

513-4-033
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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

513-4-033

CHILE: PREINVESTMENT AND FEASIBILITY STUDIES

AID-DLC/P-568

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DEPARTMENT OF STATE
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AID-DLC/P-568
May 29, 1967

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Chile: Preinvestment and Feasibility Studies

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$2,500,000 to the Government of Chile to finance the dollar and escudo costs of preinvestment studies, feasibility studies, and related technical assistance necessary to assist Borrower in its program of improving sector planning and maximizing project identification.

This loan proposal is scheduled for consideration by the Development Loan Staff Committee at a meeting on Monday, June 5, 1967.

Rachel C. Rogers
Assistant Secretary
Development Loan Committee

Attachments:

Summary and Recommendations
Project Analysis
ANNEXES I-IV

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May 29, 1967

CHILE--PREINVESTMENT AND FEASIBILITY STUDIES

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PREINVESTMENT AND FEASIBILITY STUDIES

SUMMARY AND RECOMMENDATIONS

1. Amount and Purpose of Loan: Not to exceed \$2,500,000 to finance preinvestment and feasibility studies and technical assistance. The loan will strengthen the GOC's program to improve sector planning and maximize project identification, and thereby improve the over-all development planning and budgetary processes. At least \$1.5 million of the loan will be utilized to finance the dollar costs of U.S. services.
2. Total Cost and Duration of Program: It is intended that the proposed loan will be disbursed over a three-year period. The Government of Chile has agreed to budget \$2 million or its escudo equivalent over the next three years (1967-1969) to help establish a total \$4.5 million fund. At least \$2.0 million of this fund will be used to finance the dollar costs of U.S. services.
3. Background: On March 6, 1964, A.I.D. signed a \$3 million loan agreement with the Government of Chile to finance preinvestment and feasibility studies. \$2,250,000 was set aside for use in the public sector and \$750,000 for the private sector. The Project Evaluation Office of the Bureau of the Budget (Ministry of Finance) has administered the public sector portion while CORFO has had responsibility for the private sector.

Progress under the public sector portion has been quite satisfactory during the past two years. Delays during the first year and a quarter were due primarily to the facts that (1) the Project Evaluation Office did not receive official status or an adequate staff until mid-1965, and (2) it took some time to establish a satisfactory degree of coordination between the USAID and the new project office, and to ensure that its emerging policies and procedures were compatible with those of A.I.D.

As of March 31, 1967, \$2,000,000 of the \$2,250,000 public sector portion had been obligated to USAID-approved studies. The Project Evaluation Office is presently reviewing three applications which, if approved, will absorb the remaining \$250,000. The \$2,000,000 obligated is comprised of 27 individual studies, 14 of these are under contract and the remaining 13 are in the contract negotiation stage.

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Disbursement at the end of March was \$612,000 and the USAID believes that 75% of the \$2,250,000 public sector portion will be disbursed by December 31, 1967 (See Annex I, Tables 1-3 for a cost breakdown of the studies, status and disbursement projections).

Progress under the private sector portion of the loan has not been satisfactory. Difficulties in this sector seem to be due to both a lack of effective demand and the inability to find an institution capable of administering and promoting this fund. In late 1966, the USAID recommended deobligation of \$400,000 of the \$750,000 for private sector portion. This deobligation was effected on February 6, 1967.

4. Borrower: The Borrower will be the Government of Chile. The Project Evaluation Office of the Bureau of the Budget will act as administrative agent as under the first loan. The Bureau of the Budget is under the Ministry of Finance.

The Project Evaluation Office was established in June, 1964, with technical assistance made available under the Chile/California Program. It did not achieve official status, however, until June, 1965, when President Frei issued a policy memorandum which gave the Project Evaluation Office the following major responsibilities:

- a) To lend assistance to GOC agencies and ministries to help them (1) establish adequate planning units and (2) identify projects and prepare adequate scopes of work for required preinvestment and feasibility studies.
- b) To provide financing for high priority pre-investment and feasibility studies.
- c) To assist the Bureau of the Budget to allocate budget funds by evaluating the sector investment programs and projects submitted annually by the various GOC agencies and ministries.

In an attempt to improve over-all planning capabilities, the Project Evaluation Office is staffed on a rotation basis with staff members transferred periodically to join newly established sectoral planning units. Through this technique, the GOC is trying to ensure that the policies and procedures established by the Project Evaluation Office are implemented on a country-wide basis.

5. Description of the Program: The proposed \$4.5 million will finance a GOC effort to promote and develop sound projects and investment programs. In addition to financing preinvestment and feasibility studies, the loan will finance technical assistance in the following areas:
- a) To help establish and organize regional and sectoral planning units.
 - b) To assist planning units in the identification of project and general study requirements and the preparation of acceptable applications for financing these studies.
 - c) To assist sectoral planning units to execute preinvestment and feasibility studies with their own staffs.
 - d) To execute management and reorganization studies on behalf of GOC agencies and ministries.

Similar to the administrative technique employed under the first loan, all requests by GOC agencies for studies and technical assistance will be screened and approved by the Project Evaluation Office before they are forwarded to the USAID. Under the proposed loan, the USAID does not intend to approve studies under \$50,000. It will instead require notification that the study has been included under the AID loan, and reserve the right to object to its inclusion within two weeks after receipt of such notification. All AID-financed contracts will still be approved by AID as will all requests for technical assistance. The USAID will also be notified of all studies to be financed with GOC funds.

The USAID believes that \$1 million of the loan should be set aside to finance local costs given the uncertain timing of actual GOC budget transfers, and the fact that budget appropriations in any one year may fall short of actual cash needs. It is for these same reasons that the USAID recommends that AID finance 100% of the costs of approved studies instead of trying to split foreign exchange and local costs. Although a minimum of \$2.0 million of the proposed \$4.5 million fund will finance studies conducted by U.S. firms (\$1.5 million of the proposed loan and a minimum \$500,000 of the GOC contribution), it is quite possible that the \$2.0 million level will be exceeded. This largely depends on the mix of studies since the Project Evaluation Office has in the past negotiated with U.S. firms exclusively when a specific capability did not exist among Chilean firms.

6. Views of Country Team: The country team recommends authorization of the subject loan.
7. Export-Import Bank, IBRD and IDB Clearances: It is believed that Eximbank will not be interested in financing this project given the level of local cost financing. Formal clearances from all three banks are being solicited now. The IRR requirement was waived for this project.
8. Statutory Criteria: All applicable statutory criteria has been met.
9. Recommendations: Authorization of a loan to the Government of Chile for an amount not to exceed \$2,500,000, subject to the following terms and conditions:

a. Interest and Repayment Terms

The Borrower shall repay the loan to AID in U.S. dollars within forty (40) years from the date of first disbursement under the loan, including a grace period not to exceed ten (10) years. The Borrower shall pay to AID in U.S. dollars on the disbursed balance of the loan interest of one (1) percent per annum during the grace period and two and one-half (2½) percent thereafter.

b. Other Terms and Conditions

- (i) At least \$1,500,000 of the loan will be utilized to procure U.S. consulting and engineering services.
- (ii) Equipment, materials and services (except marine insurance financed under the loan) shall have their origin in and be procured from the United States or Chile. Marine insurance financed under the loan shall be placed in the United States with a company authorized to do marine insurance in any state of the U. S.
- (iii) U.S. dollars utilized under the loan to finance local currency costs shall be made available to the Borrower or its designee through SLC procedures and shall be used only for procurement in the U.S.
- (iv) Such other terms and conditions as AID may deem advisable.

Project Committee:

Loan Officer : L.Yaeger, USAID/Chile
Program Officer: L. Horwitz, USAID/Chile
Counsel : I.Levy
Engineer : H. Feldt, USAID/Chile

Drafting Officer:L.Yaeger

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SECTION I - BACKGROUND

On March 6, 1964 AID signed a \$ 3 million loan agreement with the Government of Chile to finance feasibility and general studies in the public sector, as well as studies in the private sector. \$2,250,000 of this amount was set aside for public sector studies to be administered by the Project Evaluation Office of the Bureau of the Budget, which is under the Ministry of Finance. \$750,000 was to be used for private sector studies under CORFO's administration. AID experience with this first loan has been as follows:

A. Public Sector Portion

Of the \$2,250,000 reserved for this sector, approximately \$2,000,000 has been obligated to AID approved studies. Table 1 of Annex I gives a detailed breakdown of the studies approved to date and their total costs. The Project Office is presently reviewing three additional applications which, if approved, will absorb the remaining \$250,000.

The public sector portion of the loan moved slowly during the first year for two reasons: First, although the Project Office was established in early 1964, it did not receive official status until mid 1965 (see Section II below). Second, it took time to establish a satisfactory degree of coordination between the USAID and the new Project Evaluation Office, and to ensure that its emerging policies and procedures were compatible with those of AID. Since mid 1965, progress on public sector studies has been quite satisfactory. The \$ 2 million obligated to date is comprised of 27 individual feasibility and general studies broken down by sectors as follows:

	<u>Number</u>	<u>Amount (\$)</u>	<u>% Total</u>
I Industry	3	375,700	18.8
II Agriculture	7	323,471	16.2
III Housing	13	757,839	37.9
IV Transportation	2	123,044	6.2
V Telecommunications	1	303,045	19.6
VI Development Planning	1	26,000	1.3
	<u>27</u>	<u>1,999,099</u>	<u>100.0</u>

The overall status of these studies is as follows (a detailed description of the status of each study is presented in Table 2 of Annex I):

		US\$	F
Studies completed	6	316,632.00	589,205
Studies under contract	8	195,700.00	1,202,879
Studies approved with contracts being negotiated	13	529,089.00	2,459,855
Studies being considered by AID for approval	-	-	-
	27	1,041,421.00	4,251,929 (+ 957,678)
		=====	=====

Of the 13 contracts being negotiated, 8 are in the field of housing and urban development and, given the degree of past contracting experience for this type study (5 of the 14 studies already contracted are HUD), no implementation problems or delays are anticipated. Of the remaining 4 studies, 3 contracts have been approved by AID and signatures on all 3 are imminent.

Loan disbursement at the end of March was approximately \$ 600,000. Quite significantly, almost all of this disbursement has been effected since June 1966. In other words, allowing one year from the start-up of operations to permit the Project Office to begin promoting, approving and contracting studies, the disbursement rate has been quite satisfactory. (NOTE: As indicated above, actual start-up is estimated at mid 1965). Since work on all 13 contracts now being negotiated has been or will be initiated in the very near future, the USAID believes that about 75% of the \$2,000,000 public sector portion now obligated will be disbursed by December 31, 1967. This will require about \$ 900,000 in additional disbursements between now and the end of the year. This figure conforms to the Project Office's projection which is principally based on an analysis of the payment schedules in all of the approved contracts. The Project Office disbursement schedule is presented in Table 3 of Annex I.

Thirteen of the 27 approved studies are in the field of housing and urban development. The cost of these studies is the equivalent of about \$ 758,000 or 39% of the total funds obligated to date. The justification for this level of financing in one area, and the USAID's recommendations with respect to future financing under the proposed loan, are presented in a later section of this paper.

Table 4 of Annex I indicates the total investment resulting from those studies which have been completed.

It is estimated that 5 of the 27 studies approved have resulted or will result in projects which require external financing. These 5 projects are as follows:

1. Triple Superphosphate Plant - Cost \$80,000 - This study was completed in late 1965 and a plant with a 100,000 ton annual production capacity is now under construction in Penco (Concepción). The plant has a total cost of about \$4 million and is being financed principally by a French private firm with some COPFO participation. It is scheduled for completion by November 1967 and will produce about 75,000 tons during its first operational year.
2. Marine Elevator - Cost \$45,700 - This study is almost completed. It involves the construction of facilities which will permit the construction of commercial fishing vessels of up to 1,500 tons. The total cost of the project will approximate \$2.5 million, mostly in foreign exchange.
3. Air Transport Study - Cost \$88,044 - This general study of the total air traffic potential in Chile will identify the additional equipment requirements of Chile's major airports, as well as new airport needs.
4. Telecommunications Study - \$393,000 - This study complements an IDB proposed project which will finance the construction of main trunk lines in Southern Chile. The AID study will project telecommunications requirements over the next 20 years and recommend investments to complement and expand on the IDB financed trunk lines.
5. Water Transport - Cost \$35,000 - The purpose of this study is to identify passenger and freight traffic requirements between Puerto Montt and Puerto Aysen in southern Chile. The final report will recommend the purchase of specific types of vessels and port equipment.

B. Private Sector Portion

USAID implementation experience with the private sector portion of the loan has not been satisfactory. It appears that difficulties in moving this portion are attributable to a lack of effective demand for studies in the private sector and the inability to find an institution ideally suited for administering and promoting the fund. COPFO was selected as administrative agent only after continued negotiations indicated that a mutual COC/AID agreement on a privately controlled institution was not possible.

In mid 1966, the USAID suggested to CORFO that the fund would have to be deobligated due to non-usage. CORFO's Raúl Sáez requested that only \$ 400,000 be deobligated in the hope that continued promotion would bear some fruit. \$ 400,000 of the \$ 750,000 fund was deobligated on February 6, 1967.

As of the end of March 1967, 5 studies were underway for a total cost of about \$123,000 (See Table 2, Annex I). Some further progress is expected as a result of an intensified promotion program and CORFO's attractive sub-lending terms (i.e., no readjustment, 50% of cost borne by CORFO if study negative, etc.). A status review of the remaining \$ 350,000 fund will be made in June 1967. Raúl Sáez of CORFO requested the additional time in order to re-evaluate the private sector program, and see if there was any possibility to make changes which would stimulate increased demand.

SECTION II - THE BORROWER

The Borrower will be the Government of Chile. The Project Evaluation Office of the Bureau of the Budget will act as administrative agent. The Bureau of the Budget is part of the Ministry of Finance.

The Project Evaluation Office was formed in January 1964 with technical assistance made available under the Chile/California Program. It did not begin to operate effectively, however, until it received official status on June 11, 1965, by means of a presidential circular. This circular best describes the purpose of the Project Evaluation Office, its responsibilities and its position within Chile's overall planning mechanism. Significant portions of the circular are quoted below:

"In order to achieve effective development planning as well as
"adequate coordination with the budgeting process, it is necessary
"to identify the planning role of government agencies responsible
"for individual sector development.

"Since public investment plays a significant role in economic and
"social development, adequately defined procedures must be
"established for the preparation of projects and investment programs,
"with emphasis on a clear decision-making power and, in particular,
"on the execution of reliable socio-economic feasibility studies as
"a prerequisite to the initiation of any important program or project.

"For this purpose I am pleased to list the following instructions
"which have been prepared jointly by the National Planning Office
"(ODEPLAN) and the Bureau of the Budget:

- "1. Sector planning offices will be formed and delegated the responsibility of selecting and proposing new projects for study in their respective sectors.
- "2. ODEPLAN, on the basis of general priority criteria and of the programs included in the National Development Plan, will decide which project study proposals should be undertaken.
- "3. The sector planning offices (or where appropriate a specific government agency) will be responsible for the actual preparation of the technical studies and the socio-economic analysis of the proposed projects.

Preferably, these studies will be executed by the employees of the respective government sector. However, if available human resources are not sufficient to complete the studies in the required period of time, local or foreign consulting firms would be contracted to carry out the studies, the cost of which would be charged to funds set aside for this purpose.

- "4. The Bureau of the Budget, through the Projects Evaluation Office will prepare guidelines to be adhered to for investment projects formulated in the public sector with regard to presentation, nature and disposition of the background information to be included, cost estimates, investment schedules and, especially, social and economic evaluation criteria.

This same office will assist all government agencies and corporations in the contracting of technicians or consultants, and may also make its own economists available to the sector planning offices or government corporations to assist them in the execution of specific feasibility studies.

- "5. The preliminary projects formulated in the Public Sector in accordance with the procedures described above, must be submitted to the Bureau of the Budget through the Project Evaluation Office for review, as a pre-requisite to its final approval and therefore, to the execution of the project in question and its inclusion in the Capital Budget of the corresponding originating agency for initiation in a given year.

If this review should give rise to a difference of opinion between the Bureau of the Budget and the sector planning office with regard to a given project's priority, ODEPLAN will be consulted and, if necessary, the President of the Republic and the Ministerial Advisory Board will render a final decision.

- "6. The procedures described in paragraphs 4 and 5 above will not be applied to projects which are the responsibility of CORFO."

In line with the responsibilities established in the above discussed circular, the Project Evaluation Office has made significant progress in promoting a national project planning and execution program. The Project Evaluation Office's activities during the past two years are highlighted by the following achievements:

- a. It has prepared a guideline for all fiscal agencies and ministries, which describes procedures for conducting studies and the scope of an investment study (See Annex II, Exhibit 1 for an English translation of the guideline).
- b. It has marshalled data from all government agencies and ministries in order to prepare a preliminary inventory of projects (see Annex I, Tables 5 - 9).
- c. It has assisted various GOC agencies and ministries to (a) establish sector planning units; (b) identify projects and prepare adequate scopes of work for required pre-investment and feasibility studies; and (c) select consultants, execute contracts, supervise ongoing studies and review partial and final reports.

With regard to the above, the Project Office has assisted in the establishment of sector planning offices in the Ministries of Agriculture, Education and Housing. Representatives of the Project Office and ODEPLAN are also members of these sector offices. Actually, the Project Office is staffed on a rotation basis with its employees transferred periodically to join newly established sector planning units in GOC ministries or agencies. Through this technique, the GOC is trying to ensure that the policies and procedures established by the Project Office are implemented on a country wide basis.

- d. The Project Office finances pre-investment and feasibility studies which are based on well conceived plans and scopes of work, and represent high priority project investment areas in conformity with ODEPLAN criteria.

The financing referred to above has been provided through government funds of about \$ 650,000 and the \$ 2,250,000 portion of AID's 1964 loan.

- e. The Project Office has conducted feasibility studies for various sectors with its own staff. Two such studies were performed recently for ENAMI (GOC mining agency). One was concerned with the identification of a program to combine small and medium sized copper mines with government capital in order to achieve greater efficiency and cost saving. The other involved the expansion of a copper refinery.

SECTION III - DESCRIPTION OF PROPOSED PROGRAM

A. Total cost and Purpose of Program

The total cost of this 3-year program to finance feasibility studies and general studies in the public sector, as well as technical assistance, will be about \$ 5 million. In addition to the \$ 3 million AID loan, the Government of Chile will budget \$ 2 million over the next three years to finance the program (exclusive of normal operating costs such as salaries).

The total \$ 5 million will finance feasibility and general studies as under the first loan. The technical assistance, also to be extended through the Project Office to GOC agencies and ministries, together with the studies, will strengthen sector planning, maximize project identification and improve the GOC's overall budgeting process.

It is intended that technical assistance financed under the proposed loan will include but not be limited to the following:

- i) To help establish and organize regional and sector planning units.
- ii) To assist planning units in the identification of project and general study requirements, and the preparation of acceptable applications for financing these studies.
- iii) To enable sector planning units to execute feasibility and general studies.
- iv) To assist GOC agencies and ministries in executing organizational and administrative studies.

In addition to the above, the USAID requests that it be permitted to set aside at some future date up to \$ 750,000 of the loan to finance private sector studies if and when it is determined that this amount of funds can be properly used by an institution mutually agreeable to the Office and AID. It does not appear at the present time, however, that additional funds for financing private sector studies are justified. In addition to AID's recent poor experience with the private sector portion of the first feasibility loan, an IDB \$ 3 million loan authorized on August 12, 1965, is also moving slowly. This loan is being administered by CORFO and finances studies for CORFO sponsored industrial projects as well as sub-loans to the private sector.

B. Justification

i) General

In the past, deficiencies in the budgeting and planning processes at all levels of government was a basic impediment to the improved use of public sector resources. There was a lack of coordination, organizational status, uniform procedures and criteria, trained personnel, and responsibility for planning was dispersed throughout the public sector.

One of the Frei Administration's goals was the establishment of a central planning body where the basic policies, programs, priorities and guidelines could be established and where plans formulated by the acting agencies could be reviewed, coordinated and assigned budget priority. For this purpose the National Planning Office (ODEPLAN) was established in early 1965 as an Office of the Presidency and given responsibility for coordinating sectoral and program planning within the public sector.

To accomplish its planning objectives, ODEPLAN has established planning groups within the key sectoral agencies and ministries, including agriculture, industry, transportation, energy, housing, education and health. Each sectoral planning unit is developing its own project preparation and evaluation capability with the help of the Office. The Office provides trained personnel, and overall guidance, criteria and methodology.

Only when these sectoral planning units begin to operate efficiently in the area of project development will the Chilean budget system shift to an emphasis on project justification prior to financing. For this reason, the USAID feels it essential that AID continue to support the Office's activities to develop the capability of formulating sound projects and thereby strengthen the overall planning process.

ii) Demand for Studies

At the time of this writing, the USAID had received detailed lists of new study proposals for calendar years 1967 and 1968. These lists include only the agricultural, transportation, mining and housing sectors (See Tables 5 through 12 of Annex 1), and are not yet complete. For example, the agricultural list includes projects sponsored by ECA and CORFO but does not yet take into account project proposals still being reviewed by the sectoral planning office in the Ministry of Agriculture (primarily drainage and irrigation studies). Please note that the list for the transportation sector includes studies which may not be executed until 1969. In addition to completing the lists of studies for the above-mentioned sectors, the Project Evaluation Office is compiling new lists for the education, mining and health sectors. Industry is the sole responsibility of CORFO.

The 1967 program, although far from having been finalized, calls for an investment of at least \$1,500,000 to finance studies in the agricultural, transportation and mining sectors. The 1967 and 1968 programs combined will total about \$2,991, 200

SECTION IV - IMPLEMENTATION

A. Administration of the \$4.5 Million Program

It is intended that at least \$2.0 million or 4% of the \$4.5 million program will finance U.S. technical services and that at least \$1.5 million of the proposed \$4.5 million loan will be utilized for procurement in the United States. The USAID believes that \$1 million of the loan should be available to finance studies conducted by Chilean firms in order to avoid funding problems which could occur due to the actual timing of escudo transfers by the GOC to the Project Evaluation Office and/or a smaller budget appropriation in any one year in relation to acceptable study requests. For the same reasons, the USAID believes that it would not be advisable to attempt to fund the dollar and local costs of individual studies from A.I.D. and GOC funds, respectively.

The USAID has explored the possibility of increasing the percentage of the proposed program for financing U.S. services above the 45%. It is strongly believed, however, that in view of the 1) increasing number of Chilean firms engaged in consultant work during the past 5-10 years; 2) degree of experience and competence of the firms (often as a result of past and present relationships with U.S. firms); and 3) the GOC's desire to promote the development of this group, it is not practical to insist on more than a 45/55 sharing of the fund. Nevertheless, it is quite possible that more than \$500,000 of the GOC's \$2,000,000 participation will finance U.S. services. The Project Evaluation Office in the past has not favored Chilean firms on political grounds and has restricted studies to United States and/or European firms when a specific capability did not exist in Chile.

B. Approval of Studies and Technical Assistance

All approvals will be effected essentially in the same manner as under the first loan. The procedure has been as follows:

- i) All requests by GOC Agencies and Ministries to finance studies are forwarded to the Project Evaluation Office for approval.
- ii) The Project Evaluation Office then submits a final application to the USAID. Each application contains detailed information on the proposed study including descriptions of previous studies completed, the proposed scope of work, a general economic, social, and financial justification, a list of possible consultants, etc.
- iii) The request is reviewed initially by the USAID's Loan Office. If approved in principal by the Loan Office, a copy of the request is forwarded to the USAID's Engineering, Programing and Economic Offices for comments. If no response is received within five days from these offices, concurrence is assumed and an implementation letter approving the study is issued. At the same time, the USAID begins to analyze the firms proposed for the study.

It should be noted that during this initial stage of approval, the USAID does not review the proposed scope of work in detail, but instead only assesses its suitability as a basis for negotiation with a qualified consulting firm. Approval during this stage is therefore based principally on the economic justification for the proposed study. This initial USAID approval is normally effected within two weeks after receipt of the request. The USAID believes that this approval "in principal" approach has been primarily responsible for satisfactory progress under the loan during the past year. First, it gives the GOC sponsoring agency a psychological boost because it knows that a rapid reply is forthcoming from AID. Second, it permits the GOC agency to work with the U.S. or Chilean firm it has selected in the preparation of a detailed scope of work without the intervention of AID. In many instances, the consulting firm actually serves an extra official technical assistance role in that it helps the sponsoring agency to define its objective more completely. In the final analysis, AID's work-load is reduced while its interests are fully protected during the final contract review stage when the scope of work is reviewed in more depth.

iv) Once the firms are qualified by AID, the sponsoring GOC agency selects a firm and enters into contract negotiations. (To simplify the contracting procedure, the USAID has provided the Office and all participating GOC agencies with a sample AID Lump Sum Feasibility Study Contract). The negotiated draft contract is forwarded to the USAID which initiates a detailed review of the scope of work (or in some instances forwards it for AID/W review), and ensures that all AID requirements are met. AID approval of the contract, usually conditioned on certain modifications, is forwarded to the Office and sponsoring agency by implementation letter. Once the changes are made, the contracts are signed and copies are forwarded to the USAID.

It is intended that the proposed loan will be administered according to the above formula with two exceptions. They are:

1. The USAID will approve all studies over \$50,000, which are financed under the loan. The USAID will not approve studies under \$50,000 or studies which are financed with GOC funds. In the latter two instances, the Project Evaluation Office will inform the USAID by letter that the project will be included within the program and specify if the project is to be financed by A.I.D. This letter will also include a description of the study and a justification for including it within the program. The USAID will be given two weeks from receipt of the letter to file an objection to any study to be financed by A.I.D.

The USAID, based on its experience under the first loan, believes that the Project Evaluation Office does have the capability to identify high priority projects within the framework described in Section II, and assess preliminary scopes of work for studies under \$50,000. Eliminating USAID approval of these studies will save considerable staff time and paper work. All A.I.D.-financed contracts will still be approved by A.I.D.

2. As stipulated in M.O. 1442.2, A.I.D. will now be approving only one consultant for each study.

C. General Implementation

1) Disbursement

At least \$1.5 million of the loan will be used for the procurement of U.S. services and the Letter of Commitment procedure will be used.

The remaining \$1.0 million will be disbursed under the Special Letter of Credit procedure. It is intended that the USAID and the Project Evaluation Office will prepare a disbursement schedule each quarter in order to permit the establishment of a revolving fund from which direct payment can be effected to local contractors.

ii) USAID Approval of Contracts

Under the first loan, the USAID was able to count on the legal services of a regional counsel for the approval of all study contracts. At present, there is no regional counsel servicing Chile. The USAID therefore proposes to approve all contracts under \$100,000 and forward those exceeding \$100,000 to a new regional office to be designated shortly.

For the past two years, the USAID and the Project Evaluation Office have been making excellent use of a model Lump-Sum Feasibility Study Contract which was prepared by the then regional counsel, Mr. Irwin Levy. Both staffs have now had considerable experience in implementing AID contracting requirements. In the past, the USAID has performed a thorough review of each contract submitted and prepared its comments for a final review by legal counsel. By using this technique, the USAID has been able to increase its capability to review contracts and now wishes to assume responsibility for approving all contracts under \$100,000 without legal clearance.

SECTION V - EFFECT ON U.S. ECONOMY

At least \$15 million of the proposed loan will be utilized for direct procurement of U.S. services. The \$1 million utilized for local procurement will be disbursed under the Special Letter of Credit procedure. Although there may be some time lag between issuance of the credit and actual usage, there will be no net adverse effect on the U.S. balance of payments.

There are no Program Loan or PL-480 resources available which could be used to pick up the local cost portion of the proposed loan for 1967. It is possible that Program Loan and PL-480 resources as well as funds generated through the A.I.D. two-step lending procedure will be available in future years. In this event, A.I.D. will attempt to negotiate the substitution of a portion of these resources for the local currency portion of the proposed loan. This will of course depend largely on an assessment as to whether or not these available funds could be used within a reasonable period of time for ongoing studies. In addition, it should be noted that A.I.D.'s leverage to induce a decrease in the local currency portion of the loan is weakened by the fact that the GOC has already agreed to use \$2 million of its own resources to finance the studies program.

May 29, 1967

FEASIBILITY STUDIES LOAN COMMITMENTS

	<u>US\$</u>	<u>F^c</u>
Triple Superphosphate Plant	180,000	
Copper by-products	150,000	
Marine Elevator	45,700	
Wine Plants		270,000
Grain Silos & Potato Warehouses	19,000	278,800
Housing & Urban Development, Copiapo		193,030
Housing & Urban Development, Serena-Coquimbo		245,000
Housing & Urban Development, Talca		126,445
Housing & Urban Development, Chillan & Temuco		166,540
Housing & Urban Development, Puerto Montt	93,552.38	
Housing & Urban Development, Aysón, Coyhaique, Balmaceda, Puerto Chacabuco and Punta Arenas		285,600
Seed Forage & Potato	24,080	66,960
8 Slaughterhouses	11,000	299,800
Water Transport	35,000	
Family Budget		117,000
Air Transport	64,963	50,000
Fruit Plants		208,000
Telecommunications	393,045	
Dairy Plants		79,700
Housing & Urban Development, Quillota-Calera		185,055
Housing & Urban Development, Antofagasta		295,000
Housing & Urban Development, Los Angeles		225,000
Housing & Urban Development, Valdivia		277,700
Housing & Urban Development, Osorno		321,300
Housing & Urban Development, San Felipe-Los Andes		300,000
Housing & Urban Development, San Fernando		200,000
Sausage Plants	2,000	
	1,018,340.38	
Air Transport (additional amount to be requested from AID)	23,081.00	
	1,041,421.38	4,251,939

SUMMARY OF COMMITMENTS

<u>Total committed</u>		
F ^c 254,897.10	(reimbursed at F ^c 4.013/1 US\$)	US\$ 63,517.84
F ^c 360,557.10	(" " F ^c 4.19/1 US\$)	86,051.81
F ^c 3,636,484.80	(Dif. not reimbursed. Estimated rate F ^c 4.5/1 US\$)	802,107.73
F ^c 4,251,939.00		US\$ 957,677.38

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Total committed in dollars	US\$ 1,041,421.38
Total committed to date	US\$ 1,999,058.76
Balance to be committed	US\$ 250,901.24
TOTAL LOAN	US\$ 2,250,000.00

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ANNEX I
TABLE 2

IMPLEMENTATION STATUS ALL STUDIES

Name and Purpose of Study	Sponsoring Agency	(US\$ or E ^c) Amount	Date Approved	Date Contracted	Estimated Time To Completion	Disbursements To Date	Status
1. <u>Triple Superphosphate Plant</u> a) Study of the technical & Economic feasibility of a triple superphosphate plant in Chile b) Preliminary design of the aforementioned factory.	CORFO	\$ 180,000	5/12/64 Imp. Ltr. # 4	10/22/64	Dec. 1965	\$ 180,000	Completed, final report approved by Imp. Letter #115, 2/1/67.
2. <u>Grain Silos, Potato Warehouses</u> To establish the economic justification and estimate the cost of constructing 12 grain elevators & 6 potato warehouses.	ECA	\$ 19,000 E\$278,000	2/19/65 Imp. Ltr. #16	10/18/65	June 1966	\$ 19,000 E\$ 278,000	Completed, final report approved by Imp. Letter #115, 2/1/67.
3. <u>Family Budget</u> a) Statistical survey of Chilean family expenses by socio-economic strata. b) Study of the distribution of personal income among Chilean population	Institute of Economy of the Univ. of Chile	E\$117,000	9/23/65	5/27/66	Dec. 1966	E\$ 117,000	Completed, final report approved by Imp. Letter #115, 2/1/67
4. <u>Wine Plants</u> To determine technical and economic feasibility of the construction & equipment of 8 wine plants.	CORFO	E\$270,000	5/10/65	11/23/65	March 1967	E\$ 70,000	Study completed. Report being translated into English to be submitted to A.I.D.
5. <u>Urban Development - City of Puerto Montt</u> To identify specific projects and determine their economic & technical justification	Ministry of Housing and Urbanism	\$ 93,552.38	3/31/65	3/29/66	Nov. 1966	\$ 67,569	Final report has been submitted to USAID for approval.

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Name & Purpose of Study	Sponsoring Agency	Amount (US\$ or P\$)	Date Approved	Date Contracted	Estimated Time to Completion	Disbursements To Date	Status
6. <u>Urban Development - Cities of Chillán and Temuco</u> This study will collect population, income, geographic & zoning information to identify specific housing projects & determine overall housing needs as well as the type & cost of required housing	Ministry of Housing and Urbanism	\$ 93,552.38	3/31/65 Imp. Ltr. #18	1/6/66	Nov. 1966	P\$ 124,667	Study completed. Report will be submitted soon to A.I.P.
7. <u>Urban Development - City of Copiapó</u> - as above -	Ministry of Housing and Urbanism	P\$193,030.00	3/31/65 Imp. Ltr. #18	5/30/66	May 1967	P\$ 158,427	All partial reports submitted and approved. Awaiting final report.
8. <u>Urban Development - Cities of Aysén, Coyaique, Punta Arenas, Balmaceda & Puerto Chacabuco</u> - as above -	Ministry of Housing and Urbanism	P\$285,600	3/31/65 Imp. Ltr. #18	1/6/66	July 1967	P\$ 86,949	All partial reports submitted and approved. GOC awaiting final reports for all projects, except that of Punta Arenas which has already been received.
9. <u>Urban Development - Cities of Serena and Coquimbo</u> - as above -	Ministry of Housing and Urbanism	P\$245,000	8/25/66 Imp. Ltr. #91	-	Oct. 1967		Consultant was selected; awaiting draft contract for approval.
10. <u>Urban Development - City of Talca</u> - as above -	Ministry of Housing and Urbanism	P\$126,445	3/31/65	1/5/65	Oct. 1966	P\$ 126,445	Final report being studied for approval by Mission.
11. <u>Marine Elevator</u>	ASMAP	\$ 37,700 \$ 8,000 (payable in escudos)	1/4/65 Imp. Ltr. # 11	2/11/66	Feb. 1967	\$ 32,233.50 P\$ 28,335.60	The final report is drafted and expected in final by the middle of April 1967.

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Name & Purpose of Study	Sponsoring Agency	Amount* (US\$ or E\$)	Date Approved	Date Contracted	Estimated Time to Completion	Disbursements To Date	Status
12. <u>Copper By-Products</u> Technical and economic feasibility of a project to construct plants for the recuperation of copper by-products.	CORFO	E\$ 150,000 (Payable in Escudos)	8/ 5/64 Imp. Ltr. # 6	12/30/65	March 1967	E\$ 86,750	Consultant has been obliged to delay study because of the lack of technical instruments. Contract will be amended to reflect this.
13. <u>Seed Plants</u> Study of one or more reception, storage, processing and distribution plants for potato and forage seeds.	CORFO	E\$ 66,950 E\$ 22,000	8/18/65 Imp. Ltr. #30	8/29/66	March 1967	E\$ 6,000 E\$ 22,000	Final report on potato seed plant approved by Implementation Letter #117 of 2/27/67. Awaiting report on seed plants.
14. <u>Fruit Plants</u> Marketing and industrialization of apple production in the country and of fruit production in the Aconcagua Valley.	CORFO	E\$ 208,000	8/18/65 Imp. Ltr. #30	8/20/65	May 1967	E\$ 150,800	All partial reports submitted and approved. Awaiting Final Report.
15. <u>Five Dairy Plants</u> Technical and economic feasibility of 5 milk plants.	CORFO	E\$ 79,700	12/20/65 Imp. Ltr. #51		June 1967		Final report drafted and will be submitted after resolution of problems re contractual penalties applied to the consultant.
16. <u>Slaughterhouses</u> Optimum location and size of 8 regional slaughterhouses	CORFO	E\$ 299,800	8/18/65		April 1967		Draft contract approved by Imp. Ltr. #106 of 12/ /65.

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Name & Purpose of Study	Sponsoring Agency	Amount (US\$ or F\$)	Date Approved	Date Contracted	Estimated Time to Completion	Disbursements To Date	Status
17. <u>Air Transport</u> Technical, operational & economic study of air transport needs in the country.	Aeronautic Board	C 64,963 F\$ 50,000	8/4/65 Imp. Ltr. #28	-	Nov. 1967		Draft contract approved by USAID by Imp. Letter #104 of 11/17/66.
18. <u>Telecommunications</u> Technical and economical study of an integrated national system of telecommunications.	EMTEL	C 393,045	12/21/65 Imp. Ltr. #53		Nov. 1967		Draft contract approved by USAID by Imp. Letter #118 of 3/3/67.
19. <u>Water Transport</u> Improvement of marine transportation in the region between Puerto Montt & Puerto Aysén.	EMPREMAP	C 35,000	12/1/65 Imp. Ltr. #44		Aug. 1967		Draft contract being reviewed by AID.
20. <u>Urban Development - City of Antofagasta</u> Housing & urban development study to define projects & determine their economical & technical justification.	Ministry of Housing and Urbanism	F\$ 295,000	11/15/66 Imp. Ltr. #103		Dec. 1967		Draft contract being approved by USAID.
21. <u>Urban Development - City of Quillota - Calera</u> - as above -	Ministry of Housing and Urbanism	F\$ 185,055	11/15/67 Imp. Ltr. #103		Dec. 1967		Draft contract being approved by USAID.
22. <u>Urban Development - City of Los Angeles</u> - as above -	Ministry of Housing and Urbanism	F\$ 225,000	1/6/67 Imp. Ltr. #113		Dec. 1967		Consultants nominated. Awaiting draft contract.

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Name & Purpose of Study	Sponsoring Agency	Amount (US\$ or EP)	Date Approved	Date Contracted	Estimated Time to Completion	Disbursements To Date	Status
23. <u>Urban Development - City of Osorno</u> - as above -	Ministry of Housing and Urbanism	EP 321,300	1/6/67 Imp. Ltr. #113		Dec. 1967		Consultant chosen. Awaiting contract.
24. <u>Urban Development - City of Valdivia</u> - as above -	Ministry of Housing and Urbanism	EP 8,700	1/6/67 Imp. Ltr. #113		Dec. 1967		Contractor chosen. Awaiting draft contract.
25. <u>Urban Development - Cities of San Felipe - Los Andes</u> - as above -	Ministry of Housing and Urbanism	EP 300,000	1/16/67 Imp. Ltr. #113		Dec. 1967		Consultant prequalified 1/30/67.
26. <u>Urban Development - City of San Fernando</u> - as above -	Ministry of Housing and Urbanism	EP 200,000	1/5/67 Imp. Ltr. #113		Dec. 1967		Consultant prequalified 1/30/67; awaiting draft contract.
27. <u>Sausage Factories</u> Technical and economic feasibility of 3 sausage plants.	CORFO	EP 60,000 \$ 2,000	12/12/66 Imp. Ltr. #108		June 1967		Consultants prequalified 12/12/66 and 12/27/67. Awaiting contract.
28. <u>Private Sector Portion Establecimientos Metalurgicos INDAC S.A.</u> Enlarging foundry for special steels.	CORFO	\$ 28,000					Final report submitted.

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CALENDARIO ESTIMATIVO DE REEMBOLSOS PARA 1967 - PROYECTO 515-L-019 DE A.I.D.

ANNEX 1
Table 3

ESTUDIOS	Reembolsos Solicitados hasta Marzo/67.		ABRIL	MAYO	JUNIO	JULIO	AGOSTO	SEPTIEMBRE	OCTUBRE	NOVIEMBRE	DICIEMBRE	Total Reembolsos a Diciembre 1967	Total del Estudio	Totales a Reembolsarse en 1968	DE LEVACIONES	
	US\$	E*														
EP-1 Foa. Superfosfato Triplé.	US\$	180.000										180.000	180.000		Terminado	
EP-2 Recuperación Sub Productos del Cobre	US\$	86.750			45.000	9.200	4.600	4.600	4.600	4.600	4.600	77.200	150.000	27.800	Habría Modificación	
EP-4 Elevador Marino	US\$	32.253,50		6.626,50								38.860	45.700			
EP-5 8 Cooperativas Vitivinícolas	E*	70.000	25.000	50.000	125.000							270.000	270.000			
EP-6 Silos para Trigo y Boegas para papas	US\$	19.000										19.000	19.000			
EP-7A Vivienda y Urbanismo Copiapó	E*	158.527	34.503									278.800	278.800		Terminado	
EP-7B Vivienda y Urbanismo Talca	E*	126.445										193.030	193.030			
EP-7E Vivienda y Urbanismo Chillán-Temuco	E*	124.667,10		41.881,90								126.445	126.445		Terminado	
EP-7F Vivienda y Urbanismo Puerto Montt	US\$	67.570,05		25.982,33								166.549	166.549			
EP-7G Vivienda y Urbanismo Pta. Ar. Aye. Coyhai, Balm. Chac.	E*	86.949,90		151.620,10	47.030							93.552,38	93.552,38			
EP-9 Plantas de Semillas papas y formajera	US\$	22.000	6.840	22.000								285.600	285.600			
EP-10 8 Mataderos	US\$					3.666						24.080	24.080			
EP-11 Innovación Sistemas Trans. Marít., Impresar	US\$					99.933						66.960	66.960			
EP-13 Presupuesto Familiar	E*	117.000				7.000	7.000	7.000	7.000	2.000	7.000	2.568	11.000	11.000	Las cantidades en US\$ serán pagadas en E*	
EP-14 Transporte Aéreo	US\$		32.481									29.970	299.800	299.800		
EP-16 Plantas Frutícolas	E*	208.000			10.000	10.000	10.000	10.000	32.482	10.000		35.000	35.000			
EP-17 Telecomunicaciones	US\$											117.000	117.000		Terminado	
EP-19 Plantas Lecheras	E*											64.963	64.963			
EP-20 Plantas de Cocinas	US\$											50.000	50.000			
EP-21 Vivienda y Urbanismo Quillota-La Calera	E*											208.000	208.000			
EP-22 Vivienda y Urbanismo Antofagasta	E*											238.076	393.045	154.969		
EP-23 Vivienda y Urbanismo Los Angeles	E*											2.000	2.000			
EP-24 Vivienda y Urbanismo Yaldivia	E*											60.000	60.000		Estimación hecha sin existencia de Contrato	
EP-25 Vivienda y Urbanismo Osorno	E*											29.978,91	13.323,96	12.953,85		
EP-26 Vivienda y Urbanismo Sn. Felipe-Los Andes	E*											18.180	15.120	21.000		
EP-27 Vivienda y Urbanismo San Fernando	E*											300.000	300.000	25.000		
EP-7B Vivienda y Urbanismo Serena-Coquimbo	E*											40.000	240.000	278.700	38.700	Estimación hecha sin existencia de Contrato
Totales en Dólares	US\$	504.803,55	6.840	76.329,83	75.000	19.866	11.600	118.138	42.748	16.168	112.238	785.751,38	1.018.540,38	182.769		
Totales en Escudos	E*	1.307.474,60	82.463	265.002	417.606,50	379.933	248.341,78	279.880	469.933	424.922,31	194.513,96	4.070.570,75	4.211.939,-	256.453,85		

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TOTAL INVESTMENT OF COMPLETED STUDIES

	<u>Total Investment</u>
1. Triple Superphosphate	\$ 14,117,830.00
2. Grain Silos	9,015,595.00
3. Potato Warehouses	1,370,669.00
4. Family Budget	- - -
5. City of Puerto Montt - Housing	E ^o 41,587,988.00 (5 years)
6. City of Talca - Housing	56,501,540.00 (5 years)
7. Seed plants (Forage seeds)	1,287,000.00

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SECTOR BREAKDOWN OF STUDIES FOR 1967

AGRICULTURAL SECTOR

	<u>US\$</u>	
ECA	103,000	
CORFO	<u>229,200</u>	332,200

TRANSPORTATION SECTOR

Airports	37,200	
Roads	342,800	
Port Works	<u>132,700</u>	<u>512,700</u>

MINING SECTOR

ENAMI	<u>100,000</u>	<u>100,000</u>
	GRAND TOTAL	<u>\$944,900</u>

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AGRICULTURAL SECTOR

	<u>Estimated Project Cost</u>		<u>Study Cost</u>
	<u>Pz</u>	<u>US\$</u>	<u>US\$</u>
<u>ECA</u>			
Refrigerator - Valparaiso	13,200,000	950,000	88,200
Refrigerator - Manquihue (fish)	540,000	70,000	7,400
Refrigerator - Calbuco (fish)	540,000	70,000	7,400
	<u>14,280,000</u>	<u>1,090,000</u>	<u>103,000</u>
<u>COREFO</u>			
Protein Mixing & Packing Plant	720,000	12,500	8,400
Vegetable Dehydration Plant	-	-	10,500
Vegetable Oil Plant	-	-	10,500
Carrot Protein Plant	-	-	10,500
Meat Freezing Plant (Temuco & Chillan)	1,200,000	100,000	21,100
Meat Cutting Centers for Santiago, Valparaiso and Concepcion	2,000,000	250,000	31,600
Milk Plant in Futrono (120,000 lt/day)	2,200,000	650,000	42,200
Fruit Packing Centers for Export (Santiago)	5,520,000	483,000	52,200
Fruit Packing & Canning Plant (Ovalle)	1,200,000	180,000	25,800
Fruit Canning & Drying Plant (Santiago)	800,000	224,000	16,900
	<u>E 13,640,000</u>	<u>\$1,899,500</u>	<u>\$229,200</u>

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TRANSPORTATION SECTOR

	<u>Study Cost US\$</u>	
<u>Dirección de Aeropuertos (MOP)</u>		
Tocopilla Airport	8,700	
Ovalle Airport	9,000	
Additions - Pudahuel	<u>19,500</u>	37,200
<u>Dirección de Vialidad (MOP)</u>		
Transversal Roads	<u>342,800</u>	342,800
<u>Dirección de Obras Portuarias (MOP)</u>		
Expansion Port of San Antonio	14,200	
Alternative Port Expansion in Central Zone	105,500	
Alternative Port Expansion in Zone served by Antofagasta, Tocopilla, Mejillones and Taltal	<u>13,000</u>	<u>132,700</u>
SECTOR TOTAL		\$ <u>512,700</u>

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MINING SECTOR

PROJECT

Study of the small & medium size
copper industry in Chile

\$ 100,000

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TWO YEAR PROGRAM OF STUDIES (1967 - 1968)^{1/}

AGRICULTURAL SECTOR

	<u>US\$</u>	
ECA	103,000	
CORFO	<u>314,600</u>	417,600

TRANSPORTATION SECTOR

Dirección de Aeropuertos	84,300	
Dirección de Vialidad	2,312,600	
Dirección de Obras Portuarias	<u>176,700</u>	<u>2,573,600</u>
GRAND TOTAL		<u><u>2,991,200</u></u>

^{1/} - Transportation Sector breakdown includes projects which may not be studied until 1969.
The ECA program is for 1967 only.

SECTOR AGROPECUARIOA. Empresa de Comercio Agrícola (1967 program only)_T

	R°	US\$	R. F.	
			R°	US\$
1. Frigorífico de Valparaíso	13,200.000	950.000	300.000	25.000
2. Frigorífico Pecuero de Llanquihue.	540.000	70.000	21.600	2.800
3. Frigorífico Pecuero Calbuco	540.000	70.000	21.600	2.800
Sub-Total	14.280.000	1.090.000	343,200 (72,400)	30.600

CORFO AGRICOLA.-

Proyecto	R°	US\$	I R.P.	
			R°	US\$
1. Planta Envasadora y Mezcladora de Alimento Pretelico (Talca)	720.000	12.500	40.000	
2. Planta Deshidratadora de Hortalizas	-	-	50.000	
3. Planta Oleo -Resina	-	-	50.000	
4. Planta Hariteno	-	-	50.000	
5. Túneles de Congelación de Carnes (Temuco y Chillán)	1.200.000	100.000	100.000	
6. Centrales de Corte de Carne para Stgo. Valpo. y Concep.	2.000.000	250.000	150.000	
7. Planta Lechera en Futrems de 120.000 lt. / día.	2.200.000	650.000	200.000	
8. Centrales Embalaje Frutas exportación (Prov. Stgo.)	5.520.000	485.000	200.000	10.000
9. Centrales Embalaje Frutas e Industrialización Frutas (Ovalle)	1.200.000	180.000	120.000	
10. Plantas Conserveras Pulpa Fruta	800.000	224.000	80.000	

Proyecto	I		E.F.	
	E°	US\$	E°	US\$
11 Sustitución Importación semillas Ferrajeras (Est de Mercado)	10.000.000	200.000		
12. Semillas de hortalizas (Est. de Mercado)	100.000	20.000	100.000	50.000
13 Semillas certificadas papas (Est. Mercado)	2.000.000	100.000		
24 Mantenición pureza varietal genética (Est. de Mercado)	3.100.000	370.000		
25 Semillas de arroz: Centro Almacenaje y Procesamiento	300.000	100.000	15.000	5.000
16 Semillas de Frejoles: Centro Almacenaje. procesamiento y envasado exportación	300.000	200.000	15.000	10.000
Sub-Total	29.440.000	2.889.500	1.170.000 (249,600)	75.000

RESUMEN

	E.F.	
	E°	US\$
1.- Empresa de Comercio Agrícola	343.200	30.600
2.- CORFO Agrícola	1.170.000	65.000.-
TOTAL	1.513.200 (322,000)	95.600.-

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1967-1969 PROGRAM - TRANSPORTATION

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SECTOR TRANSPORTES

A.- Dirección de Aeropuertos MOP

Proyecto	I (K ²)	E.P. (K ²)
1. Nuevo Aeropuerto de Iquique	10.000.000	95.000
2. Nuevo Aeropuerto de Tocopilla	4.500.000	41.250
3. Nuevo Aeropuerto de Ovalle	5.000.000	42.500
4. Nuevo Aeropuerto de Quintero	20.000.000	80.000
5. Aeropuerto de Constitución	5.000.000	42.500
6. Aeropuerto de Castro	5.000.000	42.500
7. Ampliaciones de Pudabuel	25.000.000	92.500
Sub-total	74.500.000	396.250 (\$84,300)

B. Dirección de Vialidad MOP

Proyecto	I (K ²)	E.P. (K ²)
1. 30 Puentes	45.000.000	162.500
2. Mejoramiento de 4.000 Km. (caminos antiguos que deben modificar curvas, pendientes etc.)	450.000.000	1.355.000
3. Pavimentación de 6.000 Km. (Caminos de tierra con infraestructura lista)	20.000.000	80.000
4. Mejoramiento y Penetración de 3.000 Km. caminos transversales (prioridades establecidas ya por IECCO para un total de 6.000 Km.	300.000.000	2.125.000
5. Tres vías Chile-Argentina	18.000.000	75.000
6. Camino P. Montt-Chaitón	45.000.000	162.500
7. Unión zona occidental lagos de Cautín y Valdivia	160.000.000	430.000
8. Mejoramiento camino Melipilla Sm. Antonio.-	22.500.000	86.250
9. Camino Valdivia Pto. Niebla	6.000.000	45.000

10	Red caminera provincia de Concepción	I (E)	E.F. (E°)
		35.000.000	117.500
11	Entrada a Stgo. desde la Panamericana N y S	80.000.000	250.000
	Sub-total	181.500.000	10.868.750
			(2,312,800)

C. Dirección de Obras Portuarias MOP

Proyecto	I (E°)	E.F. (E°)
1. Rediseño del espigón de Sn. Antonio; reposición del muelle Torreti .	15.000.000	67.500
2. Puerto de Arica; Planta mecanizada de embarque de minerales del nuevo puerto.	7.500.000	48.750
3. Facilidades portuarias en zona central (Quintero, Valparaíso Sn. Antonio)	50.000.000	500.000
4. Puertos de Iloca y Pichilemu	500.000	31.250
5. Ampliación Pto. Chacabuco	10.000.000	55.000
6. Construcción de un segundo muelle o prolongación del actual (Pta. Aranas)	15.000.000	67.500
7 Alternativas de expansión portuaria en la zona servida por Antofagasta, Tocopilla, Mejillones y Taltal.		61.500
Sub-total	98.000.000	830.500.-
		(156,700)

RESUMEN

	I (E°)	E.F. (E°)
1.- Dirección de Aeropuertos	74.500.000	396.250.-
2.- Dirección de Vialidad	1.181.500.000	10.868.750.-
3.- Dirección de Obras Portuarias	98.000.000	830.500.-
TOTAL	1.354.000.000	12.095.500.-
		(2,573,600)

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May 29, 1967

PUBLIC SECTOR INVESTMENT STUDIES

I. Formulation of Investment Projects

The object of this paper is to establish standards for all those projects which will involve construction work or require the purchase of goods.

The principal purposes of studying projects are as follows:

- a) To provide information to those who must make an investment decision, whether for the contracting of pre-investment studies or for the execution of the project itself.
- b) To ensure the success of the project through overall planning in all of its aspects - physical, administrative, economic and social.

The basic aspects to be considered in the formulation of projects are listed in the form of questions in the attached annex.

The development of an investment project is implemented in various phases. These phases are as follows:

- i) Identification - Project identification is normally effected at the ministerial level based on studies inspired by the Ministry to implement its overall policy. The information needed to take decisions at this level, refers, in its quantitative aspect, more to the magnitude of the problem and to the extent of the hoped for solution than to details of the project itself. It is advisable not to base project selection decisions on mere qualitative information.
- ii) Basic Report - Once a project has been selected, basic data on the specific project must be analyzed and compiled by means of preliminary studies. Although these studies should be as complete as possible it is not absolutely necessary at this level that the information given be completely accurate, nor that all questions are answered, as long as the limitations of the information are pointed out.

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The objective pursued at this initial stage is to show basic aspects of the project, its scope, its advantage and disadvantages, the most important technical alternatives, and the social, political and economic aspects it implies. This is in order to permit the Government to decide if the project is necessary and what priority to assign to it.

- iii) Feasibility Study - This is the level where the six basic aspects of the project are analyzed - organizational, administrative, technical, commercial, financial and economic. Technical alternatives are studied, as well as costs and benefits.

These studies, besides determining the way in which the project will be performed, have as their principal objective to enable a financial entity (be it foreign or national) to evaluate the project and consider it for financing.

- iv) Execution of the Project - This stage involves the final engineering studies, construction and /or purchase of materials.
- v) The Initiation of Operations - This includes the first operational stage of the project during which the justification derived from the feasibility study is put to the test.

Project preparation is therefore carried out in three stages: identification, basic report and feasibility study. Each one of these stages is closely related with the other so that it is not always possible to determine the scope of the work that has to be carried out in each one of them. Neither can it be said that it is necessary to separate them and perform them as different stages in all projects. It is possible, depending upon the type project and the information already available, to perform in one stage the basic report and the feasibility study.

II. The Stages of Decision in Public Sector Projects

The development of investment projects for agencies of the Public Sector involves usually three basic phases of decision making.

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The first phase consists of the inclusion of the project within the priority program of the sector where it originated, and it is the respective Minister who approves this program and the relative priority of the projects in his sector.

At this stage decisions are taken on two levels of project preparation. First, it must be decided which of the projects identified in the sector will be subject to a basic report, and the order this work will be done in. Secondly, once the basic reports are written, decisions must be taken on the relative priority of the projects themselves.

The schedule of priority projects can be formulated by a committee on which all pertinent agencies are represented. The functioning of this committee is the responsibility of the Sectoral Planning Office which will present the schedule of projects together with the proper justification, for the Minister's approval.

During the second stage, the project's priority is determined as a part of the total public sector investment program. The National Planning Office (ODEPLAN) plays the most important role during this stage. The respective Ministry and the Bureau of the Budget also participate in the final decision.

The submission of projects to ODEPLAN is made by the Project Evaluation Office of the Bureau of the Budget. This office has the responsibility of assuring that the projects are submitted with the necessary information so that reasonable decisions can be made.

The scope of work for each study will be defined when the general priority scale for public sector projects is determined and the priority of each sector fixed.

In the third phase, the project is included in the Capital Budget of a determined year by the respective Ministry, the Bureau of the Budget and ODEPLAN. Due to the fact that the inclusion of a project in the Capital Budget requires commitments that normally reach beyond one budgetary period and therefore directly affect budgetary programming, the Bureau of the Budget is mainly responsible during this stage. The Project Evaluation Office of the Bureau of the Budget shall ensure that the projects

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presented for inclusion in the annual budget have gone through the feasibility study phase.

III. Functions of the Sector Planning Office (S.P.O.)

The S.P.O. will be responsible for preparing all basic reports using all available information within the sector. These reports will be approved by the Project Evaluation Office prior to being submitted to the ODEPLAN for a decision on priority.

The S.P.O. should request from the various offices and agencies within its sector all the studies and data accumulated to date.

When it is considered necessary to perform feasibility studies by independent consultants, the S.P.O. will prepare the reference terms of the study, list of possible consultants, and a draft contract. All these documents will be presented to the Projects Evaluation Office for approval and financing. The S.P.O. will then supervise the contracted studies.

IV. Functions of the Project Evaluation Office

The Project Office will review basic reports prepared by S.P.O.'s before submitting them to ODEPLAN to be allotted priorities within the National Development Plan.

The Project Office will review feasibility studies of Public Sector projects for inclusion in the Capital Budget or for presentation to international lending agencies.

The Project Office will administrate foreign or local funds used to finance feasibility or pre-investment studies in the public sector.

- a) Funds to finance general studies for basic reports shall be requested by public sector agencies.
- b) Funds to finance feasibility studies of specific projects shall be requested by the Sectoral Planning Office.

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BASIC POINTS THAT MUST BE ANSWERED WHEN PREPARING A PROJECT

The following points are applicable to all investment projects. The emphasis on various points will differ depending upon the type of project.

1. What needs are going to be fulfilled by the subject project?
 - a) For whom does it have special significance - individuals, enterprises, region, government, economy as a whole?
 - b) Are there abnormal expenses, abnormal losses, health problems, etc., which will be resolved by the project?
 - c) What are the basic causes of existing problems - organization, administration, technical, financial?
 - d) How has priority been assigned to this project - what criteria was used? Are there existing studies?
2. Describe the basic aspects of the project.
 - a) Organization
 - i) Which agency is in charge of developing the project?
 - ii) Which agency will be in charge of ensuring proper administration of the project once operations begin?
 - iii) Are the responsibilities of the agency clearly defined?
 - iv) Does it have adequate legal authority?
 - v) Are its responsibilities being complied with to date?
 - vi) What failures or problems of the existing organization will be increased with the addition of the project if new measures are not adopted. If needed, what measures should be adopted?

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b) Administration

- i) Who will be responsible for direction of the project?
- ii) Are administrative responsibilities quite clear?
- iii) Will the Director of the Agency have adequate executive authority, budget, personnel?
- iv) How is the Director named?
- v) Is he responsible to a Sub-Secretary, Minister or Board of Directors?

c) Technical Considerations

- i) What is the justification for the project's size?
- ii) Are there possibilities of sub-dividing the project into separate stages of construction or expansion?
- iii) The site selection, climate, market, etc., must be clearly defined and justified.
- iv) The availability of power, water and labor must be documented.
- v) A construction schedule must be prepared.
- vi) Construction, equipment and operational costs must be documented in detail.

d) Marketing

- i) How will purchases be made during the construction stage?
- ii) How will purchases be made in the operational stage?
- iii) Is there a market for the product? Justify your conclusion with complete data.
- iv) How will sales be effected? Include a complete procedural description of the sales organization.

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e) Financing

- i) If the agency sponsoring the project is a revenue producing enterprise, describe its financial position - revenues, expenditures, profit and loss.
- ii) Prepare a cash flow statement for the project.
- iii) What amount of working capital is required?
- iv) What rate of interest is used in the financial projections? What is the term of the loan?
- v) What would be the income in a normal year and a bad year?
- vi) Present a complete financial plan broken down into dollar and local cost requirements.

f) Economic Considerations

- i) How have the costs been determined - labor, rates of interest, foreign exchange, etc.?
- ii) How have the prices of the products been determined?
- iii) What are the costs of government services required for the project?
- iv) What is the cost/benefit rate (gross and net) and the internal rate of return?
- v) Will the project be self-financing?

3. What alternatives to the project have been studied?

- a) What are the basic aspects of those projects?
- b) What are the advantages and disadvantages?

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- c) What have been the findings in relation to the selected project?
4. What is the import of the final solution?
- a) Does it satisfy all needs or only a few of them?
 - b) Are the costs reasonable in relation to other similar projects?
 - c) Does the success of the project depend on the success of another project not controlled by the same authority?
 - d) To what degree will the income generated by the project compensate for the expenses incurred in its execution?
5. What commitments on behalf of the Government are required to carry out the project?
- a) Total amount in national and foreign currency and annual amounts.
 - b) Is a subsidy required - if so, give full details.
 - c) Will the execution of this project require changes in government institutions or autonomous enterprises?
 - d) Are tax allowances being anticipated as well as new taxes? Is tax free status being sought?
 - e) Is new legislation required by the project?
 - f) Is an international agreement necessary?
6. What contributions to the execution of this project will be made by individuals, private corporations, or others?
- a) What evidence exists that any of these parties want to participate?
 - b) On the other hand, are there any incentives to attract such participation?

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- c) Are the proposed participants qualified financially, technically and administratively?
- d) In what form will a contribution be made - equity, loan, technical assistance, management?
- e) Will there be any competition between private entities and the State?

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CHECK LIST OF STATUTORY CRITERIA

May 29, 1967

(Alliance for Progress)

CHILE--PREINVESTMENT AND FEASIBILITY STUDIES

In the right-hand margin, summarize for each item the information or conclusion requested. As necessary, reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended by the Foreign Assistance Act of 1966.

App. - Foreign Assistance and Related Agencies Appropriations Act, 1967.

- | | |
|---|---|
| 1. <u>FAA §.102.</u> Precautions that have been or are being taken to assure that loan proceeds are not diverted to short-term emergency purposes (such as budgetary, balance of payments, or military purposes) or any other purpose not essential to the country's long-range economic development. | Adequate control will be exercised to assure that loan proceeds are not diverted to short-term emergency purposes or any other purpose not essential to the country's long-range economical development. |
| 2. <u>FAA §.102.</u> Information on measures taken to utilize United States Government excess personal property in lieu of the procurement of new items. | Language will be inserted in the Loan Agreement establishing procedures for the utilization of U.S. Government excess property in all cases possible. |
| 3. <u>FAA §.102.</u> Information whether the country permits, or fails to take adequate measures to prevent, the damage or destruction by mob action of United States property. | The Government of Chile takes adequate measures to prevent the damage or destruction by mob action of United States property. |
| 4. <u>FAA §.201(d).</u> Information and conclusion on legality (under laws of country and U. S.) and reasonableness of lending and relending terms of the loan. | Loan funds are to be loaned at rates of interest within the laws of the Foreign Assistance Act. No sub-loans will be extended by Borrower. |
| 5. <u>FAA §.251(a).</u> Manner in which loan will promote country's economic development and contribute to the welfare of its people. | This project will promote the country's economic development and contribute to the welfare of its people by promoting sound planning and budgeting management and by identifying high priority capital investment projects. |
| 6. <u>FAA §.251(b)(1).</u> Extent to which country is adhering to the principles of the Act of Bogota and Charter of Punta del Este and is showing a responsiveness to the vital economic, political, and social concerns of its people, and extent to which country has demonstrated a clear determination to take effective self-help measures. | Chile is adhering to the principles of the Act of Bogota and the Charter of Punta del Este. |

7. FAA §.251(b)(2). Information and conclusion on activity's economic and technical soundness. This activity has been found economically and technically sound.
8. FAA §.251(b)(3). Information and conclusion on activity's relationship to and consistency with other development activities, and its contribution to realizable long-range objectives. This activity has a direct relationship to other development activities in Chile since it contributes to effective planning and programming which play an essential part in the long-range objectives.
9. FAA §.251(b)(4). Information and conclusion on possible effects on U. S. economy, with special reference to areas of substantial labor surplus. This loan will have no foreseeable unfavorable effect on the U.S. economy.
10. FAA §.251(b)(5). Information and conclusion on the degree to which the country is making progress toward respect for the rule of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise. Chile is a freely democratic country; it has made considerable progress in promoting private enterprise during recent years.
11. FAA §.251(b)(6). Information and conclusion on the degree to which the country is taking steps to improve its climate for private investment. Chile has a very favorable private investment law and is now making efforts to improve its internal procedures to approve individual private investment proposals.
12. FAA §.251(b)(7). Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth. This activity will contribute to the achievement of self-sustaining growth by ensuring productive utilization of existing resources through proper planning and budget management. It will also help identify those projects which will serve as the basis for future capital investments.
13. FAA §.251(b)(8). Information and conclusion on the extent to which the activity will contribute to the economic and political integration of Latin America. Some of the projects which may result from studies financed under this loan may contribute to the economic and political integration of Latin America.
14. FAA §.251(b). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States. Financing for this activity is not available from other Free World sources, including private sources within the United States, on feasible terms.
15. FAA §.251(b). Information and conclusion on capacity of the country to repay the loan. See Annex I of recent Educational Sector Loan Paper.

16. FAA §.251(b). Information and conclusion on country's efforts to repatriate capital invested in other countries by its own citizens. Chile is making reasonable efforts to encourage repatriation of capital invested in other countries by its own citizens.
17. FAA §.251(b). Information and conclusion on reasonable prospect of repayment. It appears reasonably certain that the Borrower will be willing and able to repay the loan.
18. FAA §.251(c). Information and conclusion on availability of an application together with sufficient information and assurances to indicate reasonably that funds will be used in an economically and technically sound manner. The Borrower has made an application for loan-funded assistance in this activity, and A.I.D. has received sufficient information and assurance to indicate reasonably that funds will be used in an economically and technically sound manner.
19. FAA §.252(g). Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America. This project is not directly related to the promotion of the cooperative movement in Latin America.
20. FAA §.251(h). Information and conclusion on whether the activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its review of national development activities. This activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its review of national development activities.
21. FAA §.252(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources. All loan funds are being made available to the Host Government; however, substantially all funds will be used by the GOB for study contracts with private consulting firms.
22. FAA §.281. Extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the developing countries, through the encouragement of democratic private and local governmental institutions. The projects which should develop from the studies funded under this loan will make an important contribution to the objective of assuring maximum participation in the task of economic development on the part of the people of the developing countries, through the encouragement of democratic private and local governmental institutions.
23. FAA §.601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions. The benefits of this project will encourage efforts of the Borrower to increase the flow of international trade, foster private initiative and competition, and improve the technical efficiency of agriculture, industry and commerce.

24. FAA §.601(b). Information and conclusion on how the loan will encourage U. S. private trade and investment abroad and how it will encourage private U. S. participation in foreign assistance programs (including use of private trade channels and the services of U. S. private enterprise). Private sector participation in this project will be substantial as almost all of the loan funds will be used for study contracts with private sector firms.
25. FAA §.601(d). Conclusion and supporting information on compliance with the Congressional policy that engineering and professional services of U. S. firms and their affiliates are to be used in connection with capital projects to the maximum extent consistent with the national interest. Procurement of engineering or professional services financed under this loan will be limited to the United States or Chile.
26. FAA §.602. Information and conclusions whether loan will permit American small business to participate equitably in the furnishing of goods and services financed by it. American small business will be permitted to participate in the activity through developing studies to be financed by this loan.
27. FAA §.604(a); App. §.108. Compliance with restriction of commodity procurement to U. S. except as otherwise determined by the President and subject to statutory reporting requirements. Will be complied with.
28. FAA §.604(b). Compliance with bulk commodity procurement restriction to prices no higher than the market price prevailing in the U. S. at time of purchase. Any commodities financed by the loan and purchased in bulk will be purchased at prices no higher than prevailing U.S. market prices.
29. FAA §.604(d). Compliance with requirement that marine insurance be purchased on commodities if the host country discriminates, and that such insurance be placed in the U. S. Will be complied with.
30. FAA §.604(e). Compliance with requirement that funds not be used for procurement of any agricultural commodity or product thereof outside the United States when the domestic price of such commodity is less than parity. Will be complied with.
31. FAA §.611(a)(1). Information and conclusion on availability of engineering, financial, and other plans necessary to carry out the assistance and of a reasonably firm estimate of the cost of the assistance to the United States. Necessary planning has been completed and reasonably firm cost to the United States of the activity to be financed has been obtained.
32. FAA §.611(a)(2). Necessary legislative action required within recipient country and basis for reasonable anticipation such action will be completed in time to permit orderly accomplishment of purposes of loan. No further legislative action in Chile is required for implementation of this project.

33. FAA §.611(b); App. §. 101. If water or water-related land resource construction project or program, information and conclusion on benefit-cost computation. Not applicable, as these funds will be used to develop the data on such projects.
34. FAA §.611(c). Compliance with requirement that contracts for construction be let on competitive basis to maximum extent practicable. Not applicable.
35. FAA §.612(b) and 67 (h). Appropriate steps that have been taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services and foreign currencies owned by the U. S. are utilized to meet the cost of contractual and other services. The Government of Chile is providing \$2 million to meet the cost of contractual and other services arising under this activity.
36. FAA §.619. Compliance with requirement that assistance to newly independent countries be furnished through multilateral organizations or plans to maximum extent appropriate. Not applicable.
37. FAA §.620(a); App. §.107(a) and (b). Compliance with prohibitions against assistance to Cuba and any country (a) which furnishes assistance to Cuba or failed to take appropriate steps by February 14, 1964, to prevent ships or aircraft under its registry from carrying equipment, materials, or supplies from or to Cuba; or (b) which sells, furnishes, or permits any ships under its registry from carrying items of primary strategic significance, or items of economic assistance to Cuba. Chile provides no assistance to Cuba, and no assistance will be furnished under this loan.
38. FAA §.620(b). If assistance to the government of a country, existence of determination it is not controlled by the international Communist movement. Chile is not controlled by the International Communist movement.
39. FAA §.620(c). If assistance to the government of a country, existence of indebtedness to a U. S. citizen for goods or services furnished or ordered where such citizen has exhausted available legal remedies or where the debt is not denied or contested by such government or the indebtedness arises under an unconditional guaranty given by such government. The Borrower is not known to be indebted to any U.S. citizen for goods or services furnished or ordered where such a citizen has exhausted available legal remedies or where the debt is not denied or contested by the Borrower or the indebtedness arises under an unconditional guaranty of payment by the Borrower.
40. FAA §.620(d). If assistance for any productive enterprise which will compete in the U. S. with U. S. enterprise, existence of agreement by the recipient country to prevent export to the U. S. of more than 20% of the enterprise's annual production during the life of the loan. Not applicable.

41. FAA §.620(e)(1). If assistance to the government of a country, extent to which it (including government agencies or subdivisions) has, after January 1, 1962, taken steps to repudiate or nullify contracts or taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U. S. citizens or entities beneficially owned by them without taking appropriate steps to discharge its obligations. Chile has not taken such action.
42. FAA §.620(f); App. § 109. Compliance with prohibitions against assistance to any Communist country. Assistance provided under this loan will not be furnished to any Communist country.
43. FAA §.620(g). Compliance with prohibition against use of assistance to compensate owners for expropriated or nationalized property. Assistance provided by this loan will not be used to compensate for expropriated or nationalized property.
44. FAA §.620(h). Compliance with regulations and procedures adopted to insure against use of assistance in a manner which, contrary to the best interests of the U. S., promotes or assists the foreign aid projects or activities of the Communist-bloc countries. Assistance provided by this loan will not be used in a manner which promotes or assists foreign aid projects or activities of the Communist bloc countries.
45. FAA §.620(i). Existence of determination that the country is engaging in or preparing for aggressive military efforts. Chile is not engaging in such efforts.
46. FAA §.620(i). Information on representation of the country at any international conference when that representation includes the planning of activities involving insurrection or subversion against the U. S. or countries receiving U. S. assistance. There is no information to the effect that Chile has been represented at any international conference when that representation includes the planning of activities involving insurrection or subversion against the United States or countries receiving U.S. assistance.
47. FAA §.620(k). If construction of productive enterprise where aggregate value of assistance to be furnished by U. S. will exceed \$100 million, identification of statutory authority. Not applicable.
48. FAA §.620(l). Consideration which has been given to denying assistance to the government of a country which after December 31, 1966, has failed to institute the investment guaranty program for the specific risks of inconvertibility and expropriation or confiscation. Not applicable--bilateral treaty in force.
49. FAA §.620(n); App. 107(b) and 116. Compliance with prohibition against assistance to countries which traffic or permit trafficking with North Viet-Nam. Chile is not giving assistance to countries which traffic or permit trafficking with North Viet Nam.

50. FAA §.620(o). If country has seized, or imposed any penalty or sanction against, any U. S. fishing vessel on account of its fishing activities in international waters, information on the consideration which has been given to excluding the country from assistance. Not applicable.
51. FAA §.620(q). Existence of default under any Foreign Assistance Act loan to the country. Chile is not in default under any Foreign Assistance Act loan.
52. FAA §.621. Information and conclusion on how the loan in providing technical assistance will utilize to the fullest extent practicable goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs. Substantially all the loan funds will be disbursed through contracts with private, professional and other consulting firms.
53. App. §.102. Compliance with requirement that payments in excess of \$25,000 for architectural and engineering services on any one project be reported to Congress. Obligations of funds in excess of \$25,000 for architectural and engineering services on this project will be reported to Congress.
54. App. §.104. Compliance with bar against funds to pay pensions, etc., for military personnel. Funds will not be used for such purposes.
55. App. §.106. If country attempts to create distinctions because of their race or religion among Americans in granting personal or commercial access or other rights otherwise available to U. S. citizens generally, application which will be made in negotiations of contrary principles as expressed by Congress. No case is known of attempts to create distinctions in the granting of rights to American citizens.
56. App. §.111. Compliance with existing requirements for security clearance of personnel. This requirement will be enforced.
57. App. §.112. Compliance with requirement for approval of contractors and contract terms for capital projects. A.I.D. will approve any firms providing services for the project and financed under the loan and the terms of any contracts under which such services are provided.
58. App. §.114. Compliance with bar against use of funds to pay assessments, etc., of U. N. member. 58. Loan Funds will not be used to make any payment to the UN.
59. App. §.115. Compliance with regulations on employment of U. S. and local personnel for funds obligated after April 30, 1964 (Regulation 7). 59. Funds made available under this loan will not be used for the construction of any facility.
60. App. §.401. Compliance with bar against use of funds for publicity or propaganda purposes within U. S. not heretofore authorized by Congress. 60. Loan funds will not be used for publicity or propaganda purposes within the United States.



DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

UNITED STATES COORDINATOR

ALLIANCE FOR PROGRESS

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AID-DLC/P-568/A Draft

ANNEX IV, Page 1 of 2

LOAN AUTHORIZATION

Provided From: Alliance for Progress Loan Funds
CHILE: Preinvestment and Feasibility Studies

Pursuant to the authority vested in the Deputy U. S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress to the Government of Chile ("Borrower") of not to exceed two million five hundred thousand United States dollars (\$2,500,000) to finance the dollar and escudo costs of preinvestment studies, feasibility studies, and related technical assistance necessary to assist Borrower in its program of improving sector planning and maximizing project identification, this loan to be subject to the following terms and conditions:

1. Interest and Terms of Repayment. Borrower shall repay the Loan to the Agency for International Development ("A.I.D.") in United States dollars within forty (40) years from the first disbursement under the loan, including a grace period of not to exceed ten (10) years. The Borrower shall pay to A.I.D. in United States dollars on the disbursed balance of the loan interest of one (1) percent per annum during the grace period and two and one-half ($2\frac{1}{2}$) percent per annum thereafter.
2. Other Terms and Conditions:
 - (a) Equipment, materials and services (except shipping and marine insurance) financed under the Loan shall have their origin in and be procured from the United States of America or Chile. Shipping financed under the loan shall be procured from the United States, and marine insurance financed under the loan shall be placed in the United States with a company authorized to do marine insurance business in any state of the United States.
 - (b) United States dollars utilized under the loan to finance local costs in Chile shall be made available to the Borrower or its designee through the Special Letter of Credit procedure and shall be used only for procurement in the United States.
 - (c) No more than one million dollars (\$1,000,000) of loan funds may be used to finance local currency costs.

- (d) If satisfactory implementing arrangements are made, up to seven hundred and fifty thousand dollars (\$750,000) of loan funds may be used to finance preinvestment and and feasibility studies for the private sector.
- (e) None of the loan funds may be used to finance Housing and Urban Development studies.
- (f) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.