modern economic advancement. The benefits of industrialization -- the greater availability of manufactured goods, increased employment, more efficient production, and greater modernization throughout the economy -- make it a primary objective of most developing countries.

A.I.D. has long been involved in the industrial growth of the developing countries. The focal point of our assistance today is to help recipient nations overcome obstacles to industrial development in the areas of capital resource generation, industrial investment policy, manpower training, export promotion and the creation of physical infrastructure. While continuing these efforts, we will give greater attention to the impact of science and technology on industrialization and the social goals of the developing nations.

The Need to Increase Capital Resources

Capital resources are generally insufficient in developing countries and it is difficult to mobilize them for industrial investment. While foreign assistance and investments make a significant contribution to the availability of resources, domestic savings finance by far the largest share of industrial investment in developing countries. The pursuit of rapid industrial growth together with a reasonably broad distribution of industrial ownership requires, among other things, the creation of local development banks and capital markets. To help get such institutions started and improve the work of existing institutions, A.I.D. has financed the services of United States experts to train managers and assist in operations. At present A.I.D. is channeling most of its capital resources for investment in private industries through local development banks, which in turn lend the United States resources to local businessmen or farmers for a wide variety of productive enterprises.

Loans to intermediate credit institutions for re-lending are made by A.I.D. in preference to direct investment in individual projects because such loans help build up the local credit institution which will continue to perform a crucial role in development financing long after our assistance is terminated. Furthermore, this technique allows A.I.D. to

contribute to the flow of loan funds to the small businessman and farmer without getting directly involved with operations which are on too small a scale for a foreign donor to handle efficiently and competently.

As an example of our assistance in this area, FY 1973 loans to the Central American Bank for Economic Integration will support development of the tourist industry and provide housing finance. We are also reviewing a loan to the Entente-Development Bank for re-lending to intermediate credit institutions in Central West Africa. The funds will be used primarily for small, labor-intensive industries.

Direct United States private investment in foreign productive enterprises is fostered through the guaranty program operated by the Overseas Private Investment Corporation. Through this program, repayment of loans made by American lending institutions are guaranteed against specific risks (such as losses due to war, inconvertibility of earnings, expropriation) and/or against extended risks, i.e., default or loss from any cause except fraud or misrepresentation by the lender. Applications are scrutinized for greatest development impact as well as financial viability, thereby insuring that both parties benefit.

A.I.D. also encourages the stimulation of domestic private investment. Such a technical assistance project was developed in Afghanistan last year to help the government devise incentives for private investors, improve the efficiency of its complicated investment application system, and vitalize the new Investment Advisory Center. An A.I.D.-financed advisory team worked with the Investment Committee to set up simplified guidelines and criteria for reviewing and approving investment applications.

A.I.D. provides non-project loans to a limited number of recipients, always as a part of the United States contribution to a consortium or consultative group of donors.

Non-project loans finance the import of commodities essential to sustained industrial activity, such as raw materials, industrial equipment and machinery, components and spare parts. A large but declining proportion of A.I.D.'s loan assistance is used for non-project loans which make a vital contribution to industrial growth in developing countries.

They help relieve foreign exchange shortages; promote effective use of existing industrial capacity, increase employment, stimulate new private investment, and enable recipient governments to adopt sound economic policies that may affect the entire industrial sector.

The foreign exchange earned by developing countries through their own exports is often insufficient in the short term to finance their expanding requirements for imports. Non-project loans are instrumental in meeting these requirements. With an adequate supply of raw materials, spare parts, equipment and machinery, existing industrial enterprises can operate at full capacity and new enterprises can be established. These enterprises are then able to make products that are needed by other businesses or that earn foreign exchange as exports.

Non-project loans are designed to meet the needs of the multitude of private entrepreneurs who comprise the main productive capacity of most developing nations, even those with large government enterprises. Such loans are a source of foreign exchange for imported capital goods to support investment by these entrepreneurs. They also help to avoid or to minimize government controls which might otherwise be necessary.

Industrial Policy

The extent to which industrialization contributes to the achievement of a developing nation's economic and social goals depends on the strategies and policies which that country pursues. It is up to the developing country to determine its own development policy framework. A.I.D. does not attempt to impose its views on these politically sensitive issues which only the government concerned is competent to determine. However, we discuss with development officials of recipient governments the possible consequences of policy options open to them and provide information based on the experiences of other developing countries which have struggled with similar difficulties.

In problem areas of common concern to a number of developing countries where there is insufficient knowledge about the effects of alternative policies, A.I.D. sponsors policy-related research projects. Furthermore, such research can help the developing countries realize that mistakes in policies can hinder achievement of their own development objectives. As an example of this type of research, Williams College, supported by an A.I.D. grant, has studied the subject of import-substitution strategy as related to productivity, growth, capacity utilization, and market structure in order to augment existing knowledge about the effects of such policies on the development objectives of developing countries.

In addition, A.I.D. finances policy-related research heavily oriented toward country studies. This research seeks to improve the understanding of less developed countries economists and economic decision-makers with respect to the effect of alternative policies on economic and social objectives. A.I.D.-financed economic research in the industrial sector is emphasizing employment and income distribution objectives. A.I.D.'s four current major economic research contracts (all directed toward the industrial sector) in FY 1973 are in employment (Yale University), income distribution (Rice University), trade policy (National Bureau of Economic Research), and country development studies (Harvard).

A.I.D. also provides loans and technical assistance to support economic policy reforms recipients wish to undertake. For example, the elimination of trade barriers by regional groups is one way of fostering competition in wider markets, increasing the scope of specialization, and realizing the benefits of economies of scale.

A.I.D. is providing assistance for policy reforms to the Central American Common Market and regional groups in Africa.

The Need to Develop Management, Entrepreneurship and Skilled Labor

For developing countries, particularly those in the earliest stages of development, a lack of skills is frequently

the greatest obstacle to industrial development. Serious shortages of skilled and even semi-skilled labor are commonly experienced simultaneously with an abundance of labor. Also, a critical shortage of entrepreneurship usually exists, so that manufacturing opportunities are often not recognized and exploited. To solve these problems, A.I.D. has developed a variety of approaches. We help in the founding and expansion of local development banks which can undertake promotional activities to assist medium and large-scale industries. We assist in establishing specialized organizations which provide financial, technological, management, and accounting services to small-scale industry. In Africa, we have initiated skills-training projects patterned after the United States Opportunities Industrialization Center's program in Nigeria and Ghana. This training seeks to provide middle-level job-training for the unemployed in urban centers under programs directed by local groups.

Since United States private investment plays an important role in the transfer of management skills and technology, United States private business is encouraged to join in the development process through the guarantee program mentioned earlier. In some cases, A.I.D. helps the developing countries make contractual arrangements with private U.S. firms to acquire the needed technical and management skills.

We also assist governments to set up new service agencies to provide support and assistance to their private firms in the area of education and training, thus contributing to the reduction of industrial manpower deficiencies.

The Need to Increase Exports

Exports are important because they are necessary to maintain a favorable balance of payments, they stimulate economic growth, and they reduce the requirement for long term concessional aid. Thus, increasing exports becomes one of the issues of major concern for most countries that have made substantial progress in industrial growth.

A.I.D. activities in the field of export promotion are concentrated on identifying products for which a world

market exists and which can be manufactured in acceptable quality and sufficient quantity in lower-income countries. To assist these countries in adapting their production and marketing techniques to the demands of the foreign markets, A.I.D. enlists the assistance of the American business community. The flow of both the investment resources and technology of U.S. private businesses is encouraged to help the developing countries improve their export performance.

There has already been considerable success in recent experiences in India, Korea, Taiwan and Central America where specific programs and policy proposals have been developed with the advice of United States private businessmen and government officials. Similar efforts are being undertaken in Latin America, Africa and Asia. Wherever possible, recipient countries are encouraged to seek assistance from multilateral agencies. United States assistance is offered where a unique capability exists in the United States or where multilateral agencies are not able to help.

The Need to Build Physical Infrastructure

Transportation. In general, assistance in transportation has been primarily directed towards the development of roads and highway systems with particular emphasis on road and equipment maintenance. Road transport is becoming the most important mode of travel in nearly all developing countries because it is generally an economical and convenient way to move large numbers of people and great quantities of light goods. Railroads receive the next largest increment of transportation assistance. Even in developed countries railroads provide the most efficient and economical means for moving heavy bulk goods over land. Since many developing countries have surprisingly efficient railway systems, assistance in this field has usually been concentrated on upgrading existing facilities and supplying modern equipment replacements, rather than on constructing new lines.

In the field of air transport, host governments are encouraged to foster the growth of their domestic or regional airlines rather than extending or creating international airlines. Assistance has been almost exclusively directed to establishing

communications facilities and navigation aids, and providing technical assistance for management, operations, and equipment maintenance of domestic airlines. In water transport, the major emphasis has been on capital improvement projects for ports and harbors. The intention is to accelerate the movement of imports and exports, and, in some instances, to augment the development of a geographical segment of the economy. In addition, inland and coastal waterways and shipping operations have received assistance.

In FY 1973, in conjunction with other donors, A.I.D. is planning to assist in the construction of a major railroad in Gabon. This rail line will provide access to the interior of the country for development-encouraging in particular the exploitation of timber and iron ore resources. In southern Africa we are planning to finance the access roads for the Oxbone water resources development project. And in Indonesia A.I.D. plans to finance a new alignment of the most heavily traveled road in the country -- the 30-mile road between Djakarta and Bogor, which passes through a rapidly growing industrial corridor.

Power. Energy is essential for industrial growth and economic development. Although fossil fuels, falling water, and nuclear energy may all be used directly, the conversion of these sources to electrical energy provides the most versatile form of energy for industrial and domestic purposes. Electricity which requires extensive and expensive generation, transmission, and distribution facilities is capital-intensive, but its high economic returns are commensurate with the costs. Once adequate electric service is available, new industries will become economically feasible and ancillary small businesses will soon develop around them.

A prime example of A.I.D. activities in the field of power is the current effort to rehabilitate and expand the overloaded electric power facilities of West and Central Java in order to meet existing and potential demand. The United States is cooperating, within the aid consortium framework, with the World Bank and West Germany to improve these integrated power transmission and distribution systems

serving the major cities and towns in the area.

In the Philippines, where the independent and municipal electric power systems have not been able or willing to extend services to the rural areas, A.I.D. is supporting rural cooperatives which are establishing new power generation, transmission, and distribution facilities for the rural areas in cooperation with the World Bank and the Asian Development Bank.

Telecommunications. Assistance activities in telecommunications fund feasibility studies, construction of portions of micro-wave networks, and management development for these facilities. Examples of projects programmed for FY 1973 are a grant for feasibility studies of a micro-wave facility linking Chad to the Cameroon, a grant for construction of a facility to connect the capitols of Togo and Ghana, and a loan (authorized in FY 1971) to construct a facility that will close one of three gaps remaining in a micro-wave network running from Zaire through Upper Volta to the Ivory Coast. This last example is a multi-donor project with France financing major portions of the system.

Social Goals of Industrialization

The social goals of industrial development -- creating new employment opportunities, a more equitable distribution of income, and reducing the degradation of the environment -- are often neglected in the pursuit of economic growth. A.I.D. is accordng greater attention to the attainment of these goals by recipient countries in its assistance activities in the industrial sector. The obstacles to attaining the goals, along with the measures intended to overcome them, are discussed below.

The Need to Create Employment Opportunities. Although manufacturing has been the largest single source of new urban employment in most developing countries, it has failed to fulfill widely held expectations that it could resolve unemployment problems resulting from the population explosion. Indeed, the incentives adopted to promote industrialization have in some cases aggravated the problems of unemployment

by redistributing incomes in favor of manufacturing at the expense of the farmer and thus encouraging an exodus of persons from rural to urban areas.

As an example of A.I.D. assistance in the employment area, we provided a loan in FY 1972 to Guatemala specifically for small industrial firms, which tend to be more labor-intensive than larger firms. Also, through an ongoing contract with the Yale University Economic Growth Center, A.I.D. is financing a number of country and functional studies on the nature of the employment problem in less developed countries and the effect of industrial and other economic policies on growth in employment. These studies provide less developed country governments with information that may in turn be used to formulate programs designed to increase industrial employment. Results to date have indicated that over-valued exchange rates and subsidized interest rates tend in the long run to reduce employment opportunities. In FY 1973 A.I.D. will also continue through intermediate credit institutions, assistance to small, labor-intensive firms. An example of this is the proposal to provide funds for small businesses in an urban sector loan to Colombia.

Lack of an Equitable Distribution of Income. Industrialization can contribute to a more equal income distribution by broadening the middle class and by creating a new industrial work force with relatively high incomes. On the other hand, it can also lead to a growing disparity between the rich and poor that may threaten social and political stability. To provide new insights into the problems of improving income distribution and to develop new policy alternatives for dealing with them, A.I.D. is now financing a research project being conducted by Rice University. The project seeks to develop a better understanding of the relationship between income distribution and development. A complementary aim of the study is to investigate policies and programs which will promote both growth and improved income distribution.

Degradation of the Environment. Developing countries are demonstrating increased concern with the impact of industrialization on the environment. A carefully planned and

implemented "preventive" strategy in this area is likely to avoid costly investments at a later stage to correct earlier neglect. In A.I.D.-financed feasibility studies, and in reviewing project loan requests, we are giving greater attention to the aspects of environmental protection. With the assistance of the Environmental Protection Agency, we are developing a curriculum for environmental training seminars to be conducted for A.I.D. engineers and less developed country representatives.

URBAN DEVELOPMENT

Development assistance for urban problems in developing countries requires a coordinated, sector approach. This reflects both the importance of less developed country urban problems and their inter-related nature.

Urban growth appears to be a concomitant of modernization and industrialization and thus makes heavy demands on development. Urbanization makes possible, for example, greater accessibility to resources of all kinds, more rapid diffusion of information and ideas, increased opportunities for jobs, and better distribution of the products of modernization to a larger segment of the population. However, urbanization also creates demands for more jobs (both skilled and unskilled), food, shelter, clothing, and related services, new administrative and management services, and better control of environmental degradation.

Central to the relationship between urban growth and national development is the ability to exploit the advantages of rapid urban growth and to control its disadvantages. However, the developing countries are handicapped in this respect by their inability to generate the necessary human and material resources to cope with the fast pace of urban population growth. Urban growth in the less developed countries is advancing rapidly and on a large scale. The rate of growth of urban-born less developed country populations -- at 2-1/2% or more per year poses serious problems irrespective of historical precedent. When rural-to-city migration is added to this natural population increase, the result is a growth rate of 4.5% per year for less developed countries!

urban areas as a whole, and even higher for larger cities. These growth rates exacerbate the problem of providing urban services and amenities, since the investment resources available cannot keep pace with the increasing capital and trained manpower requirements needed to provide a given volume of services.

Urban assistance efforts by A.I.D. in the past have guaranteed loans for housing (especially through the Housing Investment Guaranty Program), city streets, water supplies, sewage plants, and power facilities. Limited technical assistance has been offered in encouraging urban planning, developing administrative competence, creating housing banks and savings and loan institutions, and conducting research on urban problems.

Most of A.I.D.'s assistance in the urban field has been concentrated in Latin America. One of the most striking features of Latin America's growth in this century has been the tendency towards the concentration of people in urban areas at a rate faster than new jobs are created. This process of urbanization, which has proceeded further in Latin America than in other developing regions, is bound to exacerbate the problems that are common to most urban agglomerations.

A.I.D. has taken the lead in stimulating urban planning in training over 2,000 Latin Americans in the concepts of urban development and the management of housing development. The A.I.D. Latin America program also includes support of urban and regional development plans. The metropolitan plans for San Salvador, Salvador and Sao Paulo, Brazil, were prepared with A.I.D. assistance, as were the work scopes for the plans of Panama City and Tegucigalpa, Honduras. A recent innovation in the housing areas in Latin America is the creation of private institutions that can generate local savings and then channel them into housing. This provides the long-term credit necessary for private investment to help reduce housing shortages. As a result of A.I.D. assistance, ten countries now have savings and loan legislation and in others savings and loan associations operate under general banking or other legislation. In the countries in which A.I.D. has provided seed capital, there are over 100

savings and loan associations with over 1,250,000 savers and \$500 million in net savings.

In Asia, urban planning advice has been given to city administrations and the Ministry of Construction in Korea on a wide range of urban problems. A.I.D. technical assistance has also aided Philippine efforts to promote the growth of regional cities as alternatives to Manila.

Recent A.I.D. efforts are directed at providing capital and technical assistance in a more integrated fashion through the sector approach. A fundamental step in this approach is sector analysis with the recipient government. This involves identifying key problems in the urban sector and analyzing the obstacles that hinder the resolution of the problems. Analysis by A.I.D., other donor agencies, and less development country governments, has identified two critical problems in the large cities of many developing countries: (1) unemployment and underemployment and (2) a lack of basic infrastructure (water, sewage, public transport, etc.) and housing, especially for low-income groups. The obstacles include deficiencies in trained manpower, lack of planning and administrative capacity, insufficient capital resources, and the absence of relevant data.

A prime example of the sector approach to urban development is an "Urban/Regional Sector Loan", first made in FY 1971, which supports a coordinated attack on urban problems in Colombia. This loan is based on extensive sector analysis which has identified shortages of (1) planning and administrative capacity, (2) financing for basic needs such as water, sewage, and low-income housing, and (3) credit to small-scale industry as the principal impediments to solving the twin problems of unemployment and unacceptable living standards of the urban poor. The loan provides both capital and technical assistance (including a research and evaluation component) to remove these impediments. It explicitly directs some of this assistance to intermediate cities in Colombia in an attempt to divert some of the rural-to-city migration from the largest cities where unemployment and infrastructure shortage problems are the most critical.

A similar effort is an A.I.D. loan granted in FY 1971, that helped to create the Institute of Municipal Development in Paraguay. The purpose of this institution is to promote the growth of towns in the interior of Paraguay as viable centers of rural-oriented development capable of diverting the present migration to the capital city, Asuncion. The funds will be used to train urban administrators and provide capital assistance for public investment in roads, water supply, sewage, and public markets.

FY 1973 assistance activities will include a third Urban/Regional sector loan to Colombia. A loan to the Central American Bank for Economic Integration will provide for financing low-and middle-income housing. Another loan, complementing Inter-American Bank funds, will finance a comprehensive plan for Tegucigalpa and improvements in metropolitan services. Technical assistance will be provided at the same time to plan and implement broad reforms in fiscal and administrative management. Also, technical assistance for urban planning and the creation of urban institutions will be continued.

A policy decision is anticipated early in FY 1973 on the possible expansion of research and operation programs in urban development. This decision will be based on a comprehensive study which was completed in FY 1972. The implementation of that policy will require further analysis of key problems and the resources available to address them within the guidelines of United States policies and program priorities.

Housing

Until recently, the Housing Guaranty Program was A.I.D.'s primary means for attacking urban problems in many developing countries. The program was set up in FY 1962 with authority to guaranty \$10 million in private investment in housing projects by eligible United States investors, initially in Latin America. That authority has been increased annually and now exceeds \$780 million on a worldwide basis. Total reserves now available for claims and operations are in excess of \$50 million and increasing due to fee income.

When begun, the program's principal activity was to promote housing projects which would act as "pilot demonstrations". The rationale was that large-scale housing projects, usually involving a United States builder, would result in a transfer of technological skills. This approach was substantially broadened in 1965 to include projects involving housing finance institutions, trade unions, cooperatives, lower-income housing, and local long-term investors. Specific housing projects proposed by private builders are considered on a competitive basis, while an increasing percentage of projects by non-profit sponsors (mostly host country housing finance institutions) are considered on a negotiated basis. For example, many of the contracts signed in 1970 and 1971 were with Latin American housing finance institutions, principally savings and loan associations. As a result, the developing nations have significantly strengthened their own institutional capacity to deal with their housing problems and promote investment in housing.

Latin America: By February 1, 1972, seventy-four housing projects totalling \$315 million in guaranteed loans had been authorized. Disbursements totalled \$190 million for the construction of 53,857 dwelling units.

One of the major accomplishments in Latin America has been the creation of a network of savings and loan systems and associations throughout the region. Most of these came into being as a result of United States technical assistance and concessional loans from A.I.D. The housing guaranty loans have provided continuing lines of credit to these newly-formed thrift institutions.

Africa and Asia: The housing guaranty program was expanded in 1970 to cover substantial new programs in these regions. Potential housing projects and programs have been and are being evaluated in Africa and Asia where institutional considerations and development strategies are incorporated from the very beginning.

In most new countries, A.I.D. conducts pre-investment surveys prior to the receipt of applications in order, from the outset, to direct the available resources to priority needs. In addition to existing projects in five African countries

(Ivory Coast, Tunisia, Senegal, Kenya, and Ethiopia) total-
 ling \$20 million, three additional projects for \$16 million
 were authorized by February 29, 1972. Ten additional pre-
 investment studies are under way in Africa with authoriza-
 tion for 2 projects totalling \$20 million projected for
 FY 1972, and the remainder for FY 1973.

In Asia, where previous housing guaranty projects in Taiwan
 and Thailand amounted to \$10 million, 2 projects in Israel
 and Iran, totalling \$75 million, were approved. Pre-
 investment and feasibility studies were undertaken in Korea,
 Thailand, Taiwan and the Philippines.

The Role of Science and Technology in Development

When adequately adapted to the conditions of developing
 countries, science and technology offer high promise of
 making major contributions to the development process.
 Wider use of local products, increased export opportunities,
 and wiser management of natural resources can be direct
 results of the use of modern science and technology. Also,
 technology can contribute to fostering rural development
 and employment prospects and reducing the costs of public
 works, transportation, communication, and related engineer-
 ing and construction activities.

Science and technology have only begun to play a rôle in
 development in the less-developed countries consonant with
 their potential contribution. United States assistance
 programs have long drawn top United States talent in the
 biological sciences for work in agriculture and health.
 And there has been widespread use of local scientists.—But
 comparatively little use has been made thus far of the work
 of the physical sciences and industrial engineering.

Although a few countries have a science policy and have
 created and are supporting national institutions for the
 application of science to development and a few centers of
 excellence in research exist in the less developed countries,
 in general these are not well related to the pressing social
 and economic problems of development. Many developing
 countries now want to develop appropriate industry in order
 to increase employment and national income. To do this they

need to improve their ability to select, adapt and diffuse available technology, to make better use of their natural resources and to develop a basic competence in practical science and technology which will nurture future local innovation.

In the past, assistance in Science and Technology has often been advanced to help solve comparatively narrow and specific problems. Even though successful, such an approach often fails to leave an enduring indigenous capability. The thrust of future programs will be to establish a more comprehensive enduring and growing local base from which the developing countries can draw innovative solutions related to their own environment, natural advantages and problems.

In recognition of the potential of U.S. expertise and experience in this field, A.I.D. recently has embarked on a systematic effort to harness and direct to development needs a range of high quality United States institutional capabilities in science and technology in a broadened and accelerated attempt to strengthen the capacity of developing countries to acquire and use science more effectively.

A.I.D. will continue to support promising centers of excellence which form the nuclei for expanding local competence and to assist in identifying useful ways to develop national science policy in the developing countries. At the same time, special efforts are being directed to innovative approaches in three areas of particular interest to developing countries, namely: (1) development, adaptation, and diffusion of industrial technologies to fit the particular needs of developing countries; (2) better use of natural resources and improved environmental planning; and (3) development of the institutional infrastructure for effective use of science and technology in industrial and natural resource activities. These three fields appear to have important unrealized potentials for the application of United States scientific and technological capabilities to help the developing countries make significant advances. The past year has been characterized by a number of low-cost innovative probes in these fields, and these pilot efforts will now be consolidated and strengthened.

In the area of industrial technology, the United States has special skills in relating industrial research, standards, and quality control to manufacturing processes. Projects with the Denver Research Institute and the National Bureau of Standards are designed both to broaden the understanding of the role of technology in industrialization and to contribute to solution of bottleneck problems. The National Academy of Engineering and Arthur D. Little, Inc., are among the A.I.D.-supported United States organizations turning their attention to development of technologies more appropriate to the labor, capital, and natural endowments of developing countries. As employment concerns heighten, there is greater and greater need for industries that will efficiently use larger segments of the employment pool.

In cooperation with the Departments of Interior and Agriculture and with the assistance of NASA, A.I.D. is pioneering in the utilization of modern technology -- including remote sensing from aircraft and satellites and geophysical techniques -- for resource identification, development, and improved management. At the same time experience of industrialized societies reveals that vigorous pursuit of resource development to the neglect of conservation and environmental quality can jeopardize sustained and balanced country development. Thus, an area of special emphasis is integrated land use planning and pollution abatement techniques and technologies.

As the developing countries increase their awareness of the necessity to utilize scarce scientific and technological resources more effectively, they are increasingly looking to the United States for guidance and assistance in an area which can make a significant contribution to sustained economic growth. With A.I.D. support, the National Academy of Sciences has developed collaborative programs with fourteen developing countries designed to increase the contribution of local scientific talent to development. These programs have already demonstrated the benefits of closer coupling of research activities and the activities of industry and government in developing countries.

The international tradition of collaboration in science and technology undergirds a heightened interest of almost all international agencies in this field. Of particular interest to A.I.D. are the recent initiatives of the Development Assistance Committee to coordinate donor activities in the fields of industrial technology and to identify priority research problems of global interest. Also, the activities of the Organization of American States are expanding in science and technology and in natural resource development in close collaboration with A.I.D. Finally, the Agency looks to the United Nations, the ECOSOC Committee on Science and Technology, and the UN specialized agencies to provide a broad perspective with which specific A.I.D. activities can contribute most effectively to a truly multilateral effort.

PROGRAM SUMMARY

INDUSTRY, TRANSPORTATION, AND URBAN DEVELOPMENT SECTOR

(millions of dollars)

Fiscal Year 1972

<u>Region</u>	<u>Total</u>	<u>Devel. Loans</u>	<u>Tech Assist</u>	<u>Popu- lation</u>	<u>Other</u>
AFRICA	38.5	36.4	2.1	-	-
ASIA	133.2	132.5	.7	-	-
LATIN AMERICA	141.1	132.0	7.1	-	2.0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	312.8	300.9	9.9	-	2.0

Fiscal Year 1973

<u>Region</u>	<u>Total</u>	<u>Devel. Loans</u>	<u>Tech Assist</u>	<u>Popu- lation</u>	<u>Other</u>
AFRICA	30.7	26.0	4.7	-	-
ASIA	76.2	75.0	1.2	-	-
LATIN AMERICA	124.5	117.5	7.0	-	-
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TOTAL	231.4	218.5	12.9	-	-

AFRICA

Program Summary

EDUCATION AND MANPOWER TRAINING

Africans are seeking the capacity to manage their own development efforts and to eliminate dependence on foreign experts. Considerable progress has been made in the last decade to foster and expand the educational systems, especially at the secondary and higher education levels. Today young Africans are graduating from indigenous institutions in increasing numbers, meaning that fewer need attend undergraduate colleges in the United States under A.I.D. auspices. However, severe shortages of skilled technical and managerial manpower still necessitate the presence of large numbers of foreign personnel in operational positions in many countries. As the institutional base expands, greater attention needs to be focused on improving the quality and kind of education available. A major challenge is to develop relevant curricula and educational techniques which relate to the jobs and practical needs of Africans.

In FY 1973, the A.I.D. program in this sector will address these problems by:

- (1) assisting institutions of higher education and programs of practical training to expand the skilled manpower base;
- (2) expanding public service training opportunities to improve the capacity of Africans to plan and manage development programs; and
- (3) providing technical and professional personnel to perform initial operational services.

Higher Education Training - A.I.D. continues to assist advanced education institutions which must supply Africa's needs for skilled manpower. In Ethiopia and the Southern Africa region, we are sharing costs of academic personnel for university faculties while African staff is being trained. The two universities--Haile Selassie I University and the University of Botswana, Lesotho, and Swaziland--are receiving technical and capital assistance from other donors. In Uganda and Nigeria, we are initiating efforts to develop and improve training of school teachers and administrators. As noted above, substantial assistance is being provided to develop agricultural faculties and schools throughout Africa.

College level education can increasingly be provided within Africa instead of sending students abroad. We are encouraging the Association of African Universities to expand its program of scholarships for college training within Africa. In FY 1972, 800 students will be supported by these scholarships. The first students enrolled in the program are now being employed by universities, ministries, and agricultural organizations. A.I.D. also provides funds for graduate and some undergraduate training in the United States. A.I.D.'s support for training young Africans is part of a larger effort contributed to by many other donors. The manpower shortage is so severe that multi-donor participation is essential if the need is to be met.

A.I.D. also is helping improve curricula at several levels of education. In FY 1973 A.I.D. will initiate curricula improvement efforts for engineering education in Tunisia and science education in the Southern Africa region. We will continue efforts to improve mathematics and science education in several countries.

Development Administration - While larger numbers of skilled personnel are needed, there is also an immediate need to upgrade and professionalize the existing cadres of public servants in Africa. A.I.D. is expanding its assistance to help train public servants and strengthen training institutions. Emphasis is on introducing modern management tools and integrated approaches to planning and management.

In Nigeria, we are assisting the University of Ife to develop the capacity to train middle-level and top officials in development economics and project analysis. In Central West Africa we are supporting similar training for technicians engaged in rural development at the community level. The training includes both academic study and field work related to extension services, cooperatives, and self-help activities. In Ethiopia and Ghana, we support training to strengthen the capacity of planning and finance ministries. Skilled staff are needed in these ministries to work with problems of investment, foreign trade, taxation, and industrial development. In Liberia, we are assisting the creation of a national institute which is to become the central training, research and consultant facility for the public service.

In recent years primary objective of A.I.D. assistance has been to support regional cooperation among African states, especially the smaller countries. As these regional organizations have been formed, developing and maintaining their operational competency has become a major problem. A.I.D. is assisting the East African Community to upgrade its staff and improve its capability to perform some of the services -- storage and retrieval of data, research, and common market operations -- assigned to it by the three East African countries. A.I.D. is also assisting regional organizations in Central and West Africa to help them overcome common weaknesses in planning and management. A combination of advisors, training, and equipment is provided. A.I.D. is now exploring with countries in this region and other donors the possibility of expanding middle-level management training.

Expanding Non-Formal Training Opportunities - Formal education systems alone cannot respond to the pressing needs of African development. Frequently, formal, academic education is not needed to enhance an individual's participation in development. What is needed is functional knowledge and practical skills. We have initiated skills training projects in Nigeria and Ghana and in FY 1973 initiate similar projects in Kenya and Ethiopia. The projects are patterned after the Opportunities Industrialization Center's programs in the United States. This training seeks to provide middle-level job training for the unemployed in urban centers under

programs directed by local groups. We will also add components to our rural development projects in Ethiopia and Kenya to experiment with several approaches to non-formal education.

Continued support is planned for the African American Labor Center (AALC) which seeks to improve trade union leadership and programs. Within their programs, there is emphasis on training of workers in manual skills and upgrading semi-skilled workers.

Meeting Short-Term Manpower Needs - The training programs supported by A.I.D. and other donors will take time to produce skilled cadres of technicians. In the short-run, critical manpower needs exist which can only be met by foreign personnel. In many of the projects assisted by A.I.D., operational personnel are provided to fill positions vital to sustaining priority efforts. In some of the smaller Southern African countries, the shortage of educated, trained and experienced personnel is a most serious restraint to governmental operations. For this area in FY 1973, A.I.D. will consider a new project to provide contract personnel for key administrative and technical operations. These personnel will fill positions while training local personnel to replace them as soon as possible.

TRANSPORTATION

In FY 1973 about one fourth of our development loan request will be utilized for transport activities. In most of Africa the lack of adequate transportation facilities is a severe impediment to development. To realize the continent's potential, transportation networks must be developed which will serve the internal requirements of the countries and open up remote areas of the continent for the movement of agricultural, mineral, forest and other products for sale in international markets.

Proposed capital assistance to the development of transport facilities in FY 1973 includes participation with a consortium of international agencies and other bilateral donors in financing the Gabon Railroad which will service the export of forest products and provide the first segment of a transport system to export rich mine deposits

in the interior. In the Lake Chad Basin area A.I.D. will support engineering studies as a prerequisite for the development of regional road links in the important agricultural area south of Lake Chad which will foster regional economic development and growth of trade in the area. A Rural Road loan is also planned for Ethiopia to develop a feeder road system into potentially productive rural areas to stimulate commercial trade.

About 23% of the Nigerian Development Plan Budget is allocated for transportation. In FY 1973 A.I.D. is considering a \$15 million transportation sector loan which, together with local resources, will facilitate further development identified in the Government's four-year plan. The loan would provide for improved transport infrastructure in support of expanded agriculture and livestock production. Greater rural income, as a long-term result, will have a salutary effect on the problems of unemployment, food prices, and income distribution -- all of which are key developmental issues in Nigeria.

In Southern Africa, we are planning a loan to assist in building major access roads for the Malibamatso water resources development project, which is receiving substantial support from the IBRD.

SUMMARY OF PROGRAM BY COUNTRY AND SECTOR
(in thousands of dollars)

REGION: AFRICA

TABLE II

COUNTRY	Total			Agricultural and Rural Development			Population and Health			Education and Manpower Training			Industry, Transportation and Urban Development			Non-Project Loans			Program Development and Support		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
ETHIOPIA	20,380	19,425	16,550	7,890	16,318	9,776	5,100	88	3,200	6,277	2,109	2,705	130	-	-	-	-	-	983	910	869
GHANA	18,580	17,440	32,370	1,001	673	36	643	650	1,000	213	593	759	176	66	-	16,040	15,000	30,000	507	458	575
KENYA	2,138	2,150	2,835	1,510	1,183	1,715	141	490	385	74	-	360	-	-	-	-	-	-	413	477	375
LIBERIA	5,470	4,710	3,709	310	257	376	1,301	1,568	1,351	1,134	1,134	349	1,716	801	770	-	-	-	1,009	950	863
MOROCCO	12,289	1,605	17,055	715	502	15,880	889	415	475	125	-	-	94	59	90	10,000	-	-	466	629	610
NIGERIA	32,611	24,830	23,870	3,919	10,705	2,847	2,500	-	370	2,006	5,305	3,153	2,974	-	15,000	15,000	6,000	-	6,212	2,820	2,500
TANZANIA	3,061	1,900	6,400	1,117	1,268	6,117	800	-	-	619	368	-	270	-	-	-	-	-	255	264	283
TUNISIA	12,954	17,200	3,150	726	11,879	985	1,110	4,230	1,215	445	425	350	-	26	-	10,000	-	-	673	640	600
UGANDA	2,861	5,355	2,530	1,771	4,281	1,719	100	235	430	685	475	113	-	-	-	-	-	-	305	364	268
ZAIRE	13,350	1,380	6,950	77	5	5,223	-	-	400	813	883	1,051	12,000	-	-	-	-	-	460	492	276
CENTRAL WEST AFRICA REGIONAL	14,734	29,900	24,085	7,940	1,707	12,210	2,015	4,080	1,985	1,084	2,292	1,565	1,246	20,092	6,550	-	-	-	2,449	1,729	1,775
EAST AFRICA REGIONAL	9,043	5,805	1,600	562	342	705	-	-	-	333	797	740	7,600	4,500	-	-	-	-	548	166	155
SOUTHERN AFRICA REGIONAL	11,141	14,435	8,200	2,240	420	940	-	-	-	1,190	1,550	1,810	7,350	12,060	5,000	-	-	-	361	405	450
AFRICA REGIONAL	15,514	15,239	21,855	1,791	1,590	1,650	5,607	1,934	5,780	6,365	7,867	7,075	1,075	855	3,300	-	-	-	676	2,993	4,050
SELF HELP	1,732	1,700	2,050	-	-	-	97	200	250	-	-	-	-	-	-	-	-	-	1,635	1,500	1,800
SOMALIA REPUBLIC	283	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	283	-	-
Total	176,141	163,074	173,209	31,569	51,130	60,179	20,303	13,890	16,841	21,363	23,798	20,030	34,631	38,459	30,710	51,040	21,000	30,000	17,235	14,797	15,449

Africa Regional

Increased support to African organizations involved in capital development is planned. The main focus of the regional program in this area is the Africa Development Bank. A.I.D. will continue to provide grant funds which finance feasibility and design studies for capital projects to be funded from the Banks, our resources, or the Africa Development Fund. This fund, a "soft loan window" for the AFDB, should become operational at the end of the first quarter of 1973. Additional feasibility studies are carried out directly by A.I.D. contractors under the Africa Regional program. These studies are for large capital development projects (which, in some cases, may be financed by A.I.D. development loans) and for technical assistance projects.

ITUD Sector SummaryTechnical Assistance only

FY 1972	\$855,000.
FY 1973	\$3,300,000.

Central and West Africa Regional

Transportation

We will continue to provide assistance in Central West Africa in coordination with other donors to assist in the development of an adequate transportation system which serves both the requirements for an internal network and the improvement of transportation facilities necessary to export agricultural, mineral, forest, and other products for sale in international markets. In FY 1972 we are considering a loan for the Parakou-Malanville Road in Dahomey which will provide overland access to the Niger River. Proposed capital assistance for the development of transportation facilities in FY 1973 includes participation with a consortium of international agencies and other bilateral donors in financing the Gabon Railroad which will service the export of forest products and provide the first segment of a system to export rich mine deposits located in the interior. A loan to provide financing for engineering for roads in the Lake Chad Basin area which will serve to increase trade among the four countries of the area is also planned for FY 1973. Additionally, we are discussing with other donors the possibility of participating in joint financing for improvement of the Transcameroon Railroad and Douala port - important links in the system providing access to the sea from the interior areas of Central Africa.

Education and Manpower Training

A.I.D. projects in Central/West Africa are mostly outside the formal education system and are linked to our major areas of concern: agriculture, health/population and transportation development. The regional road maintenance training project teaches government personnel throughout Africa road maintenance techniques and management. This project provides some of the key personnel needed to maintain a continually expanding road system. We are examining the possibility of technical assistance and a development loan to increase the capability of the Entente States to develop an adequate spare parts system for transportation and road maintenance equipment, which should reduce economic losses due to immobilized equipment. We are assisting two institutions in the Cameroons which provide training to government officials in agriculture and rural development. Graduates of these schools contribute their skills to making better use of their countries' resources to increase the incomes and well-being of the rural population. To expand training in health/population, we are financing technical and capital assistance to the University Center for Health Sciences at the University of Cameroon.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>
FY 1972	\$19,900,000.	\$192,000.
FY 1973	\$ 6,000,000.	\$550,000.

East Africa RegionalFY 1973 A.I.D. Program

In FY 1973 A.I.D. proposes \$1.6 million in technical assistance to help EAC develop its (1) infrastructure and management capacity to provide regional services and (2) professional capacity to carry out research programs, especially in agriculture, fisheries, and marketing. A.I.D. may also join other donors under IBRD leadership in providing capital assistance to the EAC for construction of its new headquarters in Arusha, Tanzania.

EAC is receiving assistance from A.I.D. for improvement of management effectiveness in several areas. A.I.D. has helped the EAC Income Tax Division devise a pay-as-you-earn system; financed surveys to devise ways to improve utilization of data developed by EAC units and to outline ways for cooperative development of tourism; and provided training abroad for over 70 high and middle-level EAC officials.

In FY 1973 A.I.D. will continue to assist the rail and harbor corporation develop a modern supply management system. Other A.I.D.-assisted activities include training programs for staff development; improvement of records, reports and data management; and the development of agricultural economics and statistics functions of the common market.

ITUD Sector SummaryDevelopment Loans only

FY 1972 \$4,500,000.

Southern Africa Regional

Education and Manpower Training

A serious shortage of qualified African manpower exists in all these countries. They are heavily dependent on expatriates to manage their economies, implement development programs, and perform the principal tasks of government. To reduce dependence on foreign manpower, A.I.D. is helping to improve training facilities and methods to give educational institutions more immediate relevance to development manpower needs.

The University of Botswana, Lesotho and Swaziland project provides assistance to this unique regional university which serves the higher education needs of the three countries. The United States, in concert with the United Kingdom and Canada, has increased its assistance to this institution to help it make fundamental changes which will make it more responsive to these countries' development needs. Centers are being constructed in Botswana and Swaziland which will complement the school's main campus facilities in Lesotho, giving it a more regional character.

The regional testing resource and training center project provides advisory assistance to Botswana, Lesotho, Swaziland and Malawi in adapting and developing educational tests to introduce more efficient selection procedures for placements in the limited secondary schools and technical training facilities that are available.

The regional curricula improvement project is designed to help make primary education in Botswana, Lesotho and Swaziland more functional in terms of the needs of the society by introducing a more development-oriented curriculum.

These countries, along with Zambia, will also be assisted by our providing technicians and training to meet the serious short term need for key administrative and technical personnel. These personnel will enable these southern African nations to carry on their programs of national development while their own people are being trained to fill specific positions.

In Malawi, technical assistance is being provided to the Bunda Agricultural College as part of the University of Botswana, Lesotho and Swaziland project to help develop an agricultural engineering department in the college.

Transportation

The transportation systems inherited by Botswana and Lesotho at the time of independence were not adequate to support the development of their exploitable resources. The need for new or improved roads is widespread, but at this stage of the countries' development, only a limited number of new roads are justified and then only where they are associated with significant resource developments or serve other important national purposes.

In FY 1972 A.I.D. plans to authorize a \$12.0 million development loan to finance the construction of 200 miles of road in northern Botswana. This road will link that country with Zambia, thereby increasing trade and communications between them, and will help the development of the livestock and mining industries in Botswana as well as promote tourism in the area. The proposed FY 1973 loan program includes a road construction and improvement project for Lesotho which is associated with a large water export project now under active consideration for financing by a consortium arrangement under IBRD auspices. These roads are an essential phase of this water resources exploitation project and will help open up agricultural areas to more productive use. We are currently funding a feasibility study of selected roads in Malawi which will service newly-developed agricultural lands. Depending on the findings of these studies, A.I.D. will consider joint participation with the IBRD and the U.K. in financing road construction.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>
FY 1972	\$12,000,000.	\$60,000
FY 1973	\$ 5,000,000.	--

Kenya

Education and Manpower Training

Unemployment in Kenya is becoming a serious problem in both rural and urban areas. In the urban centers, there is a need to train labor to serve the growing industrial community. A.I.D. will sponsor a project in Kenya based on the experience of the Opportunities Industrialization Center (OIC) in working with the problem of ghetto unemployment in the United States. This project, relying heavily on local leadership and emphasizing community action, will provide preliminary training in basic educational skills followed by vocational training in auto mechanics, secretarial work, electrical skills, brick masonry, and other skills. As in Nigeria and Ghana, where it is already underway, the OIC program is expected to train hundreds of unskilled workers in the first two years.

Population

The Kenyan population is expanding at an estimated rate of 3.4% annually. The crude birth rate of 51 per 1,000 population is among the highest in the world. The Government is one of the few in Africa to establish an official family planning policy and has initiated a five-year in-service program for instruction of all medical personnel. Despite this governmental support, progress has been slow. A.I.D. is assisting a project to develop improved statistics and demographic data to support the planning and design of action programs. The Government has created a new unit in the Finance and Economic Planning Ministry to implement the project.

LiberiaPublic Administration

Liberia's rapid economic growth during the last decade has placed severe strains on the Government's administrative capacity. In recognition of the need to improve the calibre of public services, the Liberian Government is establishing an Institute of Public Administration and strengthening the Civil Service Bureau. The Institute will be a focal point for initiating the institutional changes required to promote development and spread its benefits. A.I.D. technical assistance will provide staff for the Institute and consultants for certain key ministries. A.I.D. advisory assistance will also be addressed to the establishment of uniform salary scales, standards in examination and certification, and improved records management.

ITUD Sector SummaryTechnical Assistance only

FY 1972	\$801,000.
FY 1973	\$770,000.

Nigeria

FY 1973 A.I.D. PROGRAM

In FY 1973, a technical assistance program of \$8.5 million will support on-going project activity and provide a program grant (\$2 million) to broaden Nigeria's manpower resource base. A \$15 million transportation sector loan is also proposed to assist in meeting Nigeria's rapidly expanding market and communications requirements.

Technical assistance provided to Nigeria has traditionally financed projects which supported the growth and development of specific institutions. In FY 1973, we will begin to shift the emphasis of our program to address the kinds of development problems which emerged in the post civil war period. We will use new grant funds allocated to Nigeria to provide regional technical skills and training for key operational positions throughout the economy. The purpose of this type of assistance is to increase Nigeria's capacity to plan, design, and implement programs and projects vital to the economic growth which now appears feasible as capital resources available to Nigeria increase.

Education and Manpower Training

Key institutions have been established over the past decade with coordinated inputs by Nigeria, the U.S. and other donors. While major weaknesses remain in teacher quality, primary and secondary curriculum development, and non-formal education areas, the capital and training inputs have been substantial, largely complementary, and relatively effective. A.I.D.'s ongoing assistance will continue to concentrate on manpower, in-service teacher training, and curriculum development.

The FY 1973 assistance provides for (1) training in project development by the Institute of Administration/Ibadan; (2) in-service training for civil servants, education programs and curriculum development by the Institutes of Administration and Education at Ahmadu Bello University; (3) training of educational leaders and administrators at Lagos University; and (4) middle-level job training by Opportunities Industrialization Center/Lagos.

ITUD Sector Summary

Development Loans only

FY 1972	--
FY 1973	\$15,000,000.

Zaire

FY 1973 A.I.D. Program

In FY 1973 A.I.D. proposes a development loan (\$5 million) and technical assistance (\$1.55 million) to expand agricultural activities and continue support for transportation development and public safety. A pilot project in maternal/child health and family planning will also be initiated. A.I.D. may also consider increasing the authorization of the housing guaranty program of which the first payment of \$10 million was authorized in FY 1972.

Transportation

The transportation system is the key to the economic growth of this vast country, which is the size of the United States east of the Mississippi River. A.I.D. is already providing support for developing the system through \$23 million in loans authorized in prior years. One of the important projects under way is the rehabilitation of 50,000 miles of once-usable roads and tracks which served largely as a feeder transportation network to the waterways and the rail system. Peace Corps volunteers are assisting with training aspects of this project. In FY 1973 A.I.D. will concentrate on implementing the ongoing transportation programs.

Other Programs

In FY 1972, A.I.D. authorized a \$10 million housing guaranty loan for Zaire. The primary aim of the program is to assist the Government in developing a savings and loan institution to alleviate the shortage of low income housing in urban areas. The capital city, Kinshasa, with over a million people and growing at a rate of over 11% annually, has an immediate need for 85,000 dwelling units. A.I.D. has approved, in principle, a program of \$25 million to be provided as performance warrants.

Continuing assistance will be provided through a public safety project to upgrade police training and services in the major cities and to assist the recently created coast, river, and lake guard. Progress thus far includes the merging of over twenty police systems into one 21,000-man police force and the establishment of a nationwide police radio network linking Kinshasa to all key points in the interior. A modern vehicle maintenance facility and training operation for mechanics and supervisors has been established in Kinshasa and now supports a fleet of more than 300 police vehicles.

ASIAProgram Summary

INDUSTRIAL DEVELOPMENT

Non-project lending, which has represented a major share of A.I.D. development loans to Asia, primarily supports investment and growth in the private and public industrial sector. These loans have financed raw materials and semi-finished products as well as machinery, transportation equipment and spare parts. In addition, A.I.D. made loans for specific industrial or infrastructure projects (e.g. the Ereğli Steel Mill in Turkey and the PUSRI fertilizer plant and power facilities in Indonesia) and to intermediate credit institutions which in turn lend to the private industrial sector.

The development lending program in Indonesia includes financing rehabilitation and expansion of transport and power infrastructure. The Djakarta-Bogor Highway, the most heavily travelled road in Indonesia, passes through one of the most densely populated areas of the world and Indonesia's most rapidly developing industrial area. In order to carry projected traffic, construction of a new alignment was proposed and A.I.D. authorized an \$800,000 loan in FY 1970 for engineering design. Existing electric power facilities in the West Java area are overloaded and must be rehabilitated and expanded to meet existing and projected demand. The IBRD, West Germany and the United States are cooperating to finance the renovating and improvement of the integrated power systems in the areas of West and Central Java. The West Java High Voltage Transmission Project involves the

development of a high voltage transmission loop to tie into systems in Central Java being financed under existing A.I.D. and German loans. In addition, we plan to lend for the West Java Power Distribution Project, directly related to the High Voltage Transmission Project, to rehabilitate and improve the distribution systems of the major West Java cities.

For some years A.I.D. urged Afghanistan to consider reducing its extensive restrictions on the private industrial sector and to support that sector through an independent Industrial Development Bank and an Industrial Advisory Center. A technical assistance project was initiated last year to help the government simplify its complicated investment application system and vitalize the new Investment Advisory Center. The advisory team has worked with the government's Investment Committee to set up simplified guidelines and criteria for reviewing and approving investment applications, and the Advisory Center to establish a system evaluation of investment proposals.

A.I.D. proposes to assist the Korean Ministry of Science and Technology to study industrial environmental problems, the application of atomic energy to industry, technical problems in agri- and polymer-chemicals, metal alloys, electrical and chemical engineering and food technology, and the management of research programs. The Ministry hopes to link Korean private industry to applied science of the western world. A.I.D. expects to rely on short-term consultants from such organizations as the National Academy of Science, the National Science Foundation and the National Bureau of Standards.

SUMMARY OF PROGRAM BY COUNTRY AND SECTOR
(in thousands of dollars)

REGION: ASIA

TABLE II

COUNTRY	Total			Agricultural and Rural Development			Population and Health			Education and Manpower Training			Industry, Transportation and Urban Development			Non-Project Loans and Others			Program Development and Support		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
AFGHANISTAN	8,766	26,650	6,720	1,665	21,621	1,345	1,740	275	420	2,930	2,547	2,719	320	128	349	-	-	-	2,111	1,989	1,887
INDIA	205,918	9,575	99,590	11,920	5,498	6,114	789	1,664	990	1,185	905	1,075	387	-	-	190,000	-	90,000	1,637	1,508	1,411
INDONESIA	78,507	121,140	122,975	651	250	475	1,759	1,700	2,500	2,782	1,405	2,710	41,062	70,890	75,330	30,000	45,000	40,000	2,253	1,895	1,960
KOREA	60,617	25,325	28,600	49,805	17,704	15,823	1,660	800	800	7,722	3,583	806	549	2,215	455	-	-	10,000	883	1,023	716
NEPAL	2,587	2,532	1,883	562	545	505	820	882	373	532	575	410	-	-	-	-	-	-	673	530	595
PAKISTAN	7,095	62,485	79,800	761	57	10,400	2,322	285	2,500	832	80	300	311	-	90	-	60,000	65,000	2,869	2,063	1,510
PHILIPPINES	11,089	29,400	20,565	3,287	2,014	13,153	5,326	5,600	5,745	991	843	652	376	20,000	-	-	-	-	1,109	943	1,015
TURKEY	53,602	58,945	58,000	676	679	40,585	78	-	300	1,822	1,738	1,252	-	40,000	-	50,000	15,700	15,000	1,026	828	863
REGIONAL	4,320	4,698	5,236	-	-	-	1,449	1,326	1,859	2,502	2,969	2,978	-	-	-	-	-	-	369	403	399
UNALLOCATED	-	-	110,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	110,000	-	-	-
Total	432,501	340,660	533,369	69,325	48,368	88,400	15,943	12,532	15,487	21,298	14,645	12,902	43,005	133,233	76,224	270,000	120,700	330,000	12,930	11,182	10,356

* International Narcotics Control assistance.

SUMMARY OF PROGRAM BY COUNTRY AND SECTOR
(in thousands of dollars)

REGION: OTHER PROGRAMS

TABLE II

COUNTRY	Total			Agricultural and Rural Development			Population and Health			Education and Manpower Training			Industry, Transportation and Urban Development			Non-Project Loans			Program Development and Support		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
JORDAN	1,000	550	1,200	51	20	625	-	-	-	377	300	300	175	80	115	-	-	-	397	150	160
LAOS	7,460	500	870	-	-	-	900	500	870	1,557	-	-	-	-	-	-	-	-	5,003	-	-
THAILAND	5,550	1,500	2,145	-	-	-	2,128	1,500	2,145	873	-	-	1,170	-	-	-	-	-	1,379	-	-
VIETNAM	200	325	346	-	-	-	200	325	346	-	-	-	-	-	-	-	-	-	-	-	-
EAST ASIA REGIONAL PROGRAMS	12,967	10,505	13,150	3,281	2,110	1,450	2,549	2,420	3,120	5,427	4,483	6,688	-	-	350	-	-	-	1,710	1,492	1,542
Total	27,177	13,380	17,711	3,332	2,130	2,075	5,777	4,745	6,481	8,234	4,783	6,988	1,345	80	465	-	-	-	8,489	1,642	1,702

Afghanistan

Manpower Training. Afghanistan's civil service lacks trained managers and administrators. Traditional management practices frustrate the decision process and day-to-day government operations. A new Technical Assistance project was started in FY 1972 to provide middle-level management training for those civil servants who have demonstrated a potential for rapid advancement. Ten selected civil servants were funded for training in FY 1972 and an additional 14, plus 7 continuing, will be selected for training in FY 1973 at a cost of \$245,000.

Public Administration. Afghanistan desires to become less dependent on foreign assistance and is seeking ways to develop local sources of revenue to fund its budget. A.I.D. is supporting the Ministry of Finance efforts to increase domestic revenue through improved administration of existing tax legislation. A four-man U.S. team is advising the Ministry on the application and enforcement of tax laws, the administration of revenue collection procedures and on establishing in-service training of the Ministry's revenue staff. U.S. advisors are assisting the Ministry prepare an Income Tax Manual which will be available for distribution in late 1972. In FY 1973 \$433,000 will be required to continue the four contract advisors and fund U.S. training.

The lack of a national statistical service to collect, analyze and publish demographic and economic data has been a major obstacle to development planning and economic analysis. In 1971 the Afghanistan Government requested A.I.D. assistance in establishing a National Statistical Center and in training of its staff. A decree has been enacted authorizing the office, and funds have been provided for staff and operations. Five U.S. Bureau of Census technicians are expected to begin work in late 1972 on a 5-year program to help establish modern statistical procedures in the Center and provide professional and technical training of the Afghan staff. \$342,000 in Technical Assistance funds will be required in FY 1973.

Industrial Development

The development of Afghanistan's industry offers possibilities for increasing employment and earning foreign exchange. However, Afghanistan lacks the necessary industrial policy and legislation to guide, encourage and protect private and foreign investors. Some progress is being made in this direction. An Investment Committee composed of government inter-ministerial members was established in 1967 to work on planning to stimulate private sector investment, establish priorities for investment proposals, and recommend tax, custom and other legislation designed to encourage investment. A.I.D. consultants have helped the Committee establish criteria for the review of investment proposals as well as in the preparation of guidelines for potential investors. In FY 1973 \$349,000 in Technical Assistance is required to continue the contract advisors, who will seek to accelerate the rate of project approvals by simplifying the review criteria and continue to advise the Investment Committee on industrial policy matters.

ITUD Sector Summary

Technical Assistance only

FY 1972	\$128,000.
FY 1973	\$349,000.

India

In FY 1973 A.I.D. proposes to finance a program of advisory services valued at \$1 million in the areas of motivation, contraceptive technology and administrative improvement, and to assist the International Institute of Population Studies near Bombay -- a regional facility financed in part by ECAFE and involving researchers from a number of South and Southeast Asian countries -- to improve its work in population statistics and demography.

FY 1973 Lending Program

In FY 1972 the U.S. development lending program was interrupted by suspension of part (\$87.6 million) of the program loan pipeline during and after the recent Indo-Pakistan war.

U.S. economic assistance for India is currently under review. At this time we are provisionally carrying \$90 million in Development Loans for India in FY 1973. Any loans which might be made to India could finance commodity imports, including fertilizer, raw materials (mainly steel) and industrial spare parts. The program could also include sector loans in the area of minerals development and electric power to help overcome constraints which at the margin inhibit current development efforts in those two basic sectors -- lack of specialized technical skills, planning experience, and sophisticated equipment which must be imported.

Indonesia

Industry, Infrastructure and National Resource Development

The Sukarno era left the Indonesian economy severely disrupted and basic infrastructure in a state of advanced deterioration. Along with the highly successful stabilization effort, Indonesia has placed strong emphasis on the rehabilitation and expansion of the country's infrastructure as an essential first step in mobilizing Indonesia's agricultural and industrial resources and to lay the basis for increased investment and economic growth. In keeping with this need, A.I.D. and other donors have provided substantial capital assistance for power, transportation and communications development, in addition to directly supporting industrial rehabilitation and expansion through program loan financing of commercial imports (such as machinery, trucks and buses, chemicals and raw materials) for the private sector.

In addition, Indonesia's mineral deposits, forestry resources, and large potential market provide the basis for considerable private investment. The Indonesian Government considers such investment an essential source of domestic income, employment and foreign exchange and has accorded it high priority in its development plan. Roughly \$2 billion in private foreign investment (including a large proportion from the US) has been approved, and domestic investment is increasing as well. The US has played a supporting role in encouraging investment in Indonesia by providing investment insurance, through the Overseas Private Investment Corporation (OPIC), covering a wide variety of industrial interests including the extractive industries. Both A.I.D. and the UN Industrial Development Organization have provided consultants to assist the Indonesian Government to review investment incentives and regulations and to streamline procedures for considering proposed investments.

A.I.D.'s modest technical assistance program in the industrial sector is focused to a large extent on natural resource management. The geological survey assistance project, for which \$220,000 is proposed in FY 1973, is designed to increase Indonesia's capability to survey, map and appraise the country's vast, but as yet largely uncharted, geological and natural resources. Three resident geologists from the US Geological Survey, supplemented by short-term experts, will continue to train geologists, geophysicists and mapping specialists as the staff of the Indonesian Geological Survey. The US Geological Survey is helping the Indonesians accelerate the completion of maps and interpretive reports in order to identify promising areas for further investigation and development. Through an agreement with the National Academy of Sciences, A.I.D. will also assist the Indonesian Institute of Sciences in organizing a workshop on the national management, conservation and use of natural resources, to lay the basis for Indonesian policy development in this area. A.I.D. supported a similar workshop in FY 1971, attended by leading Indonesian and foreign experts, on policies and future requirements concerning industrial and technological research. A.I.D. has also provided short-term consultants in forestry service organization and concessions management. Lastly, as part of a broad world-wide study, A.I.D. will finance a study in FY 1973 by the Smithsonian Institution on the environmental aspects of offshore petroleum production in Indonesia. A.I.D. technical assistance in the industrial sector also will include support of several policy-oriented research studies, under the auspices of Indonesia's National Economic Development Agency, on problems such as unemployment, urbanization and export marketing.

A.I.D.'s Development Loan program in FY 1972 and FY 1973 concentrates principally on power and transportation, with particular emphasis in FY 1973 on the development of an adequate generation, transmission and distribution system in West Java, one of Indonesia's most densely populated and rapidly industrializing areas. The proposed FY 1973 program includes approximately \$60 million for power projects. Similar projects are being implemented through prior year loans in Central Java and in Medan, Sumatra's largest city.

In the transportation field, A.I.D.'s FY 1972 program includes a loan, estimated at \$26 million, for the construction of a highway traversing Indonesia's major industrial corridor between Djakarta and Bogor. A.I.D. is also financing a feasibility study for a Trans-Java Highway linking Djakarta with Surabaya, Indonesia's second largest city. Lastly, A.I.D. is considering the possibility of financing one or more water supply projects in a few major cities of Java, as well as the rehabilitation or construction of several tin dredges in support of one of Indonesia's important export-earning industries. Feasibility studies for further potential projects in both infrastructure and manufacturing, which formerly were implemented under the technical assistance program, will be financed primarily under a \$5 million project development loan signed in FY 1972.

Many of Indonesia's other donors, including the World Bank, Asian Development Bank, Japan and West Germany, also are providing substantial capital assistance in power and transportation development. As a basis for rational transportation planning, the World Bank, with UN Development Program financing, is conducting a major study of nationwide highway requirements and priorities, including maintenance needs. Other prospective loans involving the industrial sector which are of particular interest include the reorganization and capitalization of the State Development Bank and the establishment of industrial estates. As a stimulus to the Indonesian private sector, Japan recently committed \$10 million to the Central Bank which will be channeled through State Banks for medium-term development loans.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>
FY 1972	\$70,500,000.	\$390,000.
FY 1973	\$75,000,000.	\$330,000.

Korea

Industrial and Urban Development

While Korean industry has made substantial progress in recent years, continued industrial development will depend to a great extent on the ability of the nation to mobilize increasing amounts of domestic savings for private investment and to attract greater amounts of foreign equity and loan capital. Also of critical importance is the ability of Korean industry to remain internationally competitive. As Korean wage levels rise, the factors of technological efficiency, quality control and innovativeness will determine whether export markets are maintained and expanded.

Because Korea's industrial growth is proceeding at a rapid pace and since other donors are now providing technical and financial assistance to Korean industry, the role of A.I.D. with respect to Korean industry has narrowed. In FY 1972, A.I.D. provided a \$2 million feasibility studies loan, some of which is being used for studies in port development, communications, and urban planning. However, in FY 1973, A.I.D.'s assistance to Korean industry will be confined to providing highly specialized training in technical or management areas. In addition, under a private enterprise development project, A.I.D. will provide \$254,000 in FY 1973 for technical advisors to modernize Korean money and capital markets and advise the Korean Government on governmental procedures which affect the environment for foreign capital. Finally, A.I.D. plans to use \$201,000 in FY 1973 to begin a project to expand the use of advanced technology and scientific innovation, which will help Korea keep production costs low, maintain high standards of industrial quality control, and respond to new demands for products in the international and domestic market-place.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>
FY 1972	\$2,000,000.	\$215,000.
FY 1973	--	\$455,000.

NepalEducation and Public Administration

While primary school enrollment in Nepal has grown more than ten-fold since 1951, from 40,000 to 450,000, the literacy rate remains less than 10%. Education has concentrated on teaching academic, rather than technical or practical subjects. The Nepal Government has recently authored a New Education System Plan to emphasize practical training in primary and secondary schools. The new emphasis will require restructuring of teaching materials and training of teachers. A contract team of U.S. technicians will work in support of the Plan, reaching beyond the teacher training of earlier A.I.D. projects, to help Nepal develop a process for the introduction, testing and revision of materials drawn up under the new Plan.

Development programs such as those in education and agriculture require ever-increasing numbers of trained managers and administrators. The needs of the country place an almost overwhelming burden on a few skilled administrators. The Nepali Government and two A.I.D. contract consultants will seek to upgrade administrative efficiency and expand the numbers of skilled decision-makers available through in-service and pre-service training and the introduction of modern operations, methods and personnel policies into the government administration. An A.I.D.-sponsored development training project will assist the Nepali Government in setting and meeting manpower requirements, participant selection, and overseas training needs.

Philippines

Rural Development and Agriculture

The A.I.D. program in the Philippines includes a number of activities in support of Philippine agricultural development. Our aid for agriculture and that of other donors will, we hope, become more highly concentrated as a result of a broad agriculture sector survey now being conducted by the World Bank to assist the Filipinos in planning an integrated policy of agricultural development.

Our assistance in agriculture is concentrated in three main areas:

1. Agricultural Development
2. Rural Electrification (FY 1972: \$20 million Dev. Loan)
3. Provincial Development

This project for which \$920,000 is proposed for FY 1973, operates through providing commodity assistance and technical advice to upgrade development efforts of three separate groups of government agencies: provincial and city governments which have displayed the ability to implement economic and social development programs; the University of the Philippines including training, research and consultation services provided by the University's Local Government Center; and the National Government represented by Provincial Development Assistance Project staffs, which are composed of representatives of major government branches operating out of the National Economic Council.

Public Safety

The problem of law and order is a major social and political issue in the Philippines. The crime rate, long recognized as a serious problem, remains high generally and shows evidence of increasing further in urban centers. President Marcos has undertaken a major program to improve law enforcement. In support of this program in FY 1973, \$530,000 in Technical Assistance funds will help to establish badly needed training facilities, to improve national and local police communications, to modernize identification and records systems, and to establish several model local police departments.

LATIN AMERICA

Program Summary

INDUSTRIAL AND URBAN DEVELOPMENT

Latin American countries are intent upon financing larger increments of their own development by increasing foreign exchange earnings and mobilizing domestic savings. Thus they are assigning high priority to export development, tourism and the development of capital markets to support expanded private investment. The United States has supported these initiatives through institutions of the Organization of American States such as the Inter-American Export Promotion Center (CIPE) at Bogota, through loans to regional banks such as the Caribbean Development Bank and the Central American Bank for Economic Integration, and through direct bilateral assistance to a number of countries including Colombia, Guatemala, Honduras, Nicaragua, Paraguay and Uruguay.

A.I.D. will continue to support CIPE in its market information, export promotion and technical assistance activities and, in response to many requests for expanded assistance from individual countries, will explore a number of additional bilateral export promotion activities. Recently the United States has reiterated offers to help in coordinating with other multilateral and bilateral donors to participate in specific activities.

Through the Organization of American States (OAS) the United States has provided assistance to strengthen national tourism programs. The U.S. Travel Office is offering advisory assistance to the OAS Tourism Development Office on the 1972 "Tourism Year of the Americas" program to stimulate increased tourism to and within Latin America. The Central American Tourism Organization is active in coordinating public and private efforts to improve facilities and services in this region of increasing attractiveness to tourists. For FY 1973, A.I.D. plans to make a \$15 million loan to the Central American Bank for Economic Integration. The Bank will make

loans to Central American governments to finance projects considered essential for tourism development--water and sewer systems, roads, electric power, airport and port facilities.

Latin American countries have expressed strong interest in development of capital markets. President Nixon's 1970 offer of \$5 million to support their development efforts responds to this interest. In FY 1973 A.I.D. plans to provide the fourth \$1 million payment of this pledge to be used in part for capital market studies and technical assistance in specific countries and in part to finance symposia at which participating representatives will be able to share experiences, identify problems and plan remedial measures. In FY 1973 direct technical assistance will be extended to regional financial organizations such as the Andean Development Corporation as well as to national credit unions, housing cooperatives, savings and loan societies and other intermediate credit institutions to improve their capacity to make studies, assess projects, and, in general, better manage their systems.

Through the National Association of the Partners of the Alliance (NAPA) additional support is enlisted on a voluntary basis from private groups. State chapters of NAPA in the United States work with Latin American countries on a broad spectrum of on-going activities ranging from investigations of investment and marketing potential to teacher exchanges. A total of 18 Latin American countries benefit from direct relationship with 40 States.

Urban Development

Further compounding the difficulties inherent in Latin America's growth has been the tendency toward concentration of people in urban areas which has become especially pronounced in the last 20 years. The process of urbanization, which has proceeded further in Latin America than in other developing regions, exacerbates the problems that are common to most cities--shortages of low-cost housing, municipal services strained beyond their capacities, unemployment, underemployment and health problems. Over 100 million more people lived in urban areas in 1970 than in 1950. For every city and town dweller of 1950 there are now three, and urban residents outnumber rural inhabitants.

Effective urban and regional development plans, adequate land-use controls, essential municipal services, employment and housing are all urgent, high priority needs. Recent reliable estimates suggest a current housing gap of 20 million dwelling units--a figure that is growing by at least one million units each year. A.I.D. has taken the lead in stimulating urban planning and in training Latin Americans in the concepts of urban development and the management of housing development.

A major A.I.D. effort has been to help create private institutions that can generate local savings and channel them into housing, thereby providing the long-term credit necessary for private investment to alleviate housing shortages. As a result of A.I.D. assistance, ten countries now have savings and loan legislation and, in others, savings and loan associations operate under general banking or other laws.

In the countries to which A.I.D. has provided seed capital, there are over 100 savings and loan associations with over 1,250,000 savers. In FY 1973, A.I.D. will continue to assist the development of housing cooperatives through feasibility studies, training and organization. Emphasis will be given to low-cost, low-income housing. The feasibility of utilizing cooperative techniques to provide site development and housing for low-income families will be explored. A loan planned for the Central American Bank for Economic Integration will provide the long-term mortgage financing required to further support low- and middle-income housing development at moderate rates of interest.

The United States provides technical and capital assistance in the formulation and implementation of urban and regional development plans. The metropolitan plans for San Salvador and Sao Paulo for example were prepared with A.I.D. assistance, as were the scopes of work for the plans for Panama City and Tegucigalpa, the capital of Honduras. In FY 1973 a proposed A.I.D. loan will complement Inter-American Bank funds to finance a comprehensive plan for Tegucigalpa and to improve metropolitan services in other urban centers. Technical assistance will be provided at the same time to design and implement a broad reform in fiscal and administrative management.

SUMMARY OF PROGRAM BY COUNTRY AND SECTOR
(in thousands of dollars)

REGION: LATIN AMERICA

TABLE II

COUNTRY	Total			Agricultural and Rural Development			Population and Health			Education and Manpower Training			Industry, Transportation and Urban Development			Non-Project Loans			Program Development and Support		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
Bolivia	3,675	35,573	18,214	1,098	12,076	5,009	335	309	229	1,323	1,165	7,701	386	9,255	4,227	-	12,000	-	533	768	1,048
Brazil	79,379	9,350	8,300	43,129	1,781	2,319	308	123	300	5,012	3,852	3,751	27,597	-	-	-	-	-	3,333	3,594	1,930
Chile	1,510	1,022	850	-	-	-	30	22	-	100	208	200	-	-	-	-	-	-	1,377	791	650
Colombia	83,990	91,530	78,600	32,020	28,387	18,000	417	680	5,600	21,078	20,978	10,920	29,139	40,000	42,000	-	-	-	1,336	1,485	2,080
Dominican Republic	13,472	6,815	11,600	749	551	10,601	107	-	-	11,736	619	300	46	5,000	-	-	-	-	834	645	699
Ecuador	15,346	4,596	14,543	338	281	231	2,031	1,346	1,178	476	698	3,928	634	290	7,276	10,000	-	-	1,867	1,981	1,930
Guyana 2/	1,250	12,500	10,100	457	342	319	1,837	2,400	6,000	344	523	388	490	8,900	3,000	-	-	-	455	335	393
Haiti 2/	2,782	2,960	6,000	-	845	4,170	-	1,800	1,710	-	-	-	-	-	-	-	-	-	-	315	180
Jamaica	20,937	1,218	10,849	10,000	-	5,000	580	792	449	136	202	182	10,000	-	5,000	-	-	-	221	224	218
Panama	11,120	15,825	22,295	2,521	401	10,412	5,774	575	3,395	880	849	840	740	12,491	6,183	-	-	-	1,205	1,509	1,465
Paraguay	6,941	6,681	7,094	824	959	2,432	471	406	494	4,736	551	795	302	4,191	2,729	-	-	-	608	574	644
Peru	6,888	24,062	13,747	1,297	4,295	1,307	350	172	97	879	1,204	743	3,528	17,483	10,445	-	-	-	834	908	1,155
Uruguay	4,932	1,355	24,500	252	330	15,421	190	-	100	1,003	615	563	3,134	85	8,100	-	-	-	353	325	316
Venezuela	975	850	500	-	-	-	25	-	-	734	765	250	-	-	-	-	-	-	216	85	250
Central American Common Market:																					
Central America Regional	3,534	13,090	27,700	120	99	100	209	-	-	1,506	5,564	11,190	756	6,497	15,480	-	-	-	943	930	930
Costa Rica	6,432	1,655	1,060	610	372	210	1,013	305	216	494	504	127	3,904	222	202	-	-	-	411	252	305
El Salvador	2,452	8,958	14,150	1,034	7,581	12,837	439	458	450	547	497	493	-	-	-	-	-	-	432	422	370
Guatemala	14,178	3,400	24,350	1,163	5,419	15,845	3,477	700	3,150	1,477	1,188	4,180	7,316	5,269	379	-	-	-	745	824	796
Honduras	5,180	5,325	18,242	770	785	10,764	520	575	592	2,829	852	801	278	2,130	5,100	-	-	-	783	983	985
Nicaragua	12,478	11,660	7,500	7,584	771	5,765	597	560	500	388	9,309	186	2,900	194	190	-	-	-	1,009	826	859
Caribbean Regional	8	10,050	20,350	-	-	-	-	-	-	-	-	10,000	-	10,000	10,000	-	-	-	8	50	350
Latin American Regional	20,590	32,490	31,992	2,611	2,694	13,445	7,926	5,215	8,535	7,772	7,711	7,735	1,445	16,115	1,496	-	-	-	836	755	781
Inter-American Programs	12,594	14,861	16,880	964	798	850	-	-	14	8,672	8,560	10,500	1,475	3,015	2,710	-	-	-	1,483	2,488	2,806
Argentina	509	-	-	50	-	-	-	-	-	84	-	-	-	-	-	-	-	-	375	-	-
1/ Includes \$2,000,000 Contingency Fund																					
2/ Supporting Assistance																					
3/ Includes \$45,000 Supporting Assistance																					
Total	331,150	325,826	389,414	107,591	68,767	135,037	26,636	16,438	33,009	72,206	66,415	75,773	94,073	141,137	124,517	10,000	12,000	-	20,646	21,069	21,080

Latin American Regional Programs

Industrial and Urban Development

\$1.3 million is programmed for this sector under the regional program in FY 1973. Forty percent of this sum will go toward implementing programs in export promotion, capital markets, and science and technology. These are areas in which Latin Americans intend to place greater emphasis in the future in order to expand their ability to finance development on their own. In response to a United States expression of willingness to be helpful in export development, many Latin American governments are now preparing specific assistance requests for projects to commence in FY 1973.

Among the activities begun in FY 1972 that will require FY 1973 funding are a regional export promotion project and a regional economic development project under which assistance is being provided to the Andean Development Corporation in such areas as investment analysis and promotion and sectoral development.

The regional export promotion activity is located at the U.S. Department of Commerce's Regional Trade Development Center in Buenos Aires. Under the direction of an A.I.D.-funded export promotion advisor, the Center will be used as a training laboratory to teach export promotion techniques to the Latin Americans. A.I.D. may also enter into an agreement with the Department of Commerce to supply some of the expertise required to respond to expected Latin American requests for assistance in export development.

The Partners of the Alliance program will continue to stimulate self-help programs in the private sector. Although the Partners is making a concerted effort to obtain more private U.S. support, \$400,000 will be required from A.I.D. in FY 1973 to continue the operations of the central headquarters which provides supportive services to individual Partnerships. At present 40 states in the United States are working jointly with 40 Latin American counterpart organizations in such areas as health, education, agriculture and investment promotion. Since 1964, when the program

was established, technical and material assistance valued at more than \$20 million has been provided by the U.S. partner groups. Over \$3.5 million of this assistance has been in education and over \$11 million in public health.

The Foundation for Cooperative Housing (FCH) beginning in FY 1972 will concentrate almost exclusively on programs and projects to stimulate the creation of low income housing. In FY 1973, \$271,000 will make possible further implementation of the FCH low-income housing program, for which planning will be greatly advanced and refined. Since the project began in FY 1963, non-profit cooperative housing organizations providing technical services to individual cooperative housing programs have been established in Chile, Colombia, Honduras, Jamaica, Panama and Venezuela, and more than 2000 Latin American participants have been trained in cooperative housing management and development.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>
FY 1972	\$15,000,000.	\$1,115,000.
FY 1973	--	\$1,496,000.

Caribbean Regional

FY 1973 A.I.D. PROGRAM

A.I.D. plans to channel the bulk of its assistance through regional institutions and projects and to avoid the establishment of additional bilateral A.I.D. missions in the area. To this end the proposed FY 1973 program emphasizes continued support to two important regional institutions--the Caribbean Development Bank (CDB) and the University of the West Indies.

The CDB, formally established in January 1970 at Bridgetown, Barbados, is mobilizing regional and external financial resources for development projects. Loans have been made to date for agriculture, industry and tourism in the Commonwealth Caribbean States. The United States made a \$10 million loan to the Bank in December 1970 for a Special Development Fund. Depending on progress in the disbursement of these funds, a further Special Development Fund loan may be considered during FY 1973. In addition, A.I.D. is considering a \$10 million loan to the Bank in FY 1972 for financing low-cost housing and for establishing a secondary mortgage market capacity within the Bank.

The University of the West Indies, with campuses in Jamaica, Trinidad and Barbados, serves the English speaking Caribbean states. Plans that are currently being studied and refined by the University call for expanding enrollment from 3,200 in 1968-69 to 8,000 in 1974-75.

The University is seeking financing from several lending institutions for this development expansion program. A.I.D. plans a loan of up to \$10 million in FY 1973 to supplement assistance from the Inter-American Development Bank and other sources in support of the expansion program.

A total of \$350,000 is proposed for FY 1973. Special Development Activities Fund of \$25,000 each for Barbados, Trinidad, and Tobago will be used mainly for self-help projects. A grant will be made to encourage and support development related research and services of the University of the West Indies. Funds granted to the Caribbean Development Bank will be used to reinforce its analytical and administrative capabilities partly in such areas as mortgage banking, housing and industrial development.

ITUD Sector Summary (Development Loans only)

FY 1972 \$10 million FY 1973 \$10 million

Central American Regional

FY 1973 A.I.D. PROGRAM

In this situation, the United States has adopted a policy of continuing to assist those institutions in the regional movement that will play a key role in the restructuring of the CACM

These include: CABEI and SIECA, ICAITI, the Regional Institute for Science and Technology; and, to a lesser extent, ODECA - the political organization of the Central American nations. A.I.D. has provided over \$150 million in loans and \$40 million in grants for CACM activities since the establishment of our Regional Office for Central America and Panama (ROCAP), ten years ago.

The past achievement of economic integration in Central America and the determined efforts of the member countries to preserve and strengthen this process justify confidence that the CACM and its institutions not only will survive the present difficulties, but will be key elements in the development equation in the area.

Initially A.I.D. provided nearly all external assistance to the CACM, but today the Inter-American Development Bank, the World Bank, the Organization of American States, and the UNDP contribute loans and technical assistance to CABEI, SIECA, and other CACM organizations. As assistance from these other donors has increased, A.I.D. emphasis has shifted from heavy support of infrastructure and strengthening of CACM institutions to programs that assist export promotion, education, manpower, and housing.

ROCAP plans a \$2.7 million Technical Assistance program and loans of \$25 million centered on the education and manpower training and industrial and urban development sectors. Technical assistance programs in the education and manpower training sector will utilize just under half of the proposed grant funds. An FY 1973 loan of \$10 million to CABEI is proposed to assist it to establish a human resource develop-

ment fund aimed at improving educational and manpower development activities. The fund will also reach the lower socio-economic groups in Central America by creating a new source of credit for small agricultural producers. Two loans are proposed for the industrial and urban development sector. One loan of \$10 million to CABEI for tourism infrastructure development. The other, for \$5 million, also to CABEI, is for the development of an intra-regional capital market for housing finance. Technical assistance activities proposed for the agriculture and rural development sector will include the development of regional agricultural planning. No new funds are being programmed in FY 1973 for the population and health sector because these activities will be assisted on an individual country basis.

Central American regional programs are closely coordinated with bilateral A.I.D. programs and with other donors, particularly the Inter-American Development Bank which provides assistance to both SIECA and CABEI. The IDB is currently considering loans in 1972 to CABEI for approximately \$30 million in the agricultural sector and \$4 million for pre-investment studies. IDB loans through CABEI in 1973 will concentrate on agriculture, transportation, and strengthening statistical capabilities throughout Central America. The World Bank plans to lend to Central American development banks for industrial development through CABEI. Timing and amounts have yet to be determined. Thus the funding activities of the major lending agencies through CABEI will be closely coordinated and complementary. A.I.D. maintains particularly close coordination with the IDB and UN in providing technical assistance to Central American regional institutions.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>
FY 1972	\$6,000,000.	\$497,000.
FY 1973	\$15,000,000.	\$480,000.

Bolivia

Industrial and Urban Development

Bolivian industrial growth stagnated over the past three years as political and economic uncertainties discouraged new investment. Recognizing the need for increased private investment, the new government has tried to improve the investment climate by promulgating a new investment code and settling nationalization disputes. It has also sought to overcome the problem of a small domestic market by joining in regional groupings such as the Andean Pact. A.I.D. has assisted in this effort through a \$1.4 million feasibility studies loan to identify investment projects aimed at sales in the Andean market.

Another major A.I.D. effort in this sector is a proposed FY 1972 \$7 million loan to fund feasibility studies for private sector investments geared to the domestic market, as well as capital equipment for private manufacturing--including food processing--industries. The IDB has made a \$10.8 million loan to the Bolivian Development Corporation for feasibility studies, tourism, and medium-sized mines, and is expected to make a \$1.5 million loan to the Industrial Bank. The Federal Republic of Germany has also made a \$1.3 million loan to the Industrial Bank. The government realizes the need for infrastructure development in the secondary urban centers and is encouraging regional, departmental, and municipal government participation in the developmental process. It has established a National Urban Development Service (NUDS) which is receiving A.I.D. technical assistance. The Service would be responsible for lending to local governments for public works in the major centers of each of the departments. If the NUDS progresses satisfactorily, A.I.D. proposes a \$4 million loan to the Service in FY 1973.

Education and Manpower Training

Bolivia's principal needs in this sector are for increased managerial ability to carry out national development activities and for better institutions with a capability to train the human resources required for development. The first need is being met in part by NUDS and by U.S. and multilateral technical assistance to governmental planning and finance agencies. A.I.D.'s principal efforts are in fiscal reform, tax administration and local government. A recent A.I.D.-financed study of human resources in Bolivia only began to identify the magnitude of gap. The government is currently examining proposals for institutional reorganization and reform in education. A.I.D. is assisting this process through a contract with San Jose College. After the reforms have been enacted, the government will be better able to define its specific educational needs. A.I.D. will be prepared to make a \$6.5 million loan to meet part of the need for external assistance in this area.

Brazil

Industrial Development. In order to provide the necessary momentum to make Brazil's development self-sustaining, Brazilian institutions now require access to advanced science and technology. Toward this end, A.I.D. will continue to support a program of cooperation in chemistry research and education between the Brazilian National Research Council and the U.S. National Academy of Sciences. Assistance to the Brazilian Institute of Geography and Statistics for the development of several technical censuses will also continue in FY 1973.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>	<u>Other</u>
FY 1972	\$7,000,000.	\$255,000.	\$2,000,000.
FY 1973	\$4,000,000.	\$227,000.	--

ChileFY 1973 A.I.D. PROGRAM

As President Nixon reiterated in his Report to the Congress of February 9, 1972, we are prepared to have the kind of relationship with the Chilean Government that it is prepared to have with us. As a demonstration of this, we are continuing to provide financing for our people-to-people activities in Chile.

With respect to the A.I.D. program, we propose grant funding of \$850,000 in FY 1973, of which \$495,000 will cover U.S. staff and A.I.D. Mission support costs. The following activities will be continued:

1. Small scale self-help projects carried out by university student groups, cooperatives and other organizations;
2. Short term training in the U.S. for selected Chileans in urban administration, rural development, and similar fields;
3. Labor union visits and exchanges conducted by the American Institute for Free Labor Development (AIFLD).

ColombiaIndustrial and Urban Development

A.I.D. urban/regional sector assistance which began in 1971 is helping finance the industrialization and public services required to stimulate more rapid economic development of intermediate cities, as well as the improvement of housing and basic infrastructure services, such as water, sewerage, and paving, in low-income areas in major cities. It is hoped that progress achieved in medium-sized cities will enable them to attract and employ a larger proportion of rural-urban migrants than at present, thus eventually relieving part of the extreme demographic pressure on the large metropolitan areas and reducing regional disparities. Urban and industrial financing agencies are being assisted, as well as the National Housing Agency. In addition, training for departmental and municipal level officials is being provided and urban studies centers, regional development institutes and foundations are being created.

This sector has received substantial loan assistance from other donors. In 1971 alone, Colombia received complementary financing of \$91 million for water supply and sewerage, and \$76 million for industry. In addition, grant assistance has been provided by a wide range of donors.

A \$34 million sector loan for urban/regional development will continue support in FY 1973 for Colombia Government programs designed to stimulate the integrated development of intermediate-sized urban centers and their surrounding regions. This would be the third loan to this sector, as a second loan is planned for late FY 1972. A.I.D. technical assistance in this sector, if required, would be provided under the Block Technical Assistance Grant discussed below.

The Colombian Government has requested assistance for the urban sector from other donors for CY 1972, including an additional loan for water supply and sewerage, for medium-sized cities, valued at \$11.7 million. Colombia has also

requested assistance of \$172 million from other donors for industrial development in 1972, partly reflecting its desire to increase non-traditional exports. While assistance from other donors is generally for large-scale industry, A.I.D.'s urban/regional loan stimulates small and medium-sized enterprises.

A second housing finance/capital markets sector loan in the amount of \$8 million will continue support, scheduled to begin late in FY 1972, for Colombian programs to expand savings and reduce high levels of urban unemployment by directing resources into labor intensive investments. Key to assistance in this sector will be the establishment of a national savings and loan system to provide improved financing for the Colombian housing industry. This loan may also help finance a plan which would mobilize savings by raising the interest paid to savers. Lending institutions would adjust their sub-lending policies to reflect the increased cost of money.

ITUD Sector Summary

Development Loans only

FY 1972	\$40,000,000.
FY 1973	\$42,000,000.

EcuadorIndustrial and Urban Development

Ecuadorian cities are growing rapidly because of migration and natural increase. To partially divert rural migration from the two large cities, Quito and Guayaquil, A.I.D. is concentrating on labor intensive small industry development near the smaller cities where social infrastructure is not so heavily burdened. A.I.D.'s urban planning and development program will concentrate on assistance to these secondary poles of development. Quito and Guayaquil will nevertheless continue to grow rapidly and a core housing loan of \$3 million is proposed to demonstrate the feasibility of a low-cost approach to urban mass housing. It is expected that this will attract future public and private resources, including saving and loan funds, into this neglected but large market. An export promotion loan of \$4 million is proposed to create a mechanism and provide seed capital for promoting nontraditional exports.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>
FY 1972	--	\$290,000.
FY 1973	\$7,000,000.	\$276,000.

Guatemala

Industrial and Urban Development

Migration from the countryside to the cities is not yet a critical problem in Guatemala, but there are signs that it is increasing. The government, with A.I.D. assistance, is attempting to develop new sources of employment and provide social services for these migrants. Technical assistance is being provided to support the Guatemalan private sector's efforts to develop rural community leadership and initiative.

Assistance is also being provided to GUATEXPRO, the recently established Guatemalan export development center, to help it stimulate local private initiative in the export field. A \$5 million loan planned for FY 1972 to the private development bank, FIASA, will expand the creation of local industries and agricultural enterprises, thus increasing job opportunities, expanding export products and encouraging use of local raw materials.

Guyana

Education and Manpower Training

The heavy demands on limited available managerial and technical skills imposed by the proposed restructuring of the economy mean that great effort will be required to achieve results within a reasonable time-frame. In order to assist the government in its urgent need to build a reasonable level of administrative, managerial, planning and technical competence to meet the nation's development aspirations and desire for greater national self-reliance, A.I.D. is providing training in public administration and in development planning through its General Training project. Assistance and training in tax administration is provided through a participating agreement with the Internal Revenue Service.

A.I.D. also plans to continue technical assistance for labor union development during FY 1973 through a contract with the American Institute of Free Labor Development.

Population and Health

A.I.D. is the sole external donor for development of potable water. A planned FY 1972 loan to expand the potable water supply in urban areas along the coast and rivers of the country will be followed by a \$6 million loan in FY 1973 for further expansion to meet the requirements of the majority of the people who are concentrated in these urban areas.

Industrial and Urban Development

A.I.D. loans have been made for road construction to facilitate the movement of goods and people, primarily along the densely populated coastal and river areas. Capital assistance for FY 1973 will include a \$3 million loan for improvement of the approaches to the coastal urban center of New Amsterdam.

ITUD Sector Summary

Development Loans only

FY 1972	\$8,900,000.
FY 1973	\$3,000,000.

Honduras

Industrial and Urban Development

A small A.I.D. grant project for export promotion and tourism assists the Government of Honduras to develop a national strategy to stimulate trade, identify new exports and develop tourism. With funds from a \$30 million A.I.D. loan, the Central American Bank for Economic Integration (CABEI) will provide loans for export development and tourism to the extent that suitable projects are developed. CABEI gives special emphasis to Honduras, as it is the least developed country in Central America. The major A.I.D. activity in urban development will be a \$5 million Development Loan in FY 1973 which will help reorganize the Municipal Development Bank and provide funds for sub-loans for municipal development.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>
FY 1972	\$2,000,000.	\$130,000.
FY 1973	\$5,000,000.	\$100,000.

Jamaica

Education and Manpower Training

A.I.D. will help the Jamaicans expand funds available for development projects with a program aimed at increasing the efficiency of the Income Tax Office. From April 1970 to February 1971 taxes collected increased by 42% over the amount collected during a similar period the previous year. This increase has been attributed primarily to the tax reform.

A.I.D. and the Jamaican Government are considering a new project in management training for top- and middle-level government officials to strengthen planning and execution of development programs. A Public Safety program of \$85,000 is planned to help strengthen the Jamaican Constabulary Force.

The World Bank is providing a \$13.5 million loan for secondary education facilities as an add-on to a previous loan of \$9.5 million. The IDB is providing \$4.7 million for university level scholarship funds and Canada is providing a grant of \$375,000 for equipment for technical high schools.

Industrial Transport and Urban Development

A.I.D. guaranties in three projects totaling \$15 million cover the construction of 2,362 houses. In FY 1971 A.I.D. authorized a loan of \$10 million toward the creation of a mortgage bank which will help mobilize local savings and assist the Jamaican effort to provide necessary additional housing. A.I.D. also plans further support of the Jamaican effort to strengthen its financial institutions in FY 1973 through a \$5 million loan for capital market development. This loan will assist the mobilization of local resources for investment in productive activities.

Canada has provided \$1.3 million to the Jamaican Development Bank for relending for small loans. The Export-Import Bank has made \$40 million in loans available for industrial development and \$23 million for a new power plant.

OPIC guaranties cover U.S. investments in Jamaica totaling approximately \$530 million, mostly in the bauxite industry.

ITUD Sector Summary (Development Loans only)

FY 1972

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FY 1973

\$ 5 million

NicaraguaIndustrial and Urban Development

The IDB and the World Bank take the lead in helping develop Nicaragua's infrastructure. However, A.I.D. plans to continue its assistance to the Chamber of Industries and the Export Promotion Center as they work to improve the quantity and quality of domestic production, develop new industrial products, where feasible, and develop new markets for Nicaragua's industrial and agro-industrial exports.

ITUD Sector SummaryTechnical Assistance only

FY 1972	\$194,000.
FY 1973	\$190,000.

Panama

Industrial and Urban Development

Past efforts to manufacture import substitutes are no longer believed to be the best path to economic expansion. The government has recently passed a series of laws to encourage investment in export and agribusiness industries and in hotels and related tourist facilities. An Industrial Investment Research and Promotion Center has been established within the Ministry of Commerce and Industry. In FY 1972 A.I.D. will assist the government to develop further its institutional capability to promote specific domestic and foreign private investment focused on export opportunities. In the tourism area, A.I.D. provided an FY 1972 loan of \$4.1 million to assist in the construction of tourist facilities in Panama City to take advantage of Panama's unique geographical advantages. An additional FY 1973 loan of \$5 million is planned to support a revolving fund which will provide small business credit for tourist development. The IDB is also considering a \$5 million industrial credit loan.

Panama has a severe shortage of housing, particularly for low-income groups. In recent years, a group of specialized housing institutions have been offering programs to help meet the needs of all income groups. Management of these institutions is improving, mortgage delinquency rates are dropping and the availability of domestic funds for housing is increasing. Perhaps the most significant development is the recent establishment of a National Housing Commission, with a mandate to develop recommendations for an ambitious program designed to eliminate the housing deficit.

In conjunction with these efforts, A.I.D. is planning an FY 1972 loan of \$8 million and housing guaranty authorizations amounting to \$12.5 million in FY 1972 and \$4.5 million in FY 1973. A complementary FY 1973 \$8 million housing loan by the IDB is also projected.

Assistance will also be provided to strengthen the capacity of municipalities to serve local needs. Due to a long tradition of centralism, these bodies have been severely limited in responsibility and access to revenues. A loan of \$1 million in FY 1973 is proposed to help finance a pilot revolving credit facility to respond to municipal development needs in the interior. A.I.D. efforts in this sector have been and will continue to be complemented by substantial UNDP technical assistance.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>
FY 1972	\$12,100,000.	\$391,000.
FY 1973	\$ 6,000,000.	\$183,000.

Paraguay

Industrial and Urban Development

Since 1962, private sector investment has been sporadic, ranging from \$40 million per year to the present level of \$60 million. Industrial production has remained at 15% of GNP. Jobs generated by the non-farm, private sector have increased annually at 2.5% - less than the population growth rate.

The government Export Promotion Center's viability and effectiveness have been established and A.I.D. will shift its technical assistance to the development of a management training and consultative services capability in the private Development and Productivity Center. It will also assist five regional development centers to strengthen their capability to identify local investment opportunities, with emphasis on agro-industry, principally for export.

A \$2.5 million A.I.D. loan is proposed for Paraguay's only private development bank, primarily in support of investments for export production and export services. The IDB and the IBRD are considering loans for tourist promotion.

Health and Population

Paraguay's need for health services is great, particularly in rural areas. Malnutrition is widespread among children of low-income rural families. The government has recently begun to recognize the economic problems posed by the current 3.1% annual population growth rate. Twelve family planning clinics are now operating in Ministry of Health facilities and the Institute for Study of Human Reproduction at the National University is conducting research and training activities. An A.I.D.-assisted census and household survey is now nearly complete. The resulting data will be available for use in 1973. A.I.D. assistance in family planning will continue in FY 1973 to expand and upgrade government family planning clinics and to train family planning personnel.

P.L. 480 Title II agricultural commodities valued at \$1.2 million will be provided through the Catholic Relief Services to improve the nutritional intake of children by means of supplementary feeding programs.

The Pan American Health Organization and UNICEF will support development of an integrated regional health and nutritional services system employing paramedical personnel. The IDB is considering a \$3.8 million loan for a potable water system.

Education and Manpower Training

Only 17% of the children entering school succeed in completing an elementary education; a majority never go beyond third grade. A.I.D. Technical Assistance will support curricular and administrative reform. With A.I.D. assistance, the Ministry of Education has developed outlines for new curricula on each level, has established a plan for country-wide teacher training, and has submitted a plan for overall administrative reform of the Ministry. A.I.D. will continue assistance in developing and executing these plans.

A.I.D. will provide advisory and training assistance to assist the Paraguayan Government to improve its planning capacity. This project centers on tax administration and statistical development, and it will profit from recently improved coordination among the various Government statistical units.

In addition to an FY 1973 IBRD loan of \$6 million for constructing and equipping secondary and vocational schools, technical assistance from the Organization of American States and the United Nations will be applied to other education programs including science teacher training.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>
FY 1972	\$4,000,000.	\$191,000.
FY 1973	\$2,500,000.	\$229,000.

PeruEarthquake Rehabilitation

The United States has been providing Humanitarian assistance to Peru's program of relief, rehabilitation and reconstruction in the sizeable zone affected by the terrible May 1970 earthquake. A grant of \$10.5 million was made in June, 1970 to help defray costs of urgent relief and rehabilitation, and a \$3 million loan for community reconstruction was authorized in FY 1971 along with \$28 million in housing investment guarantees. Roofing has been given to thousands of families and agricultural credit has been provided on soft terms to hundreds of farmers. To assist Peru's final phase of the recovery effort, on the basis of carefully considered and prepared regional plans developed with UN technical assistance, A.I.D. is reviewing, for FY 1972 and FY 1973 authorization, a set of reconstruction loans of up to \$30 million for housing construction, agricultural credit, and small business rehabilitation.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>
FY 1972	\$17,000,000.	\$483,000.
FY 1973	\$10,000,000.	\$445,000.

Uruguay

Industrial and Urban Development. All Uruguay's foreign commerce activities have been centralized under the recently reorganized Directorate General of Foreign Commerce (DGCE). The DGCE has prepared studies for and served as Uruguay's representative to several regional trade conferences in the past year. An A.I.D. export promotion project will provide further technical assistance to the Directorate to improve marketing standards and disseminate export information. Some assistance will also be given to the Ministry of Transport, Communications and Tourism to develop a national tourism plan and promote investment in tourist facilities. A new \$5 million loan is planned for FY 1973 to promote industrial exports and tourism and continued disbursement of the second tranche of the FY 1970 \$15 million capital goods loan will provide equipment necessary for industrial development. As further stimulation to the private sector, a \$3 million A.I.D. loan is planned in FY 1973 to establish a Private Development Corporation.

Education and Manpower Training. A.I.D. will assist the Uruguayan Planning and Budget Office and the Ministry of Agriculture's Planning and Policy Office to improve identification and analysis of key constraints to growth and to improve efficiency in planning and allocating resources. Training and advisory services will continue to the National Tax Office to increase revenue collections through improved administration, management and audit. During 1971 a computer system was updated and a new collection system was initiated; in part because of these improvements income and sales tax collections increased by 13%. A contract with the American Institute for Free Labor Development will provide training to labor leaders and assist the Democratic Uruguayan Labor Federation to expand the democratic labor movement by increasing membership and recruiting new unions to the Federation. Police departments in Montevideo and the interior will receive training under A.I.D.'s public safety program to increase their law enforcement capabilities.

ITUD Sector Summary

	<u>Development Loans</u>	<u>Technical Assistance</u>
FY 1972	--	\$85,000.
FY 1973	\$8,000,000.	\$100,000.

INTERREGIONAL PROGRAMS

INDUSTRIAL AND URBAN DEVELOPMENT

Science and Technology :

A.I.D. continues with its effort to mobilize the science and engineering knowledge of the United States to work on development problems, particularly through innovative and selective approaches. A total of \$2,178,000 is proposed in FY 1973 to support activities designed to (1) strengthen the capability of developing countries to formulate and implement national policies for science and technology, including development of appropriate infrastructures to make implementation feasible; (2) develop and use local technologies and skills more effectively; (3) acquire and adapt foreign technologies to the needs of developing countries; and (4) assist developing countries to utilize, manage and conserve their natural resources more effectively. Of primary interest are practical steps to improve the institutional base for research and development in applied science and industrial technology. Completion of current programs and selection of new programs will develop and demonstrate better means to transfer, adapt, and utilize available technology and stimulate new technology towards solving specific development problems.

The National Academy of Sciences and National Academy of Engineering will continue their successful bilateral workshops, conducted under a contract partially financed by A.I.D., in developing countries. Recent regional workshops in Southeast Asia and Central America were on environmental questions. Thailand, Uganda, Bolivia, and Indonesia have already requested joint workshops on science policy, industrial research, and natural resources. The Academies continue with their program of convening ad hoc advisory panels and special groups to formulate new concepts, suggest new approaches, and help evaluate specific field project proposals. Areas of current concern include the industrialization process in developing countries, innovative and appropriate technologies for developing countries, and the role of science and technology in international development in the 1970's.

A.I.D.'s other activities in this field include projects and proposed projects to (1) determine the impact of development activities on environmental quality in selected developing countries, (2) continue specialized training programs in the fields of oceanographic data and industrial standards, (3) adapt advanced technologies, including remote sensing and computer technology, to developing country needs, (4) reduce costs of public works programs in developing countries, (5) strengthen the capabilities of selected U.S. universities to deal with the problems of using science and technology in developing countries, (6) improve technical information access and exchange, and (7) develop techniques for upgrading industrial research activities. Research projects, applying competent scientific and engineering talent to the solution of relevant problems of developing countries will also be pursued.

Engineering Services:

A total of \$264,000 is requested to continue a worldwide engineering study of problem soils; update and improve standards and procedures for engineering and economic feasibility studies; develop standard engineering designs for various types of projects - including urban facilities and applications of water desalination plants; study standards for electrical power market projections including rural electrification; and develop project cost factors. Studies in urban planning, mineral resources, the engineering and economic aspects of the environmental effects of projects, and other engineering studies of worldwide and regional impact are also planned.

Urban Development:

There is increasing worldwide concern with the problems created by the transformation of the environment from a rural to a predominantly urban character. This transformation is creating unprecedented requirements for new jobs, low cost housing, community services, improved urban administration, control of urban pollution, and, related to all of these, improved urban planning and development strategies.

Urbanization, a natural concomitant of modernization, is occurring without sufficient awareness of the potentially serious problems and the significant development opportunities inherent in the process. However, breakthroughs are being made. A number of governments are attempting to implement or develop new national or regional urban development strategies. Concurrently, international assistance agencies are re-examining their own programs and potential to deal with urban problems.

Urban development, in its total relationship to economic, social, and overall national development, is a new concern of A.I.D. technical assistance. Rather than continuing to approach urban development on an individual problem basis -- housing, sewage, transportation, etc., -- an attempt is being made to identify major bottlenecks to urban development and treat them in an integrated manner, thereby providing greater development impact.

No specific funding is proposed for FY 1973, as the program is not yet fully developed. However, we are in the final phase of defining problems and are considering:

- strengthening training institutions, in the United States and the developing countries, whose programs address the critical problem areas of urban development;
- developing and encouraging mechanisms for the exchange of experience, ideas, technological advances and other information;
- sponsoring research in critical problem areas bearing on policy, strategy, and implementation; and
- creating an awareness of the impact of A.I.D.'s sector activities on the nature and scope of urban development.

Other Program Development Activities

Title IX of the Foreign Assistance Act directs A.I.D. to seek new approaches to improving the quality of life for

people of less developed countries. It encourages greater stress on social and civic development and development of programs to ensure that the broad masses of people participate in and benefit from the development process. Five main areas of concentration for carrying out the purposes of Title IX have been outlined:

(1) Research in the United States and developing countries about the interrelationships between social, political and economic development.

(2) The analysis of strategies of economic development that tend to maximize popular participation.

(3) The promotion, the consideration and analysis of social and political development objectives, as well as their implications for economic development, in policy and program planning, implementation, and evaluation.

(4) Encouraging recipient nation personnel and institutions to incorporate consideration of the participatory factors of development in their program planning, implementation, and evaluation.

(5) Identification of specific institutions and programs which can have the effect of broadening participation, such as to legislatures, public policy institutions, and legal systems.

In the past several years, several types of programs designed to carry out these goals have been started. These programs include two major areas of focus: first, the review of present policies and projects in developing countries and the development of projects in important new areas which could make a substantial contribution to the expansion of participation and second, the continuation and initiation of research contracts with several U.S. universities to study selected aspects of participation and develop training programs in which their research is operationally applied.

Review of present policies and programs, and development of new projects

-- Current overseas programs: There are numerous current overseas projects in various sectors which contribute to the expansion of popular participation. For example, nearly 13,000 small farmers in the Ada area of Ethiopia will benefit from a rural development program which A.I.D. will be assisting with advice on production techniques and help in the development of improved supervised credit service, storage facilities, water supplies, roads, and tenancy relationships. Through an A.I.D.-assisted loan and guarantee program related to ongoing cooperatives activities in Ecuador, some 10-12,000 farm families will be enabled to purchase their own land. In Bolivia, a community development loan (to be replenished this year) has completed over 1,000 small rural infrastructure projects including schools, health stations, sheep dips, and irrigation canals, with the local communities putting up over 50% of each project cost including labor, local materials, and cash. A pilot project in India to apply programmed instruction techniques to elementary education will be starting this year, and could have highly significant effects on upgrading the quality of primary education. Since nearly four-fifths of Indian children between the ages of 6 and 11 are in school, the extent of participation in the ultimate benefits of this project could be very great.

-- Programs in the development of legislatures: In June, 1971, A.I.D. made a grant to the Comparative Development Studies Center, State University of New York at Albany, to conduct a program in developing country legislative development. The grant, an outgrowth of several earlier studies, has among its objectives the creation of a legislative development institute at Albany with the capacity to conduct programs of technical assistance in legislative process improvement, the administration of a few such programs under the grant, and the eventual multilateralization and professionalization of technical assistance in this area. Programs are being planned or are now in process in Brazil, Costa Rica, and Ethiopia in such fields as legislative reference, automated bill tracking systems, budget analysis, etc. Expansion of the program to other countries is expected.

The Center works in close collaboration with the New York State legislature and it is expected that other state legislatures will participate to the extent that they are interested in doing so.

In addition to and coordinated with this program, grants have been made to Duke University and the Universities of Hawaii and Iowa to conduct related programs of research and training on strengthening the contribution of LDC legislatures to popular participation. Duke will focus on legislative influences on specific developmental problems in South Asia, Latin America, and Africa. Iowa will concentrate on inter-country comparative studies of legislatures and their performance in Africa and Asia. Hawaii will make comparisons of economic growth factors with legislative performance, particularly in East Asia.

-- Program to establish public policy institutions:

A Brookings Institution study of the feasibility of establishing public policy research and education institutions in a number of developing countries as a means of increasing participation revealed that a program along these lines would be premature at this time. Accordingly, activity in this area has been deferred.

-- Programs in the role of law: A team of lawyers, judges, and political scientists organized by New York University has been studying the use of development assistance to strengthen the rule of law as it pertains to increasing opportunities for popular participation in the development process. This group's work, in Asia and Africa has been supplemented by separate work focussed on Latin America performed through the International Legal Center.

Research and training programs

-- The Fletcher School of Law and Diplomacy, Tufts University has continued to do research, training, and consultation in the interrelationship between economic and political aspects of the development process. This work has been assisted by a five-year 211(d) grant made in 1968. To date the Fletcher School has developed materials for Title IX training and provided an academic year of training for sixteen

A.I.D. officials; done research on civic education, on the role of international institutions in Title IX, and on the development of a framework for analysis of political-economic relationships in developing countries.

Five A.I.D. officials have been receiving a year's training at the Maxwell School, Syracuse University on economic and political development (Title IX). It is expected that approximately the same number will be enrolled in 1972-73.

-- Northwestern University has completed a major piece of research into the implementation of Title IX objectives. This project was designed to provide a data base of participatory factors, a set of more clearly defined and measurable criteria of participation, and, from analysis of this data and criteria, new hypotheses regarding the interaction of political, social and economic participation.

-- Since 1969, Harvard University has been exploring further the interrelationships between different forms of participation in modernizing societies. Building on existing research concerning social, political, and economic participation, and doing more in-depth country studies, it is seeking to identify distinctive patterns of participation in modernizing societies. Among the broad issues which are being investigated are the extent to which economic participation is a precondition or a substitute for political participation; whether and under what conditions different forms of participation predominate; and which groups are likely to participate in different ways as modernization proceeds.

-- Under Section 211(d) of the Foreign Assistance Act, a grant was made to Yale University Law School, in cooperation with the Department of Economics and Political Science, to establish a program of teaching and research on the relationship between legal systems and modernization. In addition to support for faculty teaching and research, the grant will help provide the means to train lawyers and social scientists from the United States and developing countries in the role of legal systems in modernization, to provide a relevant course of study for U.S. law students who

anticipate careers which relate to development and to permit advanced study by officials of organizations involved in legal aspects of modernization. Yale has already concluded papers on law and capital market development in Brazil, and the law structure of Kenya. In addition, the grant will enable the Law School substantially to augment its Legal Institutions collection.

-- A contract with Rice University is funding a research project to gain better understanding of the interaction between the distribution of income and wealth and the pattern of economic, social, and political development. The research undertaken will be concentrated on three topics: 1) how the distribution of wealth and income affects the composition of production and the allocation of resources, and conversely how the resulting structure of production affects employment and income distribution; 2) evaluation of the distribution of the tax burden and of government expenditure to ascertain how public policies affect the distribution of disposable income; and 3) how different socio-political and regional groupings affect development policy which then influences income distribution and how the distribution of income and wealth in turn affects the composition and outlook of diverse groups..

(\$000)	<u>FY 1972</u> <u>(Estimated)</u>	<u>FY 1973</u> <u>(Proposed)</u>
<u>Interregional Technical Assistance</u>		
Population Program	35,332.	41,876.
Other TA Programs	11,462.	13,314.
<u>Participant Training</u>		
<u>Other Programs</u>		
211(d) Grants	2,300.	3,500.
Development Research	8,750.	11,000.

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