

AGENCY FOR INTERNATIONAL DEVELOPMENT



**Congressional Presentation
Fiscal Year 1985**

ANNEX III

**Latin America and the Caribbean
Volume II**

ANNEX III

**Central America
Volume II**

CENTRAL AMERICA

VOLUME II

Responsible Officer



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ANNEX III - Volume II

Annex III presents to the Congress all Development Assistance (DA) and Economic Support Fund (ESF) programs for Latin American and the Caribbean (LAC) for which A.I.D. is requesting funds for FY 1985. Volume I of Annex III presents the budget request for the South American and Caribbean countries and Volume II presents the budget request for the Central American countries.

Volume II begins with a summary table which provides a breakout by country and appropriation account of the funding requirements for the Central American countries from FY 1982 to FY 1985. There is also a regional summary table of economic and social data for countries in LAC that receive A.I.D. assistance.

The Central American overview presented in this volume provides a summary of the Agency's programs in Central America. This is followed by country narratives for Central America (listed alphabetically) which describe the total A.I.D. program.

The requests for ESF and DA funds are shown together. The ESF request for these countries is shown under the heading "Other Programs, ESF" on the summary table of active and proposed projects.

Volume II of Annex III concludes with a table on the terminating program in Nicaragua.

LATIN AMERICA AND THE CARIBBEAN

Volume II - CENTRAL AMERICA

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*Receives both Development Assistance Funds and Economic Support Funds in FY 1985

Note: The FY 1985 budget presentation for South American and Caribbean countries (Bolivia, Dominican Republic, Ecuador, Haiti, Jamaica, Peru, Caribbean Regional and LAC Regional) is contained in Volume I.

ABBREVIATIONS

ARDN	Agriculture, Rural Development and Nutrition
BLADEX	Latin American Export Bank
CABEI	Central American Bank for Economic Integration
CACM	Central American Common Market
CACMF	Central American Common Market Fund
CADO	Central American Development Organization
CARE	Cooperation for American Relief Everywhere
CATIE	Tropical Agricultural Research and Training Center
CBI	Caribbean Basin Initiative
CCC	Commodity Credit Corporation
CET	Common External Tariff
DA	Development Assistance
EHR	Education and Human Resources
ESF	Economic Support Fund
GDP	Gross Domestic Product
GOB	Government of Belize
GOCR	Government of Costa Rica
GOES	Government of El Salvador
GOC	Government of Guatemala
GOH	Government of Honduras
GOP	Government of Panama
HC	Housing Guaranty
ICAITI	Central American Research Institute for Industry
IICA	Inter-American Institute of Agricultural Cooperation
IMF	International Monetary Fund
INCAE	Central American Business School
INCAP	Nutrition Institute for Central America and Panama
NDF	National Development Foundation
OPG	Operational Program Grant
PADF	Pan American Development Foundation
PVO	Private Voluntary Organization
USIA	United States Information Agency

SUMMARY OF PROGRAMS BY COUNTRY AND APPROPRIATION
(IN THOUSANDS OF DOLLARS)

CP-35

REGION: BUREAU FOR LATIN AMERICA AND CARIBBEAN

C O U N T R Y	TOTAL	AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION	POPULATION PLANNING	HEALTH	EDUCATION AND HUMAN RESOURCES DEVELOPMENT	SELECTED DEVELOPMENT ACTIVITIES	ECONOMIC SUPPORT FUND	OTHER PROGRAMS

BELIZE								
1982	---	---	---	---	---	---	---	---
1983	16,697	6,440	---	---	---	257	10,000	---
1984	14,000	3,330	---	240	---	430	10,000	---
1985	10,000	1,960	---	650	2,240	1,150	4,000	---
COSTA RICA								
1982	31,540	2,930	15	---	100	8,495	20,000	---
1983	194,159	15,650	975	5,988	600	3,946	157,000	---
1984	153,100	2,550	837	5,850	2,863	11,000	130,000	---
1985	180,000	3,355	1,035	2,200	7,710	5,700	160,000	---
EL SALVADOR								
1982	154,573	20,304	1,780	26	---	14,087	115,000	3,376
1983	198,785	35,529	1,850	17,014	272	4,120	140,000	---
1984	281,304	36,000	3,944	10,085	4,175	17,100	210,000	---
1985	290,000	28,000	7,000	10,000	22,000	13,000	210,000	---
GUATEMALA								
1982	8,182	1,617	1,193	304	4,414	390	---	264
1983	22,311	8,862	1,933	171	750	500	10,000	95
1984	21,612	5,872	2,250	5,350	2,040	6,100	---	---
1985	75,000	16,950	3,265	4,100	3,735	6,900	35,000	---
HONDURAS								
1982	67,967	22,282	756	5,204	2,755	170	36,800	---
1983	87,226	23,780	1,689	4,022	1,275	460	56,000	---
1984	152,255	21,590	2,238	7,150	3,077	5,700	112,500	---
1985	120,000	10,250	2,400	10,100	11,245	11,000	75,000	---
NICARAGUA								
1982	5,779	442	---	163	4	70	5,100	---
1983	---	---	---	---	---	---	---	---
1984	---	---	---	---	---	---	---	---
1985	---	---	---	---	---	---	---	---
PANAMA								
1982	11,686	7,248	679	45	2,040	1,674	---	---
1983	6,230	600	213	---	589	4,828	---	---
1984	45,200	4,050	550	---	3,310	7,290	30,000	---
1985	39,800	5,380	1,300	---	7,020	6,100	20,000	---

SUMMARY OF PROGRAMS BY COUNTRY AND APPROPRIATION
(IN THOUSANDS OF DOLLARS)

CP-85

REGION: BUREAU FOR LATIN AMERICA AND CARIBBEAN

C O U N T R Y	TOTAL	AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION	POPULATION PLANNING	HEALTH	EDUCATION AND HUMAN RESOURCES DEVELOPMENT	SELECTED DEVELOPMENT ACTIVITIES	ECONOMIC SUPPORT FUND	OTHER PROGRAMS

ROCAP								
1982	13,130	11,096	---	---	1,250	784	---	---
1983	19,399	3,584	---	---	2,150	13,665	---	---
1984	42,900	6,945	---	2,800	1,100	4,055	28,000	---
1985	198,600	3,905	---	12,950	5,000	40,145	136,600	---
TOTAL								
1982	292,857	65,919	4,423	5,742	10,563	25,670	176,900	3,640
1983	534,807	94,445	6,560	27,195	5,636	27,776	373,000	95
1984	710,371	80,337	9,819	31,475	16,565	51,675	520,500	---
1985	913,400	69,300	15,000	40,000	64,000	34,000	640,600	---

ECONOMIC AND SOCIAL DATA
REGIONAL SUMMARY

REGION: CENTRAL AMERICA

COUNTRY	ECONOMY		EDUCATION		POPULATION				HEALTH		
	GNP PER CAPITA (DOLLARS)	LITERACY RATE (PERCENT)	TOTAL (THOUSANDS)	ANNUAL GROWTH RATE (PERCENT)	DENSITY (PERSONS / SQUARE MILE)		% IN URBAN AREAS	LABOR FORCE IN AGRICULTURE (PERCENT)	PEOPLE PER DOCTOR	LIFE EXPECTANCY (YEARS)	INFANT DEATHS PER 1,000 BIRTHS
DEVELOPMENT ASSISTANCE RECIPIENTS											
BELIZE	1,080	91	154	2.1	294	16	49	28	2,935	-	56
COSTA RICA	1,430	88	2,624	2.6	273	110	44	29	1,390	71.0	18
EL SALVADOR	650	62	4,685	2.6	865	543	42	50	3,599	64.4	71
GUATEMALA	1,140	46	7,714	3.1	679	168	36	55	1,833	59.2	66
HONDURAS	600	57	4,276	3.4	179	82	37	63	3,294	59.2	78
PANAMA	1,910	85	2,058	2.1	268	60	56	27	1,223	71.0	23
DA SUMMARY	1,034	61	21,511	2.9	316	55	40	49	1,997	63.0	59

ECONOMIC AND SOCIAL DATA
REGIONAL SUMMARY

REGION: CENTRAL AMERICA

COUNTRY	ECONOMY	EDUCATION		POPULATION				HEALTH			
	GNP PER CAPITA (DOLLARS)	LITERACY RATE (PERCENT)	TOTAL (THOUSANDS)	ANNUAL GROWTH RATE (PERCENT)	DENSITY (PERSONS / SQUARE MILE)		% IN URBAN AREAS	LABOR FORCE IN AGRICULTURE (PERCENT)	PEOPLE PER DOCTOR	LIFE EXPECTANCY (YEARS)	INFANT DEATHS PER 1,000 BIRTHS
ECONOMIC SUPPORT FUND RECIPIENTS											
BELIZE	1,080	91	154	2.1	294	16	49	28	2,935	-	56
COSTA RICA	1,430	88	2,624	2.6	273	110	44	29	1,390	71.0	18
EL SALVADOR	650	62	4,685	2.6	865	543	42	50	3,599	64.4	71
GUATEMALA	1,140	46	7,714	3.1	679	168	36	55	1,833	59.2	66
HONDURAS	600	57	4,276	3.4	179	82	37	63	3,294	59.2	78
PANAMA	1,910	85	2,058	2.1	268	60	56	27	1,223	71.0	23
ESF SUMMARY	1,034	61	21,511	2.9	316	55	40	49	1,997	63.0	59
REGION SUMMARY	1,034	61	21,511	2.9	316	55	40	49	1,997	63.0	59

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OVERVIEW OF
CENTRAL AMERICAN ACTIVITIES

CENTRAL AMERICA

PROGRAM SUMMARY (In thousands of dollars)								
Fiscal Year	Total	Agriculture, Rural Development and Nutrition	Population Planning	Health	Education and Human Resources Development	Selected Development Activities	Other Programs	
							ESF	Other
1983								
Loans	264,247	75,000	--	25,000	--	15,697	148,550	--
Grants	270,560	19,445	6,660	2,195	5,636	12,079	224,450	95
Total	534,807	94,445	6,660	27,195	5,636	27,776	373,000	95 ^{a/}
1984								
Loans	148,681	49,000	--	9,655	2,000	12,026	76,000	--
Grants	198,190	21,337	4,819	3,820	4,565	9,649	154,000	--
Suppl	363,500	10,000	5,000	18,000	10,000	30,000	290,500	--
Total	710,371	80,337	9,819	31,475	16,565	51,675	520,500	--
1985								
Loans	55,292	25,000	--	10,342	--	13,950	6,000	--
Grants	858,108	44,800	15,000	29,658	64,000	70,000	634,600	--
Total	913,400	69,800	15,000	40,000	64,000	84,000	640,600	--

a. Disaster Assistance Funds

FY 1985 PROGRAM HIGHLIGHTS	
-	A.I.D.'s Central American program concentrates on four fundamental elements: economic stabilization, creation of a basis for long-term growth, promotion of equity, and strengthened democratic institutions and respect for human rights.
-	In FY 1985, the request consists of: \$640.6 million of ESF, \$272.8 million of DA, \$120 million in P.L. 480 commodities, \$77 million of other agency programs and Operating Expenses, and \$600 million in guaranty authority to support private lending to the region.
-	In FY 1984, the supplemental request for Central America includes: \$290.5 million of ESF, \$73 million of DA, \$25 million of P.L. 480 commodities, and \$12 million in other agency programs and increased Operating Expenses.

AN ECONOMIC ASSISTANCE PROGRAM FOR CENTRAL AMERICA

INTRODUCTION

Central America is in crisis. As the National Bipartisan Commission on Central America has documented, the economic, political and social turmoil of the region poses a serious threat to U.S. national interests. Immediate action is essential. This request embodies an action program to attack the fundamental economic, social and political problems of the region identified by the Bipartisan Commission. A separate request has been prepared to address the military and security issues facing the United States in the region. This request proposes a four-pronged program of stabilization, growth, equity and democratization measures to address the underlying problems identified by the Bipartisan Commission. Because aid alone cannot produce development, the assistance proposed here would be conditioned on demonstrations by the governments of their commitment and ability to undertake fundamental economic and social reforms.

THE REGION'S PROBLEMS

Economic and social development has been made most difficult by the presence of military conflict within the Central American region. Even were this conflict to disappear, however, the region would still face four severe, long-term, and potentially intractable problems: economic instability, poor economic growth, economic and social inequity, and weak political and legal systems. Each is described briefly below.

Economic Instability. All countries of the region are reeling from the economic and political shocks of the past several years. The combination of the 1979-1980 oil price increases and the commodity price declines between 1980 and 1983 opened up a gap of \$1.5 billion in the region's balance of payments, to which most governments responded by excessive borrowing rather than adjustment. The political turmoil resulting from the establishment of a Marxist government in Nicaragua and from internal strife in El Salvador exacerbated this economic problem, leading to cutoffs of commercial credit, capital flight, and a dropoff in foreign investment. The financial difficulties left the countries unable to make payments for their Central American trade, resulting in a collapse of the intraregional payments system and a sharp contraction of intraregional trade. In addition, regional governments face difficult fiscal situations resulting from reduced revenue due to lower production and trade and inadequate tax collection and to increased spending arising from an expansion of government programs and of military spending due to insurgency and threats from abroad.

Poor Growth Prospects. The economic problems facing Central America go beyond the relatively recent instability mentioned above. Sustained economic growth is the only mechanism over the long haul that can fundamentally change the reality of widespread poverty in the region, yet prospects are poor for the traditional agricultural sectors, such as coffee, sugar and bananas, which in the past have fueled growth spurts. Opportunities for import substitution

industries have been exhausted. Unless some dynamic growth can be generated by structural change that allows diversification of production and exports, productive employment opportunities for the region's rapidly growing labor force will not be available, and the region will be unable to overcome its economic backwardness.

Economic and Social Inequity. A third serious problem facing three of the countries -- Guatemala, El Salvador and Nicaragua -- is the limited capacity or willingness of government institutions to address the issues that are at the core of the development process. Unless the governments of these countries come to grips with basic equity, social justice and participation issues in a manner that addresses the concerns of all sectors of their societies, their political stability -- and therefore that of the entire region -- will continue to be threatened. Honduras, the poorest country in the region, has so far managed to avoid the divisive internal conflicts of the three countries mentioned above, but rapid improvement in the quality of life for all sectors of the population is an important requirement for preventing the emergence of such a situation.

Weak Political and Legal Institutions. Related to the lack of equity in some of the countries is the lack of strong legal systems, the existence of unrepresentative political systems and an overall lack of concern for basic human rights. Costa Rica demonstrates that democratic political systems are indeed possible in the region and that they can play a crucial role in maintaining political stability and promoting broad development goals. Representative systems cannot be built overnight, nor can they be imposed from outside. But outside assistance can support indigenous efforts in this area.

MULTIYEAR GOALS AND FUNDING REQUEST

The funding requested here includes two elements: authorization of \$8.3 billion in economic assistance and guarantees for Central America, to be available over the next six years; and a supplemental appropriation of \$400 million in FY 1984 and a request for a \$1,120 million appropriation in FY 1985, representing the first phase of implementation of this program. In the face of large federal deficits and urgent domestic priorities, such a request requires compelling justification. We believe that the report of the Bipartisan Commission provides this. The situation is so alarming, the Commission concluded, that "whatever the short-term costs of acting now, they are far less than the long-term costs of not acting now." If the proposed assistance can capture the imagination and energies of the people of Central America, we believe that it can support a dramatic turnaround in the development situation of the region and eliminate a potentially serious threat to U.S. national security.

Our major goals for the five-year program are the following:

- an end to the downward spiral in production by 1985;
- achievement of an economic growth rate of at least 6% per year in the

region within six years, producing more than 250,000 jobs annually through export-led growth;

- agricultural production increasing by 4% per year by 1989, generating 80,000 jobs per year and increasing both food availability and agroindustrial exports;
- substantially greater participation of all sectors of the Central American population in the benefits of economic growth, including:
 - an increase in primary school enrollments to 95% of the school-aged population by 1989 from the current 84%;
 - a reduction in the rate of primary-level grade repeaters by 50% in all countries, and an increase in the primary level completion rates from 40% to 80% in Guatemala, Honduras and El Salvador, and from 80% to 95% in Costa Rica, Panama and Belize by 1990;
 - a reduction in infant mortality from the current rate of 65 per thousand to 55 per thousand by 1989;
 - provision of modern family planning services to almost 600,000 couples, increasing contraceptive usage by 50% by 1989 and reducing birth rates by 1% each year;
 - an increase of 25% in the rate of construction of low-income housing; and
 - a 25% increase in the coverage of water and sewerage services by 1989.
- a strengthening of democratic institutions in countries where they already exist, and achieving substantial progress toward participatory democracy and legal systems that respect individual human rights in the others.

As proposed by the Bipartisan Commission, the assistance to Central America would be provided as part of a multiyear and collaborative approach in which our aid would be closely tied to commitments for economic and social reforms by the recipient governments. Our procedures for implementation will reflect a greater emphasis on more flexible instruments for assistance, greater collaboration with governments and private groups in the region, and streamlined administration. A Central American Development Organization (CADO), consisting of highly experienced and respected representatives of Central America and the United States, will monitor and assess country performance against both economic and political goals. This approach follows the conclusion by the Bipartisan Commission that an integrated program attacking the four major problems of the area -- economic instability, poor economic growth, poor equity performance, and weak political and legal systems -- is essential to resolution of the region's problems.

We propose that the full amount necessary for this entire program be authorized in FY 1984 to provide our friends with the assurance necessary to take difficult actions to meet the crisis. The supplemental appropriation* we are requesting in FY 1984 includes:

*This is in addition to the following being amounts financed for Central America under the FY 1984 Continuing Resolution: \$230 million in ESF; \$117 million in DA; and \$83 million under P.L. 480.

- \$290 million of Economic Support Funds (ESF);
- \$73 million in Development Assistance (DA);
- \$25 million in P.L. 480 commodities; and
- \$12 million in other agency programs and increased operating expenses.

In FY 1985, we are seeking appropriation of:

- \$641 million of ESF;
- \$273 million in DA;
- \$120 million in P.L. 480 commodities;
- \$77 million for other programs and operating expenses; and
- \$600 million in guaranty authority to support private lending to the region.

In each case, we request that the ESF and DA appropriation be made available until expended to allow more effective application of conditionality to these programs.

PROGRAM STRATEGY

Our Central American program strategy concentrates on four fundamental elements: economic stabilization, creation of a basis for long-term growth, promotion of equity, and strengthened democratic institutions and respect for human rights.

A. Stabilization

The immediate priority will be to achieve economic stabilization by eliminating unfinanced balance of payments and fiscal gaps. While all Central American countries have reduced import levels, increased assistance will be needed if further declines in imports -- and therefore in incomes -- are to be avoided. We propose to provide large-scale balance-of-payments assistance, conditioned on steps by governments to increase exports and conserve on imports for consumption to restore external balance, and to correct fiscal imbalances through increased taxes and spending controls. To assure this we will seek to operate within the framework of International Monetary Fund (IMF) stabilization programs. If an IMF program is not feasible in particular circumstances, we shall establish our own performance targets for macroeconomic variables.

Both the time period required for economic stabilization and the level of resources required will depend significantly upon external events. At present, we expect this phase to require three to five years and \$3.1 billion in U.S. Government assistance. This will include \$2.5 billion in appropriated ESF, \$0.1 billion in P.L. 480 commodities, and \$0.5 billion in private trade credits guaranteed by the U.S. Government. The bulk of the funds will be provided bilaterally, but a portion will be channeled through Central American regional institutions to promote restoration of intraregional trade. The assistance will enable the region to increase imports of needed raw materials and capital goods to increase production and employment over the near term.

However, local-currency generations from this dollar assistance will be used in most cases to support other A. I. D. economic assistance goals, e.g., production credit, labor-intensive construction of economic infrastructure and the most pressing basic human needs in health, education and housing.

B. Laying the Basis for Long-Term Growth

The second element of our strategy -- distinct from the first, but pursued concurrently with it -- is to lay the basis for self-sustaining growth that will provide productive employment for the people of the region. Rapid growth in productive job opportunities is the key to promotion of self-sustaining economic growth and to steadily rising incomes. Our program for growth promotion through productive employment stresses four elements: reform of government economic policies, promotion of industry and agriculture, and creation of economic infrastructure.

We believe that our approach can restore relatively rapid economic growth to the region (6% real growth per year) within five years. We propose funding of \$3.9 billion for this purpose, including \$1.7 billion in appropriated funds (\$0.9 billion ESF, \$0.4 billion DA, and \$0.4 billion P.L. 480), \$0.8 billion in local currency counterpart generations from economic stabilization assistance, and up to \$1.3 billion in guarantees and insurance. The latter will include trade credits provided through A. I. D. and the Export-Import Bank and increased insurance coverage by the Overseas Private Investment Corporation.

1. Policy reform. Increased employment opportunities are essential to achievement of long-term growth and equity goals. In the past, import-substitution policies have often discriminated against labor-using activities by making machinery artificially cheap. Such practices include interest rates that are negative in real terms, overvalued exchange rates, and very high tariff walls that encourage production of capital-intensive commodities. Eliminating such approaches would encourage more labor-intensive production methods and stimulate increased exports of both traditional and new products.

The experience in the developing countries over the past two decades suggests that this policy approach offers the best prospect for creating the large-scale employment needed by the region's rapidly growing labor force while permitting steady growth in productivity and per capita incomes. In turn, this rapid growth in incomes and exports should permit an equally rapid growth in the imports of raw materials and other products needed to provide the productive employment that can support a higher living standard for the people of the region.

2. Industrial Employment. If the people of the region are to have the employment opportunities needed to increase their incomes substantially the industrial sector will need to play a major role. Over the medium term only the export market is likely to provide the market potential needed to spur rapid industrial growth. Exports of nontraditional products from the region have in fact been growing rapidly over the past two decades (with annual

growth of manufactured exports to the United States averaging about 30% per year), but they are still a small share of total production or exports. The implementation of the Caribbean Basin Initiative (CBI), providing duty-free access to the U.S. market over the next 12 years, should provide a favorable environment for such an export strategy.

U.S. assistance will directly assist in financing this effort through such activities as providing credit for imports of machinery for industry and technical assistance in investment promotion, product development and export marketing, and improved production methods. Increased activity by the International Executive Service Corps will be one vehicle for this. We expect the private sector to be willing to undertake much of the necessary financing itself where policies provide the proper incentives, while our assistance will be aimed at encouraging such policies.

3. Agricultural Production. Half of the region's labor force still works in agriculture. Experience indicates that small farmers are the most productive users of land resources, yet they lack adequate access in several of the countries of the region to credit, modern technology and marketing services that would unleash this capacity. We believe that agricultural production can be increasing by 4% per year by the end of the five-year period. This would increase food availability internally and generate exports of nontraditional agricultural and agroindustrial products, besides providing about 80,000 new jobs per year. Our program includes credit for small farmers and dissemination of improved technology both directly and through promotion of private and public mechanisms, including cooperatives. Our policy dialogue will focus on price and marketing reforms to provide better incentives to farmers.

4. Economic Infrastructure. Our strategy also proposes substantial funding for economic infrastructure. In the relatively less-developed countries of the region, provision of basic economic infrastructure -- roads, communications, urban services -- can be important in facilitating increased production of manufactured and agroindustrial products. Moreover, financing of such infrastructure is likely to increase economic activity and, by using labor-intensive techniques, increase employment relatively quickly. Of course, the multilateral banks will continue to be the main source of financing for infrastructure projects.

C. Equity and Broad Participation in Development

The third element of the strategy -- to be pursued in those countries where the restoration of satisfactory economic growth is not an adequate answer to the development problem -- is a longer term development program aimed at improving the quality of life of less advantaged groups. Access to employment and other sources of productivity growth, such as modern agricultural technology and improved inputs, have already been mentioned above because they provide a means of achieving equity goals in a manner that also stimulates rapid economic growth.

Altogether, we propose a total of \$3.1 billion in assistance in direct support for our equity goals. This figure includes \$1.7 billion in dollar funds appropriated for this purpose (including \$1.4 billion in DA, \$0.1 billion in P.L. 480 Title II commodities, and \$0.2 billion in programs administered by the Peace Corps and the State Department), \$0.2 billion in Housing Guaranty funds, and \$1.2 billion in local currency counterpart funds from ESF and P.L. 480 assistance provided for balance-of-payments support. In addition, the \$3.9 billion provided to support long-term growth could be included in this category because it supports the productive jobs and increased incomes that are the most powerful vehicle in the long term for meeting basic needs.

The principal direct equity-oriented measures being supported include the following:

1. Education. Illiteracy is still a serious problem in most of the countries of the region, and limited access to primary education, particularly in rural areas, is creating a new generation of illiterates. We propose a major program of support for educational activities in the region, including primary education, substantial expansion of skills training and vocational education, and higher education in the United States. At the primary level, we propose to expand access to the system to nearly 100% of the school-aged population and to increase the relevance and quality of the education to reduce grade repetition and dropouts. Major program elements will include school construction, teacher training, and production and distribution of textbooks and educational materials. The efforts in the literacy field will include both support for indigenous public education institutions and for use of Peace Corps volunteers to supplement their efforts.

We also propose to provide 10,000 scholarships over the next five years for study in the United States. We have found that those Latin American government officials who are most effective in promoting development in the region and in promoting democratic values are quite often the product of past U.S. Government-financed participant training. Moreover, scholarships to communist-bloc countries are apparently available in much greater number than those for U.S. study. In some countries, this had led to cadres of bloc-trained professionals in government ministries. Our scholarship assistance will address this challenge, in addition to augmenting the number of high-level professionals necessary for the accelerated development effort and to increasing the understanding by Central Americans of U. S. values. The scholarship program will be administered by A. I. D. and the United States Information Agency (U. S. I. A.).

2. Health and Nutrition. We will support increased action to improve health conditions, particularly in rural areas, where government programs are clearly inadequate at present. Increased efforts to control malaria and other vector-borne diseases, dissemination of oral rehydration therapy, and training of nurses and other health workers will be major elements of our program. We will address nutrition issues through an expansion of our technical assistance and education efforts, as well as through an expansion of our food aid programs. The Peace Corps will cooperate in implementing our health and nutrition programs, and U. S. I. A. will help in translating and disseminating educational materials.

3. Family Planning. Despite a significant reduction in birth rates in Central America over the past decade, the rate of population growth in Central America remains around 3% per year. Such high growth rates strain countries' capacities to provide adequate nutrition, education, health care, and employment opportunities for their populations. In addition, increased population pressures on limited natural resources have resulted in serious soil erosion and other environmental degradation in many areas. Access to contraceptives and to accurate family planning information is essential if poorer people are to have the opportunity to limit family size. Studies have shown that lack of information is an obstacle to increased contraceptive use, and that young children in large poor families in the region tend also to suffer from malnutrition. We will continue our programs in this area, with particular emphasis on working with private institutions.

4. Access to Land. Improved access to land may be the most rapid way to provide opportunity to poor groups in some of the countries of the region. Colonization of new lands can provide part of the solution, but some form of land reform may be a necessary element of a program in this sector. This would be the case particularly in Guatemala where access to land in the central highlands, where the bulk of the Indian population lives, is a severe constraint to improved living standards. Our program will support efforts to increase land availability for poor rural families through support for colonization, through legal reforms needed to increase security of land titles, and through long-term financing for land purchase.

5. Shelter. Much of the population of the isthmus lives in substandard housing which lacks water, sewerage and electricity services. Although remedying this problem will require both decades and massive financial resources, we can make progress through support for institutional improvements in housing finance mechanisms and by innovative programs such as "sites and services" projects that can mobilize the labor resources of beneficiary families at low cost. Our Housing Guaranty program will be used to channel private funds toward the solution of the severe shortage of low- and moderate-income housing while it generates substantial employment.

6. Refugees and Displaced Persons. The tragedy of forced dislocation due to political violence has exacerbated the poverty of many Central Americans. In some cases this has led to the spillover of migrants to other countries, including the United States. In El Salvador and Guatemala it has resulted in the internal dislocation of hundreds of thousands of people now living in deprived circumstances. We propose to expand our program of assistance for displaced persons to meet their cash income, health, nutritional, and educational needs in the near term and to assist in relocation or return to their homes as conditions permit. The State Department will be responsible for administering the refugee program, while A. I. D. will assist the displaced persons.

D. Democratic Institutions and Human Rights

The ultimate purpose of economic development is increased human welfare. If we succeed in generating economic growth in the region without broadening the

respect for basic human values we not only will fail to achieve our purpose but will be sowing the seeds of a future crisis when internal conflict becomes violent revolution. It is important to realize, however, that we cannot determine the path chosen by the people of the region. But we can provide our moral and financial support to those countries which choose democratic processes and which respect human rights. As a key element in providing the economic assistance under this program, we propose to take into account the situation in each country that responds to commitments regarding free elections, independence of the judiciary system, and respect for individual rights.

We also plan specific activities in several areas to support this element of our strategy. First, we will support strengthening of the administration of justice through technical assistance, training and material support for the courts, criminal investigative agencies, public prosecutors and defenders, justice ministries, law schools and bar associations. Second, we will provide assistance to improve the administration of elections. Finally, as discussed in the section dealing with education, broader understanding of democratic values will be pursued through scholarships and educational materials on democracy and democratic institutions provided by the U.S.I.A.

Since funding for each of the countries in the region will be affected by performance with respect to democracy and respect for human rights, the entire \$8.3 billion we propose for the region will support our objectives in this area. In specific projects, we propose \$340 million in funding for democracy and human rights initiatives.

IMPLEMENTATION CONSIDERATIONS

New Approaches. The emphasis on working closely with host governments to assure that appropriate policies are adopted, both in the economic sphere and with respect to political and human rights, requires that our assistance program include two departures from past practices.

First, we intend to encourage the establishment of an organization representing the public and private (including business and labor) sectors of participating Central American countries to serve as a forum for a frank and open dialogue on Central American political, economic and social development. CADO would not, as we envision it, be a separate bureaucracy but would meet periodically and contain a minimum number of staff necessary to achieve the purposes set out below. CADO would be structured so as to have labor representation, with the expectation that the experience with the Triparte model of the International Labor Organization will be heavily drawn on. While the specific makeup and functions of CADO will need to be developed in consultation with the Central Americans, our current view is that it should:

- establish goals and targets for economic, political and social development;
- recommend country performance criteria;
- evaluate external assistance needs, and recommend resource mobilization actions;

- measure country performance against goals and targets, and recommend corrective action where countries fall short; and
- be influential in affecting the level and structure of U.S. bilateral assistance for Central America.

Second, we believe that greater flexibility is needed with respect to use of the funds than has existed in the past. The requirement that all funds appropriated in each fiscal year be obligated in the same year can require us to make difficult choices between approving programs where a recipient government has not yet taken needed steps or of losing the funds entirely. The earmarking of funds by country has reduced our ability to encourage governments to take necessary policy reforms. We therefore request that the Congress provide two-year appropriations for this program and that appropriations not be made with country-level earmarkings.

Third, we seek to increase the role played in the development process by private voluntary organizations to the maximum extent feasible. In implementing the CBI we have developed closer relationships with these organizations than previously and have provided substantial funding to them. We intend to continue this effort.

Absorptive Capacity. The large-scale program proposed raises a question of the capacity of the region to absorb such an increase. We have concluded that such capacity does indeed exist. First, the annual level of resources provided under the program, at about 5% of the total product of the region, is lower than that provided by donors in a number of other cases. Second, the countries of the region are now operating at very low levels of production, and considerable excess capacity exists in the private sector. As our aid helps restore production, we will be providing the institution-building help and technical assistance that will prevent the emergence of bottlenecks in the future. Third, most of our resources will flow through private-sector agencies rather than governments.

Support Costs. The implementation of the proposed Central American program will require an increase in support costs for A.I.D. This includes additional direct-hire employees, plus increased operating expenses associated with the program. We propose additional funding of \$2.5 million in FY 1984 and \$6 million in FY 1985 to support this program.

COUNTRY STRATEGIES

Descriptions of the proposed program for each of the Central American countries are being provided separately. Briefly described below are the major elements of those country strategies.

Belize. For its per capita income level, Belize has high levels of education and health standards and a democratic political system. The economy has a good economic growth record and is relatively well-managed. The major obstacle is lack of infrastructure, which is made more serious by the fact that the country's small population base limits the economic returns to such investment. Our strategy emphasizes stabilization assistance over the near

term and support for investment in export-related agriculture and industry over the longer term. The Government of Belize will need to control the size of the public sector and to improve its efficiency. The main challenge, however, will be to generate private-sector entrepreneurship and finances to develop the country's considerable natural resource base. We propose supplemental funding of \$10 million for Belize for FY 1984 and a total request of \$10 million for FY 1985.

Costa Rica. The country has democratic institutions and high quality of life in relation to its per capita income. It grew rapidly until the late 1970s when the combination of failure to adjust to the oil price increase, rapid growth of the public sector and extremely rapid growth of foreign debt created an untenable economic situation. The major challenges facing Costa Rica at present are how to shrink the size of the public sector and how to extricate itself from its oppressive external debt. The latter can be expected to be a major limiting factor in economic growth possibilities for at least the remainder of the decade.

Our assistance strategy emphasizes government policies aimed at promoting production for export to world markets. This will require the government to maintain adequate incentives for exporters, particularly through the exchange rate. In addition, shrinking the size of the public sector through divestment and increased efficiency are high priorities. We propose supplemental funding of \$75 million in FY 1984 and total assistance of \$208 million in FY 1985.

El Salvador. The development prospects in El Salvador are heavily dependent upon progress being made against the insurgency. Assuming that the guerrilla threat will gradually decline over the next several years, El Salvador should be able to reverse some of the dramatic economic decline relatively quickly. Nevertheless, reconstruction of economic infrastructure and establishment of basic services for the reformed agricultural sector will take a number of years. Given the relative abundance of low-cost labor in the country and its relative success in generating industrial exports until the rise of the insurgency, the country should be able to generate rapid growth in manufacturing exports.

Actions to increase the effective exchange rate for exporters and to resolve the uncertainty in the agricultural sector (by completion of the land reform and making required payments to former landholders) are the two most important steps that need to be addressed by the government at present. Over the longer term, expanding economic opportunity, meeting basic needs, increasing respect for human rights, and encouraging broad political participation are major challenges. We propose additional assistance of \$134 million for FY 1984 and a total program of \$341 million for FY 1985.

Guatemala. Over the past two decades, Guatemala has experienced a combination of satisfactory economic growth, limited political development, and poor performance on meeting basic needs, particularly for the indigenous groups of the central highlands. With a tradition of conservative economic management, the country's stabilization and debt problems are less severe than any of the other countries of the region except Belize, but its political and social problems may be the most intractable in the region.

Our strategy for the country proposes high levels of assistance aimed at addressing the basic social issues and providing substantial economic infrastructure, but conditioned upon a demonstration of commitment by the Guatemalan government to a resolution of the social and political conflicts within that society. Assuming such a commitment, we propose a supplemental request of \$20 million for FY 1984 and total assistance of \$96 million for FY 1985.

Honduras. Despite a considerable natural resource base, Honduras is the poorest country in the region. The primary problems are the low level of human resources and the weakness of government institutions. Political institutions are relatively well-developed, however, and the country has not experienced the social and political divisions that characterize El Salvador and Guatemala. Our strategy includes substantial support for stabilization efforts in the near term; heavy investment in economic infrastructure, particularly in the agricultural sector, and long-term institution-building, particularly in education. The government will need to increase substantially its capacity to make decisions and to implement projects if Honduras is to effectively utilize increased resources. We propose an increase in the assistance level of \$84.5 million in FY 1984 and a total funding level of \$139 million for FY 1985.

Nicaragua. During the 1960s and 1970s, Nicaragua's economic performance and its progress in spreading basic health and education were both about average for the region. A failure to establish political alternatives to the Somoza family, however, led to a polarization of society and to the Sandinista takeover in 1979. The current government has emphasized government programs in education and health. It has also dramatically increased the role of government in the economy through both direct ownership and through replacement of market forces by government decisions in many areas, particularly prices and foreign trade. As a consequence, severe economic distortions have been created that make sustained economic growth unlikely without massive external assistance. Because of both the economic and political factors, we have not programmed any assistance to Nicaragua. Should government policies dramatically change, however, assistance to rebuild the country's economy might be justified.

Panama. Panama has a history of relatively rapid economic growth combined with a broad spread of the benefits of growth. Its most serious economic problem, urban unemployment, is due in significant part to government policies that limit the flexibility of the private sector. The very large presence of the U.S. Government in Panama through the Canal and U.S. military installations has probably contributed to the unemployment problem by creating a high-wage economy in the midst of a developing country. The current government has undertaken major policy adjustments aimed at restoring private-sector incentives and confidence. Our assistance would strengthen the capacity of the government to carry out such reforms. It would be based on continued progress in this area, including elimination of inappropriate pricing policies in agriculture and reform of labor legislation. We propose increased assistance of \$34.2 million in FY 1984 and a request of \$40 million in FY 1985.

Central American Regional Programs. In addition to bilateral programs in each of the countries of the region, we propose to emphasize regional approaches in several areas. First, we are encouraging regionwide discussion of goals and performance. CADO will provide the mechanism for this. Under the umbrella of CADO, we will support operation of a strong consultative group of the Central American governments and all major donors to the region to provide a forum for discussion of economic policy issues.

A second area of regional activity will be support for the strengthening of regional institutions. As recommended by the Bipartisan Commission, we will consider providing further financial support to the Central American Bank for Economic Integration, which supports investment projects in the region. We propose to carry out our activities to support democratization and respect for human rights on a regionwide basis. We are also examining the feasibility of a regional venture capital company to spur the capitalization of dynamic indigenous firms. We also intend to provide trade credit guarantees on a regional basis.

Third, we seek to reverse the decline of the Central American Common Market (CACM). Restoration of trade can lead to a spurt in regional growth. Moreover, because of the very small size of the individual countries, increased regional specialization may increase the region's capacity to produce for world markets. With limited U.S. resources trade can probably be re-established without any direct support being provided to Nicaragua. Over the longer term our strategy would seek to promote the reduction in the external tariffs applied by the CACM countries to increase competitiveness in world markets. We propose funding of \$30.8 million for FY 1984 and \$199 million for FY 1985 to support programs of a regional nature.

Attached are two tables presenting the total resources being requested for the proposed program.

Table I

FINANCIAL SUMMARY

ECONOMIC ASSISTANCE TO CENTRAL AMERICA
(millions of dollars)

<u>PURPOSE</u>	<u>Supplemental FY 1984</u>	<u>FY 1985</u>	<u>FY 1986- FY 1989</u>	<u>TOTAL</u>
<u>Stabilization</u>				
ESF	272	541	1,644	2,457
P. L. 480	25	103	--	128
Guarantees	--	470	--	470
Sub-total	297	1,114	1,644	3,055
<u>Growth</u>				
ESF	10	80	789	879
DA	8	87	327	422
P. L. 480	--	--	410	410
Guarantees	--	90	1,240	1,330
Counterpart*	(100)	(220)	(520)	(840)
Sub-total	118	477	3,286	3,881
<u>Equity</u>				
DA	66	196	1,096	1,361
P. L. 480, II	--	17	70	87
Guarantees	--	40	160	200
Counterpart*	(100)	(220)	(880)	(1,200)
Peace Corps	2	18	94	114
State, Refugees	--	15	78	93
Sub-total	168	506	2,381	3,055
<u>Democracy</u>				
ESF	8	20	85	113
U. S. I. A.	7	36	179	222
CADO	--	1	4	5
Sub-total	15	57	268	340
<u>Operating Expenses</u>				
	2	6	26	34
TOTAL*	<u>400</u>	<u>1,720</u>	<u>6,205</u>	<u>8,325</u>

*Counterpart figures are local currency generations from ESF or P. L. 480 balance-of-payments financing for A. I. D.-supported activities in the region. Since they are programmed for development purposes, they are included in sector sub-totals but not in the overall total.

Table II

BREAKDOWN BY TYPE OF FUNDING

ECONOMIC ASSISTANCE TO CENTRAL AMERICA
(millions of dollars)

	<u>Appropriated Funds</u>					<u>Guarantees</u>	<u>Counterpart</u>	<u>Total</u>
	<u>Total</u>	<u>ESF</u>	<u>DA</u>	<u>PL-480</u>	<u>Other</u>			
Stabilization	2,585	2,457	--	128	--	470	--	3,055
Long-Term Growth	1,711	879	422	410	--	1,330	(840)*	3,881*
Equity	1,655	--	1,361	87	207	200	(1,200)*	3,055*
Democracy	340	113	--	--	227	--	--	340
Operating Expenses	<u>34</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>34</u>	<u>--</u>	<u>--</u>	<u>34</u>
TOTAL	6,325	3,449	1,783	625	468	2,000	(2,040)*	8,325

*These figures include local currency counterpart generations from the dollars provided for economic stabilization. For this reason, they are not additive to the total funding requirements.

FY 85 CP ECONOMIC AND SOCIAL DATA

COUNTRY: (505) BELIZE

BASIC DATA

TOTAL POPULATION.. (THOUSANDS,MID 1983) 154
 PER CAPITA GNP..... (DOLLARS,1981) 1,080
 ANNUAL PER CAPITA REAL GNP GROWTH RATE.. (1970-81) 3.5%
 ANNUAL RATE OF INFLATION (1970-81) 8.7%
 NATIONAL INCOME RECEIVED BY LOW 20% OF POPULATION..(.) . %
 LIFE EXPECTANCY AT BIRTH, IN YEARS
 (.) TOTAL . MALE . FEMALE .
 (.) TOTAL . MALE . FEMALE .
 ADULT LITERACY RATE (1970) TOTAL 91% MALE 91% FEMALE 91%

AGRICULTURE

ANNUAL PER CAPITA AGRICULTURAL PRODUCTION GROWTH RATE
 (1973-1982) . %
 AGRICULTURAL PRODUCTION AS % OF GDP.....(1980) 22%
 POPULATION DENSITY / SQ MI OF AGRICULTURAL LAND (1979) 294
 MAJOR CROP(S) ARABLE LAND YEAR
 SUBSISTENCE: ROOTS & TUBERS ,RICE ,CORN 10% (1982)
 CASH: SUGAR CANE ,CITRUS FRUIT ,RICE 60% (1982)
 MAJOR AGRICULTURAL EXPORTS:(1982) RAW SUGAR ,ORANGES ,
 MAJOR AGRICULTURAL IMPORTS:(1982) WHEAT ,DAIRY PRODS. ,ANIMAL PRODS.
 PROPORTION OF LABOR FORCE IN AGRICULTURE.....(1980) 28%

CENTRAL GOVERNMENT FINANCES

TOTAL REVENUES AND GRANTS (\$ MILLIONS, U.S.)
 (.) (.) (.)
 TOTAL EXPENDITURES AND NET LENDING (\$ MILLIONS, U.S.)
 (.) (.) (.)
 DEFICIT(-) OR SURPLUS (\$ MILLIONS, U.S.)
 (.) (.) (.)
 DEFENSE EXPENDITURES,
 AS % OF TOTAL EXPENDITURES.. (.) . % (.) . % (.) . %
 AS % OF GNP..... (.) . % (.) . % (.) . %
 OFFICIAL INTERNATIONAL RESERVES, GROSS HOLDINGS END OF PERIOD,
 (\$MILLIONS, U.S.) (.) (.) (.)
 EQUIVALENT TO . MONTHS OF IMPORTS (.)

FOREIGN TRADE

MAJOR EXPORTS... (1981) SUGAR ,CLOTHING ,FISH
 EXPORTS TO U.S.
 (\$ MILLIONS, US, FOB) (1980) 57 (1981) 41 (1982) 35
 AS % OF TOTAL EXPORTS (.) .% (.) .% (.) .%
 MAJOR IMPORTS....(1981) MACHIN*Y/TRANSP ,FOODSTUFFS ,MANUFACTURES
 IMPORTS FROM U.S.
 (\$ MILLIONS, US, CIF) (1980) 64 (1981) 76 (1982) 71
 AS % OF TOTAL IMPORTS (.) .% (.) .% (.) .%
 TRADE BALANCE(\$ MILLIONS, U.S.)(.) .(.) .(.) .
 TRADING PARTNERS: UNITED STATES ,UNITED KINGDOM ,MEXICO
 EXTERNAL PUBLIC DEBT AS % OF GNP (.) . %
 SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT,
 (\$ MILLIONS, U.S.)..... (.) .
 AS % OF EXPORT EARNINGS (DEBT SERVICE RATIO).... (.) . %

SOCIAL DATA

POPULATION GROWTH RATE...(1970) 2.3% (1978) 1.5% (1983) 2.1%
 POPULATION IN URBAN AREAS.....(1970) 51% (1980) 49%
 LIVE BIRTHS PER 1,000 POPULATION.....(1970) 37 (1983) 32
 MARRIED WOMEN AGED 15-44 YRS. USING CONTRACEPTION. (.) . %
 POPULATION (1970) IN AGE GROUP:
 (0-14YRS) 49.3% (15-64YRS) 46.4% (65+ YRS) 4.3%
 INFANT DEATHS IN FIRST YR OF LIFE PER 1000 LIVE BIRTHS (1983) 56
 PEOPLE PER PHYSICIAN..... (1977) 2,935
 MAJOR CAUSES OF DISEASE (19) , ,
 DEATH.. (1981) FLU & PNEUMONIA ,PERINATAL DIS. ,CIRCULATORY
 PER CAPITA CALORIE SUPPLY AS A % OF REQUIREMENTS.. (1977) 122%
 POPULATION WITH REASONABLE ACCESS TO SAFE WATER SUPPLY(1970) 80%
 TOTAL SCHOOL ENROLLMENT AS % OF POPULATION IN AGE GROUP:
 PRIMARY..... (1980) TOTAL 85.0% MALE . % FEMALE . %
 SECONDARY..... (1970) TOTAL 22.0% MALE . % FEMALE . %
 POST SECONDARY.. (.) TOTAL . % MALE . % FEMALE . %
 ENERGY PRODUCTION AS % OF CONSUMPTION.....(1981) . %

U.S. OVERSEAS LOANS AND GRANTS — OBLIGATIONS AND LOAN AUTHORIZATIONS (U.S. Fiscal Years — Millions of Dollars)									ECONOMIC PROGRAMS OF ALL DONORS (Millions of Dollars)							
COUNTRY BELIZE									A. ASSISTANCE FROM INTERNATIONAL AGENCIES — COMMITMENTS							
PROGRAM	FOREIGN ASSISTANCE ACT PERIOD					TOTAL LOANS AND GRANTS 1946-82	REPAY- MENTS AND INTEREST 1946-82	TOTAL LESS REPAY- MENTS AND INTEREST 1946-82	FY 1981	FY 1982	FY 1983	FY 1946-83				
	1978	1979	1980	1981	1982				TOTAL.....	IBRD	IFC	IDA	IDB	ADB	AFDB	UNDP
I. ECONOMIC ASSISTANCE — TOTAL	0.6	0.7	0.8	1.0	0.9	22.7	-	22.7	0.0	0.0	5.5	8.9	0.0	0.0	5.3	5.3
Loans	-	-	-	-	-	10.6	-	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.6	0.7	0.8	1.0	0.9	12.1	-	12.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
a. A.I.D. and Predecessor Agencies	-	-	-	-	-	11.6	-	11.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-	-	-	-	-	10.6	-	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	-	-	-	-	-	1.0	-	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Economic Support Fund)	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b. Food for Peace (PL 480)	-	-	-	-	-	3.0	-	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-	-	-	-	-	3.0	-	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Title I - Total Sales Agreements	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayable in U.S. Dollars - Loans	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payable in Foreign Currency - Planned for Country Use	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Title II - Total Grants	-	-	-	-	-	3.0	-	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Emerg. Relief, Econ. Develop. & World Food Program	-	-	-	-	-	0.3	-	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Voluntary Relief Agencies	-	-	-	-	-	2.7	-	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c. Other Economic Assistance	0.6	0.7	0.8	1.0	0.9	8.1	-	8.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.6	0.7	0.8	1.0	0.9	8.1	-	8.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Peace Corps	0.6	0.7	0.8	0.7	0.6	7.5	-	7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Narcotics	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-	0.1	*	0.2	0.3	0.6	-	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
II. MILITARY ASSISTANCE — TOTAL	-	-	-	-	*	*	-	*	-	-	-	-	-	-	-	-
Credits or Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	*	*	-	*	-	-	-	-	-	-	-	-
a. MAP Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b. Credit Financing - FMS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c. Military Assistance Service-Funded (MASF) Grants	-	-	-	-	*	*	-	*	-	-	-	-	-	-	-	-
d. Transfers from Excess Stocks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
e. Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	0.6	0.7	0.8	1.0	0.9	22.7	-	22.7	0.0	0.0	5.5	8.9	0.0	0.0	5.3	5.3
Loans	-	-	-	-	-	10.6	-	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.6	0.7	0.8	1.0	0.9	12.1	-	12.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other U.S. Government Loans and Grants	-	0.2	-	-	-	0.5	0.2	0.3	-	-	-	-	-	-	-	-
a. Export-Import Bank Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b. All Other Loans	-	0.2	-	-	-	0.5	0.2	0.3	-	-	-	-	-	-	-	-
* LESS THAN \$50,000.									B. BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE							
									1. D.A.C. COUNTRIES (Gross Disbursements)							
									BELIZE							
									CY 1981	CY 1982	CY 1978-82					
									United States	-	1.0	1.0				
									United Kingdom	8.2	5.1	46.7				
									Canada	0.4	0.7	11.5				
									Netherlands	0.1	0.2	0.3				
									Belgium	-	0.1	0.1				
									Total	8.7	7.1	59.6				
									2. O.P.E.C. COUNTRIES (Gross Disbursements)							
									C. LOANS AND GRANTS EXTENDED BY COMMUNIST COUNTRIES							

BELIZE

PROGRAM SUMMARY (In thousands of dollars)								
Fiscal Year	Total	Agriculture, Rural Development and Nutrition	Population Planning	Health	Education and Human Resources Development	Selected Development Activities	Other Programs	
							ESF	Other
1983								
Loans	10,600	1,000	--	--	--	--	9,600	--
Grants	6,097	5,440	--	--	--	257	400	--
Total	16,697	6,440	--	--	--	257	10,000	--
1984								
Loans	900	900	--	--	--	--	--	--
Grants	3,100	2,430	--	240	--	430	--	--
Suppl.	10,000	--	--	--	--	--	10,000	--
Total	14,000	3,330	--	240	--	430	10,000	--
1985								
Loans	1,000	1,000	--	--	--	--	--	--
Grants	9,000	960	--	650	2240	1,150	4,000	--
Total	10,000	1,960	--	650	2240	1,150	4,000	--

FY 1985 PROGRAM HIGHLIGHTS	
<ul style="list-style-type: none"> - Continued concentration on economic stabilization through funding for management improvement and initial capital expansion of critical parastatals (\$4 million). - Emphasis on economic growth and diversification through support for export expansion, alternative agricultural production, and small business development (\$2.5 million). - Support for equitable growth through improved nutrition and primary health-care service, scholarships in coordination with USIA, and significant improvements in the education system (\$1.9 million). 	

Belize

RESOURCE FLOWS (In thousands of dollars)			
Program	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
Aid*			
Loans	4,600	2,000	2,000
Grants	222	14,527	9,038
Total AID	4,822	16,527	11,038
P.L. 480**			
Title I	--	--	--
(of which Title III is)	(--)	(--)	(--)
Title II	--	--	--
Total P.L. 480	--	--	--
Total AID and P.L. 480	4,822	16,527	11,038

*AID levels represent actual and estimated expenditures.
**P.L. 480 levels represent actual and estimated value of shipments.

PERSONNEL/PARTICIPANTS DATA			
Category	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
AID Personnel ^a			
Direct Hire ^b	1	4	5
PASA ^c	--	--	--
Contract	2	13	23
Total	3	17	28
Participants ^d			
Noncontract	20	25	25
Contract	10	5	5
Total	30	30	30

^aU.S. nationals on duty at the end of the fiscal year.
^bFY 1984 and 1985 position levels.
^cParticipating agency technicians.
^dProgrammed during the fiscal year.

Program	FY 1983 (Actual)		FY 1984 (Estimated)		FY 1985 (Proposed)	
	MT	\$	MT	\$	MT	\$
Title I						
Wheat	--	--	--	--	--	--
Rice	--	--	--	--	--	--
Feedgrains	--	--	--	--	--	--
Vegoil	--	--	--	--	--	--
Non-food	--	--	--	--	--	--
Title I Total (of which Title III is)		(--)		(--)		(--)
Title II						
Voluntary Agencies		--		--		--
World Food Programs		--		--		--
Gov't-to-Gov't		--		--		--
Title II Total		--		--		--
Total P.L. 480		--		--		--

BELIZE

OVERVIEW AND STRATEGY

A. Introduction and Objectives

Belize is a small, democratic country, the only one in Central America in the British parliamentary tradition. Agriculture is the predominant sector. Two export-oriented crops--sugar and bananas--provide most of the country's export earnings. The economy depends on international trade for survival, and its tininess renders it hostage to external market forces beyond its control.

Like other countries in Central America, Belize is experiencing serious economic difficulties. The balance-of-payments picture has sharply deteriorated in recent years and is kept in approximate balance by very sharp reductions in imports which in turn constrict economic activity in the private and public sectors. Fiscal deficits are a chronic economic negative. Success in overcoming these problems within the country's strong democratic traditions would provide a good example for encouraging economic and political reforms elsewhere in the region.

U.S. goals in Belize are principally to assist the country to achieve basic economic stability and growth. Our primary focus will be on rectifying public sector finance problems and on broadening the country's very narrow export base. Equitable economic growth is an important longer-term concern, but at present Belize does not have major problems of maldistribution of income among the various population elements.

B. Development Performance and Problems

1. Social indicators. By Central American comparisons, the welfare level of the Belizean populace is relatively well developed and relatively well distributed. There are no glaringly disadvantaged groups. Income distribution is perhaps the most equitable in Central America. The main cause of poverty is the generally low level of development. Import restrictions which help keep the balance of payments near equilibrium also constrict economic activity. Belize's human resource base is not yet developed widely enough to facilitate sustained growth.

About half the population is urban and not oriented toward agricultural or entrepreneurial endeavors. In the urban areas unemployment is high, especially among heads of large families and urban youth. Poverty is a serious problem as well among small farmers in all regions of the country who lack access to inputs and markets.

Educational attainment is relatively high, with 92% of the adult population having attained literacy and 85%-90% of all children completing primary education. Colonial curricula, however, do not always serve development

needs. This is now being remedied through a reorientation of the primary curriculum to give students practical knowledge and skills in agriculture, as well as through a strengthening of post-secondary education. But there remains a serious gap in the training of technically skilled persons. Emigration of skilled manpower remains a chronic problem.

Health indicators also show that a good deal of progress in social development has been achieved. Life expectancy is 67 years, and the infant mortality rate is 30 per thousand. Health services are accessible to most people, but the capacity to deal effectively with malaria, intestinal disease, and malnutrition is severely limited. The sharply rising incidence of malaria is of particular concern. Environmental sanitation is a problem everywhere, and nearly half the rural populace lacks access to potable water.

2. Economic indicators. After a rapid expansion in the 1970s, Belize's economy has experienced difficulties in the last few years, in large part because of the sharp decline in the price of sugar. The gross domestic product (GDP) growth rate fell from 4.5% in 1980 to 1.3% in 1981 and minus 1.8% in 1982. GDP growth was probably stagnant in 1983. The balance of payments, which showed a surplus of \$5 million in 1978, experienced a cumulative deficit of about \$4 million during 1979-1982. The overall deficit of the nonfinancial public sector rose from 4.2% of the GDP in 1980-1981 to 9.5% in 1982-1983. Central government revenue suffered a sharp decline in 1982-1983, as the devaluation of the Mexican peso resulted in a sharp increase in unregistered imports from Mexico, with revenues from import duties on registered imports falling by 20%.

Belize's current financial difficulties lie in the public sector. Sharp declines in exports and registered imports, with their attendant impact on Government of Belize (GOB) revenues, reductions in the grant portion of total external assistance, and unanticipated large increases in budgetary transfers to public enterprises all served to increase the overall deficit of the nonfinancial public sector, from 4.2% of GDP in Belize fiscal year (BFY) 1980-1981, to 6.3% the following year and to 9.5% in BFY 1982-1983. Preliminary figures for the first six months of BFY 1983-1984 indicate continued deterioration.

The GOB has attempted to meet the fiscal challenge by increased borrowing and by limiting expenditures. However, Central Bank advances to the central government have reached the statutory limit, the GOB's access to external commercial credit is limited, and further expenditure cuts would seriously impair the government's ability to provide essential public services.

The balance of payments poses less of a problem since the reduction in imports has resulted in approximate equilibrium albeit at a much reduced level of GDP. Net reserves are now at a dangerously low level: about six weeks of imports. To help deal with this problem, the GOB borrowed \$3.8 million under the International Monetary Fund's (IMF's) compensatory financing facility in June 1983. Additional balance-of-payments assistance, buttressed by a judicious mixture of policy and structural adjustment, will be needed for the next two to three years.

Stagnant growth in the economy, with the attendant unemployment problem, is the result of a very narrow productive base of the economy. Sugar, the principal crop, accounts directly for about 25% of GDP and 60% of export earnings. If the indirect and income effect stemming from sugar production were to be considered, one can attribute 40% of GDP to this crop alone. Obstacles to diversification include lack of financial capital, lack of knowledge of investment opportunities in export-oriented industries, and the small pool of entrepreneurial talent and skilled labor.

C. Strategy and Policy Agenda

Over the near term, A.I.D.'s economic assistance will be targeted on fiscal stabilization. Additionally, economic growth and diversification will enhance the equitable distribution of economic assets among the population. These in turn will help nurture the established, viable traditions of political democracy in Belize.

1. Stabilization. In 1984 and 1985 U.S. economic assistance will focus upon the largest factor in the public sector which leads to the chronic fiscal shortfalls in the GOB budget. In order to stabilize the fiscal situation several parastatals are in need of management reorganization and capital expansion. We propose to use ESF local currency generations to cover the deficits of selected parastatals while reorganizations are underway and to help in the first year of capital expansion, possibly including the electricity distribution system. By the end of 1987 we anticipate that budgetary transfers to public enterprises will be reduced by 50%; and, for example, that the Electricity Board's revenue will be in equilibrium and modernization of the distribution system will be nearly completed.

Assistance to the most important parastatals will require the GOB's developing and implementing a broad plan to address the remaining structural elements of the recurrent fiscal shortfall. Most important, the government will have to enter into serious negotiations with the IMF towards designing a financial program to support stability in the fiscal and balance-of-payments account. In addition, the GOB will be required to take steps to reduce the deficits in other public sector enterprises. The current subsidy program of the GOB must be scaled back if not eliminated. The basic indicator of progress will be the expansion of imports by 25% along with continued approximate balance-of-payments equilibrium. This means that export earnings through diversification of nontraditional exports will increase commensurately.

2. Equitable and Bread-Based Growth. In order to accelerate the move toward greater economic and trade self-reliance and self-sufficiency, A.I.D. Development Assistance (DA) will support the broadening of the production base of the economy. Export promotions will be stimulated through an export promotion agency. This will augment foreign exchange earnings, thus contributing to stabilization by relieving pressure on the precarious balance-of-payments equilibrium.

A.I.D. will examine the means for providing capital to simulate development and expansion of nontraditional sectors. The establishment of a new financial institution is a possibility. This will help broaden economic activity and bring additional income to sectors of the economy currently so valuable to world market fluctuations for the primary crop.

Further stimulus to lessening Belize's dependence on sugar for foreign exchange and farmer income will come through support for the ongoing livestock and rural roads project. A.I.D. plans to initiate, moreover, an agricultural production and diversification project through production of vegetable oil, cocoa, and fresh vegetables. This new initiative will be geared toward food import substitution and new exports.

It is unclear at this juncture whether Belize's development needs will require a long-term commitment by A.I.D. To set the framework for longer-term development and structural adjustment, though, policy dialogue must lead to changes encouraging investment in nontraditional sectors. Progress will be measured by changes in banking laws, removal of price controls and similar disincentives to agricultural production, and the establishment of a long-term marketing development program for more efficient distribution of goods in internal and external markets.

A.I.D. Program (FY 1983 and FY 1984)

A.I.D. established a bilateral presence in Belize in January 1983. The current program uses a mix of ESF provided from the Caribbean Basin Initiative (CBI) supplemental appropriation, DA, and Housing Guaranty (HG) resources.

A. Economic Support Funds

In FY 1983, A.I.D. focused attention on economic stabilization and fiscal improvement. A \$4.6 million ESF Counterpart Fund (505-0004) was established to assist the GOB to address its balance-of-payments shortfall, low level of foreign exchange reserves, deteriorating fiscal situation, and the central government's cash flow deficits. The goal is to achieve in Belize FY 1983-1984 a savings on current account (current account revenues minus expenditures) of \$7 million equivalent with additional savings in following years.

B. Rural Development

In FY 1983, A \$3 million Livestock Production project (505-0006) was initiated to improve small and medium farmers' production efficiencies in livestock husbandry and to expand market outlets for these products. Policy dialogue and institutional development will play a large role in attaining these objectives. The Ministry of Natural Resources has instituted policy changes which decontrol beef prices, free the livestock market to the fullest extent, and result in some exportation of live animals to the Caribbean. A \$5.4 million Rural Access Roads and Bridges project (505-0007) also was

initiated in FY 1983 to upgrade the Ministry of Works' capability to build, maintain, and protect its rural access roads and bridges. This project should help increase and diversify agricultural production and increase the income of, and delivery of technical and social services to, small farm families in rural areas.

These activities will be continued in FY 1984. A \$3.5 million Agricultural Production and Diversification project (505-0008) also is scheduled to begin in FY 1984. It will assist GOB efforts to diversify away from sugar through production of vegetable oil and possibly fresh vegetables and cocoa and to increase agricultural production geared toward food import substitution and exports. A.I.D. plans to undertake a thorough assessment of the agricultural sector before embarking on major new initiatives in agriculture.

C. Private Sector Development

Consistent with CBI emphasis, A.I.D. encouraged increased private sector productive, export-oriented investment in agriculture and related industry under \$5 million ESF Private Sector Rediscount Facility (505-0005). Institutional development in the form of a discount fund and a change in banking policy to include long-term credit is taking place for the first time. A.I.D. also supported the National Development Foundation of Belize, an indigenous private, nonprofit development organization, through an operational program grant (505-0011) to expand a coordinated program of credit, business guidance, and technical assistance to microbusinessmen and producers in Belize.

D. Housing

With ESF from the CBI supplemental appropriation, A.I.D. provided \$400,000 in FY 1983 for housing advisory services through the Housing Assistance for Home Improvement project (505-0003). This grant complemented a \$2 million Housing Guaranty program (HG-01) authorized in FY 1982. The GOB has committed itself under this program to strengthen the institutional capacity of the Development Finance Corporation and the credit union system and to expand shelter construction. In FY 1984, a new \$3 million HG will finance not only home improvements but also new prototype low-cost shelter solutions in Belize City and in other secondary towns.

E. Other Activities

With Program Development and Support funds (505-0000), two important studies were initiated in FY 1983: an environmental profile of Belize and a Belize and Caribbean Community Common Market (CARICOM) export development survey. In line with CBI objectives, A.I.D. also organized a seminar for Belizean businessmen to review possible joint ventures with selected U.S. businessmen. In FY 1984, A.I.D. will support a Caribbean/Central American Action and Overseas Private Investment Corporation mission to Belize, and a second investment mission to Belize under the aegis of the International Center for Entrepreneurs, Inc. A.I.D. also assisted Belize to meet CBI

certification in December 1983. Program Development and Support (505-0000) funds in FY 1984 will be used for project development, evaluations, special studies, and analyses of key issues related to development in Belize. Grant funds also will be used for operational program grants in agriculture, health, and education (505-9999).

Under the Selected Development Activities fund (505-0010), in FY 1983 A.I.D. initiated a joint A.I.D. and Peace Corps Small Project Assistance Program to fund development efforts in the broad areas of food, energy, competitive enterprise development and/or income-generating activities. In FY 1984, this project will continue to finance small, self-help, community-based development activities.

Belize continues to receive assistance through regional programs managed by the Caribbean Regional Development Office in Barbados. Agriculture, human resources, and health have all received assistance under regional program auspices.

F. Centrally Funded Programs

Through an operational program grant, the Pan American Development Foundation (PADF) will continue to strengthen the National Development Foundation (NDF) of Belize as a means of assisting small-scale entrepreneurs. The project involves participation by the local private sector in delivering technical assistance and making credit available. PADF serves as a catalyst to stimulate private sector oversight and support of the NDF.

FY 1984 Supplemental Request and Requested Year Program (FY 1985)

To respond to recommendations of the National Bipartisan Commission on Central America, we are requesting \$10 million and \$3.9 million in ESF resources in FY 1984 and FY 1985, respectively. In FY 1985, A.I.D. will require \$6 million in DA resources. The ESF program will be used to improve the balance-of-payments situation and contribute to structural improvements in the supply and distribution of energy. FY 1985 ESF and DA resources will focus on social development activities, including small business, health, and education.

A. Economic Stabilization

Balance-of-payments assistance will be used to continue the stabilization effort undertaken in FY 1983. We propose \$10 million in FY 1984 supplemental ESF assistance and another \$4 million of ESF in FY 1985 to increase Belize's international reserves. The foreign exchange assistance will support policy and structural adjustments and will include a plan to reduce the budget deficit through divestiture or restructuring of those public enterprises which have been a current account drain for the government. Local currencies generated by the ESF assistance will help the GOB weather the fiscal crisis which has caused it to cut total expenditures in the last two years and to resort to deficit financing. Local currencies also will support a study of a needed capital expansion of selected parastatals and, if appropriate, will initiate work on that expansion in early 1985.

B. Economic Growth

1. Export Promotion (\$2 million, FY 1985). We are requesting \$100,000 under the Selected Development Activities account and \$1.9 million under the Agriculture, Rural Development and Nutrition account for FY 1985 to continue the export promotion activities undertaken in earlier private sector and rural development projects and to broaden those activities in those areas to include adaptive research in alternative crops, cadastral modernization, industrial processing expansion, and export market investigation.

2. Small Business Development (\$500,000, FY 1985). Small loans for micro-enterprises through an operational program grant will be made from the Selected Development Activities account in accordance with suggestions of the Bipartisan Commission. The possibility of creating a small business bank will be examined.

3. Public Administration Reform and the International Executive Service Corps (\$500,000, FY 1985). In response to the Bipartisan Commission recommendations, we are requesting \$500,000 in Selected Development Activities account to finance technical assistance and training activities to improve public administration techniques in key government institutions and the internal management methods of small businesses. This will be coordinated with the International Executive Service Corps.

C. Equity

1. Health and Nutrition (\$650,000, FY 1985). A.I.D. resources will be used to begin work on the long-term goal of reducing malaria cases by 50% by 1990, to improve nutritional status through improved primary health care services (oral rehydration, immunization, nutrition and family planning), and to improve access to water and sanitation. DA resources of \$650,000 are proposed for FY 1985 to develop a malaria control project (\$200,000) and an expanded primary health care program (\$450,000). Technical assistance and training will improve the epidemiological and entomological data base to facilitate the design and implementation of household spraying and drug distribution activities for the malaria control program. Technical assistance and training will also be provided to introduce oral rehydration techniques and to expand immunizations within the context of the primary health-care services. Limited amounts of commodities (pesticides, vaccines, oral rehydration salts) will be provided for both programs.

2. Education. (\$1.7 million, FY 1985). A.I.D. plans to initiate work in the education sector with this request for FY 1985 DA funds in the amount of \$1.7 million, all of it from the Education and Human Resources account. A.I.D. will work towards developing a vocational training facility, initiating nonformal skills training programs especially oriented towards small enterprise development, and making selective improvements in the education system so that graduates are more adequately prepared to compete in the labor market.

3. Scholarships. (\$500,000, FY 1985). In accordance with recommendations of the Bipartisan Commission, DA funds totaling \$500,000 under the Education and Human Resources account are requested to finance 15 short- and long-term scholarships in the United States. The scholarships will be provided under a joint A.I.D./U.S.I.A. program and will be designed to meet critical development needs in the areas of science and technology, energy, environment, institution building and the private sector.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: BELIZE

CP 85

PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AJTD PLANNED	-THROUGH FY83- OBLIG ATIONS	FY83- EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	FY84- EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	FY85- EXPENDI TURES		
AGRICULTURE, RURAL DEV. AND NUTRITION												
PROGRAM DEVELOPMENT AND SUPPORT	G 505-0000	83	C	---	---	140	139	130	130	100	95	
LIVESTOCK PRODUCTION	G 505-0006	83	84	2,050	1,350	300	---	1,050	380	---	480	
LIVESTOCK PRODUCTION	L 505-0006	83	84	1,000	1,900	1,000	---	900	500	---	500	
RURAL ACCESS ROADS AND BRIDGES	G 505-0007	83	84	5,400	5,400	5,000	---	400	3,000	---	1,600	
AG. PRODUCTION AND DIVERSIFICATION	G 505-0008	84	86	---	1,550	---	---	550	50	410	750	
AG. PRODUCTION AND DIVERSIFICATION	L 505-0008	84	86	---	2,000	---	---	---	---	1,000	---	
NEW ACTIVITIES	G 505-9998	84	85	---	250	---	---	---	---	250	100	
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 505-9999	83	C	---	---	---	---	300	200	200	100	
TOTAL FOR ACCOUNT					8,450	12,450	6,440	139	3,330	4,260	1,960	3,625
GRANTS					7,450	8,550	5,440	139	2,430	3,760	960	3,125
LOANS					1,000	3,900	1,000	---	900	500	1,000	500
HEALTH												
PROGRAM DEVELOPMENT AND SUPPORT	G 505-0000	83	C	---	---	---	---	40	40	50	40	
NEW ACTIVITIES	G 505-9998	84	85	---	500	---	---	---	---	500	200	
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 505-9999	83	C	---	---	---	---	200	100	100	100	
TOTAL FOR ACCOUNT					---	500	---	---	240	140	650	340
GRANTS					---	500	---	---	240	140	650	340
LOANS					---	---	---	---	---	---	---	
EDUCATION AND HUMAN RESOURCES												
PROGRAM DEVELOPMENT AND SUPPORT	G 505-0000	83	C	---	---	---	---	---	---	50	50	

Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: BELIZE

CP 85

PROJECT TITLE	L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHO PLANNED	-THROUGH FY83- OBLIG ATIONS	FY83- EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	FY84- EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	FY85- EXPENDI TURES	
NEW ACTIVITIES	G 505-9998	84	85	---	2,090	---	---	---	2,090	836	
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 505-9999	83	C	---	---	---	---	---	100	50	
TOTAL FOR ACCOUNT GRANTS				---	2,090	---	---	---	2,240	936	
LOANS				---	---	---	---	---	---	---	
SELECTED DEVELOPMENT ACTIVITIES											
PROGRAM DEVELOPMENT AND SUPPORT	G 505-0000	83	C	---	---	115	50	150	175	100	100
SPECIAL DEVELOPMENT ACTIVITIES FUND	G 505-0010	84	C	---	---	---	---	50	50	50	50
NEW ACTIVITIES	G 505-9998	84	85	---	750	---	---	---	750	300	
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 505-9999	83	C	---	---	142	5	230	230	250	287
TOTAL FOR ACCOUNT GRANTS				---	750	257	55	430	455	1,150	737
LOANS				---	---	---	---	---	---	---	
ECONOMIC SUPPORT FUND											
HOUSING ASSISTANCE FOR HOME IMPROVEMENT	G 505-0003	83	83	400	400	400	28	---	172	---	200
COJNTERPART FUND	L 505-0004	83	83	4,600	4,600	4,600	4,600	---	---	---	---
CREDIT REDISCOUNT FUND	L 505-0005	83	83	5,000	5,000	5,000	---	---	1,500	---	1,500
NEW ACTIVITIES	G 505-9998	84	85	---	14,000	---	---	10,000	10,000	4,000	3,700
TOTAL FOR ACCOUNT GRANTS				10,000	24,000	10,000	4,628	10,000	11,672	4,000	5,400
LOANS				400	14,400	400	28	10,000	10,172	4,000	3,900
				9,600	9,600	9,600	4,600	---	1,500	---	1,500

* Refer to the planned project summary sheet

C Level of effort activity

FY of final obligation column -- All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized data. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: BELIZE

CP 85

PROJECT TITLE	L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH FY83- OBLIG EXPENDI ATIONS TURES	-ESTIMATED FY84- OBLIG EXPENDI ATIONS TURES	-PROPOSED FY85- OBLIG EXPENDI ATIONS TURES
TOTAL FOR COUNTRY			18,450	39,790	16,697	4,822	14,000
GRANTS			7,850	26,290	6,397	222	13,100
LOANS			10,600	13,500	10,600	4,600	900
							16,527
							2,000
							10,000
							11,038
							9,038
							2,000

Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

FY 85 CP ECONOMIC AND SOCIAL DATA

COUNTRY: (515) COSTA RICA

BASIC DATA

TOTAL POPULATION.. (THOUSANDS,MID 1983) 2,624
 PER CAPITA GNP..... (DOLLARS,1981) 1,430
 ANNUAL PER CAPITA REAL GNP GROWTH RATE.. (1970-81) 2.4%
 ANNUAL RATE OF INFLATION (1970-81) 15.9%
 NATIONAL INCOME RECEIVED BY LOW 20% OF POPULATION..(1971) 3.3%
 LIFE EXPECTANCY AT BIRTH, IN YEARS
 (1982) TOTAL 71.0 MALE 69.0 FEMALE 73.0
 (1970) TOTAL 66.9 MALE 65.0 FEMALE 68.8
 ADULT LITERACY RATE (1973) TOTAL 88% MALE 89% FEMALE 88%

AGRICULTURE

ANNUAL PER CAPITA AGRICULTURAL PRODUCTION GROWTH RATE
 (1973-1982) -0.7%
 AGRICULTURAL PRODUCTION AS % OF GDP.....(1981) 19%
 POPULATION DENSITY / SQ MI OF AGRICULTURAL LAND (1979) 273
 MAJOR CROP(S) ARABLE LAND YEAR
 SUBSISTENCE: CORN ,BEANS-DRY ,RICE 30% (1982)
 CASH: BANANAS ,COFFEE ,RICE 65% (1982)
 MAJOR AGRICULTURAL EXPORTS:(1982) COFFEE ,BANANAS ,BEEF AND VEAL
 MAJOR AGRICULTURAL IMPORTS:(1982) WHEAT ,CORN ,OILCAKE
 PROPORTION OF LABOR FORCE IN AGRICULTURE.....(1980) 29%

CENTRAL GOVERNMENT FINANCES

TOTAL REVENUES AND GRANTS (\$ MILLIONS, U.S.)
 (1978) 671 (79) 737 (80) 860
 TOTAL EXPENDITURES AND NET LENDING (\$ MILLIONS, U.S.)
 (1978) 847 (79) 1,010 (80) 1,218
 DEFICIT(-) OR SURPLUS (\$ MILLIONS, U.S.)
 (1978) -176 (79) -273 (80) -357
 DEFENSE EXPENDITURES,
 AS % OF TOTAL EXPENDITURES.. (1978) 2.8% (79) 2.7% (80) 2.5%
 AS % OF GNP..... (1978) 0.7% (79) 0.7% (80) 0.7%
 OFFICIAL INTERNATIONAL RESERVES, GROSS HOLDINGS END OF PERIOD,
 (\$MILLIONS, U.S.) (1978) 209 (79) 155 (80) 199
 EQUIVALENT TO 1.7 MONTHS OF IMPORTS (1980)

FOREIGN TRADE

MAJOR EXPORTS... (1981) COFFEE ,BANANAS ,BEEF & VEAL
 EXPORTS TO U.S.
 (\$ MILLIONS, US, FOB) (1980) 331 (1981) 313 (1982) 316
 AS % OF TOTAL EXPORTS (1979) 37% (1980) 33% (1981) 30%
 MAJOR IMPORTS....(1981) MANUFACTURES ,MACHINERY ,TRANSPORT EQPT
 IMPORTS FROM U.S.
 (\$ MILLIONS, US, CIF) (1980) 504 (1981) 403 (1982) 333
 AS % OF TOTAL IMPORTS (1979) 34% (1980) 37% (1981) 37%
 TRADE BALANCE(\$ MILLIONS, U.S.)(1979) -316(80) -373(81) -61
 TRADING PARTNERS: UNITED STATES ,WEST GERMANY ,JAPAN
 EXTERNAL PUBLIC DEBT AS % OF GNP (1981) 97.8%
 SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT,
 (\$ MILLIONS, U.S.)..... (1981) 175
 AS % OF EXPORT EARNINGS (DEBT SERVICE RATIO).... (1981) 17.0%

SOCIAL DATA

POPULATION GROWTH RATE...(1970) 2.8% (1978) 5.2% (1983) 2.6%
 POPULATION IN URBAN AREAS.....(1970) 40% (1982) 44%
 LIVE BIRTHS PER 1,000 POPULATION.....(1970) 33 (1983) 28
 MARRIED WOMEN AGED 15-44 YRS. USING CONTRACEPTION. (1981) 65.0%
 POPULATION (1980) IN AGE GROUP:
 (0-14YRS) 38.3% (15-64YRS) 58.1% (65+ YRS) 3.7%
 INFANT DEATHS IN FIRST YR OF LIFE PER 1000 LIVE BIRTHS (1983) 18
 PEOPLE PER PHYSICIAN..... (1977) 1,390
 MAJOR CAUSES OF
 DISEASE (1980) INFLUENZA ,GONORRHEA ,MUMPS
 DEATH.. (1979) HEART DISEASE ,ILL-DEFINED CAUS ,ACCIDENTS
 PER CAPITA CALORIE SUPPLY AS A % OF REQUIREMENTS.. (1977) 113%
 POPULATION WITH REASONABLE ACCESS TO SAFE WATER SUPPLY(1976) 77%
 TOTAL SCHOOL ENROLLMENT AS % OF POPULATION IN AGE GROUP:
 PRIMARY..... (1980) TOTAL 107% MALE 108% FEMALE 106%
 SECONDARY..... (1980) TOTAL 48.0% MALE 45.0% FEMALE 52.0%
 POST SECONDARY.. (1971) TOTAL 9.3% MALE 10.4% FEMALE 8.1%
 ENERGY PRODUCTION AS % OF CONSUMPTION.....(1981) 19.6%

U.S. OVERSEAS LOANS AND GRANTS – OBLIGATIONS AND LOAN AUTHORIZATIONS
(U.S. Fiscal Years – Millions of Dollars)

COUNTRY	FOREIGN ASSISTANCE ACT PERIOD					TOTAL LOANS AND GRANTS 1946-82	REPAY- MENTS AND INTEREST 1946-82	TOTAL LESS REPAY- MENTS AND INTEREST 1946-82
	COSTA RICA							
	PROGRAM	1978	1979	1980	1981			
I. ECONOMIC ASSISTANCE – TOTAL	9.1	17.9	16.0	15.3	51.7	470.9	45.0	425.9
Loans	5.5	15.1	12.0	10.0	42.7	329.1	45.0	284.1
Grants	3.6	2.8	4.0	5.3	9.0	141.8	-	141.8
a. A.I.D. and Prodecessor Agencies	5.9	16.4	13.6	11.5	31.5	345.3	33.5	311.8
Loans	5.5	15.1	12.0	10.0	24.7	298.5	33.5	265.0
Grants	1.4	1.3	1.6	1.5	6.8	46.8	-	46.8
(Economic Support Fund)	-	-	-	-	20.0	20.0	-	-
b. Food for Peace (PL 480)	0.8	*	0.4	1.8	19.1	40.6	-	40.6
Loans	-	-	-	-	18.0	18.0	-	18.0
Grants	0.8	-	0.4	1.8	1.1	22.6	-	22.6
Title I - Total Sales Agreements	-	-	-	-	18.0	18.0	-	18.0
Repayable in U.S. Dollars - Loans	-	-	-	-	18.0	18.0	-	18.0
Payable in Foreign Currency - Planned for Country Use	-	-	-	-	-	-	-	-
Title II - Total Grants	0.8	*	0.4	1.8	1.1	22.6	-	22.6
Emerg. Relief, Econ. Develop. & World Food Program	0.3	*	0.4	0.2	0.2	7.3	-	7.3
Voluntary Relief Agencies	0.5	-	-	1.6	0.9	15.3	-	15.3
c. Other Economic Assistance	1.4	1.5	2.0	2.0	1.1	85.0	11.5	73.5
Loans	-	-	-	-	-	12.6	11.5	1.1
Grants	1.4	1.5	2.0	2.0	1.1	72.4	-	72.4
Peace Corps	1.3	1.5	1.4	1.7	1.0	19.2	-	19.2
Narcotics	-	-	-	-	-	0.1	-	0.1
Other	*	*	0.5	0.2	0.1	53.1	-	53.1
II. MILITARY ASSISTANCE – TOTAL	-	-	-	*	2.1	9.1	5.1	4.0
Credits or Loans	-	-	-	-	-	5.0	5.1	0.1-
Grants	-	-	-	*	2.1	4.1	-	4.1
a. MAP Grants	-	-	-	-	2.0	2.9	-	2.9
b. Credit Financing - FMS	-	-	-	-	-	5.0	5.1	0.1-
c. Military Assistance Service-Funded (MASF) Grants	-	-	-	*	0.1	1.0	-	1.0
d. Transfers from Excess Stocks	-	-	-	-	-	0.1	-	0.1
e. Other Grants	-	-	-	-	-	0.1	-	0.1
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	9.1	17.9	16.0	15.3	53.8	480.0	50.1	429.9
Loans	5.5	15.1	12.0	10.0	42.7	334.1	50.1	284.0
Grants	3.6	2.8	4.0	5.3	11.1	145.9	-	145.9
Other U.S. Government Loans and Grants	4.1	4.3	6.4	5.1	3.0	75.8	71.1	4.7
a. Export-Import Bank Loans	4.0	2.7	6.0	5.1	-	67.7	69.4	1.7-
b. All Other Loans	0.1	2.1	0.4	-	3.0	8.1	1.7	6.4

* LESS THAN \$50,000.

ECONOMIC PROGRAMS OF ALL DONORS
(Millions of Dollars)

A. ASSISTANCE FROM INTERNATIONAL AGENCIES – COMMITMENTS

	FY 1981	FY 1982	FY 1983	FY 1984-85
TOTAL	120.4	29.8	124.0	1055.5
IBRD	29.0	0.0	25.2	406.4
IFC	0.0	0.0	1.5	6.7
IDA	0.0	0.0	0.0	4.6
IDB	91.3	29.2	97.2	622.9
ADB	0.0	0.0	0.0	0.0
AFDB	0.0	0.0	0.0	0.0
UNDP	0.1	0.6	0.0	11.7
OTHER-UN	0.0	0.0	0.1	3.2
EEC	0.0	0.0	0.0	0.0

B. BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE

1. O.A.C. COUNTRIES (Gross Disbursements)

COSTA RICA	CY 1981	CY 1982	CY 1978-82
United States	6.0	44.0	65.0
Germany Fed. Rep.	16.2	9.2	53.7
Japan	4.7	1.4	38.1
Netherlands	1.4	1.2	7.6
United Kingdom	1.2	0.9	5.7
Other	1.5	3.2	8.3
Total	31.0	59.9	178.4

2. O.P.E.C. COUNTRIES (Gross Disbursements)

C. LOANS AND GRANTS EXTENDED BY COMMUNIST COUNTRIES

	CY 1981	CY 1982	CY 1954-82
USSR	-	-	15
Eastern Europe	-	-	10
China	-	-	-
Total	-	-	25

COSTA RICA

PROGRAM SUMMARY (In thousands of dollars)								
Fiscal Year	Total	Agriculture, Rural Development and Nutrition	Population Planning	Health	Education and Human Resources Development	Selected Development Activities	Other Programs	
							ESF	Other
1983								
Loans	138,200	14,200	--	5,700	--	300	118,000	--
Grants	45,959	1,450	975	288	600	3,646	39,000	--
Total	184,159	15,650	975	5,988	600	3,946	157,000	--
1984								
Loans	82,350	2,000	--	4,300	--	6,050	70,000	--
Grants	2,750	550	475	150	625	950	--	--
Suppl	68,000	--	362	1,400	2,238	4,000	60,000	--
Total	153,100	2,550	837	5,850	2,863	11,000	130,000	--
1985								
Loans	4,800	--	--	--	--	4,800	--	--
Grants	175,200	3,355	1,035	2,200	7,710	900	160,000	--
Total	180,000	3,355	1,035	2,200	7,710	5,700	160,000	--

FY 1985
PROGRAM HIGHLIGHTS

- \$160 million Economic Support Fund (ESF) program to help stabilize the economy and initiate a period of economic recovery.
- A \$28 million P.L. 480 Title I program to finance essential food imports and to generate local currency to continue support of GOCR reforms in the agricultural sector.
- \$10.8 million to support a private sector trading company to stimulate the production and processing of nontraditional agricultural export products, and to support the activities of a new private investment company.
- Local currencies generated from the P.L. 480 program and pledged in the ESF assistance agreement to help generate employment, farming and small rural enterprises and to support housing and other social development programs.

Costa Rica

RESOURCE FLOWS (In thousands of dollars)			
Program	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
Aid*			
Loans	19,981	198,010	25,943
Grants	38,167	76,039	161,889
Total AID	58,148	274,049	187,832
P.L. 480**			
Title I (of which Title III is)	27,500 (--)	27,000 (--)	28,000 (--)
Title II	184	--	--
Total P.L. 480	27,684	27,000	28,000
Total AID and P.L. 480	85,832	301,049	215,832

*AID levels represent actual and estimated expenditures.
**P.L. 480 levels represent actual and estimated value of shipments.

PERSONNEL/PARTICIPANTS DATA			
Category	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
AID Personnel ^a			
Direct Hire ^b	15	22	24
PASA ^c	--	4	4
Contract	9	10	12
Total	24	36	40
Participants ^d			
Noncontract	68	--	--
Contract	--	145	137
Total	68	145	137

^aU.S. nationals on duty at the end of the fiscal year.
^bFY 1984 and 1985 position levels.
^cParticipating agency technicians.
^dProgrammed during the fiscal year.

P.L. 480
(000 MT/\$000)

Program	FY 1983 (Actual)		FY 1984 (Estimated)		FY 1985 (Proposed)	
	MT	\$	MT	\$	MT	\$
Title I				7,000*		
Wheat	71.4	11,900	(6.5) 153	17,800	128	20,000
Rice	21.1	7,200	--	--	--	--
Feedgrains	54.8	8,400	(440) 27	2,200	63	8,000
Vegoil	--	--	--	--	--	--
Non-food	--	--	--	--	--	--
Title I Total (of which Title III is)		27,500 (--)		27,000 (--)		28,000 (--)
Title II						
Voluntary Agencies		--		--		--
World Food Programs		184		--		--
Gov't-to-Gov't		--		--		--
Title II Total		184		--		--
Total P.L. 480		27,684		27,000		28,000

*Supplemental Request: (\$1 mil. Wheat; \$6 mil. Feedgrains)

COSTA RICA

Overview and Strategy

A. Introduction and Objectives

Costa Rica's economy, long a stellar performer among the countries of Latin America and the Caribbean, is now among the region's most troubled. The rapid accumulation of external debt in the 1970s, when undue optimism was generated by favorable prices for traditional agricultural exports, at first permitted the country to continue its strong growth-with-equity performance; but by the early 1980s the risks of heavy external debt accumulation became painfully evident as the international economic environment deteriorated sharply. In July 1981, the Government of Costa Rica (GOCR) suspended principal and interest payments on an external debt whose servicing requirements it could no longer meet. Cut off from new external financing and faced with falling prices for its main exports, Costa Rica was forced to undergo a sharp economic contraction.

As a stronghold of democracy in a region that has seen little of this form of government, Costa Rica is of great importance to U.S. efforts to see established, throughout a geographic region close to our borders, free, stable, democratic nations with whom we can enjoy good relations. Costa Rica's model of strong political democracy and broad-based economic growth cannot be allowed to crumble. Thus far, the country's democratic traditions have held up well in the face of a sharp deterioration in living standards. But unless Costa Rica receives considerably greater economic assistance for perhaps another decade, a further significant decline in living standards will occur whether or not Costa Rica defaults on its massive external debt. The social and political risks of such an outcome are unacceptable.

The major objectives of U.S. assistance to Costa Rica, therefore, are to consolidate the process of economic stabilization; to restore rapid and sustained economic growth without an unmanageable increase in external debt; and to preserve Costa Rica as a model of democratic, broad-based development for the region.

B. Development Performance and Problems

During the quarter century ending in the mid-1970s, Costa Rica appeared to be a model developing country, with a growth of real gross domestic product (GDP) averaging over 6% per year, an expansion of social security and worker benefits, and a widening distribution of social and physical infrastructure throughout the country. The results were dramatic: adult literacy reached 90%; infant mortality declined sharply to under 20 per thousand; the population growth rate declined from 3.7% to 2.6%; and open unemployment and underemployment were held to less than 6% of the labor force.

Beginning in 1979, however, the GDP growth rate began to fall below the long-term trend, and in the last three years it has been sharply negative--minus 4.6% in 1981, minus 8.8% in 1982, and an estimated minus 3.0% in 1983. Per capita GDP has declined for four consecutive years, by a cumulative total of about 23%. The decline in Costa Rica's GDP has been accompanied by a significant increase in unemployment and underemployment, officially reported to be 9.4% and 14.4%, respectively, in July 1982 but actually probably higher.

Costa Rica's economic difficulties are due in part to cyclical problems resulting from the severe worldwide recession in 1980-1982 that drove down the prices of traditional commodity exports and limited demand by other Central American Common Market (CACM) countries and developed countries for Costa Rica's manufactured exports. Another short-run problem has been the sharp rise in interest payments on the external debt to commercial lenders, contracted largely at variable (LIBOR-plus) interest rates, which rose more sharply in the early 1980s than most observers had predicted.

Costa Rica's present development problems, unfortunately, are more than just cyclical. They are due also to structural factors, including the excessive growth of, and economic distortions in, the public sector. Some public agencies, such as the state petroleum company and the electric power company, were heavily subsidized in an effort to keep down prices of goods and services to consumers. Public sector employment rose from 15% of total employment in 1973 to 20% in 1981. Beginning in the late 1970s, public sector expansion could be financed only through substantial external borrowing, mainly at commercial rates. By July 1981, Costa Rica could no longer service this debt and had to suspend both principal and interest payments. Sustaining or increasing real public expenditure levels also required excessive domestic monetary expansion. This led to an inflation rate that reached 90% in 1982.

Structural problems were also inherent in the import substitution industrialization strategy followed after 1960. High levels of effective industrial protection, an overvalued exchange rate, subsidized interest rates, and other incentives to capital investment resulted in an industrial sector with considerable excess capacity, dependent on imported inputs, and relying heavily on the growth of domestic and regional (CACM) markets. The import substitution industrialization incentives also discouraged exporting to extraregional markets.

Although the previous government had negotiated an Extended Fund Facility arrangement with the International Monetary Fund (IMF) in June 1981 to achieve economic stabilization, implementation of essential measures was not undertaken and drawings were halted in August 1981. By the time the present administration took office in May 1982, all elements in the country were sufficiently alarmed to make possible the imposition of the necessary discipline of a new stabilization program, which was formalized in a standby agreement with the IMF in December 1982. This program sought to sharply

reduce the budget deficit, achieve exchange rate stability, resume payments on external debt, and restore balance-of-payments equilibrium. The fiscal deficit, which had reached 14% of GDP in 1981, was reduced to 9% in 1982 and 5% in 1983, and good progress was made in the other areas of stabilization policy.

C. Strategy and Policy Agenda

Our strategy in Costa Rica is to assist the government in consolidating its stabilization program, implementing the policy reforms needed to achieve rapid and sustained economic recovery, preserving the country's commendable attainments in meeting equity objectives, and forestalling challenges to Costa Rica's long-established democratic traditions. Given Costa Rica's exemplary record of equitable development within a democratic framework, our direct technical and financial assistance in support of equity and democratization will be modest. Our strategy instead will be to preserve what has already been achieved by supporting economic stabilization and recovery.

1. Stabilization. The major long-term economic problem facing Costa Rica is the servicing of its external debt. The public external debt at the end of 1983 was approximately \$3.4 billion, and private debt was between \$0.5 and \$1.0 billion, bringing the total to between \$3.9 and \$4.4 billion. Debt service requirements for 1984-1986 equal 78% of projected exports. Shifting the mix of this debt and extending the average maturity will be necessary if the problem of repayment is to become manageable.

In examining prospective balance-of-payments gaps, which will determine the level of U.S. assistance, we have assumed that there will be a continuous process of rescheduling commercial bank debt--which the National Bipartisan Commission on Central America urges be done at the lowest possible interest rates--even if this results in some increase in the size of the overall debt during the 1989-1993 period. On this basis, the required level of Economic Support Fund (ESF) and P.L. 480 Title I flows is approximately \$150 million in FY 1984 and approaches \$200 million each year in the 1985-1988 period. This level of assistance is consistent with the recommendations of the Commission report. Without such assistance, Costa Rica would be faced with the alternatives of defaulting on its external debt, which would lead to deeper economic depression and consequent social turmoil, or utilizing a disproportionate share of its export earnings to service the debt, with the same end result.

Our macroeconomic policy dialogue will emphasize an improvement in Costa Rica's public sector finances. We will encourage the GOCR to adopt a program of fiscal austerity and tax and tariff reform, including public sector wage restraints, self-sustaining operational costs for public sector enterprises, positive public sector savings, a cap on the overall public sector deficit, and a restructuring of taxes and tariffs to remove their anti-export bias. In addition, improvements will be sought in the efficiency of tax collections and

in financial management. Technical assistance will be provided as needed. It is assumed that the IMF will deal with many of these measures in its negotiations for standby or extended fund facility agreements, and that our assistance will support IMF conditionality.

2. Growth in the Productive Sectors. Existing agricultural and manufacturing activities require increases in efficiency and productivity. In addition, there is a need to diversify production toward those products in which Costa Rica has a competitive advantage and away from traditional products--such as coffee, bananas, and sugar--for which price prospects are not bright, and from products which have been protected. As the Bipartisan Commission points out, this requires policy reforms to encourage private enterprise and individual initiative. The chief problems which must be addressed in order to turn the productive sector around include the following: government policies biased against export production and administrative practices which contribute to inefficient management in agricultural and industrial activities; inadequate financing due to credit squeeze, inefficient financial intermediation and insufficient foreign investment; insufficient technical know-how to improve and diversify agricultural and industrial production in an efficient and competitive manner; lack of linkages to new markets; and lack of trained manpower able to work with new methods and types of production.

During the next five years (1984-1988), the important economic and social goals which we believe are achievable are an annual GDP growth rate rising gradually from zero in 1984 to 5% in 1988 and sustained at or above that rate thereafter, and an inflation rate limited to 12% per annum or about twice the world inflation rate. These goals are heavily dependent upon (1) a real export growth rate of 10% per annum, based on past trends, with traditional exports likely to grow by 4.5% and nontraditional exports by 17% to extraregional markets and by 13% within the CACM; and (2) an overall public sector deficit limited to 4% of GDP in 1984 and declining to 2% in 1989, together with current account savings by the central government of at least 10% of revenues.

3. Broadening the Benefits of Growth. With unemployment and underemployment likely to remain serious problems well into the 1990s, special attention will be given to directing a portion of U.S. resources to the housing sector, as recommended by the Bipartisan Commission, to provide a near-term employment payoff and to improve living standards for low- and moderate-income groups. Even with this assistance, however, total employment may not rise until 1985, and the unemployment and underemployment rates may not start to decline until 1987.

Since Costa Rica has a broad network of social infrastructure now in place, no additional such investment is justified at present. The main task is to maintain social services without strong cutbacks and yet without recourse to inflationary finance.

A.I.D. Program (FY 1983 and FY 1984)

The program stresses emergency economic assistance to help Costa Rica reduce the balance-of-payments deficit, stem the growth of the public sector, minimize the social effects of negative economic growth, and establish a new productive base for increased employment and sustained economic growth. The currently planned FY 1984 level of \$15.0 million in Development Assistance (DA) and \$70 million in ESF is substantially below the level provided in FY 1983 and will have to be supplemented with additional resources to address the difficult situation facing Costa Rica and to meet the A.I.D. objectives.

A. Economic Support Funds

In FY 1983, \$157 million was provided from the ESF account, including \$75 million from the Caribbean Basin Initiative supplemental appropriations and \$32 million from the FY 1983 supplemental appropriation. In FY 1984, a \$70 million ESF program will provide balance-of-payments support. The GOCR will pledge to make available an equivalent amount to finance the importation of U.S. machinery, raw materials, and spare parts required to help restore production and employment. The GOCR also will contribute an equivalent amount in local currency to fund expanded credit to private enterprises and to support industrial, agroindustrial, agricultural, and other employment-generating activities.

B. Agriculture, Rural Development, and Nutrition

The Northern Zone Infrastructure Development project (515-0191), initiated in FY 1983, will finance rural community infrastructure, small farmer research, extension and marketing, land titling, and production credit. This project, which builds upon the progress being made in the Agrarian Settlement and Productivity project (515-0148), will bring new areas into production and will improve the productivity of existing agricultural investments in Costa Rica's northern region. With centrally financed support, Agricultural Cooperative Development International provides technical assistance and training to develop the Costa Rica Cooperative Bank into a full consumer-owned cooperative bank. In FY 1984, Program Development and Support (515-0000) funds will be used to design a major private sector agricultural production and processing program. The project will build upon the infrastructure put into place by the Northern Zone I project. Additionally, \$2.0 million will be provided for the Investment Finance Facility project designed to finance capital investment in new export ventures.

C. Population Planning

Continued funding is planned for the Family Planning Self-Reliance project (515-0168), which was initiated in FY 1983 to support private and public sector efforts to expand coverage among fertile-age women.

D. Health

In FY 1983, \$5.95 million was provided for the Health Supplies Management project (515-0203) to streamline the drug and medical supplies purchasing system and to supply foreign exchange for imported medicines and medical commodities for the Social Security health and hospital facilities. In FY 1984, an additional \$4.3 million is planned for this project. The project is tied to the ongoing dialogue to increase the efficiency of health sector delivery systems.

FY 1984 Supplemental Request and Requested Year Program (FY 1985)

This program builds on the current efforts to consolidate the process of economic stabilization. A.I.D. also proposes to expand efforts to improve the efficiency with which the GOOCR manages its social programs so that it can maintain past levels of services with the diminished resources available. In FY 1984, A.I.D. requests an additional \$60 million in ESF, \$8 million in DA and \$7 million in P.L. 480 Title I. In FY 1985, A.I.D. requests a total of \$160 million in ESF, \$20 million in DA and \$28 million in P.L. 480 Title I. These levels are necessary to help provide the balance-of-payments support required to maintain current levels of economic activity and to lay the groundwork for initiating new economic growth.

A. Economic Stabilization

The GOOCR's stabilization program will be supported with both ESF and P.L. 480 resources. In FY 1984, an additional \$60 million of ESF is requested for the Economic Stabilization and Recovery II project (515-0192), bringing the ESF total this fiscal year to \$130 million. An additional \$7 million in P.L. 480 Title I is also requested, bringing the FY 1984 total to \$27 million. In FY 1985, \$160 million of ESF assistance is requested for the Economic Stabilization and Recovery III project to continue balance-of-payments support for the stabilization program. The GOOCR will pledge to make available an equivalent amount of U.S. dollars to finance the importation of commodities from the United States required to generate industrial, agroindustrial, and agricultural production and employment. Also in FY 1985, a P.L. 480, Title I program of \$28 million is requested to finance essential food imports.

Local currency generations from the P.L. 480, Title I program will be used to continue support of GOOCR reforms in the agricultural sector. Emphasis will be placed on facilitating a strong shift toward the private sector in order to promote a more open economy. Local currency generations from the ESF program will be used to provide counterpart for development projects undertaken with A.I.D., World Bank and Inter-American Development Bank assistance; to support other high priority items in the GOOCR budget; and to provide additional credit to the private sector.

B. Economic Growth

Following the Bipartisan Commission recommendations, A.I.D. will continue to support private sector export promotion activities. Costa Rica has an adequate infrastructure base upon which to expand its productive capacity, and it serves as a model for equitable distribution of the benefits of growth. Our program will concentrate on creating a strong financial and institutional base for the expansion of nontraditional export activities and new employment opportunities in agriculture and industry.

In support of economic growth objectives, A.I.D. requests \$3.355 million in FY 1985 under the Agriculture, Rural Development and Nutrition account. Of this amount \$3.0 million will support the development of a private sector trading company to stimulate the production and processing of nontraditional agricultural export products by small-scale farmers and rural entrepreneurs.

Under the Selected Development Activities account, an additional \$3.0 million in FY 1984 and \$5.4 million in FY 1985 is requested in support of growth objectives. The FY 1984 funding and part of the FY 1985 amount will help create a new private investment company. This project will put special emphasis on export-oriented industrial activities, nontraditional agroindustrial products for export markets, and investments with significant employment-generating potential. The private investment company will function as a major link between the Costa Rican business community and U.S. companies seeking to expand and manufacture overseas under the auspices of the CBI.

A Trade Credit Insurance Program will be initiated in Costa Rica in FY 1985. This program will be designed to induce private U.S. banks to increase their lending for short-term credit to the private sector in Costa Rica in order to increase production significantly. For FY 1985, \$75 million in guaranty authority is requested.

C. Broadening the Benefits of Growth

Costa Rica's achievements in providing social services have been impressive. However, the economic crisis in Costa Rica severely limits the ability of the government to maintain the level of services achieved to date. Meeting the economic growth targets of the program will be the most effective response to this problem. However, A.I.D. also is requesting limited amounts of funding directly to assist Costa Rica to meet its commitment to social programs.

Under the Population Planning account, an additional \$362,000 is requested in FY 1984 and \$1.035 million in FY 1985 to continue private- and public-sector family planning activities.

A.I.D. is requesting additional FY 1984 funding of \$1.4 million and FY 1985 funding of \$2.2 million under the Health account to continue activities in financial planning, management, procurement and logistics. Research will be

provided to carry out studies in the health sector to develop cost-containment programs. The goal is to help prevent a decline in the health status of the Costa Rican people by assisting the government to maintain its present level of services in the face of continued budget constraint.

An additional \$2.238 million in FY 1984 and \$7.710 million in FY 1985 is requested under the Education and Human Resources account for scholarship programs and for university and technical education. Part of these resources will support long- and short-term scholarships for training in the United States. U.S.I.A. will manage academic exchanges of students with leadership potential in educational, cultural and civic affairs, and A.I.D. will manage training programs in critical development fields. Resources are also needed to support our ongoing programs to improve the capacity of the educational system to supply management and technical skills to the private sector. Funding will be provided for educational reform, upgrading technical and university education and translation of materials. FY 1985 funding is also requested to continue the Policy Planning and Administrative Reform project (515-0190).

In FY 1984, under the Selected Development Activities (SDA) account, \$1 million is requested for a Cooperative Banking Service and Credit project through existing cooperative banks, which in turn will lend to member cooperatives. Approximately 200,000 farmer-members will ultimately benefit from this project.

A new Housing Guaranty program will be initiated to support the Costa Rican Institute for Water Supply and Sewerage. Under the SDA account, technical assistance totaling \$300,000 is requested in FY 1985 to implement this program.

D. Democratic Institutions and Human Rights

Costa Rica has a long, exemplary record of participatory democracy and defense of human rights. Nevertheless, the country will be able to take advantage of regional programs, enabling it to strengthen further the institutions that have made this possible. It will also benefit from the USIA scholarship program.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: COSTA RICA

CP 85

PROJECT TITLE	L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD	PLANNED	-THROUGH FY33- OBLIG ATIONS	EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	EXPENDI TURES
AGRICULTURE, RURAL DEV. AND NUTRITION											
PROGRAM DEVELOPMENT AND SUPPORT	G 515-0000	52	C	---	---	5,655	5,552	450	400	355	350
COMMODITY SYSTEMS	L 515-0134	77	77	5,500	5,500	5,500	5,143	---	357	---	---
NATURAL RESOURCES CONSERVATION	L 515-0145	79	80	3,000	8,000	3,000	966	---	1,500	---	1,500
AGRARIAN SETTLEMENT AND PRODUCTIVITY	G 515-0148	80	81	500	500	500	234	---	266	---	---
AGRARIAN SETTLEMENT AND PRODUCTIVITY	L 515-0148	80	81	9,500	9,500	9,500	2,514	---	2,000	---	2,000
PRIVATE SECTOR EXPORT CREDIT	L 515-0187	82	83	2,000	2,000	2,000	---	---	700	---	700
NORTHERN ZONE DEVELOPMENT	G 515-0191	83	83	500	500	500	---	---	100	---	162
NORTHERN ZONE DEVELOPMENT	L 515-0191	83	83	14,200	14,200	14,200	---	---	500	---	5,000
INVESTMENT FINANCING FACILITY	L 515-0204	84	84	---	2,000	---	---	2,000	500	---	1,500
NEW ACTIVITIES	G 515-9998	84	85	---	3,000	---	---	---	---	3,000	1,200
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 515-9999	78	C	---	---	1,500	530	100	802	---	268
TOTAL FOR ACCOUNT				40,200	45,200	47,355	14,939	2,550	7,125	3,355	12,680
GRANTS				1,000	4,000	8,155	6,316	550	1,568	3,355	1,980
LOANS				39,200	41,200	39,200	8,623	2,000	5,557	---	10,700
POPULATION PLANNING											
PROGRAM DEVELOPMENT AND SUPPORT	G 515-0300	52	C	---	---	125	111	25	25	35	25
FAMILY PLANNING SELF-RELIANCE	G 515-0163	83	89	2,500	3,100	950	---	450	700	1,000	500
NEW ACTIVITIES	G 515-9998	84	84	---	362	---	---	362	145	---	145

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: COSTA RICA

CP 85

PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED		-THROUGH FY83- OBLIG ATIONS	EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	EXPENDI TURES
TOTAL FOR ACCOUNT				2,500	3,462	1,075	111	837	870	1,035	670
GRANTS				2,500	3,462	1,075	111	837	870	1,035	670
LOANS				---	---	---	---	---	---	---	---
HEALTH											
PROGRAM DEVELOPMENT AND SUPPORT	G 515-0000	52	C	---	---	40	27	150	150	100	20
HEALTH SUPPLIES MANAGEMENT	G 515-0203	83	84	250	250	250	---	---	70	---	60
HEALTH SUPPLIES MANAGEMENT	L 515-0203	83	84	10,000	10,000	5,700	---	4,300	6,000	---	4,300
NEW ACTIVITIES	G 515-9998	84	85	---	3,500	---	---	1,400	560	2,100	1,400
TOTAL FOR ACCOUNT				10,250	13,750	5,990	27	5,850	6,780	2,200	5,480
GRANTS				250	3,750	290	27	1,550	780	2,200	1,480
LOANS				10,000	10,000	5,700	---	4,300	6,000	---	4,000
EDUCATION AND HUMAN RESOURCES											
PROGRAM DEVELOPMENT AND SUPPORT	G 515-0000	52	C	---	---	355	323	125	75	290	75
SCIENCE AND TECHNOLOGY	L 515-0138	79	79	2,000	2,000	2,000	---	---	800	---	350
POLICY, PLANNING, AND ADMIN REFORM	G 515-0190	83	85	500	2,000	500	---	500	300	1,000	500
NEW ACTIVITIES	G 515-9998	84	85	---	8,658	---	---	2,238	895	6,420	3,460
TOTAL FOR ACCOUNT				2,500	12,658	2,855	323	2,863	2,070	7,710	4,885
GRANTS				500	10,658	855	323	2,863	1,270	7,710	4,035
LOANS				2,000	2,000	2,000	---	---	800	---	350
SELECTED DEVELOPMENT ACTIVITIES											
PROGRAM DEVELOPMENT AND SUPPORT	G 515-0000	52	C	---	---	1,073	1,023	350	275	500	300
URBAN EMPLOYMENT AND COMMUNITY IMPROVMENT	L 515-0130	78	78	5,500	5,500	5,500	5,023	---	477	---	---

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized data. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: COSTA RICA

CP 85

PROJECT TITLE	● L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST		-THROUGH FY83-		-ESTIMATED FY84-		-PROPOSED FY85-	
				AUTHD	PLANNED	OBLIG	EXPENDI	OBLIG	EXPENDI	OBLIG	EXPENDI
						ATIONS	TURES	ATIONS	TURES	ATIONS	TURES
SPECIAL DEVELOPMENT ACTIVITY FUND	G 515-0133	77	C	---	---	552	541	100	100	100	100
SCIENCE AND TECHNOLOGY	L 515-0138	79	79	2,500	2,500	2,500	1,599	---	776	---	125
NATURAL RESOURCES CONSERVATION	L 515-0145	79	80	1,800	1,800	1,800	---	---	400	---	400
ENERGY POLICY DEVELOPMENT	G 515-0175	81	83	1,000	1,000	1,000	219	---	781	---	---
PRIVATE SECTOR PRODUCTIVITY	L 515-0176	81	81	7,800	7,800	7,800	32	---	3,200	---	4,568
PRIVATE SECTOR EXPORT CREDIT	L 515-0187	82	83	8,000	8,000	8,000	---	---	2,300	---	2,300
PRIVATE SECTOR LOW-COST SHELTER	G 515-0188	83	83	300	300	300	3	---	175	---	122
POLICY, PLANNING, AND ADMIN REFORM	G 515-0190	83	85	2,800	3,300	2,300	188	500	1,200	---	1,200
INVESTMENT FINANCING FACILITY	L 515-0204	84	86	---	21,000	---	---	6,050	500	4,800	3,000
NEW ACTIVITIES	G 515-9998	84	85	---	4,300	---	---	4,000	1,600	300	1,720
TOTAL FOR ACCOUNT				29,700	55,500	31,325	3,628	11,000	11,784	5,700	13,335
GRANTS				4,100	8,900	5,725	1,974	4,950	4,131	900	3,442
LOANS				25,600	46,600	25,600	6,654	5,050	7,653	4,800	10,393
ECONOMIC SUPPORT FUND											
COOP BANKING SERVICES AND CREDIT	G 515-0178	83	83	500	500	500	---	---	300	---	200
ECONOMIC STABILIZATION AND RECOVERY II	G 515-0166	83	83	37,735	37,735	37,735	30,735	---	7,000	---	---
ECONOMIC STABILIZATION AND RECOVERY II	L 515-0186	83	83	118,000	118,000	118,000	10,000	---	108,000	---	---
ECONOMIC STABILIZATION AND RECOVERY III	L 515-0192	84	84	---	70,000	---	---	70,000	70,000	---	---
NEW ACTIVITIES	G 515-9998	84	85	---	220,000	---	---	60,000	60,000	160,000	150,000

^a Refers to the planned project summary sheet

^c Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized data. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: COSTA RICA

CP 35

PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH FY83-		-ESTIMATED FY84-		-PROPOSED FY85-		
					OBLIG ATIONS	EXPENDI TURES	OBLIG ATIONS	EXPENDI TURES	OBLIG ATIONS	EXPENDI TURES	
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 515-9999	78	C	---	---	250	48	---	120	---	82
TOTAL FOR ACCOUNT GRANTS				156,235	446,235	156,485	40,783	130,000	245,420	160,000	150,282
LOANS				38,235	258,235	33,485	30,783	60,000	67,420	160,000	150,282
				118,000	188,000	118,000	10,000	70,000	178,000	---	---
TOTAL FOR COUNTRY GRANTS				241,385	576,805	245,085	64,811	153,100	274,349	130,000	137,932
LOANS				46,585	289,005	54,585	39,534	70,750	76,039	175,200	161,899
				194,800	237,800	190,500	25,277	82,350	198,010	4,800	25,943

^B Refers to the planned project summary sheet

^C Level of effort activity

^{FY} of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

FY 85 CP ECONOMIC AND SOCIAL DATA

COUNTRY: (519) EL SALVADOR

BASIC DATA

TOTAL POPULATION.. (THOUSANDS,MID 1983) 4,685
 PER CAPITA GNP..... (DOLLARS,1981) 650
 ANNUAL PER CAPITA REAL GNP GROWTH RATE.. (1970-81) 0.0%
 ANNUAL RATE OF INFLATION (1970-81) 10.5%
 NATIONAL INCOME RECEIVED BY LOW 20% OF POPULATION..() . %
 LIFE EXPECTANCY AT BIRTH, IN YEARS
 (1982) TOTAL 64.4 MALE 62.6 FEMALE 66.3
 (1970) TOTAL 57.5 MALE 56.0 FEMALE 59.1
 ADULT LITERACY RATE (1975) TOTAL 62% MALE 66% FEMALE 59%

AGRICULTURE

ANNUAL PER CAPITA AGRICULTURAL PRODUCTION GROWTH RATE
 (1973-1982) -2.6%
 AGRICULTURAL PRODUCTION AS % OF GDP.....(1981) 26%
 POPULATION DENSITY / SQ MI OF AGRICULTURAL LAND (1979) 865
 MAJOR CROP(S) ARABLE LAND YEAR
 SUBSISTENCE: CORN ,BEANS-DRY , 37% (1982)
 CASH: COFFEE ,COTTON ,RAW SUGAR 32% (1982)
 MAJOR AGRICULTURAL EXPORTS:(1982) COFFEE ,COTTON ,RAW SUGAR
 MAJOR AGRICULTURAL IMPORTS:(1982) WHEAT ,CORN ,VEGETABLE OILS
 PROPORTION OF LABOR FORCE IN AGRICULTURE.....(1980) 50%

CENTRAL GOVERNMENT FINANCES

TOTAL REVENUES AND GRANTS (\$ MILLIONS, U.S.)
 (1980) 407 (81) 427 (82) 437
 TOTAL EXPENDITURES AND NET LENDING (\$ MILLIONS, U.S.)
 (1980) 627 (81) 645 (82) 680
 DEFICIT(-) OR SURPLUS (\$ MILLIONS, U.S.)
 (1980) -221 (81) -217 (82) -243
 DEFENSE EXPENDITURES,
 AS % OF TOTAL EXPENDITURES.. (1978) 6.8% (79) 9.3% (80) 8.6%
 AS % OF GNP..... (1978) 1.0% (79) 1.4% (80) 1.6%
 OFFICIAL INTERNATIONAL RESERVES, GROSS HOLDINGS END OF PERIOD,
 (\$MILLIONS, U.S.) (1980) 100 (81) 94 (82) 130
 EQUIVALENT TO 1.3 MONTHS OF IMPORTS (1980)

FOREIGN TRADE

MAJOR EXPORTS... (1981) COFFEE ,COTTON ,SUGAR
 EXPORTS TO U.S.
 (\$ MILLIONS, US, FOB) (1980) 442 (1981) 206 (1982) 192
 AS % OF TOTAL EXPORTS (1980) 41% (1981) 26% (1982) 27%
 MAJOR IMPORTS....(1981) MACHINERY ,PETROLEUM ,RAW MATERIALS
 IMPORTS FROM U.S.
 (\$ MILLIONS, US, CIF) (1980) 245 (1981) 253 (1982) 242
 AS % OF TOTAL IMPORTS (1980) 25% (1981) 26% (1982) 27%
 TRADE BALANCE(\$ MILLIONS, U.S.)(1980) 178(81) -103(82) -107
 TRADING PARTNERS: UNITED STATES ,GUATEMALA ,WEST GERMANY
 EXTERNAL PUBLIC DEBT AS % OF GNP (1981) 19.0%
 SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT,
 (\$ MILLIONS, U.S.)..... (1981) 39
 AS % OF EXPORT EARNINGS (DEBT SERVICE RATIO).... (1981) 4.0%

SOCIAL DATA

POPULATION GROWTH RATE...(1970) 2.9% (1978) 2.7% (1983) 2.6%
 POPULATION IN URBAN AREAS.....(1970) 39% (1982) 42%
 LIVE BIRTHS PER 1,000 POPULATION.....(1970) 40 (1983) 41
 MARRIED WOMEN AGED 15-44 YRS. USING CONTRACEPTION. (1978) 34.4%
 POPULATION (1980) IN AGE GROUP:
 (0-14YRS) 45.6% (15-64YRS) 51.5% (65+ YRS) 3.0%
 INFANT DEATHS IN FIRST YR OF LIFE PER 1000 LIVE BIRTHS (1983) 71
 PEOPLE PER PHYSICIAN..... (1977) 3,599
 MAJOR CAUSES OF
 DISEASE (1979) MALARIA ,FLU & PNEUMONIA ,
 DEATH.. (1977) ACUTE RESP. INFE ,ACCIDENTS ,ENTERIC DISEASE
 PER CAPITA CALORIE SUPPLY AS A % OF REQUIREMENTS.. (1977) 94%
 POPULATION WITH REASONABLE ACCESS TO SAFE WATER SUPPLY(1975) 53%
 TOTAL SCHOOL ENROLLMENT AS % OF POPULATION IN AGE GROUP:
 PRIMARY..... (1979) TOTAL 82.0% MALE 83.0% FEMALE 81.0%
 SECONDARY..... (1979) TOTAL 26.0% MALE 27.0% FEMALE 24.0%
 POST SECONDARY.. (1975) TOTAL 6.5% MALE 8.5% FEMALE 4.4%
 ENERGY PRODUCTION AS % OF CONSUMPTION.....(1981) 17.1%

U.S. OVERSEAS LOANS AND GRANTS - OBLIGATIONS AND LOAN AUTHORIZATIONS
(U.S. Fiscal Years - Millions of Dollars)

ECONOMIC PROGRAMS OF ALL DONORS
(Millions of Dollars)

COUNTRY EL SALVADOR

PROGRAM	FOREIGN ASSISTANCE ACT PERIOD					TOTAL LOANS AND GRANTS 1946-82	REPAY- MENTS AND INTEREST 1946-82	TOTAL LESS REPAY- MENTS AND INTEREST 1946-82
	1978	1979	1980	1981	1982			
I. ECONOMIC ASSISTANCE - TOTAL	10.9	11.4	58.3	114.0	182.2	511.0	52.7	558.3
Loans	5.7	4.2	40.4	80.0	63.8	340.6	52.7	287.9
Grants	5.2	7.2	17.9	34.0	118.4	270.4	-	270.4
a. A.I.D. and Predecessor Agencies	8.0	6.9	52.3	78.3	154.6	449.0	31.1	417.9
Loans	5.7	4.2	37.4	53.8	43.9	251.1	31.1	220.0
Grants	2.3	2.7	14.9	24.5	110.7	197.9	-	197.9
(Economic Support Fund)	-	-	9.1	44.9	115.0	169.0	-	-
b. Food for Peace (PL 480)	1.7	2.9	5.5	35.3	27.6	104.9	1.1	103.8
Loans	-	-	3.0	26.2	19.9	49.6	1.1	48.5
Grants	1.7	2.9	2.5	9.1	7.7	55.3	-	55.3
Title I - Total Sales Agreements	-	-	3.0	26.2	19.9	49.6	1.1	48.5
Repayable in U.S. Dollars - Loans	-	-	3.0	26.2	19.9	49.6	1.1	48.5
Payable in Foreign Currency - Planned for Country Use	-	-	-	-	-	-	-	-
Title II - Total Grants	1.7	2.9	2.5	9.1	7.7	55.3	-	55.3
Emerg. Relief, Econ. Develop. & World Food Program	0.6	1.3	0.5	4.2	5.5	17.5	-	17.5
Voluntary Relief Agencies	1.1	1.6	2.0	4.9	2.2	37.8	-	37.8
c. Other Economic Assistance	1.2	1.6	0.5	0.4	*	57.1	20.5	36.6
Loans	-	-	-	-	-	39.9	20.5	19.4
Grants	1.2	1.6	0.5	0.4	*	17.2	-	17.2
Peace Corps	1.2	1.5	0.5	-	-	12.7	-	12.7
Narcotics	-	-	-	-	-	-	-	-
Other	-	-	*	0.4	*	4.5	-	4.5
II. MILITARY ASSISTANCE - TOTAL	*	*	5.9	35.5	32.0	140.3	6.7	133.6
Credits or Loans	-	-	5.7	10.0	15.5	35.6	6.7	28.9
Grants	*	*	0.2	25.5	65.5	104.7	-	104.7
a. MAP Grants	*	*	*	25.0	63.5	93.5	-	93.5
b. Credit Financing - FMS	-	-	5.7	10.0	15.5	35.6	6.7	28.9
c. Military Assistance Service-Funded (MASF) Grants	-	-	0.2	0.5	2.0	8.6	-	8.6
d. Transfers from Excess Stocks	-	-	-	-	-	2.5	-	2.5
e. Other Grants	-	-	-	-	-	0.1	-	0.1
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	10.9	11.4	64.2	149.5	264.2	751.3	59.4	691.9
Loans	5.7	4.2	46.1	90.0	80.3	376.2	59.4	316.8
Grants	5.2	7.2	18.1	59.5	183.9	375.1	-	375.1
Other U.S. Government Loans and Grants	-	0.1	0.1	-	-	24.9	23.8	1.1
a. Export-Import Bank Loans	-	0.1	0.1	-	-	23.4	22.9	0.5
b. All Other Loans	-	-	-	-	-	1.5	0.9	0.6

* LESS THAN \$50,000.

A. ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1981	FY 1982	FY 1983	FY 1946-83
TOTAL	63.5	112.8	52.9	778.8
IBRD	0.0	0.0	0.0	215.1
IFC	0.0	0.0	0.0	1.0
IDA	0.0	0.0	0.0	25.6
IDB	63.4	112.4	52.9	509.8
ADB	0.0	0.0	0.0	0.0
AFDB	0.0	0.0	0.0	0.0
UNDP	0.1	0.4	0.0	21.3
OTHER-UN	0.0	0.0	0.0	6.0
EEC	0.0	0.0	0.0	0.0

B. BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE

1. D.A.C. COUNTRIES (Gross Disbursements)

EL SALVADOR	CY 1981	CY 1982	CY 1978-82
United States	99.0	171.0	336.0
Japan	0.2	0.4	17.8
Canada	6.4	1.4	11.1
Germany Fed. Rep.	1.5	1.7	9.4
France	0.2	-	8.1
Other	4.2	4.0	14.5
Total	111.5	178.5	396.9

2. O.P.E.C. COUNTRIES (Gross Disbursements)

C. LOANS AND GRANTS EXTENDED BY COMMUNIST COUNTRIES

EL SALVADOR

PROGRAM SUMMARY (In thousands of dollars)								
Fiscal Year	Total	Agriculture, Rural Development and Nutrition	Population Planning	Health	Education and Human Resources Development	Selected Development Activities	Other Programs	
							ESF	Other
1983								
Loans	47,600	32,100	--	15,500	--	--	--	--
Grants	151,185	3,429	1,850	1,514	272	4,120	140,000	--
Total	198,785	35,529	1,850	17,014	272	4,120	140,000	--
1984								
Loans	32,155	26,800	--	5,355	--	--	--	--
Grants	129,149	4,200	1,944	730	175	2,100	120,000	--
Suppl	120,000	5,000	2,000	4,000	4,000	15,000	90,000	--
Total	281,304	36,000	3,944	10,085	4,175	17,100	210,000	--
1985								
Loans	21,642	19,000	--	2,642	--	--	--	--
Grants	268,358	9,000	7,000	7,358	22,000	13,000	210,000	--
Total	290,000	28,000	7,000	10,000	22,000	13,000	210,000	--

FY 1985 PROGRAM HIGHLIGHTS	
<p>- \$210 million in ESF, primarily for balance-of-payments support to assist in financing private sector importation of raw materials and intermediate goods from the United States. Macroeconomic policy reforms, particularly to encourage production, exports and employment, will be sought.</p>	
<p>- \$17 million for programs to arrest institutional deterioration in health and continue support for family planning programs.</p>	
<p>- \$10 million in DA and \$7 million from P.L. 480 Title II to support programs with private voluntary organizations and to expand and improve humanitarian assistance efforts which provide food, health services, jobs, and resettlement opportunities for persons displaced by the current conflict.</p>	
<p>- \$35 million in DA to continue support for the agrarian reform and related agricultural sector programs.</p>	

El Salvador

RESOURCE FLOWS (In thousands of dollars)			
Program	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
Aid*			
Loans	63,905	55,081	29,755
Grants	89,829	275,440	240,679
Total AID	153,734	330,521	270,434
P.L. 480**			
Title I (of which Title III is)	39,000 (--)	46,000 (--)	44,000 (--)
Title II	7,738	5,343	7,073
Total P.L. 480	46,738	51,343	51,073
Total AID and P.L. 480	200,472	381,864	321,507

*AID levels represent actual and estimated expenditures.
**P.L. 480 levels represent actual and estimated value of shipments.

PERSONNEL/PARTICIPANTS DATA			
Category	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
AID Personnel ^a			
Direct Hire ^b	27	31	33
PASA ^c	--	--	--
Contract	15	22	26
Total	42	53	59
Participants ^d			
Noncontract	115	210	195
Contract	22	31	74
Total	137	241	269

^aU.S. nationals on duty at the end of the fiscal year.
^bFY and position levels.
^cParticipating agency technicians.
^dProgrammed during the fiscal year.

P.L. 480 (000 MT/\$000)						
Program	FY 1983 (Actual)		FY 1984 (Estimated)		FY 1985 (Proposed)	
	MT	\$	MT	\$	MT	\$
Title I				14,000*		
Wheat	116.3	18,300	(19.5*) 138	17,300	147	22,000
Rice	4.8	1,700	(2.0*) 3	1,200	5	2,000
Feedgrains	83.8	11,700	(54.5*) 97	9,000	78	10,000
Vegoil	13.9	7,300	(4.0*) 11	4,500	14	10,000
Non-food	--	--	--	--		
Title I Total (of which Title III is)		39,000 (--)		46,000 (--)		44,000 (--)
Title II						
Voluntary Agencies		1,584		1,846		2,098
World Food Programs		3,658		2,883		2,122
Gov't-to-Gov't		2,496		614		2,853
Title II Total		7,738		5,343		7,073
Total P.L. 480		46,738		51,343		51,073

*Supplemental Request: (\$3 mil. Wheat, \$.7 mil. Rice, \$7.3 mil. Feedgrains, \$3 mil. Vegoil)

EL SALVADOR

Overview and Strategy

A. Introduction and Objectives

The outcome of the political struggle in El Salvador is of great strategic importance to the United States. A victory for the Marxist left would make the struggle for economic recovery and the institution or preservation of democratic processes even more difficult in the rest of Central America. Throughout the region foreign and domestic investors would be less willing to undertake the capital expenditures needed for economic recovery and export diversification; trade credits and other private external flows would be even more difficult to obtain; and capital flight would accelerate. Economic stabilization efforts in other Central American countries could well collapse, aggravating already serious unemployment problems and raising social and political tensions that would be exploited by forces hostile to our interests.

Our fundamental objective in El Salvador, therefore, is the development of a friendly, stable democracy which is not susceptible to Soviet or Soviet-surrogate influence. To achieve this objective, our economic assistance program is assisting the Government of El Salvador (GOES) in completing its economic program and achieving a 3% real growth rate in gross domestic product (GDP) in both 1984 and 1985. To achieve rapid and sustained long-term growth, we must encourage and support policy reforms needed to make such growth possible. We must also ensure that the process of economic growth will be broad-based, so that it will improve the quality of life of the country's less advantaged groups. Finally, we must promote other improvements in human welfare by helping to create and strengthen democratic institutions and by requiring, as recommended by the National Bipartisan Commission on Central America, that the government commit itself to respecting human rights.

Economic recovery in El Salvador has been more difficult to achieve than had been anticipated several years ago, both because of the slow recuperation of the world economy and because of the slower-than-expected military and political progress in El Salvador. Substantially increased economic assistance can play a major role in initiating El Salvador's recovery, but by itself it cannot be counted on to solve all of the country's problems. A more effective military effort is also needed, as is a commitment to democratic processes and respect for human rights so that the government emerging from the March 1984 elections acquires greater political legitimacy. As the Bipartisan Commission report states, no political efforts at reconciliation can succeed if the government itself aids and abets violence against its own people. The GOES, then, must take effective measures to curb the actions of the death squads and to provide free and secure expression of opinion. If these reforms are undertaken, substantially increased U.S. assistance would constitute a significant demonstration of support to the Salvadoran private sector and to moderate elements throughout Salvadoran society. This would stimulate more investment and facilitate the long-awaited economic recovery that would enable the government to pursue more effectively its campaign against the insurgents.

B. Development Performance and Problems

Before 1960, El Salvador's economy was dependent on a few subsistence crops and coffee. The creation of the Central American Common Market (CAQM) in that year stimulated exports of manufactured goods to other Central American countries, and real GDP growth during the 1960s and 1970s exceeded 5% a year. Political development and social progress, however, proceeded more slowly. The country's rapidly growing poor population continued to be neglected by public and private institutions. Between 1972 and 1979, politics became increasingly radicalized and polarized, with the development of violent underground left- and right-wing groups dedicated to resolving the impasse through paramilitary means, including terrorism. In October 1979, fearing a full-scale communist revolution, the military carried out a coup to preserve El Salvador's pro-Western orientation. The resulting government subsequently implemented a series of sweeping economic reforms, including expropriation of agrarian lands and nationalization of the financial system and of coffee and sugar marketing operations. Political violence increased, however, inhibiting commerce, disrupting public services, and destroying infrastructure and productive physical plant.

The economy also has suffered from external factors such as the world recession, declining prices for the country's main exports, and sharply reduced demand from El Salvador's trading partners in the CAQM. This has resulted in an unparalleled economic crisis. Economic activity since 1978 has fallen in real terms by 25%, the unemployment rate is estimated to be 30% to 40% of the labor force, private investment and private capital inflows have fallen to very low levels, and foreign exchange availability has dropped dramatically. The fiscal deficit is estimated to have exceeded \$250 million in 1983. The government has not had the resources to maintain living standards, to continue the quality and coverage of social services or to deal with the most severe humanitarian problems produced by the continuing conflict. An increase in U.S. economic assistance to more than \$200 million in FY 1983 appears to have prevented a further decline in economic activity in 1983, but there is an urgent need to begin the process of economic recovery.

Over the long term, El Salvador must also face the problems arising from a natural population growth rate that is still very high. This will place additional pressures on a rural land base that is by far the most densely populated in the region, and an already serious problem of environmental degradation will likely become worse. In addition, a rapidly rising population will require new investment in social services to prevent a deterioration in the quality or coverage of these services.

C. Strategy and Policy Agenda

The directions in which economic stabilization and recovery need to proceed are clear. The U.S. strategy is to assist the GOES in completing its economic stabilization program, undertaking policy reforms that will lead to rapid and sustained economic growth, promoting a more equitable pattern of growth, and institutionalizing democratic processes and respect for human rights.

1. Stabilization. The most critical and immediate objective of our short-term strategy is to reverse the long and steep decline in the real GDP. There must be a greater flow of imports of raw materials, intermediate goods, spare parts, and capital goods to the private sector, to enable production and employment to increase and thus to provide hope to the Salvadoran people that standards of living can be improved without recourse to violent change. Both the private sector and the public sector need to replace and repair equipment and infrastructure destroyed by guerrilla activity. Agrarian reform measures need to be further strengthened, and farmers must have better access to credit so that the agricultural sector can expand and the need for food imports can be reduced. As the Bipartisan Commission points out, this can best be achieved through an emphasis on small-farm production.

Specific macroeconomic goals in the short term include achievement of a 3% real GDP growth rate in both 1984 and 1985 and establishment of a basis for long-term growth with equity by planning and then implementing the basic institutional and policy reforms needed to promote sustained economic growth following the conclusion of hostilities.

Our balance-of-payments and related assistance will be accompanied by a policy dialogue to promote reforms that will maximize the probability that our stabilization objectives will be attained. Particular emphasis will be placed, in consultation with the Central Bank and the International Monetary Fund, on further movement toward exchange-rate unification, the elimination of distortions discouraging exports, and a reduction in the chronic imbalance between the demand for and supply of foreign exchange. Other emphases will be fiscal measures to eliminate, or at least substantially reduce, the deficit in the central government's operating budget; to prohibit future budgets showing unfinanced gaps; to increase total revenues through tax reforms and administrative improvements; and to increase, as rapidly as possible, the rates charged by electric power companies and other autonomous public institutions operating at a deficit to put them on a self-sustaining basis.

2. Long-Term Growth in the Productive Sectors. Over the long run, a sustained economic recovery in El Salvador will require policies that stimulate export diversification. While land resources are limited, the productivity of existing crops can be increased and new high-value export crops can be introduced. The industrial sector can no longer rely as heavily as it has in the past on the CACM and must be given incentives to orient new production more toward external markets. Our aim is to:

- achieve and sustain, after termination of the civil conflict, an average annual GDP growth rate of at least 5% to 5.5%;
- target the growth of exports of manufactured goods to third country markets at 15% to 20% per annum;
- encourage the private sector by promoting a favorable environment for both foreign and domestic investors via a relatively stable and realistically valued exchange rate, non-inflationary monetary and fiscal policies, abolition of foreign exchange controls and guarantees against expropriation of foreign investment; and

-- rebuild the country's infrastructure, particularly power generation and distribution, bridges, and damaged or destroyed farms.

3. Broadening the Benefits of Growth. The inequitable pattern of economic growth that prevailed during the 1960s and 1970s must not be allowed to return. The achievement of rapid economic growth with equity will require policies and programs that:

- stimulate small-farm agriculture, both for agrarian reform beneficiaries and for other small farmers;
- raise the level of employment by 3% per year and emphasize the development of labor-intensive sectors, which should coincide with sectors oriented toward the production of extraregional, nontraditional exports;
- place major emphasis on restoring and developing further the basic social infrastructure, particularly in health and education, reflecting the Bipartisan Commission's view that accelerated human development must be the cornerstone of a comprehensive effort to promote democracy and prosperity;
- provide humanitarian assistance to the approximately 450,000 persons who have been displaced within the country because of the armed conflict; and
- promote more equitable income distribution through a tax system whose reliance on direct taxation increases from 27% to 40% of total revenue collection.

4. Democratic Institutions and Human Rights. As the Commission has emphasized, economic assistance alone will not be an adequate response to El Salvador's needs. Such assistance must be coordinated within an overall set of principles that will foster democracy, reform and human rights. We plan to encourage continued progress in human rights and the institutionalization of democratic processes through further improvements in the criminal justice system, the expansion of free democratic labor unions, the strengthening of social reforms, and the regularization of free elections.

A. I. D. Program (FY 1983 and FY 1984)

A. Economic Stabilization

During FY 1983, A. I. D. provided \$58.6 million in Development Assistance (DA), \$140 million in Economic Support Funds (ESF), and \$46.7 million in P. L. 480 Title I and II commodities for programs which kept El Salvador's economy viable, food available, and its basic economic infrastructure functioning. A. I. D. financed direct employment programs for some 12,000 displaced persons during FY 1983. Including the indirect employment impact, U. S. economic assistance supported over 160,000 jobs during FY 1983, or about 14% of El Salvador's labor force. U. S. assistance enabled El Salvador to import the essential raw materials, capital and intermediate goods to run its private

sector industries and farms during FY 1983. Both the ESF and P.L. 480 programs provided local currency generations and supported priority economic, social, and humanitarian programs.

During FY 1984, A.I.D. plans to provide \$41.3 million in DA, \$120 million in ESF, and an estimated \$37.3 million in P.L. 480 Title I and Title II resources to protect El Salvador's economy from further decline and to finance food imports. A.I.D. will allocate \$15 million to a new Industrial Stabilization and Recovery project which will provide dollar and local currency credit, technical assistance, and training resources designed (1) to rehabilitate and reactivate existing firms in the industrial sector; (2) to broaden and deepen the participation of small businesses in the economy, particularly in the agroindustrial subsector; and (3) to lay the groundwork to attract local and foreign investment. A survey of Salvadoran export policies and legislation, to be undertaken with Program Development and Support project (519-0177) funds, will provide the basis for policy recommendations in this area. In an effort to provide low-cost housing for El Salvador's poor while increasing employment, A.I.D. authorized a \$5 million Housing Guaranty (HG) program in FY 1983. An evaluation of the HG program carried out during FY 1983 indicated the need for a working capital fund which would allow builders to begin construction of HG-financed low-cost housing early, while waiting for the GOES to enter the U.S. credit markets under the HG program. This working capital fund was established during FY 1983, using \$2 million in P.L. 480 local currency generations. Additional local currencies will be provided in FY 1984.

B. Humanitarian Assistance

During FY 1983, U.S. assistance, directed through the GOES, the World Food Program, and U.S. and local private voluntary organizations (PVOs), provided health services and food to over 250,000 persons displaced by the conflict. Under the emergency program, A.I.D. and the State Department Refugee Program provided \$4.5 million through the Health and Jobs for Displaced Persons project (519-0281) to finance health services, vaccination of over 260,000 mothers and children, and employment for over 12,000 displaced persons during FY 1983.

During FY 1984, A.I.D. will provide another \$7.5 million in ESF for the emergency program under the Health and Jobs for Displaced Persons project (519-0281), in addition to \$7.5 million expected to be provided from the Department of State Refugee Program account. Operational program grants (OPGs) with U.S. PVOs will provide additional health, training, and general support to persons living in camps for displaced persons. A pilot rural housing project, begun in early FY 1984 with \$210,000 in Disaster Assistance funds, will provide low-cost housing for displaced persons who choose to resettle on agrarian reform lands. If the pilot effort proves successful, additional A.I.D. financing will be provided to expand this resettlement effort.

C. Social Development

1. Agrarian Reform. An important factor in El Salvador's recovery from the current economic and social upheaval is the effective completion of agrarian reform initiatives begun in 1980. During FY 1983, A.I.D. provided over \$34 million, including \$23.9 million for agricultural credit, in direct project assistance to institutions supporting the agrarian reform program and its beneficiaries. As of September 1983, over 193,900 people had benefited from the phase I reform program, encompassing properties of 1,235 acres and larger, and the GOES had paid over \$113 million in cash and bonds to 174 former property owners.

Under the phase III program, which allows former renters and sharecroppers to claim the land they work up to a maximum of 17 acres, over 334,800 persons, including family members, are claiming ownership of formerly rented land, and 358 former property owners have received over \$7.26 million in compensation. By the end of FY 1983, over 20% of El Salvador's farm land had been affected by the reform and over 10% of the total population was benefiting from the land reform program. About \$24 million in U.S. assistance provided under the Agrarian Reform Credit project (519-0263) during FY 1983 was used to support production loans for phase III and other small farmers and for phase I cooperatives.

During FY 1984, A.I.D. plans to provide another \$17.5 million in DA funds for the Agrarian Reform Credit project (519-0263) and another \$10 million for the Agrarian Reform Sector Support project (519-0265). In addition, \$1.15 million is planned for technical assistance to be provided under an OPG to Technoserve, Inc., a U.S. PVO.

2. Health and Population. During FY 1983, the A.I.D.-financed Health Systems Vitalization project (519-0291) provided \$16.77 million to buy pharmaceuticals, other medical supplies, and equipment; to support malaria control; and to develop emergency medical services. A.I.D. also financed the shipment of medical supplies donated by U.S. citizens in cooperation with PVOs to El Salvador and provided a \$1.8 million OPG for a new family planning activity to be administered by the Salvadoran Demographic Association, a local PVO.

Following an evaluation of the project in mid-1984, \$5.5 million in additional DA funds will be provided to the Health Systems Vitalization project (519-0291). Work also will begin in late FY 1984 on the design of a new, longer-term effort to strengthen the administration and delivery of health services in El Salvador, particularly in the rural areas. An evaluation of the Salvadoran Health and Family Planning project (519-0275), scheduled for FY 1984 under funding from the Program Development and Support project (519-0178), will provide the basis for design of a new Population Dynamics project to begin in FY 1985.

3. Democratic Institutions. To help the GOES assure timely and fair elections, A.I.D. provided \$3.4 million in FY 1983 ESF support to the Salvadoran Elections project (519-0293).

4. Policy Improvement. Funds provided under the Reform and Policy Planning project (519-0260) financed a study by a private U.S. firm of the operating procedures and policies of the Central Reserve Bank. An evaluation of the agrarian reform programs carried out by Checchi and Company, and funded by the Program Development and Support project (519-0167), concluded that the agrarian reform program is moving well in achieving its objectives. The evaluation also led to improvement in the way the GOES and A.I.D. are working to implement the reforms.

FY 1984 Supplemental Request and Requested Year Program (FY 1985)

For FY 1984, A.I.D. requests an additional \$90.0 million in ESF, \$30.0 million in DA, and \$14.0 million in P.L. 480 Title I funds. For FY 1985, we are requesting \$210.0 million in ESF, \$80.0 million in DA, and \$51.1 million in P.L. 480 Title I and II resources, to be complemented by support from HG, Commodity Credit Corporation (CCC) and trade credit guaranty programs.

The resources requested are essential for strengthening and building upon achievements made to date in stabilizing the economy, effecting needed reforms and dealing with the physical and social traumas suffered by a nation at war. Using the ongoing work in those areas as a base, A.I.D. will support a comprehensive program to assist El Salvador on the road to economic recovery and to bring the provision of social services, particularly in health and education, back to pre-war levels. In addition, resources will go toward the strengthening of democratic institutions, notably in the area of judicial reform. Their use will follow closely the recommendations made by the National Bipartisan Commission.

A. Economic Stabilization

A.I.D.'s primary strategy here will be the provision of balance-of-payments assistance to El Salvador at a level needed to maintain the flow of essential foodstuffs into the country and to keep the private sector of the economy producing and generating employment. ESF and P.L. 480 Title I assistance (an additional \$75.0 million of ESF and \$14.0 million of P.L. 480 in FY 1984 and a total of \$170.0 million of ESF and \$41.1 million of P.L. 480 in FY 1985) will be provided to ensure that import needs are met for agricultural commodities and vital industrial and commercial production and capital goods. The P.L. 480 Title I program will be complemented by an agricultural commodity import risk insurance program (CCC-guaranteed credits totalling \$90 million) which will facilitate the importation of additional quantities and kinds of commodities, albeit on harder (non-concessional) terms.

Local currencies generated by the ESF and Title I programs will continue to finance priority activities involving the private sector, public services, agrarian reform, and other rural development programs. The ESF and P.L. 480 programs will be used to encourage the policy reforms or initiatives necessary to maintain or increase production and employment, especially in the area of nontraditional export development.

Additional ESF resources will enable the GOES to repair or maintain infrastructure such as bridges and power distribution systems damaged in guerrilla attacks throughout the country. Approximately \$10.0 million has been programmed for this purpose under the FY 1984 Supplemental request, and another \$12.0 million is planned for FY 1985.

B. Economic Growth

In accordance with the Bipartisan Commission recommendations, ESF assistance and DA resources will also be used to provide the impetus for economic recovery in both the agricultural and industrial/commercial sectors of the economy. Policy dialogues will be used to establish incentives for increased domestic and foreign investment, particularly in those areas which are conducive to labor-intensive, export-oriented activities.

1. Agriculture (\$5.0 million DA, FY 1984 Supplemental; \$28.0 million DA, FY 1985). DA funds will be used to institutionalize and consolidate the land reform processes undertaken by the GOES and to eliminate the uncertainty affecting both reformed and nonreformed sectors. DA resources have also been programmed to increase the country's capacity to provide credit and agricultural inputs and to develop and disseminate improved technologies. The additional Agriculture, Rural Development and Nutrition (ARDN) funding proposed in the FY 1984 supplemental request is \$5.0 million. The local currency equivalent of \$5 million in ESF assistance proposed under the FY 1984 Supplemental request will be used to continue the compensation due landowners affected by the reform. A combination of \$28.0 million in ARDN funds and the equivalent of another \$29.0 million in ESF local currency generations have been programmed in FY 1985 to provide credit to the agricultural sector and to continue to strengthen the institutions serving the sector and implementing the agrarian reform, particularly the extension, research and training services of the GOES. A substantial portion of the local currency funds will go to continue the compensation of ex-landowners. A portion of the DA funds will also finance the maintenance of small-scale irrigation systems, investments in agroindustrial enterprises serving traditional and nontraditional export crops, improvements in marketing services and an information system to promote nontraditional exports and domestic marketing of staple foods by small farmers. The efforts outlined above, together with activities already in progress, should provide 70,000 or more Salvadoran families with clear title to their land by 1990 and should make possible an annual growth rate of 15% to 18% in nontraditional agricultural and agroindustrial exports.

2. Industrial Recovery: Sector Support (\$5 million ESF, FY 1984 Supplemental; \$15 million ESF, FY 1985). Supplemental ESF funds in FY 1984 in the amount of \$5 million and FY 1985 funds totaling \$15 million will be used to complement project being designed this fiscal year which will constitute a more structured response to problems encountered in making available investment credit and working capital to small businesses, providing medium-term credit for the importation of capital goods, making full use of industrial capacity, and developing and marketing nontraditional products for export. As an

adjunct to the foregoing activities, the Export-Import Bank will issue Trade Credit Guaranties to private U.S. banks providing short-term credit to Salvadoran businesses. The portfolio of insurance should grow from an initial level of \$25 million in late FY 1984 to \$100 million in FY 1985. These activities, taken in concert with projects now being implemented by A.I.D., will result in increases in the production of manufactured goods; the number of export-oriented businesses developed or expanded (together with resultant employment increases); productive, profitable participation in the economy by small- and medium-sized businessmen; and, eventually, new foreign investment.

C. Broadening the Benefits of Growth

While A.I.D. is working to stimulate a recovery in the economy, it will also support the GOES in its efforts to ensure that the positive benefits of that recovery are widely distributed throughout the society, particularly in the form of social services such as health, education, and housing.

1. Family Planning (\$2.0 million DA, FY 1984 Supplemental; \$7.0 million DA, FY 1985). FY 1984 supplemental and FY 1985 funds will finance the continuation and expansion of ongoing programs in the public and private sectors. Population resources totaling \$2.0 million from the supplemental request and another \$7.0 million in FY 1985 will be used to expand the activities of the Ministry of Health, the Social Security System and the Salvadoran Demographic Association in the areas of public consciousness-raising and increased retail sales of commodities. As a result of these inputs, acceptance of contraceptives should reach 40%, or 340,000 users, by the end of 1984 and 42%, or 360,000 users, by the end of 1985.

2. Health and Nutrition (\$4.0 million DA, FY 1984 Supplemental; \$10.0 million DA, FY 1985). Supplemental Health account resources amounting to \$4.0 million have been programmed for FY 1984 to complement the ongoing efforts in this area which began in FY 1983. Part of these funds will go to improve the nutrition surveillance, education, and evaluation components of emergency feeding programs, particularly for displaced persons. FY 1985 will see the initiation of a new, multifaceted health program which will include technical assistance and training in planning and management, provision of essential drugs and supplies, training for mid-level and community-based health workers, and expanded programs for immunization, oral rehydration, malaria control and emergency medical services. Additional resources will be used to continue nutritional support to the food aid program, primarily for displaced persons.

3. Housing (\$3.0 million HG, FY 1984 Supplemental; \$5.0 million HG, FY 1985; \$200,000 DA, FY 1984 Supplemental). A.I.D. will increase the HG availability in FY 1984 by \$3.0 million to help Salvadoran housing agencies secure funds they need to provide lower-income families with housing and particularly with complementary housing infrastructure such as water and sewage systems. Another \$5.0 million in HG assistance will be provided in FY 1985. A modest amount of technical assistance (\$200,000) from the Selected Development Activities account will be provided in FY 1984.

4. Education (\$3.0 million DA, FY 1984 Supplemental; \$15.0 million DA, FY 1985). The Salvadoran public education system has deteriorated markedly during recent years because of tight budgets, increasing school-age population, and major rural-urban migration. Supplemental Education funds in FY 1984 and funds from this same account in FY 1985 will be used to accelerate the restoration work of primary and secondary schools, to improve instructional materials, to improve program management and implementation systems, to extend and improve programs for post-secondary technical education, and restore educational television facilities to continue mass education programs developed in the 1970s.

5. Scholarships (\$1.0 million DA, FY 1984 Supplemental; \$7.0 million DA, FY 1985). Supplemental Education and Human Resources funds in the amount of \$1.0 million, together with \$7.0 million in FY 1985 funds, will finance the establishment of an A. I. D. program that together with a similar U. S. I. A. program will provide long- and short-term scholarships to the United States for technical, vocational or academic training. The A. I. D. and U. S. I. A. programs should finance about 960 long-term and 960 short-term scholarships through 1989. A. I. D. will also seek U. S. private sector assistance in support of the program (e.g., defraying a portion of transportation costs or direct provision of various types of technical training).

6. Humanitarian Assistance (\$12.0 million DA, FY 1984 Supplemental; \$10.0 million DA, FY 1985; \$10.0 million P.L. 480 Title II, FY 1985) These requested funds, combined with funds available under the 1984 Continuing Resolution, will finance an expansion and improvement of the ongoing Health and Jobs for Displaced Persons project (519-0294). The project will finance cash-income employment opportunities in community-useful projects (e.g., environmental sanitation, health services, and other basic needs of the displaced persons). The project will also assist these persons to reestablish themselves in their home communities when security conditions permit. The FY 1985 funding request is primarily intended for resettlement activities to finance self-help shelter construction, agricultural tools and inputs, food supplies until local production is possible, and basic medical services. The program will work through a variety of mechanisms: the GOES coordinating agency, international organizations, and PVOs. P.L. 480 Title II food commodities will be provided through PVOs to address the nutritional needs of displaced persons.

7. Public Administration Reform and International Executive Service Corps (\$500,000 DA, FY 1985). In response to the Bipartisan Commission recommendations, \$500,000 in FY 1985 Selected Development Activities funds will be used to improve public administration techniques in various government institutions and the internal management methods of small businesses. This will be accomplished with the help of the International Executive Service Corps.

8. Other Selected Development Activities. (\$2.3 million DA, FY 1984 Supplemental; \$2.5 million DA, FY 1985). These amounts will be used to fund OPGs and other special development activities.

D. Democratic Institutions and Human Rights

El Salvador will benefit in both FY 1984 and FY 1985 from a regional program designed to promote and support the efforts of governments and private legal institutions in Central America to develop, enhance and maintain fair and effective systems for the administration of justice. Program activities in FY 1984 and FY 1985 will include scholarship programs, supported by U.S. I.A.; seminars and training programs aimed at strengthening the role of bar associations, improving the investigatory and evidentiary procedures of the various courts, and updating legal codes and publications; and professional development courses for officials involved in the legal profession.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: EL SALVADOR

CP 85

PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED		-THROUGH FY83- OBLIG ATIONS	FY83- EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	FY84- EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	FY85- EXPENDI TURES
AGRICULTURE, RURAL DEV. AND NUTRITION											
PROGRAM DEVELOPMENT AND SUPPORT - ARDN	G 519-0167	74	C	---	---	1,313	1,165	250	375	250	200
SMALL FARM IRRIGATION SYSTEMS	L 519-0134	78	84	2,300	3,800	2,300	380	1,500	1,420	---	900
SMALL PRODUCER DEVELOPMENT	G 519-0229	80	83	750	750	750	375	---	200	---	175
SMALL PRODUCER DEVELOPMENT	L 519-0229	80	83	9,000	7,000	7,000	4,523	---	2,472	---	---
HEALTH AND NUTRITION	G 519-0253	80	80	175	175	175	93	---	82	---	---
AGRARIAN REFORM ORGANIZATION	G 519-0262	80	83	1,023	1,023	1,023	909	---	114	---	---
AGRARIAN REFORM ORGANIZATION	L 519-0262	80	83	11,750	11,750	11,750	10,686	---	1,064	---	---
AGRARIAN REFORM CREDIT	G 519-0263	80	86	1,625	2,625	1,625	1,055	500	1,070	500	500
AGRARIAN REFORM CREDIT	L 519-0263	80	86	51,500	95,500	51,500	48,646	17,000	19,854	13,000	13,000
AGRARIAN REFORM SECTOR SUPPORT	G 519-0265	83	86	4,900	4,900	1,500	---	1,700	2,500	1,600	1,600
AGRARIAN REFORM SECTOR SUPPORT	L 519-0265	83	86	30,000	30,000	7,700	---	9,300	12,000	6,000	9,000
NEW ACTIVITIES	G 519-9998	84	85	---	11,000	---	---	5,000	2,000	6,000	4,400
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 519-9999	79	C	---	---	2,323	1,196	1,750	1,366	650	1,489
TOTAL FOR ACCOUNT				113,023	168,523	89,959	69,533	36,000	44,517	29,000	31,264
GRANTS				8,473	20,473	3,709	4,793	9,200	7,707	9,000	8,364
LOANS				104,550	148,050	80,250	64,740	26,800	36,810	19,000	22,900
POPULATION PLANNING											
FAMILY PLANNING AND POPULATION	G 519-0149	66	82	10,209	10,012	10,012	7,498	---	514	---	---
PROGRAM DEVELOPMENT AND SUPPORT - POP	G 519-0181	74	C	---	---	98	51	144	185	50	50
NEW ACTIVITIES	G 519-9998	84	85	---	7,150	---	---	2,000	800	5,150	2,860

* Refers to the planned project summary sheet.

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: EL SALVADOR

CP 85

PROJECT TITLE	L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD	PLANNED	-THROUGH OBLIG ATIONS	FY83- EXPENDI TURES	-ESTIMATED OBLIG ATIONS	FY84- EXPENDI TURES	-PROPOSED OBLIG ATIONS	FY85- EXPENDI TURES
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 519-9999	79	C	---	---	1,800	62	1,800	1,450	1,800	1,500
TOTAL FOR ACCOUNT GRANTS				10,209	17,162	11,910	9,611	3,944	2,949	7,000	4,410
LOANS				10,209	17,162	11,910	9,611	3,944	2,949	7,000	4,410
				---	---	---	---	---	---	---	---
HEALTH											
PROGRAM DEVELOPMENT AND SUPPORT - 4E	G 519-0178	74	C	---	---	444	388	85	75	50	60
RURAL POTABLE WATER DELIVERY	G 519-0209	79	79	390	390	390	155	---	235	---	---
HEALTH AND NUTRITION	G 519-0253	80	81	1,100	1,099	1,099	798	---	301	---	---
HEALTH SYSTEMS VITALIZATION	G 519-0291	83	85	1,600	1,503	1,274	---	145	1,000	34	620
HEALTH SYSTEMS VITALIZATION	L 519-0291	83	85	23,400	23,497	15,500	---	5,355	14,000	2,642	6,855
NEW ACTIVITIES	G 519-9998	84	85	---	10,724	---	---	4,000	1,600	6,724	4,290
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 519-9999	79	C	---	---	---	---	500	500	500	500
TOTAL FOR ACCOUNT GRANTS				26,490	37,213	18,707	1,341	10,055	17,711	10,000	12,125
LOANS				3,090	13,716	3,207	1,341	4,730	3,711	7,358	5,270
				23,400	23,497	15,500	---	5,355	14,000	2,642	6,855
EDUCATION AND HUMAN RESOURCES											
PROGRAM DEVELOPMENT AND SUPPORT - EHR	G 519-0168	74	C	---	---	502	442	175	235	400	50
RURAL PRIMARY EDUCATION	G 519-0190	79	79	350	200	200	91	---	109	---	---
RURAL PRIMARY EDUCATION	L 519-0190	79	79	4,200	4,200	4,200	3,845	---	355	---	---
NEW ACTIVITIES	G 519-9998	84	85	---	25,600	---	---	4,000	1,600	21,600	10,240
TOTAL FOR ACCOUNT GRANTS				4,550	30,000	4,902	4,378	4,175	2,299	22,000	10,290
LOANS				350	25,800	702	533	4,175	1,944	22,000	10,290
				4,200	4,200	4,200	3,345	---	355	---	---

Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: EL SALVADOR

CP 85

PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD	PLANNED	-THROUGH FY83- OBLIG ATIONS	FY83- EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	FY84- EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	FY85- EXPENDI TURES
SELECTED DEVELOPMENT ACTIVITIES											
SPECIAL DEVELOPMENT ACTIVITIES	G 519-0094	70	C	---	---	780	480	350	650	350	350
PROGRAM DEVELOPMENT AND SUPPORT - SDA	G 519-0177	74	C	---	---	1,020	713	500	807	500	500
MARGINAL COMMUNITY IMPROVEMENT	G 519-0251	80	81	600	600	600	426	---	139	---	35
PUBLIC SECTOR EMPLOYMENT	G 519-0256	80	83	955	955	955	117	---	338	---	---
REFORM AND POLICY PLANNING	G 519-0260	80	85	1,950	4,200	1,750	672	1,250	1,300	1,000	1,000
HEALTH AND JOBS FOR DISPLACED PERSONS	G 519-0231	83	85	2,275	2,275	2,275	1	---	2,274	---	---
NEW ACTIVITIES	G 519-9998	84	85	---	26,150	---	---	15,000	6,000	11,150	10,460
TOTAL FOR ACCOUNT GRANTS LOANS				5,780	34,180	7,580	2,409	17,100	12,008	13,000	12,345
				5,730	34,180	7,580	2,409	17,100	12,008	13,000	12,345
				---	---	---	---	---	---	---	---
ECONOMIC SUPPORT FUND											
AGRARIAN REFORM ORGANIZATION	G 519-0262	80	83	6,198	6,198	6,198	5,041	---	1,157	---	---
PRIVATE SECTOR SUPPORT I	G 519-0267	81	85	240,000	400,000	240,000	202,000	80,000	113,000	30,000	50,000
PUBLIC SERVICE RESTORATION	G 519-0277	82	85	14,600	38,600	14,600	---	12,000	12,000	12,000	12,000
PUBLIC SERVICE RESTORATION	L 519-0279	92	85	13,400	13,400	13,400	9,484	---	3,916	---	---
HEALTH AND JOBS FOR DISPLACED PERSONS	G 519-0281	83	85	---	15,000	---	---	7,500	7,500	7,500	7,500
IND STABILIZATION/RECOVERY SECTOR SUPPOR	G 519-0287	84	86	---	50,000	---	---	15,000	10,000	15,000	10,000
SALVADORAN ELECTIONS PROGRAM	G 519-0293	83	83	3,400	3,400	3,400	436	---	2,964	---	---
JUDICIAL REFORM	G 519-0296	84	86	---	9,000	---	---	3,000	3,000	3,000	3,000
NEW ACTIVITIES	G 519-9998	84	85	---	180,000	---	---	90,000	90,000	90,000	85,000

Refers to the planned project summary sheet
C Level of effort activity

79

FY of final obligation column -- All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date.
For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: EL SALVADOR

CP 85

PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH FY83-		-ESTIMATED FY84-		-PROPOSED FY85-		
					OBLIG ATIONS	EXPENDI TURES	OBLIG ATIONS	EXPENDI TURES	OBLIG ATIONS	EXPENDI TURES	
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 519-9999	79	C	---	---	---	2,500	2,500	2,500	2,500	
TOTAL FOR ACCOUNT GRANTS				277,598	715,598	277,598	216,961	210,000	251,037	210,000	200,000
LOANS				264,198	702,198	264,198	207,477	210,000	247,121	210,000	200,000
				13,400	13,400	13,400	9,484	---	3,916	---	---
TOTAL FOR COUNTRY GRANTS				437,650	1,002,676	409,656	304,233	281,304	330,521	290,000	270,434
LOANS				292,100	813,529	296,306	226,164	249,149	275,440	268,358	240,679
				145,550	189,147	113,350	78,069	32,155	55,081	21,642	29,755

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

FY 85 CP ECONOMIC AND SOCIAL DATA

COUNTRY: (520) GUATEMALA

BASIC DATA

TOTAL POPULATION.. (THOUSANDS,MID 1983) 7,714
 PER CAPITA GNP..... (DOLLARS,1981) 1,140
 ANNUAL PER CAPITA REAL GNP GROWTH RATE.. (1970-81) 2.5%
 ANNUAL RATE OF INFLATION (1970-81) 10.4%
 MACHINRY/TRANSP
 NATIONAL INCOME RECEIVED BY LOW 20% OF POPULATION..(1970) 5.0%
 LIFE EXPECTANCY AT BIRTH, IN YEARS
 (1982) TOTAL 59.2 MALE 57.4 FEMALE 61.0
 (1970) TOTAL 52.9 MALE 52.1 FEMALE 53.8
 ADULT LITERACY RATE (1973) TOTAL 46% MALE 54% FEMALE 39%

AGRICULTURE

ANNUAL PER CAPITA AGRICULTURAL PRODUCTION GROWTH RATE
 (1973-1982) -0.3%
 AGRICULTURAL PRODUCTION AS % OF GDP.....() .%
 POPULATION DENSITY / SQ MI OF AGRICULTURAL LAND (1979) 679
 MAJOR CROP(S) ARABLE LAND YEAR
 SUBSISTENCE: CORN ,SQUASH ,PULSES 57% (1982)
 CASH: COFFEE ,RAW SUGAR ,COTTON 37% (1982)
 MAJOR AGRICULTURAL EXPORTS:(1982) COFFEE ,COTTON ,RAW SUGAR
 MAJOR AGRICULTURAL IMPORTS:(1982) WHEAT ,DAIRY PRODS. ,OTHER GRAINS
 PROPORTION OF LABOR FORCE IN AGRICULTURE.....(1980) 55%

CENTRAL GOVERNMENT FINANCES

TOTAL REVENUES AND GRANTS (\$ MILLIONS, U.S.)
 (1978) 661 (79) 666 (80) 744
 TOTAL EXPENDITURES AND NET LENDING (\$ MILLIONS, U.S.)
 (1978) 733 (79) 816 (80) 1,087
 DEFICIT(-) OR SURPLUS (\$ MILLIONS, U.S.)
 (1978) -71 (79) -149 (80) -344
 DEFENSE EXPENDITURES,
 AS % OF TOTAL EXPENDITURES.. (1978) 10.0% (79) 10.4% (80) 9.3%
 AS % OF GNP..... (1978) 1.2% (79) 1.2% (80) 1.3%
 OFFICIAL INTERNATIONAL RESERVES, GROSS HOLDINGS END OF PERIOD,
 (\$MILLIONS, U.S.) (1980) 467 (81) 172 (82) 134
 EQUIVALENT TO 1.3 MONTHS OF IMPORTS (1981)

FOREIGN TRADE

MAJOR EXPORTS... (1980) COTTON ,COFFEE ,SUGAR
 EXPORTS TO U.S.
 (\$ MILLIONS, US, FOB) (1980) 420 (1981) 223 (1982) 331
 AS % OF TOTAL EXPORTS (1979) 30% (1980) 28% (1981) 17%
 MAJOR IMPORTS....(1980) MANUFACTURES ,OIL PRODUCTS ,
 IMPORTS FROM U.S.
 (\$ MILLIONS, US, CIF) (1980) 552 (1981) 566 (1982) 429
 AS % OF TOTAL IMPORTS (1979) 35% (1980) 37% (1981) 37%
 TRADE BALANCE(\$ MILLIONS, U.S.)(1979) -180(80) 47(81) -254
 TRADING PARTNERS: UNITED STATES ,EL SALVADOR ,WEST GERMANY
 EXTERNAL PUBLIC DEBT AS % OF GNP (1981) 12.1%
 SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT,
 (\$ MILLIONS, U.S.)..... (1981) 50
 AS % OF EXPORT EARNINGS (DEBT SERVICE RATIO).... (1981) 3.9%

SOCIAL DATA

POPULATION GROWTH RATE...(1970) 2.7% (1978) 3.2% (1983) 3.1%
 POPULATION IN URBAN AREAS.....(1970) 36% (1982) 36%
 LIVE BIRTHS PER 1,000 POPULATION.....(1970) 42 (1983) 44
 MARRIED WOMEN AGED 15-44 YRS. USING CONTRACEPTION. (1978) 18.2%
 POPULATION (1982) IN AGE GROUP:
 (0-14YRS) 45.0% (15-64YRS) 52.0% (65+ YRS) 3.0%
 INFANT DEATHS IN FIRST YR OF LIFE PER 1000 LIVE BIRTHS (1983) 66
 PEOPLE PER PHYSICIAN..... (1982) 1,833
 MAJOR CAUSES OF
 DISEASE (1982) ENTERIC DISEASE ,ACUTE RESP. INFE ,
 DEATH.. (1982) ACUTE RESP. INFE ,ENTERIC DISEASE ,DEFICIENT DIET
 PER CAPITA CALORIE SUPPLY AS A % OF REQUIREMENTS.. (1977) 92%
 POPULATION WITH REASONABLE ACCESS TO SAFE WATER SUPPLY(1976) 40%
 TOTAL SCHOOL ENROLLMENT AS % OF POPULATION IN AGE GROUP:
 PRIMARY..... (1980) TOTAL 69.0% MALE 74.0% FEMALE 63.0%
 SECONDARY..... (1980) TOTAL 15.0% MALE 15.0% FEMALE 14.0%
 POST SECONDARY.. (1977) TOTAL 3.8% MALE 5.6% FEMALE 2.0%
 ENERGY PRODUCTION AS % OF CONSUMPTION.....(1981) 20.3%

U.S. OVERSEAS LOANS AND GRANTS - OBLIGATIONS AND LOAN AUTHORIZATIONS (U.S. Fiscal Years - Millions of Dollars)									ECONOMIC PROGRAMS OF ALL DONORS (Millions of Dollars)				
COUNTRY GUATEMALA									A. ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS				
PROGRAM	FOREIGN ASSISTANCE ACT PERIOD					TOTAL LOANS AND GRANTS 1946-82	REPAY- MENTS AND INTEREST 1946-82	TOTAL LESS REPAY- MENTS AND INTEREST 1946-82	TOTAL.....	FY 1981	FY 1982	FY 1983	FY 1946-83
	1978	1979	1980	1981	1982								
I. ECONOMIC ASSISTANCE - TOTAL	10.6	24.7	13.0	19.0	15.5	492.6	156.5	336.1	26.5	45.9	101.8	946.4	
Loans	-	14.6	5.0	5.6	3.0	193.3	156.5	36.8	0.0	0.0	18.5	296.0	
Grants	10.6	10.1	8.0	13.4	12.5	299.3	-	299.3	0.0	0.0	0.0	18.2	
a. A.I.D. and Predecessor Agencies	4.5	17.4	7.8	9.1	8.2	319.6	142.0	177.8	0.0	0.0	0.0	0.0	
Loans	-	14.6	5.0	5.5	3.0	164.0	142.0	22.0	0.0	0.0	0.0	0.0	
Grants	4.5	2.8	2.8	3.6	5.2	155.8	-	155.8	0.0	2.5	0.0	11.3	
(Economic Support Fund)	-	-	-	-	-	33.5	-	-	0.0	0.0	0.0	0.0	
b. Food for Peace (PL 480)	4.6	5.3	3.3	7.5	5.6	75.8	-	75.8	0.0	0.0	0.0	0.0	
Loans	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	
Grants	4.6	5.3	3.3	7.5	5.6	75.8	-	75.8	0.0	0.0	0.0	0.0	
Title I - Total Sales Agreements	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	
Repayable in U.S. Dollars - Loans	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	
Payable in Foreign Currency - Planned for Country Use	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	
Title II - Total Grants	4.6	5.3	3.3	7.5	5.6	75.8	-	75.8	0.0	0.0	0.0	0.0	
Emerg. Relief, Econ. Develop. & World Food Program	0.1	-	0.2	0.3	1.3	5.6	-	5.6	0.0	0.0	0.0	0.0	
Voluntary Relief Agencies	4.5	5.3	3.1	7.2	4.3	70.2	-	70.2	0.0	0.0	0.0	0.0	
c. Other Economic Assistance	1.5	2.0	1.9	2.4	1.7	97.0	14.5	82.5	0.0	0.0	0.0	0.0	
Loans	-	-	-	0.1	-	29.3	14.5	14.8	0.0	0.0	0.0	0.0	
Grants	1.5	2.0	1.9	2.3	1.7	67.7	-	67.7	0.0	0.0	0.0	0.0	
Peace Corps	1.5	2.0	1.3	2.0	1.7	21.7	-	21.7	0.0	0.0	0.0	0.0	
Narcotics	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	
Other	-	*	0.1	0.3	*	46.0	-	46.0	0.0	0.0	0.0	0.0	
II. MILITARY ASSISTANCE - TOTAL	*	*	-	-	-	41.5	13.2	28.3	0.0	0.0	0.0	0.0	
Credits or Loans	-	-	-	-	-	10.7	13.2	2.5	0.0	0.0	0.0	0.0	
Grants	*	*	-	-	-	30.8	-	30.8	0.0	0.0	0.0	0.0	
a. MAP Grants	*	*	-	-	-	16.3	-	16.3	0.0	0.0	0.0	0.0	
b. Credit Financing - FMS	-	-	-	-	-	10.7	13.2	2.5	0.0	0.0	0.0	0.0	
c. Military Assistance Service-Funded (MASF) Grants	-	-	-	-	-	7.5	-	7.5	0.0	0.0	0.0	0.0	
d. Transfers from Excess Stocks	-	-	-	-	-	6.7	-	6.7	0.0	0.0	0.0	0.0	
e. Other Grants	-	-	-	-	-	0.3	-	0.3	0.0	0.0	0.0	0.0	
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	10.6	24.7	13.0	19.0	15.5	534.1	169.7	364.4	26.5	45.9	101.8	946.4	
Loans	-	14.6	5.0	5.6	3.0	204.0	169.7	34.3	0.0	0.0	0.0	0.0	
Grants	10.6	10.1	8.0	13.4	12.5	330.1	-	330.1	0.0	0.0	0.0	0.0	
Other U.S. Government Loans and Grants	-	-	0.8	-	-	50.4	47.8	2.6	0.0	0.0	0.0	0.0	
a. Export-Import Bank Loans	-	-	-	-	-	46.2	42.1	4.1	0.0	0.0	0.0	0.0	
b. All Other Loans	-	-	0.8	-	-	4.2	5.7	1.5	0.0	0.0	0.0	0.0	

B. BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE			
1. D.A.C. COUNTRIES (Gross Disbursements)			
GUATEMALA	CY 1981	CY 1982	CY 1978-82
United States	19.0	22.0	93.0
Germany Fed. Rep.	5.8	5.3	29.4
Canada	1.3	1.3	10.6
Japan	2.0	1.3	10.2
Netherlands	1.5	1.4	6.5
Other	2.9	2.0	12.4
Total	32.5	33.3	162.1
2. O.P.E.C. COUNTRIES (Gross Disbursements)			
C. LOANS AND GRANTS EXTENDED BY COMMUNIST COUNTRIES			

* LESS THAN \$50,000.

GUATEMALA

PROGRAM SUMMARY (In thousands of dollars)								
Fiscal Year	Total	Agriculture, Rural Development and Nutrition	Population Planning	Health	Education and Human Resources Development	Selected Development Activities	Other Programs	
							ESF	Other
1983								
Loans	17,500	7,500	--	--	--	--	10,000	--
Grants	4,811	1,362	1,933	171	750	500	--	95
Total	22,311	6,862	1,933	171	750	500	10,000	95 ^{a/}
1984								
Loans	--	--	--	--	--	--	--	--
Grants	1,612	872	50	550	40	100	--	--
Suppl	20,000	5,000	2,200	4,800	2,000	6,000	--	--
Total	21,612	5,872	2,250	5,350	2,040	6,100	--	--
1985								
Loans	4,000	4,000	--	--	--	--	--	--
Grants	71,000	12,950	3,265	4,100	8,785	6,900	35,000	--
Total	75,000	16,950	3,265	4,100	8,785	6,900	35,000	--

a. Disaster Assistance Funds

FY 1985 PROGRAM HIGHLIGHTS	
-	\$35 million in ESF for balance-of-payments support.
-	\$9 million to diversify and increase crop production.
-	\$7 million to promote and develop agribusiness.
-	\$15.2 million to support land marketing.

Guatemala

RESOURCE FLOWS (In thousands of dollars)			
Program	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
Aid*			
Loans	19,700	17,611	12,870
Grants	3,357	14,303	58,061
Total AID	23,057	31,914	70,931
P.L. 480**			
Title I (of which Title III is)	-- (--)	7,000 (--)	16,000 (--)
Title II	5,349	4,952	5,353
Total P.L. 480	5,349	11,952	21,353
Total AID and P.L. 480	28,406	43,866	92,284

*AID levels represent actual and estimated expenditures.
**P.L. 480 levels represent actual and estimated value of shipments.

PERSONNEL/PARTICIPANTS DATA			
Category	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
AID Personnel ^a			
Direct Hire ^b	15	15	19
PASAC ^c	--	5	5
Contract	6	5	12
Total	21	25	36
Participants ^d			
Noncontract	--	--	--
Contract	--	--	--
Total	--	--	--

^aU.S. nationals on duty at the end of the fiscal year.
^bFY 1984 and 1985 position levels.
^cParticipating agency technicians.
^dProgrammed during the fiscal year.

P.L. 480
(000 MT/\$000)

Program	FY 1983 (Actual)		FY 1984 (Estimated)		FY 1985 (Proposed)	
	MT	\$	MT	\$	MT	\$
Title I						
Wheat	--	--	--	--	64	10,000
Rice	--	--	--	--	--	--
Feedgrains	--	--	--	--	--	--
Vegoil	--	--	9	7,000	8	6,000
Non-food	--	--	--	--	--	--
Title I Total (of which Title III is)		-- (--)		7,000 (--)		16,000 (--)
Title II						
Voluntary Agencies		4,297		4,622		4,986
World Food Programs		1,052		330		367
Gov't-to-Gov't		--		--		--
Title II Total		5,349		4,952		5,353
Total P.L. 480		5,349		11,952		21,353

GUATEMALA

Overview and Strategy

A. Introduction and Objectives

Guatemala's geographic position and resource endowment give it great importance for U.S. interests in the Caribbean Basin. As the largest country in Central America, which borders on Mexico, it is a key actor in the political drama now playing in the region. Its rich soils are capable of producing a wide variety of tropical and temperate zone crops. It has a sizable oil reserve. It has a large manufacturing sector, a skilled entrepreneurial class, and an extensive pool of skilled labor, all of which have grown up during two decades of industrial growth in the regional market.

However, Guatemala is plagued by a number of socio-political problems which pose serious constraints to the realization of the country's economic potential. The political scene can be characterized as polarized between left and right, with little popular participation in the political process, and dominated by military and other elites that have given the country one of the worst human rights records in the hemisphere. In spite of its wealth, Guatemala also has the worst distribution of income and wealth in Central America. This has produced large pockets of poverty-- principally in the highlands region-- where a large percentage of the population faces extremely poor conditions of life.

We propose an assistance program for Guatemala that will include the four principal goals that the National Bipartisan Commission on Central America recommended for the region: (1) economic stabilization, (2) growth, (3) equity and (4) democratization. However, a major assistance program for Guatemala can be undertaken only if the government commits itself to democratization and curbs its human rights abuses.

B. Performance and Problems

Guatemala's real gross domestic product (GDP) increased at an average annual rate of about 6% between 1965 and 1979, but real growth slowed to 3.5% in 1980. In 1981 real GDP grew by only 0.9%, and in 1982 it fell by 3.5%, the first such decline in more than 30 years. A further 2.5% decline in GDP is estimated to have occurred in 1983.

Although Guatemala's external debt burden is not as large as those of its Central American neighbors, it does face serious external financial difficulties. Guatemala's current account deficit rose from a yearly average of about \$200 million for the 1978-1980 period to \$565 million in 1981 and \$371 million in 1982. These large deficits, combined with declining capital account surpluses (and even capital account deficits in 1980 and 1982, the first since 1953), have resulted in a drop in Guatemala's year-end net international reserve position from \$733 million in 1978 to minus \$28 million in 1982.

Initially the Government of Guatemala (GOG) pursued expansionary monetary and fiscal policies to counteract the country's economic downturn. Public sector deficits grew from \$51 million in 1978 to \$616 million in 1981 (from 0.8% to 7.1% of GDP). In 1982, however, the GOG reduced its public sector deficit to \$386 million (4.3% of GDP), primarily through reductions in central government capital expenditures. To help restore external financial equilibrium, the GOG negotiated a second standby program with the International Monetary Fund (IMF) in August 1983. Program goals included improving the central bank's liquidity position (which had deteriorated due to the withdrawal of short-term credit lines extended by foreign private banks), achieving balance-of-payments equilibrium in 1983 and a small surplus in 1984, and improving central government revenues. Accordingly, the government recently introduced a value-added tax to replace the country's stamp tax. Despite political and administrative problems in implementation of this new tax, increased revenue yields are expected, and the efficiency of the overall tax system should improve as well.

Major Problems

Guatemala's economy is still based primarily on agriculture (26% of the GDP in 1982), which is dominated by large farms producing coffee, cotton, bananas, sugar, and beef for export. The manufacturing sector grew rapidly after 1960 under the stimulus of the Central American Common Market (CACM), but this growth has not been oriented to extraregional markets and has not made a major contribution to providing the jobs needed by a rapidly growing labor force. Furthermore, Guatemala's economy continues to rely on the exportation of primary products to extraregional markets, and the prices of the country's major exports--coffee and sugar--have fallen sharply as a result of the world recession. These lower commodity prices, along with reduced export shipments to world markets, have resulted in significantly depressed overall export earnings. Moreover, price prospects for coffee and sugar during the remainder of the decade are not good. Economic problems elsewhere in Central America have interrupted trade within the CACM, the major market for Guatemalan manufactured exports.

Increased levels of violence and political uncertainty in Central America generally, as well as in Guatemala, have tended to generate capital flight and contraction of external private credits to Guatemala. Tourism, another important generator of foreign exchange, has also suffered from the political violence.

Guatemala's widespread poverty -- despite a per capita income that is one of the highest in Central America (estimated at \$1,190 in 1982) -- results from a highly unequal distribution of income. Income distribution data for 1970 -- the latest data available -- show that in Guatemala the bottom 50% of the population earned the least share and top 5% earned the greatest share of total GDP when compared to the other countries of Central America. The poorest Guatemalans are the largely indigenous residents of the western highlands, who comprise 46% of the total population (67% of the rural

population) but live in an area which has a density of 191 persons per square kilometer and with only 19% of the country's good lands (0.2 acres per person). Life expectancy for the non-Indian population is 58 years, but for the indigenous people only 44 years. In the highlands, 44% of the children aged 7-14 do not attend school.

The lack of sufficient employment opportunities exacerbates the poverty problem. An estimated 33% to 40% of the labor force is unemployed or underemployed. Moreover, much of the employed population is engaged in very low-productivity work. Low capital endowment per worker, a high illiteracy rate and poor health conditions have created a labor market in which average productivity and wages are low. Over half of the work force is rural and is predominantly engaged in small-scale, subsistence-level production. Much of the labor demand in the rural areas is seasonal, based on subsistence agriculture and migration to the modern coffee, sugar and cotton farms during harvest times. The international price declines of these traditional crops have cut into this source of employment. Traditional agriculture -- both subsistence and export -- thus offers little hope for an improved employment situation. In fact, as the average subsistence farm size shrinks with the rapidly expanding rural population, an even greater excess supply of labor will develop.

Guatemala's rapid population growth continues to constrain its economic development prospects. With an average annual growth rate of 3.1% per year, Guatemala's present population of 7.5 million (mid-1981 estimate) will grow to exceed 10 million in less than ten years. This will place increased strains on the already inadequate levels of social services and will add to future employment problems. As yet Guatemala has no national policy for family planning.

C. Strategy and Policy Agenda

1. Stabilization. With short-term financial assistance targeted at the fiscal and balance-of-payments accounts, we expect to arrest the downward slide of the economy and perhaps achieve a modest growth rate of 3% in GDP in 1985. The United States will pursue a policy dialogue with the government aimed at continued adherence to the IMF financial program, improved central government administration and management, revision of the tax structure and improved tax collection.

2. Growth in the Productive Sectors. Projects in agricultural diversification will assist small farmers to increase production of marketable crops. Projects in export promotion will assist the private sector to seek extraregional markets for nontraditional product lines. Projects in business training will assist in the development of new entrepreneurial skills that will be required in achieving agricultural and export diversification.

3. Equity. Greater equity in the distribution of income and wealth will not only be achieved by small farmer crop diversification, but also by a program of land transfers and human resource development. Through a program of market

transfers of idle lands, landless farmers will be given access to productive lands. We also seek to improve the welfare of the poor, especially in the highland region, through health projects that will increase life expectancy, by increasing school enrollments, and by reducing population growth rates. In order to achieve these objectives, the GOG will be encouraged through policy dialogue to establish appropriate export incentives, to increase reliance on market forces, to facilitate the flow of credit and marketing services to small farmers, and to provide secure land ownership to landless and land-poor farmers.

4. Democracy. The process of democratization in Guatemala will be assisted through the regional program of aid to democratic institutions. A dialogue with the GOG will be undertaken with the purpose of encouraging the return to freely elected government as soon as possible and improving the human rights record of the government.

A. I. D. Program (FY 1983 and FY 1984)

Restrictions on the FY 1984 Program. In response to unfavorable human rights developments in Guatemala, Congress restricted assistance funds for Guatemala in FY 1984 (under the Continuing Resolution of November 14, 1983) to development activities carried out by private voluntary organizations (PVOs). In accordance with this limitation, A. I. D. has budgeted only \$1.6 million for PVO activities in FY 1984 under the Continuing Resolution. Progress on several ongoing projects has been adversely affected by this funding hiatus.

A. Economic Support Fund (ESF)

A \$10 million Economic Support Program loan (520-0309) was provided to Guatemala in FY 1983 from the FY 1982 Caribbean Basin Initiative supplemental appropriation to help alleviate the balance-of-payments deficit while the GOG was negotiating an IMF standby agreement. The loan helped finance imported raw materials and intermediate goods for agricultural and industrial producers. The local currencies generated under the ESF agreement are being utilized to increase the effectiveness of cooperatives, to support PVO projects and to advance employment programs directly benefiting the rural poor.

B. Agriculture Rural Development and Nutrition

Two thousand five hundred landless families were settled on new lands in the Northern Transversal Strip under the Small Farmer Development project (520-0233). In FY 1983, a \$3 million loan under this project was provided to construct an additional 86 miles of labor-intensive, farm-to-market access roads. P.L. 480 Title II food-for-work activities assist settlers during their initial placement until they produce their first crops. Small-scale reforestation projects also are supported with Title II commodities. The Rural Electrification project (520-0248) was amended in FY 1983 to add \$2 million to expand coverage of the rural network.

A.I.D. also is increasing the efficiency of farm and non-farm production in rural areas by developing new production technologies. The Small Farmer Diversification project (520-0255) will continue research on diversified crop technologies and inputs needed by small farmers to shift production from basic grains to higher value fruits and vegetables. The Small Farmer Marketing project (520-0238) is developing, in conjunction with cooperatives and private buyers, a marketing structure for the diversified production by small farmers. The FY 1983 Highlands Agricultural Development project (520-0274) will increase small farmer production mainly through the introduction of land terracing and small-scale irrigation. This project builds upon analysis and technologies developed by earlier A.I.D. projects. Appropriate production technologies and financial credit are being provided to rural industry and artisan enterprises under the Rural Enterprises Development project (520-0245).

C. Population Planning

The Integrated Family Planning project (520-0263) has supported the efforts of the GOG and private family planning organizations to expand the availability of family planning services throughout the country. The Expansion of Family Planning Services project (520-0288) has encouraged the creation of a private company to market contraceptives commercially throughout Guatemala. This new organization will receive A.I.D. assistance during its initial years of operation until it is capable of operating the commercial retail sales program on its own.

D. Health

A.I.D. is financing the expansion of the GOG's rural low-cost health delivery and potable water systems through the Community-Based Health and Nutrition Systems project (520-0251). This project builds upon and lessons learned from several prior A.I.D. projects. During FY 1983, village potable water systems were designed and constructed entirely by Guatemalan personnel trained under the previous health projects. Paramedical personnel also received training.

E. Education and Human Resources

To increase the economic opportunities of the indigenous population, the Bilingual Education project (520-0258) has developed and tested a system for teaching Indian children in their own language in the early primary school years while teaching them Spanish as a second language. This project has been implemented successfully in nearly 40 schools, reaching 5,800 children. In FY 1984, the system is to be expanded to cover third-grade requirements. The GOG has indicated its intention to expand the bilingual program nationwide under the proposed Rural Primary Education Improvement project (520-0282). The bilingual program represents a fundamental social reform effort. The program will educate significant numbers of Indian children for the first time. Teacher training, curriculum development, and school construction were continued under the Primary School Reconstruction project (520-0242). A.I.D. is financing the Integrated Non-formal Education project (520-0281) to expand adult learning related to agricultural production, health, literacy and other subjects.

Efforts to improve institutional capacity are continuing under the Development Administration Improvement (520-0270) and the Education Administration Improvement (520-0259) projects. Training and technical assistance is provided to the GOG and private institutions as integral parts of other A.I.D.-financed projects.

F. Selected Development Activities

Funds under the Special Development Activities Fund project (520-0145) support small-scale community self-help projects. FY 1983 and FY 1984 Program Development and Support (520-0000) funds finance studies, evaluations, and project design.

G. Private Voluntary Organizations

An active PVO program is continuing. In the highland department of San Marcos, Project Hope is carrying out the Integrated Rural Development project (520-0272), which provides training and technical assistance in agriculture, health and community development. The Guatemalan Rural Reconstruction Movement (Training for Rural Development Promoters, 520-0299) is expanding its highly successful program. Cooperation for American Relief Everywhere (CARE) and the Peace Corps are implementing a Small Fish Pond Development project (520-0290) to improve family nutrition and income.

H. P.L. 480

P.L. 480 Title I (\$7,000,000) is planned for FY 1984 to finance imports of vegetable oil and advance rural development objectives through the use of local currencies. P.L. 480 Title II programs, which in FY 1983 totaled \$5.35 million, provide food to preschool children, women of child-bearing age, and mothers enrolled in the maternal and child health feeding programs sponsored by the CARE and Catholic Relief Services.

I. Housing Guaranty Program

In FY 1982, a Housing Guaranty of \$10 million was authorized to finance basic shelter for the urban poor through private sector low-cost housing projects.

The Santa Rosa Community Education project (520-0269), through an operational program grant (OPG) to the Christian Development Foundation, a local PVO, is promoting community solutions to development problems. In FY 1984, Agua del Pueblo, a local PVO, will initiate a Rural Potable Water and Sanitation project (520-0298) to establish water systems where ready access to potable water and sanitation services are unavailable. The Salvation Army is constructing low-income housing and developing a community center program to meet health, education, and child-care needs under the Limon Community Development project (520-0291). A Women in Development project (520-0284), under the direction of the Rotary Club of Guatemala, is helping poor rural women with credit and technical assistance for productive enterprises.

FY 1984 Supplemental Request and Requested Year Program (FY 1985)

For FY 1984, A. I. D. requests an additional \$20.0 million of Development Assistance (DA) above the presently planned \$1.6 million. This request would permit continuation of several important ongoing projects and initiation of planned rural development projects designed to deliver benefits to low-income population in the Guatemala highlands. Progress on these activities has been adversely affected by the Continuing Resolution restriction against Guatemala. Going forward with this program would be contingent on Guatemala's improving its performance in the advance of human rights.

For FY 1985, A. I. D. requests a total of \$35 million in ESF, \$40 million of DA and \$21.4 million in P. L. 480 resources. Together with other U. S. Government and non-U. S. Government resource flows, these levels are necessary to carry out the recommendations of the Bipartian Commission to enhance economic stability and growth, spread the benefits to the rural poor and promote democratic institutions and human rights.

A. Economic Stabilization

ESF in the amount of \$35 million is requested for the Economic Stabilization project in FY 1985 (520-0308) to provide foreign exchange for essential imports needed to maintain national production and employment. Primary consideration will be given to importing raw materials, intermediate goods and equipment needed by producers of nontraditional exports, particularly in the agriculture sector.

Additional balance-of-payments support will be provided through Commodity Credit Corporation credits (\$50 million in FY 1984), P. L. 480 Title I (\$7 million in FY 1984; \$11.4 million in FY 1985), and the IMF's \$125 million standby agreement. This support will lessen the acute shortage of foreign exchange which is constricting national production and causing worker layoffs. The proposed balance-of-payments support, more than half of the total economic aid available for Guatemala, strengthens A. I. D.'s capability to seek policy reforms in critical areas such as land distribution, tax reform, and human rights.

Local currency generations under the ESF and P. L. 480 programs will be used to finance the sale of land to land-poor farmers, to create domestic lines of credit for farmers and for entrepreneurs in the export sector, and to support development activities which have direct impact on the poorest segments of society. The emphasis will be on raising rural incomes and agricultural productivity.

B. Economic Growth

To promote growth, the A. I. D. effort will include the following programs:

1. Small Farm Production. In FY 1984 and FY 1985, A. I. D. will continue small farm development activities to diversify and increase crop production. A. I. D.

requests \$3,000,000 DA in FY 1984 and \$3,000,000 in FY 1985 under the Agriculture, Rural Development, and Nutrition (ARDN) account to permit effective initiation of the Highlands Agricultural Development project . As the centerpiece of A.I.D.'s small farm development strategy, this project will widely extend productivity-increasing technologies proven through earlier A.I.D. projects. Terraced and irrigated demonstration plots will be constructed in farmers' fields all over the highlands. The project increases the farmers' resource base and provides the water control needed to modify cropping patterns from subsistence corn and beans into higher value, labor-intensive crops. Extension services will be provided to permit cultivation of new crops on the improved lands. Other ongoing projects are funding crop research, extension, marketing, cooperatives, farmer credit and farm-to-market roads to increase production and income from small farm agriculture in the highlands.

2. Rural Enterprises and Export Development. ARDN funds in the amount of \$1,000,000 are requested in FY 1984 to begin the Agribusiness Development project to promote and develop agribusinesses and small farm production. For FY 1985, an additional \$3,000,000 is requested. The project will stimulate agroindustrial processing and will develop new markets offering higher value for farm products. A project development fund will provide credit through private banks for agroindustrial businesses. Credit would finance plant and equipment, raw materials, transportation and storage, technical assistance and working capital. Pre-investment studies would help identify agroindustry potential and stimulate private investment. Technical services and training will be offered. This project will complement other ongoing A.I.D. projects such as the Rural Enterprises project (520-0245) which provides credit financing and services for rural enterprises and the Small Farmer Marketing project (520-0238) which develops the marketing skills of farmer cooperatives, promotes link-up with private merchants who procure and transport the produce, and helps merchants locate and compete in export markets. Together these projects comprise a comprehensive package for moving farm produce from the field to nontraditional and export markets.

3. Small Business and Export Policy Concerns. Guatemalan businesses operate relatively free from government intervention. Still, there are some significant constraints and disincentives imposed by bureaucratic red tape, taxes, licenses and regulations which distort production and reduce competitiveness in export markets. For FY 1985, \$1,000,000 in the Selected Development Activities account is requested for the Policy Studies project to study a series of policy impact issues including constraints to the development of nontraditional exports, incentives for agribusiness and other business investment; the structure of taxation as a disincentive to development; credit policies toward farmers and entrepreneurs; and the impact of subsidized interest rates on the efficiency of the financial systems, e.g., on the shortage of credit for productive enterprises in Guatemala. Local currency funds from ESF and P.L. 480 will also be used to finance GOG studies of these issues and to induce GOG measures and programs leading to a more conducive policy and business climate.

C. Broadening the Benefits of Growth

A.I.D.'s development strategy, with direct links to small farmer production, is designed to include the rural poor in the growth process. The A.I.D. strategy also includes an innovative program to distribute land to land-poor farmers. DA of \$39,600,000 and P.L. 480 Title II of \$10,000 are requested in FY 1984 and FY 1985 to broaden the benefits of growth.

1. Land sales. Beginning in FY 1985, A.I.D. requests \$10,500,000 in the ARDN account to support a major Commercial Land Markets project. The project will promote the voluntary sale of good agricultural lands from large land holders to land-poor farmers. Land mortgage institutions will operate with private and A.I.D. mortgage financing and mortgage guarantees to help 21,000 rural families buy, own and operate their own farms. Technical assistance will be provided to help establish the land mortgage institutions. Infrastructure --such as roads, terracing, small-scale irrigation, marketing facilities--will be funded largely through \$4 million of P.L. 480 local currency generations, but \$1 million of ARDN will be provided to fund foreign exchange costs of infrastructure development, largely construction equipment. ESF and PL 480 generated local currencies also will continue to support the development of farmer cooperatives to provide production credit, marketing assistance, farm inputs, and extension services for new land owners. Approximately \$25,000,000 of ESF-generated local currency will go to the Commercial Land Markets project in FY 1985. This broad-based financial support should stimulate the GOG to take those policy decisions necessary to achieve the project's purpose.

2. Education and Human Resources Development. The main goal of the program in Guatemala is to extend and improve primary education, especially in the rural highlands where the majority of the population is illiterate. For bilingual education a total of \$2,000,000 in the Education and Human Resources (EHR) account is requested in FY 1984 to begin the Rural Primary Education Improvement project and \$8,535,000 is requested for FY 1985 to continue the effort. This project will expand nationwide the bilingual education program which has been successfully tested under the current Bilingual Education project (520-0158). The GOG's decision to proceed with a nationwide bilingual program represents the kind of reform needed to meet the educational and socioeconomic challenges in Guatemala where less than one-half the Indian children begin primary school and 80%-90% drop out before completing primary school. Student learning is greatly increased and student drop-out rates reduced when Indian children are taught in their own language for the first four years of primary school while studying Spanish as a second language. The project will reach over 160,000 children in 500-600 schools.

A.I.D. will establish short- and long-term U.S. training programs in critical areas including science and technology, energy, environment, institution building and the private sector. A total of \$250,000 in the EHR account also is requested in FY 1985 for executive and managerial enhancement training.

3. Family Planning. DA of \$2,200,000 in the Population Planning account is requested in FY 1984 and \$3,215,000 in FY 1985 to fund the Expansion of Family

Planning Services project (520-0288). The project will continue public and private sector family planning activities. Its objectives are to bring about adoption of an explicit population policy, to develop a private sector commercial retail sales marketing company, to expand the delivery capability of PVOs, to initiate a mass media campaign, to introduce sufficient contraceptives, and to provide training.

4. Health. For FY 1984, \$3,800,000 in the Health account is requested to continue the Community Based Health and Nutrition Systems project (520-0251) to extend integrated community health delivery and sanitation services in rural areas. Village potable water systems constructed by the Ministry of Health greatly reduce mortality and morbidity. For FY 1985, \$2,000,000 in the Health account is requested to establish a self-financing, private sector, health-maintenance organization for rural plantation workers under the Improved Health Outreach project. The system offers potential for benefiting hundreds of thousands of workers at negligible cost to the government. An OPG of \$200,000 is proposed for Project Hope to provide directly needed medical assistance in newly colonized lands.

5. P.L. 480. P.L. 480 Title I will complement the ESF economic stabilization program by financing wheat and vegetable oil imports. Local currency generations will be used in support of A.I.D.'s strategy in the rural sector, primarily for support of new settlement programs in the Northern Transversal Strip and for work programs in the western highlands. Funding will pay for labor-intensive construction by local people of roads, schools, health posts, community centers, agricultural service centers and water systems. Such public sector investments are urgently needed. P.L. 480 Title II (\$10,000,000 in FY 1985) will be provided to selected groups, including displaced persons and refugees, where incidence of malnutrition is high.

6. Private Voluntary Organizations. FY 1984 supplemental DA funds of \$9,550,000 are requested along with \$6,950,000 in FY 1985 in various accounts for PVO programs. Priority is on providing relief and reconstruction assistance to displaced persons and on increasing agricultural productivity. Community development activities, including low-cost housing and family planning, are also planned. A.I.D. has supported the community development orientation of PVOs in Guatemala with much success.

7. Displaced Persons. Of the funds requested for PVOs, \$3,700,000 is requested in FY 1984 and \$3,300,000 in FY 1985 from the SDA account for relief and rehabilitation of displaced persons. Between 50,000 and 500,000 persons may have been displaced in recent years by the guerrilla war. A.I.D. funds will provide essential support in temporary relocation, such as cash-employment opportunities, self-help economic activities, health care, and food. Where security conditions permit, we will also finance activities to help former displaced persons reestablish themselves and become self-sufficient in their home villages. The GOG will may request help from the United Nations, other international organizations and the United States to resettle in Guatemala a portion of the estimated 40,000 Guatemalan refugees living in United Nations High Commissioner for Refugees camps in Mexico. The

U.S. Department of State is anticipating making a contribution of up to \$2,000,000 to assist in that effort.

8. Housing and Social Infrastructure. In the SDA account, \$750,000 is requested in FY 1984 to provide technical assistance to initiate the \$10 million Shelter Sector Development Housing Guaranty (HG) (520-0261). Together with an additional \$10 million HG in FY 1985, this package should help catalyze a resurgence of the private construction industry in Guatemala. An additional \$2,250,000 from the SDA account will be provided to PVOs to continue self-help home construction. These low cost labor-intensive shelter and infrastructure activities respond to Bipartisan Commission recommendations.

D. Democratic Institutions and Human Rights:

Assistance will be provided, as appropriate, through regional programs. To facilitate Guatemalan plans to write a constitution beginning in mid-1984 and to elect a President and a Congress around mid-1985, specific short-term training and technical assistance will be offered to Constituent Assembly delegates and other democratic leaders in constitutional law and democratic elections.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: GUATEMALA

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PROJECT TITLE	L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH FY83- OBLIG ATIONS	EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	EXPENDI TURES	
AGRICULTURE, RURAL DEV. AND NUTRITION											
PROGRAM DEVELOPMENT AND SUPPORT	G 520-0000	74	C	---	---	7,038	6,852	350	360	250	325
SMALL FARMER DEVELOPMENT	L 520-0233	76	83	16,000	16,000	16,000	12,999	---	3,000	---	---
SMALL FARMER MARKETING SYSTEMS	L 520-0238	78	81	3,400	3,400	3,400	421	---	1,500	---	1,000
RURAL ENTERPRISES DEVELOPMENT	G 520-0245	79	83	1,170	850	850	315	---	200	---	335
RURAL ENTERPRISES DEVELOPMENT	L 520-0245	79	83	6,000	6,000	6,000	1,175	---	1,200	---	3,625
RURAL ELECTRIFICATION	L 520-0248	79	83	10,600	10,600	10,600	2,664	---	4,536	---	3,400
INTEGRATED AREA DEVELOPMENT STUDIES	G 520-0249	78	82	929	929	929	871	---	58	---	---
SMALL FARMER DIVERSIFICATION SYSTEMS	G 520-0255	81	82	2,600	1,696	1,696	80	---	630	---	986
SMALL FARMER DIVERSIFICATION SYSTEMS	L 520-0255	81	82	5,500	5,500	5,500	---	---	1,280	---	950
HIGHLANDS AGRICULTURAL DEVELOPMENT	G 520-0274	83	85	500	500	500	---	---	300	---	200
HIGHLANDS AGRICULTURAL DEVELOPMENT	L 520-0274	83	85	2,500	6,500	2,500	---	---	1,500	4,000	1,000
NEW ACTIVITIES	G 520-9998	84	85	---	17,200	---	---	5,000	2,000	12,200	6,880
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 520-9999	79	C	---	---	651	208	522	380	500	465
TOTAL FOR ACCOUNT GRANTS				49,199	69,175	55,664	25,585	5,872	16,944	16,950	19,166
LOANS				5,199	21,175	11,564	8,325	5,872	3,928	12,950	9,191
				44,000	48,000	44,000	17,259	---	13,016	4,000	9,975
POPULATION PLANNING											
PROGRAM DEVELOPMENT AND SUPPORT	G 520-0000	79	C	---	---	225	171	50	65	50	70

Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation occurs - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: GUATEMALA

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PROJECT TITLE	L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED		-THROUGH FY83- OBLIG ATIONS	EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	EXPENDI TURES
INTEGRATED FAMILY PLANNING SERVICES	G 520-0263	80	83	2,376	2,365	2,365	1,951	---	205	---	174
EXPANSION OF FAMILY PLANNING SERVICES	G 520-0288	83	87	8,586	8,586	2,160	224	---	1,830	3,215	1,300
NEW ACTIVITIES	G 520-9998	84	85	---	2,200	---	---	2,200	860	---	880
TOTAL FOR ACCOUNT GRANTS LOANS				10,962	13,151	4,750	2,346	2,250	2,980	3,265	2,424
				10,962	13,151	4,750	2,346	2,250	2,980	3,265	2,424
				---	---	---	---	---	---	---	---
HEALTH											
PROGRAM DEVELOPMENT AND SUPPORT	G 520-0000	69	C	---	---	384	350	50	76	200	100
COMMUNITY-BASED HEALTH AND NUTR SYSTEMS	G 520-0251	80	83	800	774	774	269	---	200	---	305
COMMUNITY-BASED HEALTH AND NUTR SYSTEMS	L 520-0251	80	83	5,000	5,000	5,000	770	---	1,595	---	1,595
NEW ACTIVITIES	G 520-9998	84	85	---	8,400	---	---	4,800	1,920	3,500	3,360
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 520-9999	79	C	---	---	---	---	500	100	300	200
TOTAL FOR ACCOUNT GRANTS LOANS				5,800	14,174	6,158	1,389	5,350	3,891	4,100	5,560
				900	9,174	1,158	619	5,350	2,296	4,100	3,965
				5,000	5,000	5,000	770	---	1,595	---	1,595
EDUCATION AND HUMAN RESOURCES											
PROGRAM DEVELOPMENT AND SUPPORT	G 520-0000	69	C	---	---	541	533	40	38	85	30
PRIMARY SCHOOL RECONSTRUCTION	L 520-0242	77	77	5,200	5,200	5,200	2,700	---	2,500	---	---
BILINGUAL EDUCATION	G 520-0258	79	83	1,940	1,721	1,721	1,439	---	282	---	---
EDUCATION ADMINISTRATION	G 520-0259	80	83	915	880	880	344	---	536	---	---

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized data. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: GUATEMALA

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PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD	PLANNED	-THROUGH FY83- OBLIG ATIONS	EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	EXPENDI TURES
DEVELOPMENT ADMINISTRATION IMPROVEMENT	G 520-0270	90	82	305	305	305	186	---	119	---	---
INTEGRATED NON-FORMAL EDUCATION	G 520-0281	82	82	850	433	433	---	---	250	---	183
INTEGRATED NON-FORMAL EDUCATION	L 520-0281	82	82	3,500	3,000	3,000	---	---	500	---	1,300
NEW ACTIVITIES	G 520-9998	84	85	---	10,700	---	---	2,000	800	8,700	4,280
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 520-9999	79	C	---	---	421	193	---	228	---	---
TOTAL FOR ACCOUNT GRANTS				12,710	22,239	12,501	5,395	2,040	5,253	8,785	5,793
LOANS				4,010	14,039	4,301	2,695	2,040	2,253	8,785	4,493
				3,700	8,200	3,200	2,700	---	3,000	---	1,300
SELECTED DEVELOPMENT ACTIVITIES											
PROGRAM DEVELOPMENT AND SUPPORT	G 520-0300	74	C	---	---	408	268	50	150	100	138
SPECIAL DEVELOPMENT FUND	G 520-0145	63	C	---	---	1,221	1,193	50	25	50	50
NEW ACTIVITIES	G 520-9998	84	85	---	7,000	---	---	6,000	2,400	1,000	2,800
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 520-9999	79	C	---	---	788	517	---	271	5,750	---
TOTAL FOR ACCOUNT GRANTS				---	7,000	2,417	1,978	6,100	2,846	6,900	2,988
LOANS				---	7,000	2,417	1,978	6,100	2,846	6,900	2,988
				---	---	---	---	---	---	---	---
ECONOMIC SUPPORT FUND											
NEW ACTIVITIES	G 520-9998	84	85	---	35,000	---	---	---	---	35,000	35,000
TOTAL FOR ACCOUNT GRANTS				---	35,000	---	---	---	---	35,000	35,000
LOANS				---	35,000	---	---	---	---	35,000	35,000
				---	---	---	---	---	---	---	---

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized data.
For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned data.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: GUATEMALA

CP 85

PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH FY83-		-ESTIMATED FY84-		-PROPOSED FY85-	
					OBLIG ATIONS	EXPENDI TURES	OBLIG ATIONS	EXPENDI TURES	OBLIG ATIONS	EXPENDI TURES
TOTAL FOR COUNTRY			78,671	160,739	81,490	35,693	21,612	31,914	75,000	70,931
GRANTS			20,971	99,539	24,290	15,964	21,612	14,303	71,000	53,361
LOANS			57,700	61,200	57,200	20,729	---	17,611	4,000	12,870

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

Honduras

FY 85 CP ECONOMIC AND SOCIAL DATA

COUNTRY: (522) HONDURAS

BASIC DATA

TOTAL POPULATION.. (THOUSANDS,MID 1983) 4,276
 PER CAPITA GNP..... (DOLLARS,1981) 600
 ANNUAL PER CAPITA REAL GNP GROWTH RATE.. (1970-81) 0.4%
 ANNUAL RATE OF INFLATION (1970-81) 9.1%
 NATIONAL INCOME RECEIVED BY LOW 20% OF POPULATION..(1970) 2.3%
 LIFE EXPECTANCY AT BIRTH, IN YEARS
 (1982) TOTAL 59.2 MALE 57.4 FEMALE 61.1
 (1970) TOTAL 52.5 MALE 50.8 FEMALE 54.3
 ADULT LITERACY RATE (1974) TOTAL 57% MALE 59% FEMALE 55%

AGRICULTURE

ANNUAL PER CAPITA AGRICULTURAL PRODUCTION GROWTH RATE
 (1973-1982) 0.8%
 AGRICULTURAL PRODUCTION AS % OF GDP.....(1981) 27%
 POPULATION DENSITY / SQ MI OF AGRICULTURAL LAND (1979) 179
 MAJOR CROP(S) ARABLE LAND YEAR
 SUBSISTENCE: CORN ,BEANS-DRY ,RICE 47% (1982)
 CASH: COFFEE ,BANANAS ,RAW SUGAR 42% (1982)
 MAJOR AGRICULTURAL EXPORTS:(1982) COFFEE ,BEEF AND VEAL ,RAW SUGAR
 MAJOR AGRICULTURAL IMPORTS:(1982) WHEAT ,RICE ,
 PROPORTION OF LABOR FORCE IN AGRICULTURE.....(1980) 63%

CENTRAL GOVERNMENT FINANCES

TOTAL REVENUES AND GRANTS (\$ MILLIONS, U.S.)
 (1979) 164 (80) 189 (81) 185
 TOTAL EXPENDITURES AND NET LENDING (\$ MILLIONS, U.S.)
 (1979) 183 (80) 224 (81) 221
 DEFICIT(-) OR SURPLUS (\$ MILLIONS, U.S.)
 (1979) -20 (80) -35 (81) -36
 DEFENSE EXPENDITURES,
 AS % OF TOTAL EXPENDITURES.. (1975) 11.5% (76) 10.4% (79) 27.1%
 AS % OF GNP..... (1975) 2.0% (76) 1.9% (79) 2.4%
 OFFICIAL INTERNATIONAL RESERVES, GROSS HOLDINGS END OF PERIOD,
 (\$MILLIONS, U.S.) (1980) 151 (81) 102 (82) 113
 EQUIVALENT TO 1.4 MONTHS OF IMPORTS (1981)

FOREIGN TRADE

MAJOR EXPORTS... (1981) BANANAS ,COFFEE ,WOOD
 EXPORTS TO U.S.
 (\$ MILLIONS, US, FOB) (1980) 438 (1981) 448 (1982) 387
 AS % OF TOTAL EXPORTS (1979) 56% (1980) 51% (1981) 57%
 MAJOR IMPORTS....(1981) MANUFACTURES ,MACHINERY ,TRANSPORT EQPT
 IMPORTS FROM U.S.
 (\$ MILLIONS, US, CIF) (1980) 426 (1981) 384 (1982) 302
 AS % OF TOTAL IMPORTS (1979) 46% (1980) 45% (1981) 43%
 TRADE BALANCE(\$ MILLIONS, U.S.)(1979) -26(80) -104(81) -115
 TRADING PARTNERS: UNITED STATES ,WEST GERMANY ,JAPAN
 EXTERNAL PUBLIC DEBT AS % OF GNP (1981) 74.3%
 SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT,
 (\$ MILLIONS, U.S.)..... (1981) 115
 AS % OF EXPORT EARNINGS (DEBT SERVICE RATIO).... (1981) 14.6%

SOCIAL DATA

POPULATION GROWTH RATE...(1970) 3.1% (1978) 3.5% (1983) 3.4%
 POPULATION IN URBAN AREAS.....(1970) 29% (1982) 37%
 LIVE BIRTHS PER 1,000 POPULATION.....(1970) 49 (1983) 45
 MARRIED WOMEN AGED 15-44 YRS. USING CONTRACEPTION. (1981) 27.0%
 POPULATION (1980) IN AGE GROUP:
 (0-14YRS) 47.8% (15-64YRS) 49.5% (65+ YRS) 2.7%
 INFANT DEATHS IN FIRST YR OF LIFE PER 1000 LIVE BIRTHS (1983) 78
 PEOPLE PER PHYSICIAN..... (1977) 3,294
 MAJOR CAUSES OF
 DISEASE (1980) INFLUENZA ,MALARIA ,AMOEBIASIS
 DEATH.. (1979) ENTERIC DISEASE , ,
 PER CAPITA CALORIE SUPPLY AS A % OF REQUIREMENTS.. (1977) 93%
 POPULATION WITH REASONABLE ACCESS TO SAFE WATER SUPPLY(1976) 46%
 TOTAL SCHOOL ENROLLMENT AS % OF POPULATION IN AGE GROUP:
 PRIMARY..... (1980) TOTAL 81.0% MALE 81.3% FEMALE 80.8%
 SECONDARY..... (1980) TOTAL 27.5% MALE 23.3% FEMALE 37.6%
 POST SECONDARY.. (1977) TOTAL 5.6% MALE 7.1% FEMALE 4.2%
 ENERGY PRODUCTION AS % OF CONSUMPTION.....(1981) 8.7%

U.S. OVERSEAS LOANS AND GRANTS — OBLIGATIONS AND LOAN AUTHORIZATIONS
(U.S. Fiscal Years — Millions of Dollars)

ECONOMIC PROGRAMS OF ALL DONORS
(Millions of Dollars)

COUNTRY HONDURAS

PROGRAM	FOREIGN ASSISTANCE ACT PERIOD					TOTAL LOANS AND GRANTS 1946-82	REPAY- MENTS AND INTEREST 1946-82	TOTAL LESS REPAY- MENTS AND INTEREST 1946-82
	1978	1979	1980	1981	1982			
I. ECONOMIC ASSISTANCE — TOTAL	17.1	29.1	53.1	36.4	80.7	476.3	43.9	427.4
Loans	10.0	18.0	40.6	23.8	61.5	312.1	48.9	263.2
Grants	7.1	11.1	12.5	12.6	19.2	164.2	-	164.2
a. A.I.D. and Predecessor Agencies	13.0	22.0	45.3	25.7	67.9	379.7	37.3	342.4
Loans	10.0	16.0	38.5	20.2	54.5	286.5	37.3	249.2
Grants	3.0	6.0	7.2	5.5	13.4	93.2	-	93.2
(Economic Support Fund)	-	-	-	-	35.3	38.4	-	-
b. Food for Peace (PL 480)	2.4	4.8	5.2	8.2	10.1	56.9	3.2	53.7
Loans	-	2.0	2.0	3.6	7.0	17.5	3.2	14.3
Grants	2.4	2.8	3.2	4.6	3.1	39.4	-	39.4
Title I - Total Sales Agreements	-	2.0	2.0	3.6	7.0	17.5	3.2	14.3
Repayable in U.S. Dollars - Loans	-	2.0	2.0	3.6	7.0	17.5	3.2	14.3
Payable in Foreign Currency - Planned for Country Use	-	-	-	-	-	-	-	-
Title II - Total Grants	2.4	2.3	3.2	4.6	3.1	39.4	-	39.4
Emerg. Relief, Econ. Develop. & World Food Program	0.4	0.9	1.1	1.2	0.4	8.5	-	8.5
Voluntary Relief Agencies	2.0	1.9	2.1	3.4	2.7	30.9	-	30.9
c. Other Economic Assistance	1.7	2.3	2.1	2.5	2.7	39.7	8.4	31.3
Loans	-	-	-	-	-	8.1	8.4	0.3
Grants	1.7	2.3	2.1	2.5	2.7	31.6	-	31.6
Peace Corps	1.7	2.1	1.9	2.4	2.6	23.3	-	23.3
Narcotics	-	0.1	-	-	-	0.1	-	0.1
Other	*	0.1	0.2	0.1	*	7.7	-	7.7
II. MILITARY ASSISTANCE — TOTAL	3.2	2.3	3.9	8.9	31.3	72.8	13.9	58.9
Credits or Loans	2.5	2.0	3.5	8.4	19.0	43.4	13.9	29.5
Grants	0.7	0.3	0.4	0.5	12.3	29.4	-	29.4
a. MAP Grants	*	*	*	-	11.0	16.6	-	16.6
b. Credit Financing - FMS	2.5	2.0	3.5	8.4	19.0	43.4	13.9	29.5
c. Military Assistance Service-Funded (MASF) Grants	0.7	0.3	0.4	0.5	1.3	10.7	-	10.7
d. Transfers from Excess Stocks	-	-	-	-	-	2.0	-	2.0
e. Other Grants	-	-	-	-	-	0.1	-	0.1
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	20.3	31.4	57.0	45.3	112.0	549.1	62.8	486.3
Loans	12.5	20.0	44.1	32.2	83.5	355.5	62.3	292.7
Grants	7.8	11.4	12.9	13.1	31.5	193.6	-	193.6
Other U.S. Government Loans and Grants	0.5	0.3	13.7	0.9	0.6	37.5	25.1	12.4
a. Export-Import Bank Loans	0.5	0.3	12.5	0.9	0.3	35.4	24.9	10.5
b. All Other Loans	-	-	1.2	-	0.3	2.1	0.2	1.9

* LESS THAN \$50,000.

A. ASSISTANCE FROM INTERNATIONAL AGENCIES — COMMITMENTS

	FY 1981	FY 1982	FY 1983	FY 1946-83
TOTAL	35.5	37.0	87.2	1086.2
IBRD	23.0	30.0	45.0	483.7
IFC	0.0	0.0	0.0	10.4
IDA	0.0	0.0	0.0	82.6
IDB	7.5	0.0	42.2	477.7
ADB	0.0	0.0	0.0	0.0
AFDB	0.0	0.0	0.0	0.0
UNDP	0.0	7.0	0.0	24.1
OTHER-UN	0.0	0.0	0.0	5.7
EEC	0.0	0.0	0.0	0.0

B. BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE

1. **D.A.C. COUNTRIES (Gross Disbursements)**

HONDURAS	CY 1981	CY 1982	CY 1978-82
United States	36.0	70.0	171.0
Japan	7.5	6.5	30.2
Germany Fed. Rep.	4.5	7.4	23.7
Canada	3.5	4.5	23.2
Netherlands	2.3	1.7	13.5
Other	4.3	9.4	22.4
Total	58.1	99.5	284.0

2. **O.P.E.C. COUNTRIES (Gross Disbursements)**

C. LOANS AND GRANTS EXTENDED BY COMMUNIST COUNTRIES

HONDURAS

PROGRAM SUMMARY (In thousands of dollars)								
Fiscal Year	Total	Agriculture, Rural Development and Nutrition	Population Planning	Health	Education and Human Resources Development	Selected Development Activities	Other Programs	
							ESF	Other
1983								
Loans	34,950	20,200	--	3,800	--	--	10,950	--
Grants	52,276	3,580	1,689	3,222	1,275	460	45,050	--
Total	87,226	23,780	1,689	4,022	1,275	460	56,000	--
1984								
Loans	23,300	14,800	--	--	--	2,500	6,000	--
Grants	48,455	6,790	2,000	2,150	1,915	1,600	34,000	--
Suppl	80,500	--	238	5,000	1,162	1,600	72,500	--
Total	152,255	21,590	2,238	7,150	3,077	5,700	112,500	--
1985								
Loans	20,850	1,000	--	7,700	--	6,150	6,000	--
Grants	99,150	9,250	2,400	2,400	11,245	4,855	69,000	--
Total	120,000	10,250	2,400	10,100	11,245	11,005	75,000	--

FY 85 PROGRAM HIGHLIGHTS	
-	A \$75 million ESF program for economic recovery and to continue and expand support for the private sector.
-	A \$12.6 million P.L. 480 Title I program to supplement ESF stabilization assistance and generate local currency to finance development activities.
-	\$10 million for small business development and for export development activities to help provide increased employment and foreign exchange for financing the country's long-term development.
-	\$14.6 million for agricultural development and production activities and rural infrastructure.
-	\$25.4 million in DA to carry out social development activities in family planning, health, education and housing.

Honduras

RESOURCE FLOWS (In thousands of dollars)			
Program	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
Aid*			
Loans	19,581	42,541	42,070
Grants	19,557	158,462	96,358
Total AID	39,138	201,003	138,428
P.L. 480**			
Title I (of which Title III is)	10,000 (5,000)	12,000 (5,000)	15,000 (5,000)
Title II	5,467	4,623	3,865
Total P.L. 480	15,467	16,623	18,865
Total AID and P.L. 480	54,605	217,626	157,293

*AID levels represent actual and estimated expenditures.
**P.L. 480 levels represent actual and estimated value of shipments.

PERSONNEL/PARTICIPANTS DATA			
Category	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
AID Personnel ^a			
Direct Hire ^b	28	36	38
PASA ^c	6	6	6
Contract	54	58	63
Total	88	100	107
Participants ^d			
Noncontract	113	148	98
Contract	14	22	12
Total	127	170	110

^aU.S. nationals on duty at the end of the fiscal year.
^bFY 1984 and 1985 position levels.
^cParticipating agency technicians.
^dProgrammed during the fiscal year.

P.L. 480
(000 MT/\$000)

Program	FY 1983 (Actual)		FY 1984 (Estimated)		FY 1985 (Proposed)	
	MT	\$	MT	\$	MT	\$
Title I				4,000*		
Wheat	63.7	10,000	(25*) 74	8,000	51	15,000
Rice	--	--	--	--	--	--
Feedgrains	--	--	--	--	--	--
Vegoil	--	--	--	--	--	--
Non-food	--	--	--	--	--	--
Title I Total (of which Title III is)		10,000 (5,000)		12,000 (5,000)		15,000 (5,000)
Title II						
Voluntary Agencies		3,710		3,847		3,329
World Food Programs		1,757		776		536
Gov't-to-Gov't		--		--		--
Title II Total		5,467		4,623		3,865
Total P.L. 480		15,467		16,623		18,865

HONDURAS

Overview and Strategy

A. Introduction and Objectives

Honduras is the poorest country in Central America, with a per capita income below \$600. The country is still primarily rural, with about 60% of the population living in the countryside. Rural incomes are considerably below the national average, but the great income disparities that have fueled social tensions in other Central American countries are less evident in Honduras. The country has a democratically elected government.

Historically, economic growth has been slower in Honduras than in the rest of Central America. During the late 1970s, however, the country experienced economic growth averaging 7% per year as a result of generally sound internal policies and high world prices for its major exports. Growth rates declined steadily after 1979, reaching negative rates in 1982 and 1983. Because of rapid population growth, average per capita income has declined by almost 12% between 1979 and 1983.

By most social indicators, Honduras is at or near the bottom in Central America. Nevertheless, the country has been making considerable progress over the past few years in extending basic economic and social opportunity. Since 1960, the literacy rate has increased from 45% to 60%; life expectancy has risen from 46 years to 58 years; and infant mortality has fallen from 145 to 88 per thousand. Despite this gratifying progress, the human resource base continues to be very weak, and infrastructure and public services are woefully inadequate. Although the country possesses considerable land and other natural resources, the development of this base is impeded by rugged and mountainous terrain which hinders transportation and communication. Government implementation capacity for developmental programs is limited, and inappropriate policies in some cases are a serious growth constraint.

A major program of technical assistance and training to eliminate the shortage of management capacity and technical skills, combined with financial assistance for economic stabilization, policy reform and infrastructure development can produce rapid economic growth in the 6%-7% per year range by 1988, allowing per capita incomes to double in real terms in about 20 years. The extension of basic educational, health and other services to the entire population will be a longer-term process, requiring assistance beyond the six-year horizon of the National Bipartisan Commission on Central America. Over this longer horizon, the major goals that are attainable include:

- an increase in the prevalence in contraceptive usage from 27% to 50% of fertile women and a decline in the rate of population growth from 3.5% to 2.8% by 1990;
- an increase in primary school enrollment from 75% of the primary age group in 1982 to 90% by 1992;

- a reduction in infant and child mortality from 88 per thousand to 60 thousand by 1993;
- an increase in life expectancy from 58 to 62 years by 1993;
- increased urban water coverage in major cities from 60% to 85%, and coverage in rural areas from 50% to 70%; and
- continued progress toward institutionalization of democratic electoral and judicial processes.

B. Development Performance and Problems

Honduras faces a series of difficult development problems that have inhibited progress in the past and could limit growth in the future:

- The country faces economic instability and decline as a result of the economic dislocations of the past several years -- oil price increases, falling commodity prices, world recession, and the credit losses and capital flight resulting from turmoil elsewhere in Central America.
- The country lacks economic dynamism. If the problems of extreme poverty are to be overcome, some means for stimulating rapid economic growth is needed. The relative stagnation of the economy during most of the country's history may make achieving rapid growth more difficult than in the other countries of the isthmus.
- The country lacks well-developed public and private institutions capable of carrying out the investments and providing the services needed to increase the levels of living for all sectors of the population. At present, institutional weaknesses limit the capacity of the country to absorb technical and financial resources.
- The economic and social infrastructure of the country is inadequate.

The Government of Honduras (GOH) has taken various steps to try to resolve the country's current economic difficulties. Taxes have been raised, an International Monetary Fund (IMF) standby agreement was negotiated and has been partially implemented, and negotiations have been opened on a structural adjustment loan with the World Bank. Interest payments on the country's debt to foreign banks have generally been kept current, while negotiations for debt rescheduling are in progress. Central government budgets have not increased appreciably for the past three years, and efforts are now under way to control spending by autonomous agencies. New incentives have been approved to increase exports, and revision of the investment incentives and tariff legislation is under way. Major policy changes have been studied with the help of a U.S. Presidential Agricultural Task Force, and key reforms in the country's forestry development policy have been approved.

C. Strategy and Policy Agenda

Given the basic economic situation of the country -- with a considerable resource base, but with relatively low levels of capital and human resources -- the development strategy must have a long-run focus. A.I.D.'s development approach emphasizes four objectives: first, to establish fiscal and monetary policies that balance available resources with demands for them through market forces; second, to generate rapid growth in productive employment through appropriate policies for agriculture and industry that will induce increased investment, particularly emphasizing exports to world markets; third, to undertake a long-term program to promote equity and increase the level and utilization of human resources in Honduras through improved government services and administration; and fourth, to help provide physical infrastructure for the long-term development of the country. This approach is consistent with the recommendations of the Bipartisan Commission.

1. Stabilization. A.I.D.'s assistance will be conditioned on GOH commitments to implement policy adjustments and reforms. The first priority will be to reverse the deterioration in the fiscal and balance-of-payments situations without further declines in real output and employment. In the near term, A.I.D. seeks:

- to restore balance-of-payments equilibrium within two to three years,
- to reduce the central government deficit sharply by 1985 by a combination of tax measures and expenditure restraint, and
- to help the GOH to improve the management of the budget of decentralized public entities and government enterprises.

A.I.D. will work within the context of an IMF program to be negotiated between the GOH and the IMF. A.I.D.'s balance-of-payments assistance is expected to promote necessary adjustments without further income declines. A.I.D. also proposes to assist the GOH to reduce the fiscal deficit through improved tax administration. In the area of pricing policies of autonomous agencies, A.I.D. will assist the GOH to: formalize the regulatory authority of the Superintendency of Autonomous Agencies; complete a review of the fiscal situation and tariff and charge structures of all revenue-producing autonomous agencies and to implement a price/fee structure which will provide for sustained operating surpluses.

2. Economic Growth. Simultaneously with efforts to promote economic stabilization, A.I.D. will focus on long-term objectives. The strategy will emphasize real growth in the productive sectors of the economy, expanding and increasing the effectiveness of social service delivery systems and strengthening the economic planning and policy-making capabilities of the government to manage its fiscal and monetary affairs. Achievement of higher rates of growth in the productive sectors will require a combination of policy initiatives and strategies together with resources obtained from A.I.D. and other institutions. Those strategies and resources will be used to

develop nontraditional export products in the manufacturing and agricultural sectors, to attract new investment to Honduras, and to increase productivity in existing agricultural and industrial enterprises.

a. Increased Productivity in Agriculture and Industry. A.I.D.'s strategy for increasing production and employment will also seek to expand existing agricultural and industrial enterprises or to increase their efficiency to make them more productive. Strategy approaches in this area will include modifying tax and regulatory policies, providing credit, and stimulating continued investment in labor-intensive infrastructure projects to stimulate economic growth and employment.

b. Export Development. A.I.D. will expand the scope of a FY 1984 export development and services project designed to overcome constraints to increase exports, especially for nontraditional products in the agroindustrial, forestry, light assembly and any other subsector in which Honduras may have a competitive edge. A.I.D. plans to emphasize (a) the development or expansion of labor-intensive operations which will have the greatest employment-generation impact, (b) policy reforms which eliminate disincentives to exports and expedite government procedures for export operations, and (c) the development of trade credit guarantee programs, using domestic and external resources.

c. Investment Promotion. A.I.D. seeks to help the GOH in attracting new foreign investment capital. Steps will be taken to encourage significant investments on the part of the Honduran private and public sectors themselves, not only in the areas of nontraditional export enterprise, but also in the more traditional aspects of the economy.

Drawing foreign capital into the country will involve the use of a mix of policy initiatives, program development and institutional strengthening. The export incentives law will be complemented by a revised investment incentives law and tariff structures which, taken together, serve as an effective inducement for attracting investment. The Caribbean Basin Initiative (CBI) legislation will further increase the attractiveness of investment in Honduras, as will trade credit or guarantee/insurance programs such as those offered by the Export-Import Bank and the Overseas Private Investment Corporation. The GOH will actively promote the free zone program for export-oriented foreign investment and will examine the possibility of establishing similar programs for free enterprise zones to produce for domestic markets. Finally, the investment strategy calls for strengthening public and private institutions which develop and administer investment policies and programs through projects, such as the export promotion services project, and activities of a similar nature.

d. Planning and Administrative Capacity. Honduras has been plagued throughout its history by a lack of trained manpower and poorly organized and managed institutions. Achievement of goals supported by strategies mentioned earlier in this section will depend in no small part, therefore, on continued and much expanded activities aimed at enlarging the pool of trained personnel

in both the public and private sectors and at making public and private sector institutions more effective and more efficient. Significant program assistance will be provided to train large numbers of people in both Honduras and the United States in a wide range of skills and disciplines at varying skill levels. At the same time, as the quality of human resources rises, additional assistance will be directed toward the restructuring of key planning and programming entities throughout the GOH and in the private sector which will enable them to implement the new or reformed policies contemplated in this presentation.

3. Broadening the Benefits of Growth. Efforts will also be made to expand and improve the quality of services for the poor. A.I.D. will intensify its efforts to help the GOH in establishing or amending relevant policies and in strengthening institutions. The long-term strategy for dealing with equity needs will entail:

- support for family planning programs in the private and public sectors;
- processing of titles for small landowners to give them a permanent stake in the economic system;
- support to school construction, educational quality improvement, school maintenance programs, and improved educational administration; and
- support to health-sector initiatives in the areas of policy, services, human resource development and infrastructure to ensure broader, more effective coverage, particularly in communicable diseases and sanitation.

4. Democratic Institutions and Human Rights. Honduras enjoys a relatively good reputation for democratic processes and respect of human rights. A.I.D. will seek to further increase society-wide awareness for the rights of individuals and the rule of law. The approach will be to work through regional entities and programs.

A.I.D. Program (FY 1983 and FY 1984)

A. Economic Support Funds (ESF)

ESF assistance was initiated at the critical low point of Honduras' foreign exchange availability in September 1982. Through the end of FY 1983, a total of \$91 million of ESF has provided balance-of-payments support. The GOH has made available an equivalent amount in foreign exchange to permit producers to import raw materials, spare parts and intermediate goods from the United States. An equivalent amount of local currency has been allocated to provide working capital credit to the private sector, to help restore production, and to support the efforts of the government, private voluntary organization (PVOs), cooperatives, and other entities to carry out high priority development projects throughout the country. The regular ESF request of \$40 million in FY 1984 will provide balance-of-payments support and will continue to promote Honduras' structural adjustment efforts.

B. Agriculture, Rural Development and Nutrition

FY 1983 funds were used largely to continue ongoing projects. The Agricultural Sector II Program (522-0150) finances (1) human resource training; (2) institutional development efforts to improve the government's capacity to analyze, plan, and implement agricultural projects; and (3) delivery of services and inputs. Through this program and the related Agricultural Research project (522-0139), it is expected that approximately 25% of Honduran small farmers, working individually and in group enterprises, will receive technical assistance and training needed to help them to increase their production and income.

A. I. D. is supporting the Suazo administration in issuing definitive titles to the thousands of small farmers who are cultivating land that has not been transferred officially from the government. Some 70,000 farm families in seven departments will be incorporated into the active private farm sector over a five-year period and will become eligible for ordinary commercial credit. The GOH will continue the process in subsequent years.

Infrastructure constraints to increased production also are being addressed. A major ongoing project (Rural Trails and Access Roads, 522-0164) is building approximately 950 miles of rural trails and access roads to provide increased access to markets for small farmers. Under the Municipal Development II Program (522-0165), municipal infrastructure, including several dozen markets and slaughterhouses, is being built in small towns throughout the country. In addition, approximately 25,000 rural families will receive electricity from an A. I. D. Rural Electrification project (522-0138) which supports an Inter-American Development Bank-led program for the integrated development of the Aguan Valley.

A. I. D. also is assisting in four specific efforts to increase agricultural production and income. First, the Small Farmer Coffee Improvement project (522-0176) is introducing among 45,000 small farmers production techniques which will allow profitable cultivation of coffee on small farms in spite of coffee rust. Second, appropriate technology is being provided to traditional farmers under the Rural Technologies project (522-0157). Approximately 3,500 small industries will be helped to improve the productivity of traditional products and to produce capital-saving tools and implements which have been developed for use by small farmers. The project will help 50,000 small farmers to increase their incomes. Third, increased beef and dairy production on small farms is being promoted through the Small Farmer Livestock project (522-0209). An in-kind lending program and technical assistance from a largely privately owned cattle fund will increase income for about 3,000 peasant families and will benefit consumers by bringing greater quantities of domestically produced fresh milk to the market. Fourth, the Natural Resources Management project (522-0168) seeks to change the farming practices of approximately 7,000 farmers, mostly on hillsides, to maintain or improve their incomes while reversing the ecological damage caused by slash-and-burn cultivation.

The Agricultural Sector Program and the other programs described above are complemented by P.L. 480 Title I/III resources and local currency pledged by the GOH under ESF assistance agreements. Under a three-year P.L. 480 Title III Food for Development Program (522-4803), support is being provided to implement projects identified in the overall sector analysis, to increase agricultural production through small-scale irrigation works, to strengthen multi-service regional cooperatives, and to promote agricultural diversification aimed at export markets.

Using indigenous PVOs, the Rural Housing Improvement project (522-0171) provides small loans to replace thatch with tile or tin roofs, to construct cement floors, and to finance other basic low-cost improvements selected by the beneficiaries in some 10,000 traditional rural houses.

In FY 1984, initial funding is planned for the Forestry Development project (522-0246), as a result of the U.S. Presidential Agricultural Mission sent to Honduras at the request of President Suazo. The project plans to improve efficiency in the use of forest resources, to develop a stumpage system to ensure that Honduras gets full economic benefit from a commercially exploitable natural resource, and to improve lumber marketing through greater participation of the private sector in lumber sales operations.

C. Health

As in agriculture, FY 1983 funds were used to continue the ongoing efforts. The GOH has adopted a health-care policy which emphasizes preventive care and outreach efforts. A.I.D. is supporting that policy through the Health Sector I project (522-0153), which is helping the GOH in implementing its primary health-care system and the infectious disease control programs and in improving its policy and planning capabilities, its Ministry of Health's logistics, maintenance, and supervision systems, and its maternal and child health-care program under which family planning services are provided. Emphasis is placed on activities in rural areas. To complement these preventive-care efforts, the Rural Water and Sanitation project (522-0166) and the Municipal Development Program II (522-0165) are providing access for an estimated 450,000 Hondurans living in rural areas and small towns. PL.480 Title II feeding programs will continue through Cooperation for American Relief Everywhere and Catholic Relief Services. This assistance supports Food-For-Work programs, maternal and child-care programs, and school-feeding programs which benefited an estimated 410,500 people in 1982. Under the centrally funded Mass Media Health project, two consultants worked in strengthening the capacity of the Ministry of Health in the use of radio and graphics to train village-level auxiliaries to control infant diarrhea.

Three operational program grants (OPGs) to the Honduran Family Planning Association are financing expansion of its clinical facilities for voluntary sterilization and continuing support for a community-based contraceptive distribution system (522-0197), commercial retail sales of contraceptives (522-0201), and a program to encourage the country's leaders to favor adoption of policies which promote increased availability and utilization of family planning services (522-0240).

D. Education and Human Resources

FY 1983 funds supported the ongoing Rural Primary Education project (522-0167) which is increasing the effectiveness of rural primary teaching and improving Ministry of Education policy formulation and management. The project is financing construction or renovation of 3,100 rural classrooms, supporting a training program for teachers and supervisors, creating an improved system for school maintenance, producing and distributing educational materials, and improving the Ministry's information systems. The project will benefit directly approximately 124,000 school children and 3,100 teachers. Two OPGs -- to Horizons of Friendship (522-0184) and Aldeas S.O.S. (522-0189) -- are supporting PVOs in teaching practical and vocational skills. Several new OPGs are planned for FY 1984 to initiate activities in management and skills training.

The Public Sector Administration project (522-0174) is assisting the GOH to improve its administrative and management procedures, with emphasis on revenue collection and expenditure management systems in the Ministry of Finance. This project will assist the GOH to achieve sound fiscal management, a cornerstone of its agreement with the IMF.

E. Selected Development Activities

Over the long run, a major increase in export earnings will be necessary to ensure the return of Honduras to a normal pattern of economic growth and development. To take advantage of the trade opportunities offered by the CBI, an Export Promotion and Services project (522-0207) will be initiated in FY 1984 to promote the development of nontraditional exports. The project will provide assistance to Honduras' private sector in identifying markets in which Honduran products can be competitive, designing products, developing production-sharing arrangements and providing supporting services needed by exporters. This effort is complemented by an effort to develop an accessible source of commercial financing and technical assistance for small- and medium-scale producers through the Small Business Development project (522-0205). Additional channels for marketing of handicrafts in external markets will be developed through the Artisan Product Marketing OPG (522-0250), which will start in FY 1984.

F. Shelter

Three Housing Guaranty (HG) projects provide financing for construction and improvement of housing and infrastructure in the marginal neighborhoods of the two major cities and some secondary cities. One project, approved in 1981, supports a construction program of private builders working in cooperation with private savings and loan associations (522-0194). Earlier projects are being implemented by the National Housing Institute (522-0135) and the municipalities of Tegucigalpa and San Pedro Sula (522-0155). The projects will benefit approximately 35,000 families. New HG resources of \$15 million are planned for FY 1984 for a Shelter Sector Program to increase the availability of low-cost housing. Additional assistance will be provided to

replicate and expand successful efforts under ongoing projects in providing shelter solutions for lower-income families.

FY 1984 Supplemental Request and Requested Year Program (FY 1985)

In FY 1984, A.I.D. requests an additional \$72.5 million in ESF, \$8 million in Development Assistance (DA), and \$4 million in P.L. 480 assistance. For FY 1985, A.I.D. requests a total of \$75 million in ESF, \$45 million in DA and \$19 million in P.L. 480. These levels -- complemented by HGs, Commodity Credit Corporation (CCC) credits, and trade investment credits -- are essential to achieve the A.I.D. objectives in Honduras, including undertaking the program recommendations of the Bipartisan Commission. They will help the GOH in its economic stabilization efforts, in promoting economic growth and in carrying out social development programs designed to improve the availability of basic services for the poor.

A. Economic Stabilization

The additional \$72.5 million supplemental ESF request for FY 1984 will support the GOH's efforts to carry out a program to be entered with the IMF. It also will complement ongoing efforts to revitalize Honduras' economy and to assist the private sector to take advantage of the opportunities presented by the CBI. The dollars will be used to assist in financing imports from the United States while local currency generated by the program will finance the creation or expansion of productive enterprises as well as support high priority development projects, especially in the areas of industrial and agricultural production. The high level of \$112.5 million in total resources for this purpose to be made available in FY 1984 responds to the serious crisis facing the Honduran economy at present. The \$75 million in ESF requested for FY 1985 will continue this effort while further encouraging the GOH to undertake the structural reforms needed for sustained recovery and development.

A.I.D. also requests an additional \$4 million in P.L. 480 Title I in FY 1984 and \$15.1 million in FY 1985. P.L. 480 Title I will supplement ESF stabilization assistance by financing wheat imports. CCC credits totaling around \$10 million in FY 1985 to import food will complete this stabilization package. Local currency generated under P.L. 480 Title I agreements will be used to complement other GOH and A.I.D. resources for the expansion of productive activities, such as irrigation, which will generate jobs and promote growth.

B. Economic Growth

Consistent with the Bipartisan Commission recommendations, A.I.D. will support a series of interrelated activities designed to promote economic recovery and growth in ways which will support a broader distribution of the benefits of growth. These activities are mainly in the areas of agricultural development, export promotion, and small business development. Funding requirements, as discussed below, include (a) \$10.25 million in FY 1985 under the Agriculture, Rural Development, and Nutrition (ARDN) account; and (b) an additional

\$600,000 in FY 1984 and a total of \$5 million under the Selected Development Activity (SDA) account.

In agricultural development, A.I.D. seeks (a) to broaden land ownership through the purchase and sale of land and the securing of ownership rights, (b) to increase access to technological advice and inputs, including credit, (c) to increase access to markets, especially for nontraditional exports, and (d) to provide viable economic alternatives for small farmers faced with determining sound natural resource use patterns. A.I.D. is currently supporting activities which focus on institutional development, human resource development and improvement of delivery systems. The types of activities being financed include training, higher agricultural education, assistance to agricultural cooperatives, small-scale rural infrastructure, small landholder titling, export promotion, livestock and forestry development, research and extension, and credit. This comprehensive program can be accelerated with the availability of additional resources.

To achieve these objectives, A.I.D. will use local currencies generated under ESF and P.L. 480 Title I agreements in addition to \$5.25 million requested in FY 1983 under the ARDN account. Local currency and the FY 1985 funds will be used to finance ongoing activities and to start new activities in research, credit, marketing, watershed and forestry development, and small-scale rural infrastructure such as access roads, storage, soil management and irrigation. By 1990, the total program is expected (a) to provide land and/or secure ownership rights to 75,000 families, (b) to provide 300,000 small farm families with increased access to technological advice and inputs, (c) to increase the value of nontraditional exports from \$130 million to \$300 million, and (d) to improve resource management on 1,500,000 acres of land.

In the area of export promotion, A.I.D. requests \$5.0 million in FY 1985 under the ARDN account to support activities in:

- export development. A.I.D. will support training of Ministry of Economy staff and economic attaches abroad; promotion of Honduran products and investments; Honduran participation in international trade fairs; and strengthening of a local private organization to assist Honduran exporters with training, market investigations, and technical assistance in the design, production, and marketing of nontraditional products; and
- agricultural and artisanry exports. A.I.D. will support activities to expand production of promising crops (e.g. winter vegetables) by providing technical assistance and training and specialized assistance to artisanry producers, a small but potentially highly profitable, labor-intensive industry.

By 1989, the A.I.D. assistance in export promotion is expected to contribute to a yearly gross domestic product growth rate of about 5% and the generation of around 17,000 jobs.

These export promotion activities will be complemented with resources from a Trade Credit Insurance Program starting in FY 1984. The program is expected

to induce private U.S. banks to increase their lending for short-term trade credit to the private sector in Honduras. A significant increase in production, particularly for exports, is expected to result. By the end of FY 1985, the portfolio of insurance is expected to reach a level of about \$100 million and would remain at the \$100-\$150 million level through FY 1987.

In the area of small business development, A.I.D. seeks to help small entrepreneurs in Honduras expand production through credits for investments in fixed plant and equipment and for working capital. This financing will be provided by a private financing firm in concert with commercial banks. An estimated 20,000 small businessmen are expected to benefit from this support. A.I.D. requests an additional \$600,000 in FY 1984 and \$5 million in FY 1985 under the SDA account for this purpose.

C. Broadening the Benefits of Growth

A.I.D. is supporting GOH and private efforts to expand the availability of basic services for the poor, especially in education and health, and to slow the pace of population growth. A.I.D. requests an additional \$7.4 million in DA in FY 1984, a total of \$29.75 million in DA in FY 1985, and \$3.9 million in P.L. 480 Title II in 1985 to achieve objectives in these areas.

1. Population Planning (\$238,000 FY 1984 Supplemental and \$2.4 million in FY 1985). A.I.D. will increase its support to family planning activities through PVOs and the GOH Ministry of Health. The additional FY 1984 request of \$238,000 will be used to increase contraceptive prevalence to 32% in 1984, adding 20,000 new users. The FY 1985 funds of \$2.4 million will be used to further increase the prevalence rate to 34% in 1985 with an additional 20,000 users. The total number of new contraceptive users is expected to reach 320,000 by 1989.

2. Health (\$5 million in FY 1984 Supplemental and \$10.1 million in FY 1985). A.I.D. seeks to reduce mortality and morbidity among infants and children and the rate of disease and disability in the labor force. A.I.D. is currently supporting major institution-building activities with the Ministry of Health to improve and expand primary health-care services, vector-borne-disease control programs and access to potable water. By 1990, the current program, together with activities outlined below, are expected (a) to reduce infant mortality from 88 to 60 per 1,000, (b) to increase life expectancy from 58 to 62 years, (c) to increase access to potable water from 60% to 85% of the urban population and 50% to 70% of the rural population, and (d) to reduce the number of malaria cases by at least 50%.

The additional \$5 million proposed for FY 1984 will accelerate and expand activities already under way under the Health Sector I project (522-0153), particularly by providing technical assistance to improve the planning and management capability of the Ministry of Health, extending the current mass media oral rehydration program, providing cold chain equipment and training for the immunization program, supporting operations research and pesticides for the malaria control program, and training for management, clinical and

public health personnel to undertake these activities. In addition, the funds would permit A. I. D. to support an expansion of the nutritional impact of supplementary, emergency and refugee feeding programs being carried out by PVOs.

The \$10.1 million sought for FY 1985 would support technical assistance and training activities to improve and expand primary health-care services and to strengthen the management and planning capabilities of the Ministry of Health. Disease control activities--diarrheal disease control, immunization, and malaria control programs--will be expanded. Support for these activities will include technical assistance, equipment and supplies, and training. These programs will complement proposed regional activities in oral rehydration, immunization and vector-borne disease control. Support for PVOs' nutritional activities will be expanded. New initiatives also will be undertaken, including the elaboration of cost-control strategies in the public sector, formulation of an essential drugs policy and program, and conduct of feasibility studies for alternative financing mechanisms for curative and preventive health services. Finally, a large share of the resources would be used for expansion of the rural water and sanitation program.

3. P.L. 480. P.L. 480 Title II will be provided to selected groups in urban and rural areas where the incidence of malnutrition is the highest and risk of permanent damage is the greatest. FY 1985 Title II assistance will total about \$3.9 million.

4. Education and Human Resources (\$1.162 million Supplemental request; \$11.245 million in FY 1985). A. I. D. seeks to support the GOH in its efforts to improve the availability and quality of education and training opportunities at all levels. The additional resources of \$1.162 million in FY 1984 and \$11.245 million in FY 1985 will be used to carry out educational reform at the primary, secondary, and adult levels. The program will include support for infrastructure improvement, curriculum development, textbook distribution, and teacher training in the public sector and the expansion of skills training to meet the needs of the private sector and management training for small- and medium-sized private sector enterprises. It will strengthen key Honduran universities in those faculties and programs having direct impact on development and will increase the availability of educational and technical books and journals for key counterpart agencies and institutions. The activities will be supplemented with modest assistance to improve the management of the public sector in key development fields and the managerial capabilities of small businesses. The International Executive Service Corps is expected to play a key role in this effort.

A. I. D. will work in concert with USIA in carrying out a new scholarship program under which USIA will promote primarily long-term academic exchanges of upwardly mobile students with potential to achieve leadership in educational, cultural and civic affairs while A. I. D. establishes short- and long-term U.S. training programs in critical development needs including science and technology, energy, environment, institution building and the private sector. Assistance also will be provided in the areas of literacy and

teacher training through the new literacy and teacher corps program to be carried out in concert with the Peace Corps. These education programs respond to a major recommendation of the Bipartisan Commission.

5. Housing and Social Infrastructure. A.I.D. requests an additional \$1.0 million in FY 1984 and a total of \$6.005 million in FY 1985 under the Selected Development Activities account to finance Bipartisan Commission recommendations on housing and infrastructure. The A.I.D. program will help the GOH meet the needs of the burgeoning urban populations for low-cost shelter solutions, expand the availability of necessary infrastructure to the rural areas, provide essential infrastructure to permit efficient private sector development, and help alleviate the problem of unemployment and underemployment by utilizing labor intensive construction techniques.

In FY 1985, A.I.D. will start a new HG program (\$10.0 million) to help the Social Housing Fund finance low-cost shelter solutions for low-income Honduran families. Technical assistance to the Fund will also be provided. Also, in FY 1985, a new project will be initiated, utilizing labor-intensive techniques, to construct the essential infrastructure needed to permit efficient private sector development. It will include both housing and free zone areas and industrial parks.

Funding requirements for Program Development and Support and PVO activities are included under the various functional accounts.

D. Democratic Institutions and Human Rights

Assistance will be provided in the areas of judicial reform and democratic institutions through regional programs. In the area of judicial reforms, A.I.D. will provide technical assistance, training, and material resources to strengthen the capacity of the courts, prosecutors, investigative agencies, public defenders, justice ministers, and law schools. This assistance is expected to further increase awareness at all levels of Honduran society for the rule of law and human rights. In the area of democratic institutions, A.I.D. will emphasize leadership training for Hondurans who are expected to play a dominant role in the country's political development, primarily through the scholarship program to be carried out by the U.S.I.A.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: HONDURAS

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PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH FY83- OBLIG ATIONS	FY83- EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	FY84- EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	FY85- EXPENDI TURES	
AGRICULTURE, RURAL DEV. AND NUTRITION											
RURAL ELECTRIFICATION	L 522-0133	78	82	11,500	11,500	11,500	9,605	---	1,181	---	714
AGRICULTURAL RESEARCH	G 522-0139	78	83	2,750	2,750	2,750	1,410	---	572	---	332
AGRICULTURE SECTOR II	G 522-0150	79	86	4,000	5,300	3,500	1,814	500	1,200	1,000	900
AGRICULTURE SECTOR II	L 522-0150	79	86	21,000	23,200	21,000	11,827	---	4,000	---	4,000
RURAL TECHNOLOGIES	G 522-0157	79	85	5,000	6,750	4,250	3,592	1,750	1,530	750	1,300
RURAL TRAILS/ACCESS ROADS	G 522-0164	80	84	230	480	230	96	250	100	---	249
RURAL TRAILS/ACCESS ROADS	L 522-0164	80	84	20,970	20,970	20,970	7,786	---	5,000	---	5,000
MUNICIPAL DEVELOPMENT BANK II	L 522-0165	80	80	750	750	750	543	---	92	---	15
NATURAL RESOURCES MANAGEMENT	G 522-0168	80	86	2,743	2,250	1,500	555	500	800	---	545
NATURAL RESOURCES MANAGEMENT	L 522-0168	80	86	12,252	10,000	7,000	2,622	---	1,123	---	1,755
RURAL HOUSING	G 522-0171	81	84	200	200	200	33	---	60	---	60
RURAL HOUSING	L 522-0171	81	84	2,300	3,300	2,300	570	1,000	1,500	---	1,000
SMALL FARMER TITLING AND SERVICES	G 522-0173	82	86	2,500	3,200	1,500	219	500	500	700	500
SMALL FARMER TITLING AND SERVICES	L 522-0173	82	86	10,000	10,000	10,000	691	---	1,000	---	1,000
SMALL FARMER COFFEE IMPROVEMENT	G 522-0176	81	82	550	550	550	255	---	220	---	75
SMALL FARMER COFFEE IMPROVEMENT	L 522-0176	81	82	9,000	9,000	9,000	2,814	---	3,300	---	2,386
AGRICULTURAL CREDIT	G 522-0178	82	83	1,000	1,000	1,000	196	---	596	---	208
EXPORT PROMOTION AND SERVICES	L 522-0207	84	86	---	4,000	---	---	3,000	500	1,000	1,000
SMALL FARMER LIVESTOCK	G 522-0209	83	85	3,000	3,000	550	---	1,450	400	1,000	1,200
SMALL FARMER LIVESTOCK	L 522-0209	83	85	10,000	10,000	3,200	---	6,800	1,100	---	4,500

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: HONDURAS

CP 85

PROJECT TITLE	* L PROJECT / NUMBER	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH OBLIG ATIONS	FY83- EXPENDI TURES	-ESTIMATED OBLIG ATIONS	FY84- EXPENDI TURES	-PROPOSED OBLIG ATIONS	FY85- EXPENDI TURES	
FORESTRY DEVELOPMENT	G 522-0246	84	86	---	3,000	---	---	250	---	1,000	200
FORESTRY DEVELOPMENT	L 522-0246	84	86	---	5,000	---	---	4,000	---	---	700
PROGRAM DEVELOPMENT AND SUPPORT	G 522-9103	73	C	---	---	3,549	2,322	850	708	960	1,050
NEW ACTIVITIES	G 522-9998	84	85	---	3,540	---	---	---	---	3,540	1,416
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 522-9999	78	C	---	---	900	336	740	632	300	332
TOTAL FOR ACCOUNT				119,745	139,740	106,199	47,951	21,590	25,514	10,250	30,967
GRANTS				21,973	32,320	20,479	11,333	6,790	7,318	9,250	8,917
LOANS				97,772	107,420	85,720	36,618	14,800	18,296	1,000	22,070
POPULATION PLANNING											
HEALTH SECTOR I	G 522-0153	80	86	1,312	1,332	395	64	450	545	500	475
PROGRAM DEVELOPMENT AND SUPPORT	G 522-9104	73	C	---	---	155	55	25	40	25	60
NEW ACTIVITIES	G 522-9998	84	85	---	1,303	---	---	233	95	1,125	545
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 522-9999	78	C	---	---	2,515	1,105	1,525	1,002	750	1,403
TOTAL FOR ACCOUNT				1,312	3,195	3,065	1,225	2,233	1,682	2,400	2,453
GRANTS				1,312	3,195	3,065	1,225	2,233	1,682	2,400	2,433
LOANS				---	---	---	---	---	---	---	---
HEALTH											
HEALTH SECTOR I	G 522-0153	80	86	3,114	7,114	3,114	1,916	1,500	1,350	1,650	2,000
HEALTH SECTOR I	L 522-0153	80	86	10,965	12,965	10,965	3,524	---	2,000	2,000	2,500
MUNICIPAL DEVELOPMENT BANK II	L 522-0165	80	80	3,000	3,000	3,000	1,250	---	645	---	1,000
RURAL WATER AND SANITATION	G 522-0166	80	85	500	1,000	500	145	500	113	---	300
RURAL WATER AND SANITATION	L 522-0166	80	85	19,500	19,500	13,300	4,900	---	4,000	5,700	4,000

* Refers to the planned project summary sheet

C Level of effort activity

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SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: HONDURAS

CP 85

PROJECT TITLE	L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH FY83- OBLIG ATIONS	FY83- EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	FY84- EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	FY85- EXPENDI TURES	
PROGRAM DEVELOPMENT AND SUPPORT	G 522-9108	73	C	---	596	527	50	30	50	70	
NEW ACTIVITIES	G 522-9998	84	85	---	5,600	---	5,000	2,000	600	2,240	
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 522-9999	78	C	---	145	---	100	100	100	245	
TOTAL FOR ACCOUNT				37,079	49,179	32,120	12,262	7,150	10,783	10,100	12,355
GRANTS				3,614	13,714	4,355	2,588	7,150	4,143	2,400	4,355
LOANS				33,465	35,465	27,765	9,674	---	6,645	7,700	7,500
EDUCATION AND HUMAN RESOURCES											
RURAL PRIMARY EDUCATION	G 522-0167	80	84	2,250	2,250	1,450	467	800	800	---	983
RURAL PRIMARY EDUCATION	L 522-0167	80	84	13,850	13,850	13,350	724	---	4,400	---	5,000
PUBLIC SECTOR ADMINISTRATION	G 522-0174	82	84	2,500	2,500	2,245	263	255	1,100	---	1,137
PROGRAM DEVELOPMENT AND SUPPORT	G 522-9105	73	C	---	---	1,690	1,420	300	195	145	205
NEW ACTIVITIES	G 522-9998	84	85	---	11,162	---	---	1,162	465	10,000	4,465
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 522-9999	78	C	---	---	475	273	560	533	1,100	754
TOTAL FOR ACCOUNT				18,600	29,762	19,710	3,147	3,077	7,493	11,245	12,544
GRANTS				4,750	15,912	5,360	2,423	3,077	3,093	11,245	7,544
LOANS				13,850	13,850	13,350	724	---	4,400	---	5,000
SELECTED DEVELOPMENT ACTIVITIES											
URBAN UPGRADING	G 522-0155	30	81	200	200	200	111	---	80	---	9
MUNICIPAL DEVELOPMENT BANK II	G 522-0165	80	80	250	250	250	173	---	77	---	---
MUNICIPAL DEVELOPMENT BANK II	L 522-0165	80	80	1,000	1,000	1,000	132	---	200	---	500
SPECIAL DEVELOPMENT ACTIVITIES	G 522-0169	81	C	---	---	200	126	100	125	50	75

refers to the planned project summary sheet

C Level of effort activity

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SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: HONDURAS

CP 85

PROJECT TITLE	L PROJECT / NUMBER	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH FY33- OBLIG ATIONS	FY33- EXPENDI TURES	-ESTIMATED OBLIG ATIONS	=Y84- EXPENDI TURES	-PROPOSED OBLIG ATIONS	FY35- EXPENDI TURES	
SMALL BUSINESS DEVELOPMENT	G 522-0205	84	84	---	600	---	---	500	275	---	325
EXPORT PROMOTION AND SERVICES	G 522-0207	84	86	---	3,000	---	---	300	150	1,300	500
EXPORT PROMOTION AND SERVICES	L 522-0207	84	86	---	10,650	---	---	2,500	300	6,150	1,000
PROGRAM DEVELOPMENT AND SUPPORT	G 522-9106	73	C	---	---	1,359	769	250	221	225	200
NEW ACTIVITIES	G 522-9998	84	85	---	4,130	---	---	1,600	640	2,530	1,908
PRIVATE AND VOL ORGANIZATIONS - OPS'S	G 522-9999	78	C	---	---	114	50	350	120	250	480
TOTAL FOR ACCOUNT											
GRANTS				1,450	19,830	2,523	1,361	5,700	2,185	11,005	4,997
LOANS				450	8,180	1,523	1,229	3,200	1,683	4,855	3,497
				1,000	11,650	1,000	132	2,500	500	6,150	1,500
ECONOMIC SUPPORT FJND											
TEJUCIGALPA POWER RESTORATION	G 522-0226	82	82	1,800	1,800	1,300	---	---	1,738	---	52
ECONOMIC RECOVERY PROGRAM II	G 522-0230	82	85	45,050	113,050	45,050	12,750	34,000	66,300	34,000	34,000
ECONOMIC RECOVERY PROGRAM II	L 522-0230	82	85	45,950	57,950	45,950	40,250	6,000	11,700	6,000	6,000
NEW ACTIVITIES	G 522-9998	84	85	---	107,300	---	---	72,500	72,500	35,000	35,000
TOTAL FOR ACCOUNT											
GRANTS				92,800	280,300	92,800	53,000	112,500	152,238	75,000	75,062
LOANS				46,850	222,350	46,350	12,750	106,500	140,538	59,000	59,062
				45,950	57,950	45,950	40,250	6,000	11,700	6,000	6,000
TOTAL FOR COUNTRY											
GRANTS				270,986	522,006	256,717	118,946	152,255	201,003	120,000	138,423
LOANS				78,949	295,371	82,432	31,543	123,955	153,462	99,150	96,358
				192,037	226,635	174,285	87,398	23,300	42,541	20,850	42,070

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column -- All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

FY 85 CP ECONOMIC AND SOCIAL DATA

COUNTRY: (525) PANAMA

BASIC DATA

TOTAL POPULATION.. (THOUSANDS,MID 1983) 2,058
 PER CAPITA GNP..... (DOLLARS,1981) 1,910
 ANNUAL PER CAPITA REAL GNP GROWTH RATE.. (1970-81) 1.1%
 ANNUAL RATE OF INFLATION (1970-81) 7.6%
 NATIONAL INCOME RECEIVED BY LOW 20% OF POPULATION..(1970) 2.0%
 LIFE EXPECTANCY AT BIRTH, IN YEARS
 (1982) TOTAL 71.0 MALE 69.0 FEMALE 73.0
 (1970) TOTAL 66.1 MALE 64.6 FEMALE 67.8
 ADULT LITERACY RATE (1980) TOTAL 85% MALE 85% FEMALE 84%

AGRICULTURE

ANNUAL PER CAPITA AGRICULTURAL PRODUCTION GROWTH RATE
 (1973-1982) -0.1%
 AGRICULTURAL PRODUCTION AS % OF GDP.....(1978) 16%
 POPULATION DENSITY / SQ MI OF AGRICULTURAL LAND (1979) 268
 MAJOR CROP(S) ARABLE LAND YEAR
 SUBSISTENCE: CORN ,BEANS-DRY ,RICE 41% (1982)
 CASH: RAW SUGAR ,BANANAS ,COFFEE 21% (1982)
 MAJOR AGRICULTURAL EXPORTS:(1982) BANANAS ,RAW SUGAR ,
 MAJOR AGRICULTURAL IMPORTS:(1982) WHEAT ,CORN ,
 PROPORTION OF LABOR FORCE IN AGRICULTURE.....(1980) 27%

CENTRAL GOVERNMENT FINANCES

TOTAL REVENUES AND GRANTS (\$ MILLIONS, U.S.)
 (1977) 546 (78) 598 (79) 681
 TOTAL EXPENDITURES AND NET LENDING (\$ MILLIONS, U.S.)
 (1977) 665 (78) 757 (79) 1,049
 DEFICIT(-) OR SURPLUS (\$ MILLIONS, U.S.)
 (1977) -119 (78) -160 (79) -368
 DEFENSE EXPENDITURES,
 AS % OF TOTAL EXPENDITURES.. (.) . % (.) . % (.) . %
 AS % OF GNP..... (.) . % (.) . % (.) . %
 OFFICIAL INTERNATIONAL RESERVES, GROSS HOLDINGS END OF PERIOD,
 (\$MILLIONS, U.S.) (1980) 121 (81) 120 (82) 101
 EQUIVALENT TO 0.8 MONTHS OF IMPORTS (1982)

FOREIGN TRADE

MAJOR EXPORTS... (1981) PETROLEUM ,BANANAS ,SUGAR
 EXPORTS TO U.S.
 (\$ MILLIONS, US, FOB) (1980) 173 (1981) 167 (1982) 146
 AS % OF TOTAL EXPORTS (1980) 46% (1981) 49% (1982) 42%
 MAJOR IMPORTS....(1981) MANUFACTURES ,CRUDE OIL ,TRANSPORT EQPT
 IMPORTS FROM U.S.
 (\$ MILLIONS, US, CIF) (1980) 489 (1981) 536 (1982) 688
 AS % OF TOTAL IMPORTS (1980) 37% (1981) 37% (1982) 47%
 TRADE BALANCE(\$ MILLIONS, U.S.)(1980) -959(81) -1,115(82)-1,114
 TRADING PARTNERS: UNITED STATES ,ECUADOR ,VENEZUELA
 EXTERNAL PUBLIC DEBT AS % OF GNP (1981) 79.6%
 SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT,
 (\$ MILLIONS, U.S.)..... (1981) 492
 AS % OF EXPORT EARNINGS (DEBT SERVICE RATIO).... (1981) 143%

SOCIAL DATA

POPULATION GROWTH RATE...(1970) 2.7% (1978) 2.2% (1983) 2.1%
 POPULATION IN URBAN AREAS.....(1970) 48% (1982) 56%
 LIVE BIRTHS PER 1,000 POPULATION.....(1970) 37 (1983) 26
 MARRIED WOMEN AGED 15-44 YRS. USING CONTRACEPTION. (1979) 60.6%
 POPULATION (1980) IN AGE GROUP:
 (0-14YRS) 40.1% (15-64YRS) 55.8% (65+ YRS) 4.1%
 INFANT DEATHS IN FIRST YR OF LIFE PER 1000 LIVE BIRTHS (1983) 23
 PEOPLE PER PHYSICIAN..... (1977) 1,223
 MAJOR CAUSES OF
 DISEASE (1979) GONORRHEA ,MEASLES ,FLU & PNEUMONIA
 DEATH.. (1975) PERINATAL DIS. ,CANCER ,
 PER CAPITA CALORIE SUPPLY AS A % OF REQUIREMENTS.. (1976) 104%
 POPULATION WITH REASONABLE ACCESS TO SAFE WATER SUPPLY(1976) 79%
 TOTAL SCHOOL ENROLLMENT AS % OF POPULATION IN AGE GROUP:
 PRIMARY..... (1979) TOTAL 115% MALE 118% FEMALE 113%
 SECONDARY..... (1979) TOTAL 66.0% MALE 62.0% FEMALE 70.0%
 POST SECONDARY.. (1977) TOTAL 17.5% MALE 16.5% FEMALE 18.5%
 ENERGY PRODUCTION AS % OF CONSUMPTION.....(1981) 8.5%

U.S. OVERSEAS LOANS AND GRANTS - OBLIGATIONS AND LOAN AUTHORIZATIONS (U.S. Fiscal Years - Millions of Dollars)									ECONOMIC PROGRAMS OF ALL DONORS (Millions of Dollars)					
COUNTRY PANAMA		FOREIGN ASSISTANCE ACT PERIOD					TOTAL LOANS AND GRANTS 1946-82	REPAY- MENTS AND INTEREST 1946-82	TOTAL LESS REPAY- MENTS AND INTEREST 1946-82	A. ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS				
PROGRAM		1978	1979	1980	1981	1982				FY 1981	FY 1982	FY 1983	FY 1946-83	
I. ECONOMIC ASSISTANCE - TOTAL		23.1	21.2	2.0	10.6	13.0	452.0	85.3	366.7	TOTAL.....	74.5	126.9	137.1	1104.7
Loans		20.0	15.0	-	6.4	8.1	251.6	85.3	166.3	IBRD	45.5	24.4	85.0	470.6
Grants		3.1	5.2	2.0	4.2	4.9	200.4	-	200.4	IFC	0.0	0.0	0.0	8.3
a. A.I.D. and Predecessor Agencies		21.3	19.9	1.0	8.7	11.7	316.2	72.6	243.6	IDA	0.0	0.0	0.0	0.0
Loans		20.0	16.0	-	6.4	8.1	238.7	72.6	166.1	IDB	28.5	99.0	52.0	595.3
Grants		1.3	3.9	1.0	2.3	3.6	77.5	-	77.5	ADB	0.0	0.0	0.0	0.0
(Economic Support Fund)		-	-	-	-	-	27.0	-	-	AFDB	0.0	0.0	0.0	0.0
b. Food for Peace (PL 480)		1.3	1.1	1.0	1.9	1.3	25.2	-	25.2	UNDP	0.5	3.5	0.0	26.1
Loans		-	-	-	-	-	-	-	-	OTHER-UN	0.0	0.0	0.1	4.4
Grants		1.3	1.1	1.0	1.9	1.3	25.2	-	25.2	ECC	0.0	0.0	0.0	0.0
Title I - Total Sales Agreements		-	-	-	-	-	-	-	-	B. BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE				
Repayable in U.S. Dollars - Loans		-	-	-	-	-	-	-	-	1. D.A.C. COUNTRIES (Gross Disbursements)				
Payable in Foreign Currency - Planned for Country Use		-	-	-	-	-	-	-	-	PANAMA				
Title II - Total Grants		1.3	1.1	1.0	1.9	1.3	25.2	-	25.2	CY 1981	CY 1982	CY 1978-82		
Emerg. Relief, Econ. Develop. & World Food Program		-	*	0.1	-	*	0.2	-	0.2	United States	16.0	21.0	90.0	
Voluntary Relief Agencies		1.3	1.1	0.9	1.9	1.3	25.0	-	25.0	Japan	5.3	4.4	12.9	
c. Other Economic Assistance		0.5	0.2	*	*	*	110.6	12.7	97.9	Germany Fed. Rep.	0.8	0.5	3.7	
Loans		-	-	-	-	-	12.9	12.7	0.2	Netherlands	0.5	0.7	2.2	
Grants		0.5	0.2	*	*	*	97.7	-	97.7	Canada	0.4	0.7	1.1	
Peace Corps		-	-	-	-	-	6.9	-	6.9	Other	0.5	0.3	2.0	
Narcotics		-	0.1	-	-	-	0.1	-	0.1	Total	23.5	27.6	111.9	
Other		0.5	0.1	*	*	*	90.8	-	90.8	2. O.P.E.C. COUNTRIES (Gross Disbursements)				
H. MILITARY ASSISTANCE - TOTAL		0.5	1.4	0.3	0.4	5.4	20.7	3.0	17.7	C. LOANS AND GRANTS EXTENDED BY COMMUNIST COUNTRIES				
Credits or Loans		-	1.0	-	-	5.0	8.5	3.0	5.5	CY 1981				
Grants		0.5	0.4	0.3	0.4	0.4	12.2	-	12.2	CY 1982	CY 1954-82			
a. MAP Grants		*	*	*	-	-	4.6	-	4.5	USSR	-	-	-	
b. Credit Financing - FMS		-	1.0	-	-	5.0	8.5	3.0	5.5	Eastern Europe	-	-	5	
c. Military Assistance Service-Funded (MASF) Grants		0.5	0.4	0.3	0.4	0.4	5.9	-	5.9	China	-	-	-	
d. Transfers from Excess Stocks		-	-	-	-	-	1.7	-	1.7	Total	-	-	5	
e. Other Grants		-	-	-	-	-	-	-	-	-----				
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE		23.6	22.6	2.3	11.0	18.4	472.7	38.3	394.4					
Loans		20.0	17.0	-	6.4	13.1	260.1	88.3	171.8					
Grants		3.6	5.6	2.3	4.6	5.3	212.6	-	212.6					
Other U.S. Government Loans and Grants		-	3.7	-	-	-	137.6	159.3	21.7					
a. Export-Import Bank Loans		-	3.0	-	-	-	136.1	157.9	21.8					
b. All Other Loans		-	0.7	-	-	-	1.5	1.4	0.1					

* LESS THAN \$50,000.

PANAMA

PROGRAM SUMMARY (In thousands of dollars)								
Fiscal Year	Total	Agriculture, Rural Development and Nutrition	Population Planning	Health	Education and Human Resources Development	Selected Development Activities	Other Programs	
							ESF	Other
1983								
Loans	3,773	--	--	--	--	3,773	--	--
Grants	2,457	600	213	--	589	1,055	--	--
Total	6,230	600	213	--	589	4,828	--	--
1984								
Loans	5,000	1,500	--	--	2,000	1,500	--	--
Grants	6,000	2,550	350	--	710	2,390	--	--
Suppl.	34,200	--	200	--	600	3,400	30,000	--
Total	45,200	4,050	550	--	3,310	7,290	30,000	--
1985								
Loans	3,000	--	--	--	--	3,000	--	--
Grants	36,800	5,380	1,300	--	7,020	3,100	20,000	--
Total	39,800	5,380	1,300	--	7,020	6,100	20,000	--

FY 1985 PROGRAM HIGHLIGHTS	
--\$30 million in FY 1984 and \$20 million in FY 1985 of ESF to support economic policy adjustments and economic stabilization.	
--\$5 million for small business development.	
--\$4 million for development policy management to strengthen GOP capacity.	

Panama

RESOURCE FLOWS (In thousands of dollars)			
Program	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
Aid*			
Loans	8,013	17,214	14,646
Grants	2,494	37,019	32,076
Total AID	10,507	54,233	46,722
P.L. 480**			
Title I <i>(of which Title III is)</i>	-- (--)	-- (--)	-- (--)
Title II	1,046	1,322	488
Total P.L. 480	1,046	1,322	488
Total AID and P.L. 480	11,553	55,555	47,210

*AID levels represent actual and estimated expenditures.
**P.L. 480 levels represent actual and estimated value of shipments.

PERSONNEL/PARTICIPANTS DATA			
Category	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
AID Personnel ^a			
Direct Hire ^b	17	22	23
PASA ^c	1	2	2
Contract	1	3	3
Total	19	27	28
Participants ^d			
Noncontract	74	73	86
Contract	--	--	--
Total	74	73	86

^aU.S. nationals on duty at the end of the fiscal year.
^bFY 1984 and 1985 position levels.
^cParticipating agency technicians.
^dProgrammed during the fiscal year.

Program	FY 1983 (Actual)		FY 1984 (Estimated)		FY 1985 (Proposed)	
	MT	\$	MT	\$	MT	\$
Title I						
Wheat	--	--	--	--	--	--
Rice	--	--	--	--	--	--
Feedgrains	--	--	--	--	--	--
Vegoil	--	--	--	--	--	--
Non-food	--	--	--	--	--	--
Title I Total <i>(of which Title III is)</i>		-- (--)		-- (--)		-- (--)
Title II						
Voluntary Agencies		995		943		--
World Food Programs		51		379		103
Gov't-to-Gov't		--		--		385
Title II Total		1,046		1,322		488
Total P.L. 480		1,046		1,322		488

PANAMA

Overview and Strategy

A. Introduction and Objectives

As the site of a major interoceanic canal through which passes much of our external trade, Panama is of great strategic importance to the United States. Our military bases there help protect these strategic interests. U.S. economic interests in Panama are also strong: U.S. private investment in the country is the third largest in Latin America--greater than that in the neighboring Central American countries combined.

Panama has been significantly affected by the political and social turmoil in Central America. Refugees from political violence, as well as those seeking a safe haven for their economic assets, have thus far found it a secure place to settle. But a worsening of political conditions in Central America and the coming to power of additional regimes hostile to our interests would seriously damage Panama's relative tranquility and pose a significant threat to U.S. interests. Recognizing the external danger to its security, Panama has joined with other Caribbean Basin nations -- Mexico, Colombia, and Venezuela--to seek a peaceful solution to the conflicts in which Central America is now embroiled.

A favorable outcome of our ongoing economic and security assistance programs in the Central American region may depend on some early signs of success. Panama, if supported in and held to its emerging economic program, is the most likely candidate for providing such a success story. Moreover, our support would demonstrate to the other nations of the region the validity of, and benefits derived from, a market-oriented, private-sector approach to growth with equity.

Panama is scheduled to complete the process of transition from a military to a democratically elected, representative government with elections in May 1984. The new government is unlikely to be extremist, and if it demonstrates reasonable competence in dealing with important domestic and international concerns, should be able to govern peacefully. The most evident potential threat to political stability following the elections is the prospect of increasing unemployment. Continuation of the current economic recession and a public perception that the government is somehow responsible for the country's economic difficulties or is not doing enough to resolve them could set the stage for social unrest and possible renewed intercession by the military.

Our objectives in Panama, therefore, are to assist the government in (1) attaining economic stabilization in 1984-1985, (2) implementing a series of policy reforms to achieve the structural adjustment needed for a resumption of sustained economic growth, (3) preserving the high degree of equity achieved during the last 15 years, and (4) furthering the process of democratization.

B. Development Performance and Problems

Between 1968 and 1973, Panama's gross domestic product (GDP) grew at an annual rate of 7.3% and basic needs indicators showed significant improvements, suggesting that Panama had devised a successful growth-with-equity model. After 1973, however, a combination of external events and internal policy changes began to call into question the long-run viability of the approach. Sharply rising world petroleum prices, international inflation and recession, and the Panama Canal Treaty negotiations introduced greater risk and uncertainty into economic decision-making, and Canal-related activities were affected by the world recession. Private sector confidence was eroded by increased government regulation, particularly a highly restrictive labor code and price and rent controls, government acquisition or creation of a number of directly productive enterprises, a rapid increase in public sector employment (80% of new jobs created), and overall policy statements perceived to be anti-private enterprise. These internal and external factors combined to produce a drop in private investment between 1973 and 1977, a slowing of economic growth, and a sharply rising public sector deficit financed largely by foreign debt, which reached nearly 80% of the GDP by the end of the decade.

The domestic political environment improved significantly after 1977, as the terms of the Canal Treaties were agreed upon and then ratified. The budget deficit was substantially reduced under stabilization programs supported by the International Monetary Fund (IMF), and private investment was encouraged through export, investment, and employment incentives. Construction and service activities grew rapidly, but agriculture and industry were still adversely affected by the policy and institutional environment. Furthermore, by 1982, Panama was feeling the impact of the most recent world recession, as tourism and free zone activities declined significantly. Real private investment fell after completion of the trans-isthmian oil pipeline. Political pressures, emanating partly from the uncertainties caused by General Torrijos' accidental death, resulted in compensating increases in public investment, much of it financed through additional external borrowing. The GDP grew by only 2% in 1982 and fell by an estimated 2.8% in 1983.

The erratic performance of the Panamanian economy between 1973 and 1983 resulted in an average annual GDP growth rate of 3.7%, well below earlier achievements. Nevertheless, continued progress was made in important aspects of social development: life expectancy reached 71 years; the infant mortality rate fell to 21 per thousand, the secondary enrollment ratio rose to 65%, and income distribution became more equitable. These gains, however, were financed through external borrowing at a rate that was unsustainable. By the end of 1983, the public external debt had reached \$3.4 billion, and interest payments on this debt absorbed 8.5% of the GDP in 1982.

In the near term, Panama's ability to minimize the decline in its ability to maintain social services and the state of its infrastructure is threatened not only by limited access to external capital and other aspects of the current economic crisis, but also by the poor outlook during the 1980s for two of its principal commodity exports, bananas and sugar. Moreover, international

banking and export services have reached almost full maturity and are no longer likely to be the sources of major additional growth in the years ahead. Future economic growth will thus depend heavily on Panama's ability to diversify its export base, particularly in manufactured products but also in agriculture and fisheries.

The next immediate need is the completion of a stabilization program adopted during the first half of 1983 and supported by an 18-month IMF standby arrangement for \$158 million, approved in June 1983 along with another \$62 million under the IMF's compensatory financing facility. The standby agreement calls for a reduction in the public sector deficit from 11% of the GDP in 1982 to 6% in 1983 and 5.5% in 1984. Continued improvement of public sector finances is also one of the objectives of a comprehensive economic reform program supported by a World Bank Structural Adjustment Loan of \$60.2 million and a related technical assistance loan of \$5 million approved in November 1983. A.I.D. has been significantly involved in the policy dialogue process which led to approval of the World Bank loan.

Once stabilization is achieved, a return to rapid and sustained economic growth is essential for alleviating Panama's serious and growing unemployment problem. The official unemployment rate was 8.9% in 1982, and preliminary data suggest that it rose to 11.6% in 1983; a broader definition would put it higher. Given the prospects for relatively slow economic growth in the medium term, the unemployment rate will rise further unless structural reforms favoring more labor-intensive economic growth are adopted. A sound macroeconomic policy that encourages labor-intensive production in both domestic and export-oriented activities would be the most effective means of dealing with this growing social problem.

C. Strategy and Policy Agenda

Our strategy in Panama is (1) to assist the government in completing its stabilization program; (2) to stimulate rapid and sustained economic growth by encouraging the government to carry out policy reforms and by providing financing to the private sector; (3) to assist the government in maintaining and ultimately expanding its social services, already widely distributed, through management improvements and selected financial assistance, particularly for housing; and (4) to encourage the consolidation of the process of democratization, of which the May 1984 elections are an important element.

1. Stabilization. Completion of the stabilization program adopted in 1983 will be a major challenge facing the new government to be elected in May 1984. If it meets this challenge, the fiscal constraints of the program, combined with the slow recovery of the international economy, are expected to result in zero growth of the GDP in 1984, after which a resumption of positive economic growth is expected. Economic Support Fund assistance in 1984 will be conditioned on continued compliance with the terms of the Government of Panama's (GOP's) standby arrangement with the IMF.

2. Growth in the Productive Sectors. The GOP has committed itself to a development strategy of employment generation through greater reliance on market forces to stimulate private production, especially for export diversification. Public investment under this strategy would be concentrated in areas supportive of directly productive private-sector activities. The GOP has already undertaken a number of policy measures, including divestiture of public enterprises; freeing of export restrictions on, or prices of, several commodities; substitution of ad valorem tariffs for import quotas on many commodities; and establishment of a National Investment Council to promote private investment in productive enterprises. Other policy measures designed to liberalize the economy are being identified in a series of policy studies financed by the World Bank under a technical assistance loan approved in November 1983, as well as by A.I.D. These studies will expand and make more specific the agenda for A.I.D.'s policy dialogue with the GOP over the short and medium term. The agenda includes the following topics:

- Public Sector Efficiency. Policy dialogue would include reform of the Customs Administration, disposal of unprofitable public enterprises, restructuring of the capital of the National Finance Corporation and reform of its management, strengthening of the health system and the Social Security Agency, tax reform, and price policy reforms by public utilities.
- Industrial Policy, Trade Liberalization and Employment. Policy dialogue will focus on the issuance of a new industrial incentives law, the linking of simplified export incentives to employment, removal of most remaining import quotas, dismantling of price controls on industrial products, reduction of tariff protection to a more uniform level, and changes in provisions of the labor code.
- Agricultural Policies. The negotiating agenda will include policies which would eliminate restrictions on the export of fishmeal, further reduce agricultural support prices and freeing other agricultural prices, reform and strengthen agricultural sector institutions and improve coordination among them, reduce the state's role in direct agricultural production, and provide additional incentives to agricultural producers and processors.

3. Spreading the Benefits of Growth. Apart from technical assistance to improve the management and administration of social services, our strategy for supporting the equity objective will concentrate on assistance for shelter improvement under the Housing Guaranty (HG) program, in line with a recommendation of the Bipartisan Commission. Our agenda for policy dialogue in the housing area includes restructuring of the National Mortgage Bank to allow it to operate as an autonomous financial institution; elimination of regulations on deposit and lending interest rates for the savings and loan system; strengthening of the Ministry of Housing to allow it to function as the leading institution in urban planning; and elimination of the recently established 0.5% tax on loans, the proceeds of which are being used to subsidize interest rates on housing loans.

A. I. D. Program (FY 1983 and FY 1984)

A. Employment

During FY 1983, the A. I. D. program continued to focus on stimulating policy reforms, private sector growth and increasing employment. A. I. D. assisted the GOP with a series of economic studies for a major reorientation of GOP investment and development policies and financed a seminar for GOP and private sector representatives to discuss development needs and projects. These efforts were reinforced by the \$4 million National Investment Council (525-0239) project to stimulate private investment and to provide "one-stop" investor services to prospective investors. A. I. D. also assisted two voluntary agencies in providing managerial and employment-related training to 300 small entrepreneurs and women. An evaluation of the small business components of two previously authorized projects resulted in improved project efficiencies and long overdue increases in credit fund interest rates. During FY 1984, the Economic Policy Studies (525-0253) project will extend earlier assistance to the Ministry of Planning. The \$6.5 million Small Business Development (525-0240) project will provide credit to small-scale, labor-intensive enterprises, and the \$6 million Work Force Development (525-0214) project will establish a mechanism for providing needed skills training to Panama's labor force. Activities under the previously funded Employment Planning and Generation (525-0221) project are expected to generate the last tranche of 1,000 new jobs.

B. Agriculture

During FY 1983, A. I. D. concentrated on the implementation of almost \$40 million in previously authorized activities in Agricultural Technology Development (525-0100) and Technology Transfer (525-0227), Watershed Management (525-0191), Integrated Rural Development (525-0186) and Rural Access Road Construction (525-0192) which collectively are focusing on some of the agricultural sector's key development constraints. A. I. D. also participated in reviewing the terms of reference for a series of comprehensive World Bank-financed agricultural sector studies to explore approaches for reducing GOP involvement in the sector and for redirecting sector policies and supporting services and institutions to private sector needs. These studies, which are expected to get under way in mid-1984, will provide the policy framework for the \$1 million FY 1984 Agriculture Management and Planning (525-0247) project. Initially, this project will furnish the technical planning and management expertise that is needed to reorient sectoral policies and programs in the directions suggested by the World Bank studies. A. I. D. also will provide \$500,000 to a consortium of U.S. voluntary agencies to assist in strengthening the Panamanian National Environmental Foundation which in turn will mount and support a sustained nationwide education program to protect Panama's rapidly diminishing natural resources. FY 1984 also will witness the completion of the Agriculture Technology Development (525-0100), Rural Access Roads (525-0192), and Managed Fish Production (525-0216) projects which collectively have done much to develop country and crop-specific

production systems, to improve farm-to-market access, and to explore the feasibility of utilizing fresh-water fish production to meet the basic protein needs of Panama's rural population.

C. Housing and Urban Development

During FY 1983, the \$25 million A. I. D. HG program provided 3,686 dwellings for poorer Panamanians. As a result of A. I. D.'s policy dialogue with the GOP, the National Mortgage Bank is being reorganized as an autonomous financial institution. This will contribute to the development of a sounder financial structure, a stronger savings and loan system, and expanded housing construction at reduced per unit cost. A complementary grant of \$250,000 in FY 1984 will provide technical assistance and training to the reorganized mortgage bank. The A. I. D. housing program is expected to provide low-income Panamanians with an additional 4,900 shelter solutions during FY 1984.

D. Other Activities.

The A. I. D. population planning program has been instrumental in reducing Panama's population growth from 3.3% in 1962 to 2.3% in 1983. This has helped to educate other nations in the region to the potential of using family planning assistance to bring about a greater balance between population and resources. A comprehensive FY 1983 evaluation of the Population II (525-0204) project identified the need for providing appropriate family planning assistance after A. I. D. support is concluded in FY 1985. In the interim, A. I. D. and the GOP are exploring approaches for improving the efficiency and effectiveness of government family planning services.

The \$1.8 million Alternative Energy Sources (525-0207) project will be completed in FY 1984, having completed five small hydro-electric installations, six solar energy and bio-gas demonstration projects, and 41 feasibility studies. The project has given the state-owned power authority an awareness and capability in the field of renewable and alternative energy sources as well as a plan for their continuing exploitation.

FY 1984 Supplemental Request and Requested Year Program (FY 1985)

This supplemental FY 1984 and FY 1985 program request will enable A. I. D. to support the first elected Panamanian government in 16 years as it confronts the challenges of implementing the World Bank's structural adjustment program under conditions of high unemployment and severe financial constraints.

In FY 1984, A. I. D. requests \$30 million in ESF and \$4.2 million in Development Assistance (DA). For FY 1985, the request is for \$20 million in ESF and \$19.8 million in DA. These levels, complemented by guarantees under a new trade credit program, will contribute to the economic stabilization efforts, long-term economic growth, equity and democratization goals described above.

A. Promoting Economic Stabilization

We propose \$29 million in FY 1984 and \$20 million in FY 1985 in ESF to assist Panama's economic stabilization. The dollars will be used to assist the GOP to finance imports of raw materials, spare parts and intermediate goods needed to boost industrial production, particularly for export. Local currencies will be used for credit to the private sector, reforestation and other conservation measures with high employment potential, and for other priority development needs.

B. Economic Growth (Supplemental SDA funding of \$3.4 million in FY 1984 and \$7.1 million in FY 1985).

To address the severe unemployment problem, we will support the GOP's policy of stimulating the private sector. This will include the Development Policy Planning project (525-0250) in FY 1985 which will be designed to strengthen the GOP policy planning and monitoring ability and improve its capability to devise productive private sector investment incentives and appropriate policies. In FY 1985 we also propose to initiate an Export Promotion project emphasizing agroindustrial products. The project will support agricultural sector policy studies; credit for investment requirements of agroenterprises; cost-sharing of feasibility studies with specific entrepreneurs, including technical advice on new projects; market analyses for specific agricultural products; and direct in company interventions to upgrade management and production in export industries. In the area of small business promotion, A.I.D. also plans continued support to the small business development program. The project will establish several support mechanisms for small business: (1) a loan fund, (2) a guarantee fund, (3) a business assistance fund and (4) a small business resource council.

A.I.D. also plans to initiate a project, with \$350,000 in funding, to improve management in public sector institutions. The program will analyze managerial constraints, finance training for managers, and provide technical assistance and data processing equipment. An additional \$150,000 will be provided for the International Executive Service Corps to continue its work in improving public administration.

C. Agriculture (\$5.4 million in FY 1985).

In FY 1985, A.I.D. proposes two new projects and the expansion of key ongoing programs in agriculture and rural development. The two new projects will focus on the protection and management of Panama's natural resources and on encouraging the development of new agroindustrial enterprises to generate additional jobs. The new Natural Resources Management (525-0248) project will broaden the institutional base that was established under an earlier watershed management activity and will initiate a series of conservation activities to protect the scarce remaining forests and agricultural resources. The new Agribusiness Development (525-0246) project will be based on the undertaking of agricultural sector policy reforms. It will finance credit, feasibility studies, market analyses and product design. Continuing funding will be provided for agricultural research and extension, management on planning, crop diversification,

strengthening of cooperatives, and local registration and titling. A.I.D. proposes to support these activities through technical assistance and training programs with the Ministry of Agriculture.

D. Broadening the Benefits of Growth

Education (\$600,000 in FY 1984 Supplemental and \$1.0 million in FY 1985).

A.I.D. proposes to provide additional funding for the Work Force Development project begun in 1984. The project will finance:

- direct assistance to private sector establishments and institutions for improving the skill levels of existing workers or training new workers;
- expanded nonformal skills training activities for preparing new labor force entrants in critical employment related areas;
- managerial training especially directed to the needs of small- and medium-sized enterprises;
- educational improvement in those academic skills which employers find deficient among their employees; and
- selective assistance to higher education to provide critical professional and technical manpower needed to expand employment and enhance income.

A.I.D. also proposes to provide funding for a scholarship program for both long- and short-term U.S. study in a variety of programs. Special efforts will be made to provide training to students from low-income families.

Population. A.I.D. proposes to continue the family planning program in Panama by providing \$200,000 in FY 1984 and \$1.3 million in FY 1985.

Health and Nutrition. A.I.D. support for the health and nutrition projects in Panama comes from A.I.D.'s centrally-funded nutrition program and through the Central American and LAC regional programs.

Housing and Urban Development. A.I.D. proposes an additional \$25 million HG program in FY 1985 to finance additional housing construction and urban development activities and to generate additional administrative and policy reforms in Panama's housing sector.

E. Democratic Institutions and Human Rights

Democratic institutions, human rights and judicial reforms are funded through regional programs.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: PANAMA

CP 85

PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH FY83- OBLIG ATIONS	FY83- EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	FY84- EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	FY85- EXPENDI TURES	
EMPLOYMENT PLANNING AND GENERATION	G 525-0221	81	83	975	975	975	234	---	350	---	325
EMPLOYMENT PLANNING AND GENERATION	L 525-0221	81	83	5,000	5,000	5,000	1,696	---	1,000	---	1,200
CBI - NATIONAL INVESTMENT COJNCIL	G 525-0239	83	83	200	200	200	---	---	100	---	100
CBI - NATIONAL INVESTMENT COJNCIL	L 525-0239	83	83	3,773	3,773	3,773	---	---	1,100	---	1,200
SMALL BUSINESS DEVELOPMENT	G 525-0240	84	85	---	1,000	---	---	500	200	500	150
SMALL BUSINESS DEVELOPMENT	L 525-0240	84	85	---	4,500	---	---	1,500	1,000	3,000	430
HOUSING DEVELOPMENT	G 525-0252	84	84	---	250	---	---	250	50	---	200
ECON. POLICY STUDIES	G 525-0253	84	84	---	300	---	---	300	75	---	225
NEW ACTIVITIES	G 525-9998	84	85	---	4,900	---	---	3,400	1,360	1,500	1,960
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 525-9999	78	C	---	---	---	---	750	35	750	460
TOTAL FOR ACCOUNT GRANTS				10,773	21,723	23,309	14,443	7,290	6,151	6,100	6,745
LOANS				2,000	9,450	14,536	12,747	5,790	3,051	3,100	3,915
				8,773	13,273	8,773	1,696	1,500	3,100	3,000	2,830
ECONOMIC SUPPORT FUND											
NEW ACTIVITIES	G 525-9998	84	85	---	50,000	---	---	30,000	30,000	20,000	20,000
TOTAL FOR ACCOUNT GRANTS				---	50,000	---	---	30,000	30,000	20,000	20,000
LOANS				---	50,000	---	---	30,000	30,000	20,000	20,000
				---	---	---	---	---	---	---	---
TOTAL FOR COUNTRY GRANTS				78,905	163,355	94,699	48,255	45,200	54,233	39,800	46,722
LOANS				8,732	81,182	24,525	19,310	40,200	37,319	36,800	32,076
				70,173	82,173	70,173	29,945	5,000	17,214	3,000	14,646

* Refers to the planned project summary sheet
C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: PANAMA

CP 85

PROJECT TITLE	L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHO PLANNED		-THROUGH FY83- OBLIG ATIONS	EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	EXPENDI TURES
POPULATION II	G 525-0204	79	86	3,250	3,250	2,414	1,193	330	750	300	750
PROGRAM DEVELOPMENT AND SUPPORT	G 525-0226	81	C	---	---	19	19	20	20	30	10
NEW ACTIVITIES	G 525-9998	84	85	---	1,170	---	---	200	80	970	468
TOTAL FOR ACCOUNT GRANTS				3,250	4,420	2,433	1,212	550	850	1,300	1,228
LOANS				3,250	4,420	2,433	1,212	550	850	1,300	1,228
				---	---	---	---	---	---	---	---
EDUCATION AND HUMAN RESOURCES											
PROGRAM DEVELOPMENT AND SUPPORT	G 525-0189	64	C	---	---	678	543	210	300	20	40
DEVELOPMENT ADMINISTRATION	L 525-0209	81	82	3,500	3,500	3,500	43	---	1,650	---	1,000
WORKFORCE DEVELOPMENT	G 525-0214	84	86	---	1,000	---	---	500	50	---	300
WORKFORCE DEVELOPMENT	L 525-0214	84	86	---	6,000	---	---	2,000	100	---	500
EDUCATION FOR RURAL DEVELOPMENT	G 525-0219	81	82	490	490	490	226	---	264	---	---
NEW ACTIVITIES	G 525-9998	84	85	---	7,600	---	---	600	240	7,000	3,040
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 525-9999	78	C	---	---	1,553	594	---	503	---	220
TOTAL FOR ACCOUNT GRANTS				3,990	18,590	6,221	1,406	3,310	3,107	7,020	5,100
LOANS				490	9,090	2,721	1,363	1,310	1,357	7,020	3,600
				3,500	9,500	3,500	43	2,000	1,750	---	1,500
SELECTED DEVELOPMENT ACTIVITIES											
SPECIAL DEVELOPMENT ACTIVITIES	G 525-0101	64	C	---	---	345	835	50	50	50	50
PROGRAM DEVELOPMENT AND SUPPORT	G 525-0190	64	C	---	---	11,691	11,294	540	700	300	325
ALTERNATIVE ENERGY SOURCES	G 525-0207	79	81	825	825	825	414	---	131	---	120

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: PANAMA

CP 85

PROJECT TITLE	L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHD PLANNED	-THROUGH FY83- OBLIG ACTIONS	FY83- EXPENDI TURES	-ESTIMATED FY84- OBLIG ACTIONS	FY84- EXPENDI TURES	-PROPOSED FY25- OBLIG ACTIONS	FY25- EXPENDI TURES		
AGRICULTURE, RURAL DEV. AND NUTRITION												
GRAINS AND PERISHABLES MARKETING	L 525-0178	75	75	6,200	6,200	6,200	5,074	---	189	---	800	
AGRICULTURAL TECHNOLOGY DEVELOPMENT	G 525-0180	79	81	1,000	1,000	1,000	339	---	389	---	250	
AGRICULTURAL TECHNOLOGY DEVELOPMENT	L 525-0180	79	81	6,000	6,000	6,000	2,430	---	2,500	---	1,070	
GROWTH AND SERVICE CENTERS DEV (URBE)	L 525-0185	78	78	10,000	10,000	10,000	4,209	---	3,149	---	2,542	
INTEGRATED RURAL DEVELOPMENT PROGRAM DEVELOPMENT AND SUPPORT	L 525-0186	77	77	9,700	9,700	9,700	1,831	---	2,900	---	2,000	
	G 525-0187	75	C	---	---	2,193	1,852	400	450	300	250	
WATERSHED MANAGEMENT	L 525-0191	79	79	10,000	10,000	10,000	7,198	---	1,766	---	1,036	
ACCESS ROADS	L 525-0192	78	78	10,000	10,000	10,000	7,432	---	1,200	---	1,368	
MANAGED FISH PRODUCTION	G 525-0216	80	84	992	1,142	992	794	150	297	---	51	
AGRICULTURAL TECHNOLOGY TRANSFER	G 525-0227	82	86	1,000	1,500	500	?	500	350	---	350	
AGRICULTURAL TECHNOLOGY TRANSFER	L 525-0227	82	86	6,000	6,000	6,000	32	---	610	---	1,000	
SMALL BUSINESS DEVELOPMENT	L 525-0240	84	85	---	1,500	---	---	1,500	50	---	400	
AG MANAGEMENT AND POLICY PLANNING	G 525-0247	84	85	---	1,700	---	---	1,000	25	700	530	
NEW ACTIVITIES	G 525-9993	84	85	---	3,880	---	---	---	---	3,330	1,552	
PRIVATE AND VOL ORGANIZATIONS - OPG'S	G 525-9999	78	C	---	---	150	---	500	250	500	350	
TOTAL FOR ACCOUNT					60,592	68,622	62,735	31,194	4,050	14,125	5,380	13,649
GRANTS					2,992	9,222	4,335	2,985	2,550	1,761	5,330	3,333
LOANS					57,900	59,400	57,900	28,209	1,500	12,364	---	10,316

POPULATION PLANNING

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

CENTRAL AMERICA REGIONAL

PROGRAM SUMMARY								
<i>(In millions of dollars)</i>								
Fiscal Year	Total	Agriculture, Rural Development and Nutrition	Population Planning	Health	Education and Human Resources Development	Selected Development Activities	Other Programs	
							ESF	Other
1983								
Loans	11,624	--	--	--	--	11,624	--	--
Grants	7,775	3,584	--	--	2,150	2,041	--	--
Total	19,399	3,584	--	--	2,150	13,665	--	--
1984								
Loans	4,976	3,000	--	--	--	1,976	--	--
Grants	7,124	3,945	--	--	1,100	2,079	--	--
Suppl	30,800	--	--	2,800	--	--	28,000	--
Total	42,900	6,945	--	2,800	1,100	4,055	28,000	--
1985								
Loans	--	--	--	--	--	--	--	--
Grants	198,600	3,905	--	12,950	5,000	40,145	136,600	--
Total	198,600	3,905	--	12,950	5,000	40,145	136,600	--

FY 1985
PROGRAM HIGHLIGHTS

- \$95 million in ESF as emergency credit to the Central American Common Market Fund.
- \$20 million to assist in the financing of a Central American venture capital company.
- \$45 million for assistance to the Central American Bank for Economic Integration to develop regional infrastructure and promote private capital development.
- \$2 million for assistance to the Nutrition Institute of Central America and Panama to develop a regional oral rehydration program.

Central American Regional

RESOURCE FLOWS (In thousands of dollars)			
Program	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
Aid*			
Loans	16,170	18,384	328
Grants	5,935	30,712	154,602
Total AID	22,105	49,096	154,930
P.L. 480**			
Title I	--	--	--
(of which Title III is)	(--)	(--)	(--)
Title II	--	--	--
Total P.L. 480	--	--	--
Total AID and P.L. 480	22,105	49,096	154,930

*AID levels represent actual and estimated expenditures.
**P.L. 480 levels represent actual and estimated value of shipments.

PERSONNEL/PARTICIPANTS DATA			
Category	FY 1983 (Actual)	FY 1984 (Estimated)	FY 1985 (Proposed)
AID Personnel ^a			
Direct Hire ^b	14	11	11
PASA ^c	--	--	--
Contract	--	--	--
Total	14	11	11
Participants ^d			
Noncontract	--	3	2
Contract	--	--	--
Total	--	3	2

^aU.S. nationals on duty at the end of the fiscal year.
^bFY 1984 and 1985 position levels.
^cParticipating agency technicians.
^dProgrammed during the fiscal year.

P.L. 480
(000 MT/\$000)

Program	FY 1983 (Actual)		FY 1984 (Estimated)		FY 1985 (Proposed)	
	MT	\$	MT	\$	MT	\$
Title I						
Wheat	--	--	--	--	--	--
Rice	--	--	--	--	--	--
Feedgrains	--	--	--	--	--	--
Vegoil	--	--	--	--	--	--
Non-food	--	--	--	--	--	--
Title I Total (of which Title III is)		(--)		(--)		(--)
Title II						
Voluntary Agencies		--		--		--
World Food Programs		--		--		--
Gov't-to-Gov't		--		--		--
Title II Total		--		--		--
Total P.L. 480		--		--		--

CENTRAL AMERICAN REGIONAL PROGRAM

Overview and Strategy

A. Introduction and Objectives

The United States will continue to address the development problems of Central America on a bilateral as well as on a regional basis. In those areas where all Central American countries share common problems and in those circumstances in which those problems lend themselves to a centralized effort, U.S. policy will be to seek solutions through regional programs. The National Bilateral Commission on Central America has supported this approach, and has made several specific recommendations for the regional application of U.S. financing.

The goal of our regional strategy is to promote more rapid Central American growth and to assist in the process of democratization of the region. The main elements of our strategy will be: (a) renewal of the use of guarantee programs to encourage the short- and long-term capital flows to the region; (b) emergency funding to the Central American Common Market Fund (CACMF) to permit an increase in the level of intraregional trade; (c) provision of additional financial resources to allow the regional institutions to increase the level of their activities in those areas where a regional, rather than a bilateral, approach is more cost-effective; (d) creation of a Central American venture capital company that will provide term financing for nontraditional sectors; and (e) financial assistance for democratic institutions.

B. Development Performance and Problems

The launching of the Central American integration movement in the early 1960s was a bold approach to solving the regions economic problems. The centerpiece was, of course, the Central American Common Market (CACM) which created a larger market for regional manufacturing industry and, within a ten-year period, substantially increased the share of manufacturing activity in the region's gross domestic product. The General Treaty on Economic Integration, signed by all of the Central American countries in 1960, established a clearing house or payments union to offset claims among the five trading partners to facilitate payments within the CACM. Outstanding claims that could not be offset were cleared in U.S. dollars on a semi-annual basis. This mechanism functioned smoothly as long as each member's overall balance of payments was in equilibrium. Dollars earned from the rest of the world through commodity exports or through capital transfers could be used to settle any outstanding claims within the payment union. The five countries also succeeded in establishing a number of regional organizations through which they could pool their resources to attack common problems in the areas of infrastructure development, agricultural development, research in appropriate technologies, managerial training, and health.

The creation of the CACM in 1960 was one of the main factors responsible for rapid economic growth, particularly in the industrial sectors, of the Central American countries during the 1960s. Although the CACM lost its dynamism during the 1970s, intraregional trade by 1978 had reached about \$1 billion--nearly one-quarter of total trade--and represented the bulk of exports of manufactures of the Central American countries.

In 1978, an economic crisis began to mount in Central America. The civil war in Nicaragua and the violence in El Salvador disrupted production and caused extensive damage to the productive infrastructure of those two countries. In 1980 world commodity prices began their long decline, reducing the region's export earnings, bringing about a reversal in the terms of trade and reducing regional incomes. Finally, flows in the capital account through trade credits, commercial bank borrowing and direct foreign investment began to dry up in the face of political uncertainties in Guatemala, Nicaragua and El Salvador and the financial instability in Costa Rica.

The first effect of the regional economic crisis was to paralyze regional trade, a development that has deepened the crisis. Real GDP in the region has stagnated and is now slightly below the level of 1978, thereby depressing regional demand for products traded among the CACM members. More importantly, the shortage of hard currency crippled operations in the payments union, forcing member countries to apply various trade restrictions in dealing with bilateral surpluses and deficits. These two forces have reinforced one another, pushing regional trade down in a continuous spiral.

The second effect of the regional crisis has been to retard further efforts towards integration and to delay collective efforts at development in Central America. The financial crisis has cut deeply into the operations of the regional institutions which together represent the joint effort of all the Central American countries to overcome fundamental development problems.

C. Strategy and Policy Agenda

1. Stabilization. The first element in our stabilization strategy is to restore the value of intraregional trade to \$1 billion within two years (1984-1985). That would be somewhat less than the level achieved in 1980, but about \$240 million above the probable 1983 level. That increase in the level of intraregional trade would have a favorable impact on the aggregate level of employment and economic activity and should result in an increase in employment of some 10,000 jobs over the next two years. It also should greatly improve investor confidence.

Restored trade would stimulate the region's industrial sector which, in turn, should encourage extraregional exports. Over the past two decades, modern manufacturing has been developed in Central America. The region has progressed from traditional, small-scale production of basic consumer items, such as clothing and leather goods, to larger-scale production of more sophisticated products such as agrochemicals, pharmaceuticals, higher quality

textiles, processed foods and consumer appliances. Since 1981, many of these firms have been forced to cease production and many others continue to operate with high levels of excess capacity. Many of these firms are in the most dynamic industries such as food processing and textiles. Stimulation of these industries thus would be beneficial for the extraregional and nontraditional export drive which is the most important element of our growth strategy discussed below.

However, based on historical trends, \$1 billion in intraregional trade will produce an estimated \$200 million annual deficit in the Clearing House. We propose that these deficits be cleared through a formula that includes hard currency reserves of the debtor country, central bank credit from the creditor country and external resources. The Central American Community is proposing that all external resources for this purpose be channeled through the Common Market Fund which is managed by the Central American Bank for Economic Integration (CABEI). On a periodic basis the Clearing House would coordinate the settlement of any outstanding deficits by presenting claims against the CACMF for the share to be settled with external resources and against the debtor country for that to be settled in hard currency. The remainder would be extended as credit from the creditor central bank. We are prepared to work with the Central American community on this suggestion. We should expect that the Central Americans will:

- negotiate with other external donors for an amount of assistance equal to the U.S. share for emergency financing of the CACMF;
- remove the restrictions that the CACM member countries have recently placed on interregional trade;
- take immediate steps to deal with the deficits accumulated prior to 1983, amounting to some \$356 million, presumably through rescheduling; and
- not permit Nicaragua to accumulate deficits as had been the case until now. They should force a bilateral balance with Nicaragua, exporting to that country in an amount equal only to their imports from Nicaragua. Nicaragua imports could expand only if more resources were devoted to production of exports or if Nicaraguan deficits could be cleared in cash. Deficits appearing in the Central American Clearing House would, then, only involve Honduras, El Salvador, Costa Rica and Guatemala.

The second element is our stabilization strategy is to improve the balance of payments by encouraging the early resumption of capital flows to the region. The Export-Import Bank will seek to increase its regular trade credits to Central America and will implement a Trade Credit Insurance Program on behalf of A.I.D. to cover those transactions which it is unable to include in its regular program. There will also be an export insurance program of U.S. investment in Central America through the Overseas Private Investment Corporation.

2. Economic Growth. One major focus of our regional growth strategy will be the establishment of a Central American venture capital company as proposed by the Bipartisan Commission. Once in place, this company will provide a source of medium and long-term lending for capital improvement and expansion in nontraditional sectors throughout the Central American economy.

The second major focus will be the revision of the Common External Tariff (CET) and tax policies to encourage extraregional trade. The CET for the region encourages import substitution rather than exports outside the region. High tariffs on finished goods and low tariffs on intermediate and capital goods have had the effect of limiting the competitiveness of Central American final goods industries and of depriving intermediate and capital goods industries of incentives for investment. Tax exemptions for investment in import substitution industries represent significant losses in government revenue and do little to stimulate industry. It is unreasonable to expect major reductions in tariff duties--with or without the CACM--until the balance-of-payments situation of the individual countries improves substantially. Achieving a consensus on modifications to existing regional incentives will require some time. They must be the subject of the longer term policy dialogue within the framework of the regional institutions, particularly the Monetary Council.

The third major focus will be to expand the activities of the regional institutions since they are able to provide economies of scale in performing various functions; they carry considerable prestige within the region and thus could be an important force in the policy dialogue to achieve reforms. One of these institutions, CABEL was singled out by the Bipartisan Commission as being in need of fresh capital to overcome its cash flow problems; but there are numerous other opportunities as well. Research and training for agricultural diversification and food production for domestic markets can be undertaken by the Tropical Agricultural Research Training Center (CATIE). INCAP and CATIE can assist in developing programs for export promotion and the development of nontraditional exports. Before these programs can be implemented, however, the Central Americans will be required to carry out any structural changes in the regional institutions--CABEL, CATIE, Nutrition Institute for Central America and Panama (INCAP), Central American Business School (INCAE)--that may be necessary for them to carry out an expanded role. Evaluations of these institutions are now underway.

3. Broadening the Benefits from Growth. By increasing the resources and augmenting the capacity of the regional institutions they will also be able to play a larger role in increasing the incomes and welfare of the region's poor. In 1984 and FY 1985, several institutions will develop programs in low-cost housing, health and other areas.

4. Democratic Institutions and Human Rights. A.I.D. will develop programs for strengthening democratic institutions in Central America. These will involve leadership development, interaction between Central Americans and U.S. private sector groups and funding for the Center for Democratic Studies in Panama. Also included will be a program for strengthening the administration of justice. Democratic institutions and leadership programs will focus on

training to develop political and managerial skills required to build more open political institutions dedicated to democratic pluralism.

A.I.D. Program (FY 1983 and FY 1984)

The regional A.I.D. program in Central America now focuses on three sectors where the best opportunities exist for regional approaches: agriculture and nutrition, industry, and natural resources. A network of regional technical institutions offers a source of expertise to the region. While continuing to strengthen the technical capacity in these priority development areas, the A.I.D. program is placing increased emphasis on technology transfer and services to national counterpart institutions through training and advisory services. The program also promotes increased private sector participation in development activities, particularly by promoting increased productivity among small farmers.

A. Agriculture, Rural Development and Nutrition

Research on improved technologies for crop production, animal production, and mixed farming systems for small farms, carried out under the Small Farm Production Systems project (596-0083) by CATIE, has been extended based on an evaluation which recommended additional time to complete critical field work. The extension period also will emphasize dissemination of results to small farmers.

Extensive tree cutting by the rural population for heating and cooking is contributing to deforestation and soil degradation. Under the Fuelwood and Alternative Energy Sources project (596-0089), the Central American Research Institute for Industry (ICAITI) and CATIE are collaborating to develop and improve cultivation of faster growing varieties of trees for fuelwood and to promote the use and installation of more fuel-efficient stoves. Both institutions are now concentrating on technology dissemination efforts. An extension of the project is planned to continue those activities and to assist national counterparts to identify and address policy constraints to effective fuelwood production and use, as well as to backstop fuelwood and stove programs being developed at the national level by government organizations and private voluntary organizations.

The Regional Coffee Pest Control project (596-0090) involves the Inter-American Institute of Agricultural Cooperation (IICA), the International Regional Institute for Agricultural Sanitation, CATIE, and national-level private sector coffee organizations in controlling coffee rust. By 1987, unless controlled, this pest could destroy up to 50% of the region's coffee crop, which is grown by approximately 500,000 small farmers. Resistant varieties of coffee plants and improved production techniques are being developed and disseminated.

The Agricultural Secretariat project (596-0094) has assisted in creating a regional body at IICA which examines common agricultural sector concerns and develops policy recommendations for consideration by national governments.

The project also includes a mechanism for sharing among the member countries of the Secretariat technical specialists in various agricultural disciplines. Based on an FY 1983 evaluation, the project was extended for two years to further strengthen the Secretariat.

Two A.I.D. loans promote increased agricultural production, nontraditional agricultural exports, and private sector investment. The Agribusiness Employment and Export Promotion project (596-0097) with the Latin American Agribusiness Development Corporation finances small- and medium-sized agribusinesses in food production, primarily for the export market. According to an evaluation completed in late 1983, subprojects financed by the loan have had strong employment and foreign exchange earnings impacts. A portion of the Export Promotion Fund project (596-0109) with the Latin American Export Bank (BLADDEX) provides short-term, pre-export and export financing for nontraditional agricultural exports.

Lack of effective management of the region's water resources has led to siltation of rivers and reservoirs, reduced water flow and energy production capacity, soil degradation, and significantly reduced life and economic returns from investments in hydroelectric power plants. The Watershed Management project (596-0106), initiated in FY 1983, is developing the technical capacity of regional and national institutions to plan for and manage watersheds effectively.

The Regional Nutrition Technical Outreach project (596-0104) was the first regional project to emphasize almost exclusively technology transfer and outreach to national institutions. Indeed, the success of this role was confirmed in an FY 1983 evaluation of the project. The INCAP now finds it cannot satisfy the demand for its services.

In FY 1984, two new initiatives are planned in the agricultural sector. The Integrated Pest Management project (596-0110), for which \$500,000 is planned, will address a major cause of pre-harvest losses which contributes to low productivity in the agriculture sector. Assistance to national institutions on improving technologies to control pest-related damage will be an important project objective. The Export Crop Diversification project (596-0108), with a planned initial obligation of \$300,000, will provide technical assistance to develop nationwide initiatives to promote the export of nontraditional crops.

B. Education and Human Resources

The INCAE Expansion project (596-0113) is sponsoring seminars and workshops to provide training for businessmen in export management and to strengthen the role of private sector organizations in development activities. The project also is expanding INCAE's long-term MBA training curriculum with courses on the management of nontraditional exports.

C. Selected Development Activities

The Industrial Energy Efficiency project (596-0095) is helping to finance

assistance from ICAITI, in coordination with national chambers of industry, to assist small- and medium-sized industries to increase energy efficiency. Energy audits, appropriate technology improvements, and training are the principal project activities. The project also is financing studies on energy consumption and will promote policy changes, as needed.

Resources provided to BLADDEX under the Export Promotion Fund project (596-0109) are providing short-term financing to assist in the importation of raw materials, intermediate goods, and spare parts that the private industrial sector needs to produce for export. Short-term export financing for nontraditional products also is being provided.

FY 1984 Supplemental Request and Requested Year Program (FY 1985)

In FY 1984, A.I.D. requests an additional \$28.0 million in Economic Support Funds (ESF) and \$2.8 million in Development Assistance (DA) for regional programs. For FY 1985, A.I.D. requests a total of \$136.6 million in ESF and \$62 million in DA. These levels are essential to achieve the recommendations of the Bipartisan Commission for regional programs for support of the economic stabilization, growth, and democratic development of the countries of the region. They will help to reestablish the dynamism of the CACM and to support regional institutions.

A. Economic Stabilization

In FY 1984, A.I.D. is requesting an additional \$15 million in ESF and, in FY 1985, \$2 million in ESF funding for regional support of bilateral stabilization efforts. These funds will be used to support Bipartisan Commission recommendations to improve housing infrastructure, to accelerate agricultural development and to promote economic stabilization.

In FY 1985, A.I.D. is requesting \$95 million to carry out the Bipartisan Commission recommendation that we provide emergency credit to the CACMF. We propose dollar assistance directly to the CACMF so that a portion of future imbalances can be cleared with hard currency.

Trade guarantees, whose reserve fund support is included in the ESF individual country levels, will further complement these resources.

B. Promoting Economic Growth

Following the Bipartisan Commission recommendations, A.I.D. will support regional activities to revitalize regional financial institutions, to promote increased diversification of agriculture in the region, to develop export financing and to provide critical training necessary to meet development goals. These activities complement A.I.D.'s bilateral programs by strengthening the capacity of regional institutions to carry out development efforts common to the region as a whole. A.I.D. requests \$5.0 million in additional FY 1984 ESF funding and \$20.0 million ESF in FY 1985 to assist in

financing a new regional venture capital or investment banking company. The company would establish itself as a privately owned, financial facility offering development banking loans and equity capital.

In FY 1985, \$3.905 million is requested under the Agriculture, Rural Development and Nutrition account to continue ongoing projects for fuelwood and energy alternatives, coffee pest control, and pest management and small farm production.

In FY 1985, A.I.D. also requests \$39.895 million under the Selected Development Activities account. A total of \$2.895 million will continue ongoing grant projects in industrial energy efficiency and watershed management and for program development and support while \$35 million would be for assistance to CABEI. This infusion of resources is important to continue the development of regional infrastructure and financing of private capital investment by the bank and is necessary to reestablish regional growth. Funding in the amount of \$1 million is requested for trade and investment promotion. Under this program, A.I.D. will continue to finance the establishment of new links between U.S. Chambers of Commerce and trade organizations and their Central American counterparts. The goal is to improve the ability of entrepreneurs in the region to identify new markets and channels of distribution within the United States.

In FY 1985, \$1 million is requested to support the International Executive Service Corps and to underwrite a portion of their technical assistance costs to reach larger numbers of small businessmen.

C. Broadening the Benefits of Growth

A.I.D. requests an additional \$2.8 million in FY 1984 and \$12.95 million in FY 1985 under the Health and Nutrition account. Consistent with the recommendations of the Bipartisan Commission, \$2 million of the requested FY 1984 funding will be provided to INCAP to develop a training and support system for emergency and refugee feeding programs and to carry out a regional oral rehydration program and \$0.8 million will begin a regional program through the Pan-American Health Organization to improve health planning. Under this latter project, a network between health planning, management and financing experts in U.S. universities and their Central American counterparts will be established. In FY 1985, \$12.95 million is requested to fund new programs to control sector-borne diseases such as malaria, and to expand immunization programs and to continue ongoing activities. These activities are designed to reduce malaria cases to pre-1978 levels, a reduction of 50% by 1990, and to provide a minimum of 90% coverage of immunization programs.

A.I.D. requests \$5.0 million in FY 1985 under the Education and Human Resources account for scholarship programs. A.I.D. will finance short- and long-term U.S. training programs to meet critical shortages of trained programs in the areas of science and technology and private sector activity. Funding will provide for regional programs to support education reform and the translation and printing of instructional materials.

Under the Selected Development Activities account, A.I.D. is requesting \$250,000 in FY 1985 funds to provide technical assistance to help strengthen CABEI's capacity to carry out new and ongoing Housing Guaranty programs. The programs will finance basic infrastructure, especially water and sewerage, for lower income families in urban areas of Central American countries of CABEI.

D. Democratic Institutions and Human Rights

To implement the recommendations of the Bipartisan Commission for strengthening democratic institutions and for providing for human rights, A.I.D. requests \$3 million in additional FY 1984 ESF funding and \$4.6 million ESF funding in FY 1985. In FY 1984, \$5 million is requested and \$15 million in FY 1985 to fund a program to strengthen the judicial system in the region.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: ROCAP

CP 85

PROJECT TITLE	L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHO PLANNED	-THROUGH FY83- OBLIG ATIONS	FY83- EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	FY84- EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	FY85- EXPENDI TURES	
AGRICULTURE, RURAL DEV. AND NUTRITION											
PROGRAM DEVELOPMENT AND SUPPORT	G 596-0000	75	C	---	---	8,478	8,418	200	225	200	186
SMALL FARM PRODUCTION SYSTEMS	G 596-0083	79	84	7,403	8,000	7,255	5,904	745	1,200	---	896
FUELWOOD AND ALTERNATIVE ENERGY SOURCES	G 596-0089	79	86	7,500	8,900	5,345	4,081	1,400	1,500	1,555	1,500
COFFEE RUST AND PEST MANAGEMENT	G 596-0090	81	85	3,500	3,500	2,150	558	800	1,000	550	1,000
CENTRAL AMERICAN AG SECRETARIAT	G 596-0094	81	83	850	850	850	150	---	400	---	300
AGRI-BUSINESS EMPLOYMENT EXPORT PROMOTION	L 596-0097	81	81	6,000	6,000	6,000	3,050	---	2,950	---	---
REGIONAL NUTRITION TECH OUTREACH	G 596-0104	81	82	792	792	792	375	---	417	---	---
DIVERSIFICATION OF EXPORT CROPS	G 596-0108	84	89	---	4,000	---	---	300	100	---	200
EXPORT PROMOTION FUND	L 596-0109	82	86	8,000	8,000	5,000	4,672	3,000	3,000	---	328
PEST MANAGEMENT	G 596-0110	84	86	---	5,000	---	---	500	100	1,000	1,000
NEW ACTIVITIES	G 596-9998	84	85	---	600	---	---	---	---	600	240
TOTAL FOR ACCOUNT				34,045	45,642	35,870	27,208	6,945	10,892	3,905	5,650
GRANTS				20,045	31,642	24,870	19,486	3,945	4,942	3,905	5,322
LOANS				14,000	14,000	11,000	7,722	3,000	5,950	---	328
HEALTH											
NEW ACTIVITIES	G 596-9998	84	85	---	15,750	---	---	2,800	1,120	12,950	6,300
TOTAL FOR ACCOUNT				---	15,750	---	---	2,800	1,120	12,950	6,300
GRANTS				---	15,750	---	---	2,800	1,120	12,950	6,300
LOANS				---	---	---	---	---	---	---	---
EDUCATION AND HUMAN RESOURCES											

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: ROCAP

CP 85

PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT AUTHD	PROJECT COST PLANNED	-THROUGH FY83- OBLIG ATIONS	FY83- EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	FY84- EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	FY85- EXPENDI TURES
INCAE EXPANSION	G 596-0113	82	84	4,000	4,000	2,900	1,721	1,100	1,300	---	700
NEW ACTIVITIES	G 596-9998	84	85	---	5,000	---	---	---	---	5,000	2,000
TOTAL FOR ACCOUNT GRANTS				4,000	9,000	2,900	1,721	1,100	1,300	5,000	2,700
LOANS				4,000	9,000	2,900	1,721	1,100	1,300	5,000	2,700
				---	---	---	---	---	---	---	---
SELECTED DEVELOPMENT ACTIVITIES											
PROGRAM DEVELOPMENT AND SUPPORT	G 596-0000	75	C	---	---	514	453	179	150	195	180
REGIONAL INDUST ENERGY EFFICIENCY	G 596-0095	82	87	6,000	6,000	1,900	342	900	1,200	1,200	1,500
WATERSHED MANAGEMENT	G 596-0106	83	87	6,000	6,000	700	---	1,000	1,000	1,500	1,200
EXPORT PROMOTION FUND	L 596-0109	82	86	17,000	17,000	11,624	1,166	1,976	12,434	---	---
NEW ACTIVITIES	G 596-9998	84	85	---	37,250	---	---	---	---	37,250	14,900
TOTAL FOR ACCOUNT GRANTS				29,000	66,250	14,738	1,961	4,055	14,784	40,145	17,780
LOANS				12,000	49,250	3,114	795	2,079	2,350	40,145	17,780
				17,000	17,000	11,624	1,166	1,976	12,434	---	---
ECONOMIC SUPPORT FUND											
NEW ACTIVITIES	G 596-9998	84	85	---	164,600	---	---	28,000	21,000	136,600	122,500
TOTAL FOR ACCOUNT GRANTS				---	164,600	---	---	28,000	21,000	136,600	122,500
LOANS				---	164,600	---	---	28,000	21,000	136,600	122,500
				---	---	---	---	---	---	---	---
TOTAL FOR COUNTRY GRANTS				67,045	301,242	53,508	30,890	42,900	49,096	198,600	154,930
LOANS				36,045	270,242	30,884	22,002	37,924	30,712	198,600	154,602
				31,000	31,000	22,624	8,888	4,976	18,384	---	328

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized data. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.

U.S. OVERSEAS LOANS AND GRANTS — OBLIGATIONS AND LOAN AUTHORIZATIONS
(U.S. Fiscal Years — Millions of Dollars)

COUNTRY	FOREIGN ASSISTANCE ACT PERIOD					TOTAL LOANS AND GRANTS 1946-82	REPAY- MENTS AND INTEREST 1946-82	TOTAL LESS REPAY- MENTS AND INTEREST 1946-82
	NICARAGUA							
	PROGRAM	1978	1979	1980	1981			
I. ECONOMIC ASSISTANCE — TOTAL	14.0	18.5	38.7	59.9	5.3	404.0	346.3	57.2
Loans	10.5	2.6	30.0	43.0	-	253.0	346.3	76.3-
Grants	3.5	15.9	8.7	11.9	5.3	136.0	-	136.0
a. A.I.D. and Predecessor Agencies	12.5	9.7	19.4	58.4	5.8	307.6	334.0	26.4-
Loans	10.5	-	15.0	48.0	-	237.1	334.0	36.9-
Grants	2.0	9.7	4.4	10.4	5.8	70.5	-	70.5
(Economic Support Fund)	-	8.0	1.1	56.6	5.1	70.6	-	-
b. Food for Peace (PL 480)	0.1	7.0	13.0	1.2	0.4	45.0	-	45.0
Loans	-	2.6	15.0	-	-	17.5	-	17.5
Grants	0.1	4.4	3.0	1.2	0.4	27.5	-	27.5
Title I - Total Sales Agreements	-	2.0	15.0	-	-	17.5	-	17.5
Repayable in U.S. Dollars - Loans	-	2.6	15.0	-	-	17.5	-	17.5
Payable in Foreign Currency - Planned for Country Use	-	-	-	-	-	-	-	-
Title II - Total Grants	0.1	4.4	3.0	1.2	0.4	27.5	-	27.5
Emerg. Relief, Econ. Develop. & World Food Program	0.1	4.4	2.6	0.5	0.4	13.4	-	13.4
Voluntary Relief Agencies	-	-	0.4	0.6	-	14.1	-	14.1
c. Other Economic Assistance	1.4	1.3	1.3	0.3	0.1	51.4	12.3	38.6
Loans	-	-	-	-	-	13.4	12.3	0.6
Grants	1.4	1.3	1.3	0.3	0.1	38.0	-	38.0
Peace Corps	1.1	0.2	0.1	0.1	-	7.7	-	7.7
Narcotics	-	-	-	-	-	-	-	-
Other	0.3	1.0	1.2	0.1	0.1	30.3	-	30.3
II. MILITARY ASSISTANCE — TOTAL	0.4	*	-	-	-	32.4	4.5	27.9
Credits or Loans	-	-	-	-	-	8.0	4.5	3.5
Grants	0.4	*	-	-	-	24.4	-	24.4
a. MAP Grants	*	*	-	-	-	7.7	-	7.7
b. Credit Financing - FMS	-	-	-	-	-	8.0	4.5	3.5
c. Military Assistance Service-Funded (MASF) Grants	0.4	*	-	-	-	11.5	-	11.5
d. Transfers from Excess Stocks	-	-	-	-	-	5.2	-	5.2
e. Other Grants	-	-	-	-	-	-	-	-
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	14.4	18.5	38.7	59.9	5.3	436.4	351.3	85.1
Loans	10.5	2.6	30.0	43.0	-	276.0	351.3	75.3-
Grants	3.9	15.9	8.7	11.9	5.3	160.4	-	160.4
Other U.S. Government Loans and Grants	0.2	-	-	-	-	50.3	40.5	9.8
a. Export-Import Bank Loans	0.2	-	-	-	-	47.6	37.5	10.1
b. All Other Loans	-	-	-	-	-	2.7	3.0	0.3-

* LESS THAN \$50,000.

ECONOMIC PROGRAMS OF ALL DONORS
(Millions of Dollars)

A. ASSISTANCE FROM INTERNATIONAL AGENCIES — COMMITMENTS	FY 1981	FY 1982	FY 1983	FY 1946-83
	TOTAL.....	117.9	51.3	30.7
IBRD	33.7	16.0	0.0	231.1
IFC	2.0	0.0	0.0	9.5
IDA	5.0	0.0	0.0	60.0
IJ3	75.0	34.4	30.7	404.8
AJB	0.0	0.0	0.0	0.0
AFDB	0.0	0.0	0.0	0.0
UNDP	3.5	0.9	0.0	22.3
OTHER-UN	0.7	0.0	0.0	5.4
ESD	0.0	0.0	0.0	0.0
B. BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE				
1. D.A.C. COUNTRIES (Gross Disbursements)				
NICARAGUA	CY 1981	CY 1982	CY 1978-82	
United States	15.0	6.0	156.0	
Netherlands	15.8	23.9	61.1	
Germany Fed. Rep.	12.0	8.5	48.8	
Sweden	3.9	9.3	29.0	
Austria	0.7	8.7	10.3	
Other	15.7	18.1	53.6	
Total	63.1	74.5	358.8	
2. O.P.E.C. COUNTRIES (Gross Disbursements)				
	CY 1981	CY 1982	CY 1978-81	
	25.0	N.A.	26.0	
C. LOANS AND GRANTS EXTENDED BY COMMUNIST COUNTRIES				
	CY 1981	CY 1982	CY 1954-82	
USSR	85	165	245	
Eastern Europe	90	85	225	
China	-	-	-	
Total	175	250	470	

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(IN THOUSANDS OF DOLLARS)

PROGRAM: NICARAGUA

CP 85

PROJECT TITLE	* L PROJECT / NUMBER G	FY OF INITIAL OBLIG	FY OF FINAL OBLIG	TOTAL PROJECT COST AUTHO	PLANNED	-THROUGH FY83- OBLIG ATIONS	FY83- EXPENDI TURES	-ESTIMATED FY84- OBLIG ATIONS	FY84- EXPENDI TURES	-PROPOSED FY85- OBLIG ATIONS	FY85- EXPENDI TURES
AGRICULTURE, RURAL DEV. AND NUTRITION											
LAND REFORM	G 524-0180	80	82	1,390	700	700	481	---	219	---	---
CASIM AGRICULTURAL DEVELOPMENT - OPG	G 524-0195	80	82	385	385	385	257	---	128	---	---
APPROPRIATE AGRICULTURE TECH - OPG	G 524-0205	81	82	475	135	135	84	---	71	---	---
TOTAL FOR ACCOUNT GRANTS				2,250	1,220	1,220	322	---	418	---	---
LOANS				2,250	1,220	1,220	322	---	418	---	---
EDUCATION AND HUMAN RESOURCES											
HIGHER EDUCATION DEVELOPMENT	G 524-0194	80	82	490	490	490	378	---	112	---	---
TOTAL FOR ACCOUNT GRANTS				490	490	490	378	---	112	---	---
LOANS				490	490	490	378	---	112	---	---
ECONOMIC SUPPORT FUND											
NICARAGUA RECOVERY PROGRAM I	G 524-0183	80	80	4,600	4,584	4,584	4,267	---	317	---	---
NICARAGUA RECOVERY PROGRAM II	G 524-0189	81	81	5,100	5,094	5,094	4,765	---	329	---	---
NICARAGUA RECOVERY PROGRAM III	G 524-0202	82	83	5,100	5,100	5,100	901	---	4,199	---	---
TOTAL FOR ACCOUNT GRANTS				14,800	14,778	14,778	9,933	---	4,845	---	---
LOANS				14,800	14,778	14,778	9,933	---	4,845	---	---
TOTAL FOR COUNTRY GRANTS				17,540	16,488	16,488	11,133	---	5,375	---	---
LOANS				17,540	16,488	16,488	11,133	---	5,375	---	---

* Refers to the planned project summary sheet

C Level of effort activity

FY of final obligation column - All projects in this column with an initial obligation date before December 31, 1983 are based on the authorized date. For all projects with an initial obligation date after December 31, 1983 the FY of final obligation is based on a planned date.