

PD-ABC-197

CHILE

ADC ANNUAL PORTFOLIO REPORT

CY 1989

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AID/CHILE ANNUAL PROGRESS REVIEW - CY 1989

I. Narrative Overview

The Democratic Initiatives activity is the single most important element in AID/Chile's portfolio, both in terms of appropriated funds and of support to USG interests. The three individual components (civic education, legislative studies center, and AOJ), were obligated in FY89, but in the third quarter rather than the second quarter as targeted in last year's Action Plan. The civic education and AOJ activities are short-term in nature (12 and 18 months respectively). By December 31, 1989, it was clear that these activities would meet their specific objectives. However, more substantial and longer term follow-on programs in these two areas are planned in FY 1990 and FY 1991, respectively. The design work will place a great strain on AID/Chile staff time and substantial outside assistance will be required. We are coordinating with LAC/DI on these requirements. The legislative studies center grant, managed through SUNY-Albany, was planned as a three year, \$1.0 million effort with ambitious institution-building aspects. As discussed in part III below, more resources and additional time may be needed to meet the objectives of this particular activity.

The second major focus of the ADC program in Chile is to increase the social responsiveness of the private sector. In part due to the political turmoil of the election process in 1989, it has been more difficult to complete satisfactory designs for activities in this area than anticipated.

Consequently, some of the new activities envisaged in the 1989 ADC Action Plan did not materialize. For example, we were not able to move ahead with a skills training program built around INACAP, the country's largest vocational training institute recently transferred to the private sector for administration. Skills training and INACAP will continue to be an ADC program interest and our approach for working in this area has evolved to take into account the problems encountered. Planned activities with Fundación Chile for joint venture promotion and with the Concepción Chamber of Commerce and Production have been placed on hold pending resolution of design concerns.

The social interest housing study was presented by the

grantee in November 1989, two months behind the targeted schedule of our 1989 ADC action plan. RHUDO/Quito has been very active in participating in this study and supporting our efforts generally to develop a strategy for future assistance to the housing and urban development sector. Similarly, completion of the WID assistance strategy as well as the design for managing participant training (both originally targeted for first quarter FY 90) will be delayed by about one quarter even though substantial progress has been made.

On the other hand, with the help of the RCO/Quito and the Regional Financial Analyst, we were able to move ahead with obligating a grant to the Catholic University's economics and business administration school to promote improved labor-management practices and human resources in general. Also, consistent with our overall strategy for working with Chile's private sector, we have incorporated the promotion of volunteer services as a specific programmatic objective. In FY 1989 this activity was furthered through two obligations of ITT funds: \$20,000 to the Chile-Washington State Partners to promote the establishment of a junior achievement program and \$100,000 for cost sharing under the PRE PEDS project to help set up, in conjunction with the UN, a private sector project to identify, train, and assist (principally through networking and donated services) new ventures of small and medium entrepreneurs. This latter effort will be carried out by Fundación Chile instead of INACAP as originally considered.

Additionally, during the year, PRE provided technical support with initial design work on our private sector portfolio and assisted a private development bank with its application for \$2.5 million in guaranty coverage for small and medium business lending, scheduled for start-up in early FY 1990. A PRE guaranty fund to the U.S. PVO, Accion International, has supported its Chilean affiliate (PROPESA) in coordination with our grant of \$300,000 in FY 1988 ITT funds.

During the year we have assumed responsibility for providing administrative support to the Program of Science and Technology Cooperation (PSTC) operated by the Office of the A.I.D. Science Advisor. With excellent assistance from the Regional Contracts Office and the Regional Financial Analyst, three new PSTC grants to Chilean universities totalling over \$400,000 allotted to AID/Chile were made. The degree of administrative work required to support these new grants (as well as over \$500,000 in

existing PSTC grants already underway in Chile) exceeded our initial expectations. However, systems are being established to facilitate PSTC workload management and the experience gained should reduce future problems. This unexpected level of activity in Science and Technology underscores the appropriateness of considering an ADC effort in FY 90 with funding from the regional ITT project to promote greater private sector support for the Chilean research community.

II. Summary LAC Financial Table

Functional Account: Private Sector Environment & Energy (PSEE)

Activity Title & Number	FY Initial	FY Final	Total Project	Counterpart	C.Y. Oblig	Cum Oblig	Est Complet	Accrued Exp	Accrued Exp	Pipelin
	Oblig.	Oblig.	Cost	Contrib	Planned	to date	Date	Cumulative	This Rep Year	(obl-Ex)
1. <u>Human Resources Improv.</u> 598-0616-513-01-01	1/	1/	1/	1/	1/	150,000 1/	1/	1/	1/	
2. <u>Environment (WRI)</u> 598-0616-513-03-02	89	92	1,000,000	500,000	150,000	99,845	9/30/93	71,492	71,492	28,353
3. <u>Social Interest Housing</u> 598-0616-513-06-01	89	89	30,000	16,000	0	30,000	11/30/89	30,000	30,000	0
4. <u>Small & Medium Business</u> 598-0616-513-07										
Accion Micro Enterprise Development 598-0616-513-07-01	88	88	300,000	500,000	0	300,000	12/31/91	141,097	141,097	158,903
Community Based Enterprise Study (FINAM) 598-0616-513-07-02	89	89	20,000	5,000	0	20,000	5/31/91	10,920	10,920	9,080
5. <u>Volunteer Service Promotion</u> <u>(Partners)</u> 598-0616-513-02-02.C	89	89	20,000	0	0	20,000	9/30/90	7,330	7,330	12,670

6. <u>Democratic Initiatives</u> (See also ESF)										
Civic Education 2/ 598-0591-3-9655304	89	89	470,000	0	0	470,000	6/30/90	285,327	285,327	184,673
Legislative Studies Center 2/ 598-0777-3-9655940	89	92	1,000,000	718,260	500,000	500,000	6/30/92	197,500	197,500	302,500

1/ All info of this activity in portion obligated under EHR Account
 2/ Funds not allotted to Mission

Functional Account: Education, Human Resources Development (EHR)

Activity Title & Number	FY Initial	FY Final	Total Project	Counterpart	C.Y. Oblig	Cum Oblig	Est Complet	Accrued Exp	Accrued Exp	Pipelin
	Oblig.	Oblig.	Cost	Contrib	Planned	to date	Date	Cumulative	This Rep Year	(obl-Ex)
1. <u>Human Resource Mgt Improv</u> 598-0616-513-01-01 (see also PSEE)	89	91	700,000	525,000	200,000	200,000 ^{1/}	8/31/92	0	0	200,000
2. <u>Volunteer Sev. Promotion</u> 598-0616-513-02										
PRE-PEDS buy in for EMPRETEC 598-0616-513-02-01.A	89	91	^{100,000} 150,000 ^{2/}	327,800	20,000	100,000	9/30/92	0	0	100,000
Invit. Travel to Montevideo (Cofre) 598-0616-513-02-01.B	89	89	1,027	0	0	1,027	5/12/89	1,027	1,027	0
Ivit. Travel to Montevideo (Díaz) 598-0616-513-02-01.C	89	89	1,125	0	0	1,125	8/12/89	1,125	1,125	0
Invit. Travel to Cali (Conc.Ch of C.) 598-0616-513-02-02.A	89	89	8,168	0	0	8,166	6/25/89	8,154	8,154	12
Invit. Travel to Seattle (Larrain) 598-0616-513-02-02.B	89	89	3,500	0	0	3,500	9/20/89	3,500	3,500	0
3. <u>Environment T/A (EPA)</u> 598-0616-513-03-01	89	89	3,389	0	0	3,389	8/5/89	3,389	3,389	0
4. <u>ICT Opportunities Assessment</u> 598-0616-513-04-01	89	89	2,275	0	0	2,275	3/31/90	1,700	1,700	575
5. <u>Democratic Init. (Civic Edu)</u> 598-0616-513-05-01	89	89	515	0	0	515	2/9/89	515	515	0

^{1/} Additional \$150,000 obligated under PSEE in FY 89

^{2/} Does not include about \$80,000 in PRE-PEDS Cost Sharing

Function Account: Economic Support Fund (ESF)

Activity Title & Number	FY Initial Oblig.	FY Final Oblig.	Total Project Cost	Counterpart Contrib	C.Y. Oblig Planned	Cum Oblig to date	Est Complet Date	Accrued Exp Cumulative	Accrued Exp This Rep Year	Pipelin (obl-Ex
1. <u>Democratic Initiatives</u> 598-0642.20										
Administration of Justice (CPU) 513-598-0642-3-90006	89	89	200,000	66,906	0	200,000	9/30/90	72,267	72,267	127,733
Assistance to Inst. for Judicial Studies	89	89	2,000	0	0	2,000	11/30/89	2,000	2,000	0

Program in Science and Technology Cooperation

	FY Initial	FY Final	Total Project	Counterpart	C.Y. Oblig	Cum Oblig	Est Complet	Accrued Exp	Accrued Exp	Pipeline
	Oblig.	Oblig.	Cost	Contrib	Planned	to date	Date	Cumulative	This Rep Year	(obl-Exp)
Schlarification of Lignecellosoic Matrials by Brown-Rot Fungi- Proposal 7.079	88	88	145,800	0	0	145,800	8/31/91	85,260	85,260	60,540
Bases for the Separation of Light & Dark Tissue from Pelagic Fish-Proposal 7.334	88	88	20,000	0	0	20,000	8/28/90	12,900	12,900	7,100
Gene Expression of Thermotolerance and Injury Resistance in Underused Trees Prosopis Chilencis Araucaria- Proposal 7.068	88	88	149,820	0	0	149,820	8/31/91	94,790	94,790	55,030
Role of Hydorzamil Acids in Cereal Aphid Interactions- Proposal 7.404	88	88	149,000	0	0	149,000	8/31/91	125,300	125,300	23,700
Utilization of Hydorcarbon Producing Plants Native in Arid Zones-Proposal 8.051	88	89	40,666	0	0	40,666	6/30/90	37,245	37,245	3,421
Evaluation of Gen. Stability& Pot of a Low Alkaloid Strain of Tarwi Proposal 9.386 513-936-5542.17-3-90008 *	89	89	106,150	0	0	106,150	12/31/92	16,780	16,780	89,370
In Vitro Propagation & Improv. of Fruit Spec with Econ. Potential in S. Arid zones Proposal 8.007 513-936-5542.17-3-90009 *	89	89	148,000	0	0	148,000	12/31/92	26,121	26,121	121,879
Salmonella Typhi Porins in the Control of Typhoid Fever Proposal 6.537 513-936-5542.17-3-90010 *	89	89	150,000	0	0	150,000	12/31/92	35,002	35,002	114,998

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Allotted to Mission for obligation and disbursement

III. ITT Activity Narratives - PSEE

A. Activity Data:

Title: Micro-enterprise Promotion

Nº: 598-0616-513-07-01

Estimated Completion: December 31, 1991

Implementing Agency: Accion International through its
local affiliate, PROPESA

B. Purpose: To establish a new system within Chile's private sector for channelling credit and technical assistance to the micro and small scale business sector. The program is targeted to benefit 3,400 micro-enterprises in three years.

C. Status: This \$300,000 grant was signed in September 1988 as one of the first activities under the ADC program in Chile. Accion's local affiliate, PROPESA, was legally established in March of 1988 by a group of leading businessmen who provided start-up capital. A resident advisor was provided by Accion and lending operations began in November, 1988. The A.I.D. grant is to help cover start up operational and training costs until earnings from loan portfolio are sufficient to cover these costs. No A.I.D. grant funds are being used for credit.

The activity is proceeding as planned with no implementation problems. As of December 31, 1989, after slightly over one year of lending activity, PROPESA's portfolio was almost the equivalent of \$200,000, representing loans to some 540 micro-enterprises. The delinquency rate (i.e., value of overdue payments compared to total portfolio) was running at acceptable levels of around 5.5 to 6.5 percent. During the year, PROPESA had to initiate loan recovery action against only 12 of its clients.

A number of institutional strengthening activities were carried out during the year with PROPESA staff attending workshops in other countries and technical advisors from outside Chile providing on-the-job training to PROPESA staff. The Accion network of similar institutions in Latin America has been very useful in arranging for these events. PROPESA's institutional structure evolved during the year with the gradual establishment of three management units: operations; administration and finance; and institutional development. Perhaps the most important

institutional aspect is the increasing involvement and support of PROPESA's Board of Directors - all high level business leaders. It is clear that their attitude has changed from one of cautious optimism and a go slow mode to one of greater confidence in PROPESA's methodology and recognition of the need for PROPESA to move into a high growth mode.

PROPESA's Board of Directors has helped raise approximately \$200,000 equivalent in local contribution to date (about \$155,000 equivalent in cash and the balance in in-kind support of computers and legal, audit, and publicity services). PROPESA has also obtained the following external grants during the year:

- \$40,000 from Ford Foundation for fund raising activities;
- \$64,000 from Fundación Andes for a reference library and training center; and
- \$18,000 from the Tinker Foundation for staff training and interchanges with neighboring countries.

In addition to the \$300,000 A.I.D. grant, Accion is using \$300,000 of its guaranty authority from the PRE Bureau to help provide collateral for local currency loans from Chilean banks. Some \$120,000 of this amount has been pledged for loans from local banks. During 1990 PROPESA will be seeking resources from IDB and other external donors to permit rapid expansion of its portfolio based on the sound institutional and financial infrastructure being established with the A.I.D. seed capital.

Accion still anticipates that PROPESA will achieve financial self-sufficiency by the end of the three year A.I.D. grant. In addition to increased portfolio levels, PROPESA will improve its cost-effectiveness by using a solidarity group lending approach for its smaller clients. Further administrative efficiencies are expected as PROPESA's existing client base improves its credit capacity as a result of technical assistance and successful application of working capital credit and becomes more confident about borrowing larger amounts to cover fixed capital needs.

PROPESA's promotional activities during the year have duly noted the A.I.D. assistance being provided. Its stand at Chile's major industrial fair (FISA) was extremely

effective in promoting contacts with potential micro-enterprise clients as well as developing a wider appreciation of PROPESA's achievements among potential donors in the business community. PROPESA (and A.I.D.) also received ample coverage for its mid-November "Micro-entrepreneur's Day" during which 50 of PROPESA's most successful and innovative clients were honored by PROPESA's Board of Directors and staff. PROPESA's micro-entrepreneur of the year was a woman. Approximately 30 percent of PROPESA's clients to date have been women. This level is expected to increase as PROPESA develops its "solidarity" group lending program during 1990 to micro-commercial activities.

III. ITT Activity Narratives -PSEE

A. Activity Data

Title: Environment Awareness and Planning

Number: 598-0616-513-03

Estimated Completion: September 31, 1992

Implementing Agency: World Resources Institute
through its Center for
International Development and
Environment (CIDE)

B. Purpose: To foster the development of an environment and natural resources management strategy for Chile. This activity is the first of a series of buy-ins to the S&T/FENR EPM Project to augment AID/Chile's technical and administrative capacity to contribute selectively and usefully towards resolving Chile's myriad of environmental problems.

Initial efforts will emphasize diagnosis, public awareness generation, and consensus building among Chile's business community that studied actions must be taken to bring about the sustainability of Chile's economic model. In FY 90/91 support will be added for planning and selective institutional strengthening of local NGO's as well as the public sector. Subactivities that build linkages with a variety of US organizations will be favored, particularly those that represent potential funding sources for Chilean environmental organizations. In future years, promising low-cost pilot interventions may be added.

CIDE's Washington, D.C. base will facilitate coordination with IDB and IBRD plans for future environmental investment in Chile as well as contact with the U.S. and international environmental community. Through CIDE and WRI, the activity will be able to help the incoming GOC administration to lay the groundwork for a balanced, long term environmental strategy. By the final year of the four year transitional government, the emerging environmental strategy should enjoy a broad base of public consensus and support.

C. Status: The FY 89 buy-in of \$99,845 was completed in mid CY 1989 in time to permit support of the "Third Scientific Encounter on the Environment" organized by CIPMA, the leading Chilean PVO dedicated to the study of environmental issues. This third meeting (the previous ones were held in 1986 and 1983) was held in Concepción during the first week of August and attracted over 400

Chilean scientists, environmentalists, and representatives of local NGO's, the private sector, and government officials. CIPMA also received support from the major national and multinational firms, the Chilean Academy of Science, ECLA, the Conservation Foundation and the Interamerican Foundation.

This major event also attracted the participation of the Presidential candidates Patricio Aylwin and Hernan Buchi where they met face to face for the first time to explain publicly their respective platforms on environmental matters. This was an important contribution towards increasing public awareness of environmental concerns and placing them on the agenda of the in-coming administration. The consensus building on problem priority areas and information sharing among local PVO's was also an important achievement of the "encounter." Approximately \$46,000 of the A.I.D. funds were used for direct support to this event, including \$4,000 for Chile-Washington State sponsorship of a conference display of a local PVO involved in pesticide management and \$2,000 to permit participation of Chilean botanists in a subsidiary event that included bio-diversification issues.

A team of six persons was organized to participate in the conference and to identify an appropriate A.I.D. role during the democratic transition period. The team included the Director for Environmental Planning and Management of CIDE, the S&T/FENR EPM project manager, the Regional A.I.D. Environmental Officer, a Chilean specialist on environmental law, and an Ecuadorean natural resources/park management expert. With separate EHR funding (\$3,389), an EPA specialist in air pollution monitoring (subactivity 01) was included to assess possible training and human resources development needs in this area.

Finally, about \$ 16,000 were provided to the Institute of Urban Studies of the Catholic University to help edit and publish a detailed national map depicting priority environmental problems of Chile as determined through the gathering and assessment of expert opinions. The environmental atlas will be published by April, 1990, and will be widely disseminated. Already there is a strong demand for the atlas from the newly elected members of Chile's Congress.

III. ITT Activity Narrative - PSEE

A. Activity Data:

Title: Housing Finance/Informal Sector Study

Nº: 598-0616-513-06-01

Estimated Completion: Original-September 30, 1989

Revised-November 30, 1989

Implementing Agency: The Institute of Housing of
CARITAS (INVICA)

B. Purpose: To support the on-going program of the major Chilean cooperative housing institutions to learn more about Chile's informal housing sub-sector and how best to access the financial resources being guaranteed by Chile's capital markets for the needs of social interest housing.

C. Status: The study activity encountered several minor problems that resulted in a two month extension of the grant. The principal cause was the unexpected unavailability of a key counterpart of the study team during August who was to explore the possibility of commercial repurchase of old mortgages under the A.I.D. HG program of the 1970's.

A massive amount of material was gathered and presented by the study team. Accordingly, the report was unwieldy and difficult to use. Nevertheless, the study identified a wide array of recommendations, some of which could involve significant institutional innovations in the GOC's low-income home finance mechanisms. Because of the complexity of the issues involved and the uncertainty of possible revisions in policy emphasis of a new GOC administration, a clear strategy for follow-on A.I.D. HG assistance did not readily emerge from the study. RHUDO/Quito has been very active in supporting these efforts and we expect to continue to be able to draw on such support during the next several months for further strategy development.

Although a study acceptable for A.I.D.'s immediate needs has been completed, the grantee is committed to continue to edit and revise the document with its own resources in order to produce a report more useful for dialoguing with the incoming housing authorities. This effort will also be useful as AID/Chile and RHUDO/Quito continue our project development efforts for a \$5 million follow-on HG this year for the housing cooperative movement.

III. ITT Activity

- A. Title: Community Based Enterprises Study
Nº: P.O. 513-598-0616-0-00-9089-00
Estimated Completion: May 31, 1990
Implementing Agency: Purchase Order to Dra. Lucia Pardo
- B. Purpose: To provide an annotated registry of institutions and entities that give assistance to low-income (barrio-level) people involved in manufacturing potentially marketable products. The newly formed Chilean affiliate (FINAM) of Women's World Banking in New York approached A.I.D. for assistance in reaching barrio-level women for a credit guarantee program. Dra. Lucia Pardo of the University of Chile, was retained via a purchase order to perform a community based enterprises study.
- C. Status: The purchase order was signed in September 1989. The study was designed to respond to FINAM's information needs on institutions involved in providing the following services: capital financing; education or training in accounting, business administration, marketing and/or sales; and promotion of small enterprises. It was also decided that Dra. Pardo would provide orientation and training on the business needs of this level of enterprise to an associate of FINAM.

Field work data collection was to have started before December. However, as this was also the time of the first congressional and presidential elections in Chile in 17 years, people in the barrios were suspicious of outsiders coming to ask questions. Therefore, field work/data collection was postponed until January 1990. Dra. Pardo believes the study will nevertheless be finished by the completion date, despite the delay.

III. ITT Activity Narrative - EHR & PSEE

A. Activity Data:

Title: Human Resource Management Improvement

Nº: 598-0616-513-01-01

Estimated Completion: August 31, 1992

Implementing Agency: The Studies Foundation of the Faculty of Administrative and Economic Sciences of Catholic University of Chile (UC).

B. Purpose: To assist Chile's business sector meet pent-up and increased labor demands upon the return to full democracy through the modernization of the human relations practices of Chilean companies. By promoting sound "people oriented" management approaches, the activity will contribute towards greater worker satisfaction and productivity, increased innovation, and a reduced level of conflict between management and labor. The activity has four components: (1) faculty exchanges, training, and educational materials acquisition; (2) expansion of university outreach to the business community; (3) research related to the application of modern human relations practices and to labor economics; and (4) program administration, including evaluation.

C. Status: The grant agreement was signed on August 30, 1989 by the Regional Contracts Officer. The activity immediately faced minor difficulties when the individual previously identified as the leading candidate program director did not accept the contract terms offered (i.e., salary level consistent with UC's established salary scale with the condition of full time dedication to the program). About three months of important start-up time were lost during this negotiation process, the search for other qualified candidates, and different views within UC on alternatives for program management. At least three other candidates from outside UC were considered and unsuccessfully approached for the position of program director. Eventually, it was decided to manage the program on a trial basis with existing UC staff, dividing up responsibilities and using a small committee structure for coordination and oversight.

The program's key component - expansion of university outreach to the business community through workshops and seminars for managers and a diploma program for personnel administrators - will be directed by the head of UC's

evening MBA program. UC is committed to relieve him of his current duties to devote full-time to this activity.

During October and November, 1989, several important events were held to promote this program among business leaders, including a meeting with the U.S. business community at the Ambassador's residence. Union leaders were also approached by UC in order to explain the focus and intent of the program.

Design of the diploma program and the initial seminars will be completed during the first quarter of CY 1990. A formal program review will be held during the last quarter of CY 1990, during which a determination on the adequacy of the current structure for program management will be made, with corresponding adjustments in budget distribution. It is very probable, however, that a no-cost four month extension will be needed so that the activity can run through December, 1992, consistent with the calendar cycle (April-December) currently envisaged for the diploma program.

Note: The initial year of activity was funded from two accounts: EHR and PSEE. Funding increments in FY 1990 and FY 1991 are planned from the EHR account.

III. ITT Activity Narrative - EHR & PSEE

A. Activity Data:

Title: Development of Volunteer Services

Nº: 598-0616-513-02

Estimated Completion: June 30, 1992

Implementing Agency: Various private sector entities

B. Purpose: To increase the voluntary participation of the private business sector in actions and programs that make a useful contribution to Chile's development. This activity will cluster an array of differing components or subactivities that will vary widely in cost and duration depending on the opportunities presented. Some components may spin off a new, separate activity for A.I.D. funding. Some may achieve the introduction of a new, private business sector volunteer service without the need for further A.I.D. inputs. And some, undoubtedly, will have no visible immediate impact. The idea is to learn what works in this area in Chile by trying different approaches over the fiscal years 1989, 90, and 91. By then, an ample range of approaches and local institutions will have been tested during this start-up phase of the Chile ADC program. Selection criteria are flexible and take into account: the potential impact and scale of replicability given the nature of the local institution, the cost of the activity, potential for future linkages with U.S. organizations/technology, etc., and potential for possible regional relevance (e.g., if done successfully in Chile will it facilitate replication in other LAC countries?), and doability (e.g., reliability and capacity of local entity and nature and level of A.I.D. administrative documentation and oversight required).

Approximately 10-12 subactivities will be implemented under this activity. To date, the three subactivities described below have been financed with ITT funds.

C. Activity Status

(1) Entrepreneurship Training (\$102,152) - This subactivity will develop a Chilean capacity in the private sector to identify, train, and motivate individuals having the entrepreneurial traits necessary for successful expansion of their small and medium scale business or initiation of new endeavors. The bulk of the ITT funds

were obligated in the fourth quarter of FY 89 through a \$100,000 buy-in to the PRE PEDS subactivity project to secure the training services of the U.S. consulting firm MSI. In addition, about \$80,000 are being provided by core financing under the PEDS project. The \$2,152 balance of ITT funding was used to help cover the cost of attendance of two Chilean businesswomen at a training course being held by MSI in Uruguay under the auspices of the EMPRETEC program of the United Nations Center for Transnational Corporations.

During 1989 AID/Chile approached the UN to inquire about the possibility of initiating an EMPRETEC program in conjunction with this subactivity. The response was positive, although by December 31, 1989, the UN still did not have its resources in place to assure financing the costs of the program. Also, during the year it was necessary to change the lead implementing entity. AID/Chile had originally selected INACAP, a post secondary technical skills training institute recently turned over to the Chilean private sector, as the local counterpart for MSI's in-country training. Subsequently, several short-comings (complicated by poor internal management-union relations) in INACAP's ability to attract the appropriate level of local instructors and to mobilize the follow-on voluntary support of the business community became apparent. At the suggestion of the Confederation of Production and Commerce (which essentially determines INACAP's Board of Director), and with the consensus of the UN and A.I.D., Fundación Chile agreed to become the lead private sector entity. However, the slowness in obtaining UN's financial commitment and the need to change lead entities has delayed the two year program about nine months.

In any event, the delay has resulted in much improved design. With the A.I.D. financing, MSI will now be working with very high quality Chilean instructors. The UN's EMPRETEC program will be combined with A.I.D.'s training of local instructors and will finance a local program director, coordinate support services from MSI, link with EMPRETEC programs in Argentina, Uruguay and Brazil, as well as promote active voluntary support services from the Chilean business community, consistent with the EMPRETEC methodology. Fundación Chile's involvement as the lead entity will not only provide strong local management but will add prestige to the program. The subactivity will result in a permanent, on-going program supported by Chilean business through financial contributions and, most importantly, through

free follow-on advisory services to the local participants in the short-term (two week) in-country training courses organized and offered by Fundación Chile as a result of this AID/EMPRETEC joint venture.

2. Concepción Chamber of Commerce (\$11,668) - This subactivity is with the Chamber of Production and Commerce of Chile's second largest industrial city, Concepción. Historically, the area is noted for sharp clashes between workers and business. Among other things, the Chamber currently runs five technical high schools through its non profit development corporation. The activities financed by A.I.D. involved invitational travel for the Director and staff of the Chamber's development corporation to foster greater support and consensus within the Chamber for involvement in assistance programs for small and medium enterprise.

Based on the recommendations of the Center for International Private Enterprise (CIPE), which is working with the Chamber, four directors and two staff were sent to Cali, Colombia for one week to observe the social interest programs of the Chamber in Cali (at a cost of \$8,168). Also, the general manager of the Chamber was sent to Washington, D.C., Colorado Springs, and Seattle to observe SBA's SCORE program, and meet with officials of Junior Achievement and Washington State Partners.

The final results of these efforts are still uncertain. In retrospect, it is now clear that the business leaders involved in the Chamber's operations were not prepared to make any decision or commitment before the results of the December Presidential elections. Whether or not the Chamber in Concepción becomes active in social programs in the immediate future, their leaders have been exposed to counterparts in Colombia and the U.S. who are energetically pursuing locally important programs. The responsibility is now clearly up to the Chamber; AID/Chile plans no further initiative with the Chamber in Concepción until approached.

3. Junior Achievement (\$20,000) - With the assistance of the RCO in Quito a grant was made in September, 1989 to the local Chile-Washington State Partners (CWSP) program to support its institutional capacity to analyze and promote the possibility of implementing a Junior Achievement program in Chile. This possibility, after 16 years of military regime during which most businesses have become reluctant to become involved in voluntary programs, is an excellent challenge for the Partners' program.

During the first three months of the one year subactivity, a program director has been hired, the initial disbursement processed, a short-term Chilean consultant identified, and plans made for an exchange visit to Chile by individuals active in Washington State Partners. No implementing problems have been observed.

III. Narratives by Functional Account (ESF)

- A. Title: Administration of Justice
Nº: 513-598-0642-A-00-9057-00
Estimated Completion: Sept. 30, 1990
Implementing Agency: Corporación de Promoción
Universitaria (CPU), Chilean NGO
- B. Purpose: The purpose of the grant is to lay out the judicial issues for justices, academics and other legal professionals to build for and arrive at a consensus for reform and change under a democratically elected government. The last 16 years of military rule have taken a toll on the formerly independent judiciary of Chile. Justices' careers have suffered for pursuing human rights violations, and military courts have assumed jurisdiction over some civilian crimes (libeling the President, for example). However, a group of justices, lawyers and academics have fought against erosion of the civilian justice system and pressed the Embassy to help finance the development of programs to strengthen professionalism and to underscore the importance of an independent judiciary.
- C. Status: The eighteen month activity is over half finished and on track with no major implementation problems. All start-up and organizing activities, (e.g., naming executive oversight committee, staffing and entering into a collaborative agreement with the Association of Magistrates and the Institute of Judicial Studies) were accomplished in good time.

Major outputs can be divided into three types of activities: studies, judicial training and Court Administration. Keeping in mind that the goal is to raise consciousness levels directed at reform, it is interesting to note that the Supreme Court President became aware of the project and agreed to travel to the U.S. (under a USIS IV grant) specially to view U.S. court administration practices.

Training seminars for justices and lawyers and academicians have been held on "Reforms to the Civil Code," and on "Chilean Judicial Power and the Protection of Human Rights: Current Situation and Proposals for Change." The Institute of Judicial Studies has received and distributed three sets of papers for their judicial correspondence courses on such topics as "Reflections about State Power and

Judicial Power." "The Ombudsman: Defender of the People and the Judiciary," and "The Creation of Rights for Justices."

This Post drew on the regional resources of LAC/DI to acquire the TA services of Robert Page, a Spanish speaking specialist in court administration under the Checchi contract. This was the area giving the CPU team the most conceptual problems. DI and Checchi reacted quickly to our request, and Page's TA and ideas were well received and provided an excellent basis for focusing on the administrative problems of the courts. By December, we had a project design from CPU for this remaining area of the grant, improvement in administration of the courts.

Clearly, a \$200,000, eighteen month project is not going to revolutionize a justice system. However, this bit of seed money has renewed, encouraged and strengthened those wishing to reinstitute a modern, independent judiciary in Chile. We find this an appropriate role for an ADC program. The ground work is being laid now for future consensus building within the new government. The new Justice Minister of the democratically elected Aylwin government, Francisco Cumplido, is a close associate of CPU and was briefed in early January 1990 on the project. He expressed interest and requested that he receive copies of project studies and papers and be updated on project activities.

The consensus developed during this project will provide an excellent basis for an AOJ action program that can be worked out with the Ministry of Justice and various interested parties (CPU, Institute of Judicial Studies, Law Schools and the Association of Magistrates). Accordingly, we anticipate drawing on the LAC/Checchi contract for a design effort in September, anticipating an early FY 91 authorization. This will be discussed further during the visit of the LAC/DI director scheduled for mid March 1990.

IV. Participant Training

A. Amount budgeted - \$100,000

B. Actual Training Activities and Cost - see chart at the end of section

C. Total number of trainees -- 10: 3 women, 7 men; 0 academic, 10 technical.

D. Status - Funds for the training program were allotted in May 1989. The first year efforts were aimed at getting some experience in vocational education, and laying the groundwork for the new ADC training program authorized in August 1989. The program for Chile will focus on upgrading or updating the abilities of technical trainers and vocational education instructors/administrators leading to increased productivity (and earnings) of the Chilean labor force. A.I.D. will attempt to involve the Chilean private sector in its vocational training activities.

Of the ten Chilean participants sent to the United States for training, a group of six were vocational education teachers from the city of Concepción, the second largest city in Chile. They went to the State of Washington to study that state's technical education system. Three participants studied labor-related subjects, and one studied Health Maintenance Organization management.

A \$33,500 dollar grant to the Binational Center (BNC) was awarded in September 1989 to provide local administrative support for the new ADC training program. BNC's status as an indigenous PVO was confirmed by the FVA Bureau on September 1989. By December 1989, the Student Advisor of the center had been identified as supervisor of the program and plans were made for a January 1990 orientation visit to the United States to learn A.I.D. procedures and to visit some potential vocational education placement sites.

An annotated study of technical professional education in Chile was contracted for completion in January 1990. It is envisioned that the study will serve as a road map of vocational institutions from which to draw faculty for U.S. training. Also an application form has been designed which has gone through a first testing.

E. Issues to be Resolved - The primary obstacle to the program is the method of obligation. We had proposed a buy-in (Santiago 12919 dated 12/19/89) to the OIT contract with PIET. Since then we have been advised (State 025532) of the impracticality of using the OIT buy-in mechanism, particularly given the uncertainties for funding levels of the ADC training program in Chile. We are presently looking for ways to resolve this issue.

F. Other Training Activities - We have received several requests to facilitate TCT for other LAC missions, which we are attempting to do on an ad-hoc basis. When OIT's Ethel Brooks was in country, we raised this situation. She agreed that Chile seemed a prime candidate for some Spanish-language university graduate level training given the number and diversity of its educational and training institutions, the high literacy of its population and its economic stability.

As a first step in setting up a TCT program, we have contracted a survey of Chilean training institutions which will include a mini catalog of developmentally - relevant course offerings. The contract will finish in March 1990.

V. Other LAC Activities

A. Title: PARTICIPA - Civic Education
Estimated Completion Date: April 30, 1990
Implementing Agency: Interamerican Human Rights
Institute (IIDH) through their
Center for Electoral Assistance
and Promotion (CAPEL)

B. Purpose: The purpose of the PARTICIPA project is twofold: 1) to further the democratic transition in Chile through a non-partisan voter education program for the December 1989 elections, and 2) to institutionalize a civic education capacity in country. Recognizing that Chileans had not elected a government in 15 years, and that some 67 percent of Chileans are under 36 years of age and had never had the opportunity to vote, PARTICIPA was formed to promote civic education and participation for a return to democracy. PARTICIPA is a non-partisan entity organized originally to conduct the 1988 Citizen Participation Crusade (Cruzada de la Participación Ciudadana) which actively promoted voter registration for the October 1988 plebiscite.

C. Status: The first project purpose was essentially achieved by the December 1989 elections.

At the time, PARTICIPA had superseded all numerically set goals: they planned to train 300 civic education volunteers, in actuality 900 were trained; they planned to contact 30,000 public opinion leaders, in actuality they contacted 54,850; they planned to reach 300,000 citizens, in fact they made direct contact with 790,000. They also reached, by radio, an untold number of potential voters.

Additionally, with funding from the German Naumann Foundation, PARTICIPA trained 115,000 election officials and 130 communications experts on how to cover democratic elections.

The second objective, to institutionalize a civic education capacity in Chile, has certainly had a good start. However, as one election does not a democracy make, neither does one (albeit successful) voter education campaign institutionalize a civic education capacity in an entire country. Much more remains to be done in educating Chileans about the rights and responsibilities of living within a democratic society and making it work. Chilean women, who are hesitant to assume positions of primary responsibility and

political power, and young people, who have never lived in a democracy before, require education to prepare them to assume active participatory roles in their country's governance.

Additionally, it appears that Chile's democracy will soon extend to popular election of mayors and local government officials. This will necessitate another civic education effort reaching beyond the high-density population centers, where the earlier campaigns focused, to some of the outlying cities.

While the above are not viewed as implementation problems, they are areas to be addressed in the upcoming bridge grant planned for April until November 1990 and for a new longer-term project planned for December 1990.

It should be noted that approximately \$515 of EHR under the ITT allotment monies was used to share the costs of sending the PARTICIPA director to Washington to consult with LAC/DI on project development.

V. Other LAC Activities

A. Activity Data

Name: Legislative Research and Assistance Center
(CEAL)

Nº: Cooperative Agreement LAC-0777-A-00-9022-00

Estimated Completion: June 30, 1992

Implementing Agency: State University of New York
(SUNY) at Albany and Catholic
University of Valparaiso (UC-V)

B. Purpose: The purpose of this cooperative agreement is two-fold: 1) to develop a national nonpartisan, university-based center for legislative research and assistance and 2) to provide research, training and consulting services to the Chilean Congress during the period 1989-91.

C. Status: To create a completely new institution during a change-over from a military dictatorship to a democratically elected government, and to try to offer advice and services to the first elected congress in 16 years, with one million dollars during three years time, is an ambitious undertaking. The cooperative agreement for this three year project was signed in June, 1989 by AID/W. SUNY/Albany signed its subagreement with UC-V on June 5, 1989. CEAL was formally inaugurated on August 18, 1989, in a ceremony with outside speakers from Spain, Brazil, Uruguay and the U.S. The Ambassador, USIS, PAO and the A.I.D. Representative attended the inauguration.

By September CEAL had established its working facilities in Valparaiso and had prepared a draft first year work plan. The Regional Financial Analyst reviewed CEAL's financial management procedures during October 1989 and made several recommendations that were subsequently implemented.

In part, due to the political turmoil of the September-December Presidential and Congressional campaigns, CEAL was not able to make much headway in establishing itself as an authoritative source of legislative support. The public debate among political candidates and subsequently, among elected senators and congressmen, further clouded the ability of CEAL to move ahead. Also in December, two of CEAL's key staff resigned - one for health reasons and one to take a position with the new GOC administration. Additionally, and perhaps in part because of these difficulties, SUNY/Albany

reconsidered and reprogrammed the seven months short-term TDY assistance of its principal advisor to CEAL as envisaged in its proposal to A.I.D.

Despite these setbacks, some progress was made in implementing the work plan. Chilean consultants have been retained for the various diagnostic studies. Two people have been sent to SUNY/A for MPA training with specialty in legislative management (one was financed by USIS/LASPAU). However, one is having trouble mastering English sufficiently to commence his degree training. This problem is being resolved at no cost to the project i.e., family will pay another semester of language training. Through newspaper ads, a country-wide contest is being conducted for a third candidate. AID/Chile will insist on sufficient TOEFEL scores.

In December we were able to send one of the CEAL Fellows to the Miami International Conference on the Problems of Fraud and Corruption in Government under the auspices of the LAC/RFMI project with two people from the Chilean Controller General. It may be possible to develop ethics briefing materials for Chilean legislators and staff sometime in the future.

Clearly, this activity is not without its share of implementation problems. However, prospects for corrective measures are good. The rector of UC-V has assumed the responsibilities as CEAL Director and intends to resign as rector during the first half of 1990 to dedicate himself full-time to CEAL. CEAL successfully organized and held a seminar in early January 1990 on the legislative process in Chile. Attendance by key political figures from the various parties helped with CEAL's image. Arrangements are being made for a LAC/DI TDY in March during which there will be an opportunity to meet with CEAL and SUNY/Albany representatives to review this activity in depth. Further Mission thought on appropriate corrective measures will be raised at that time.

V. Other LAC Activities

A. Activity Data:

Title: Latin American Education Information
Documentation Network (REDUC)

Nº: LAC 0635-A-00-5025-00

Estimated Completion: September 30, 1989

Implementing Agency: Center for Investigation and
Development of Education (CIDE)

B. Purpose: To establish an automated information and documentation center for Latin American public and private research centers specializing in the education sector.

C. Status: This approximately \$1.0 million LAC/DR/EST activity was initiated in FY 1985 and came to a close on September 30, 1989. A final report and a book about REDUC will be completed in March 1990, by CIDE, a Chilean NGO. Under the project, CIDE furthered collaborative relationships and the exchange of information among 23 associated centers in 17 LAC countries. A.I.D. financed information management systems were installed in CIDE and associated centers in Brazil, Bolivia, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Paraguay, and Panama (assistance for Panama terminated in December 1987). The information management technology currently being used is based on personal computers and Micro-Fiche. However, CIDE is researching the use of CD ROM for REDUC. CIDE and its associated members are attempting to find ways to continue its services through the establishment of an international PVO that can operate throughout Latin America. Financing is being sought from Italy and some continuation of support from Canada is expected. The mixed public/private nature of the institutions in the network is creating difficulties in the formulation of an appropriate structure.

AID/Chile has pointed out the potential resource REDUC represents for state of the art assessments in the education sector vis-a-vis the LAC EHRTS project as well as REDUC's usefulness as an operating information center in regard to Mission service questions raised by the A.I.D. Center for Information and Development Information (CDIE) (Santiago 00896 and Santiago 01061 of January 1990). AID/Chile continues to recommend that LAC reconsider how best to integrate REDUC and the institutional capacity developed in CIDE into its educational sector efforts.

VI. Non-LAC Activities/Programs

A. Private Sector Cooperative Housing Guaranty Program - 513-HG-008

This \$5.0 million Housing Guaranty operation was approved in FY 1988 under PRE/H \$35 million worldwide private sector HG program. The purpose was to provide financial support to private housing cooperations, which remained as democratically functioning institutions in Chile. Under the program, COVIP, a coalition of cooperative housing institutions, and the Chamber of Construction's social interest housing entity borrowed \$5.0 million of working capital from Citibank through a currency swap transaction effected in July, 1988. The initial period of the loan is for two years, with a two year renewal envisaged.

Initial projections were to complete in four years a minimum of 2,000 units eligible for the GOC's low income housing subsidy and local long term mortgage financing. The local counterpart is \$500,000 equivalent in local currency and \$250,000 in a local currency bank line of credit.

As of December 31, 1989, the proceeds of the guaranteed loan had been fully disbursed and over \$1.2 million had been repaid into the custody account and reutilized for second round disbursements. Some 644 homes have been occupied with another 476 under construction. By the end of the four year activity, it is now expected that over 3,000 units will have been completed and sold, substantially exceeding program targets because of the quick turnaround capacity of COVIP's member institutions. To date, 90 percent of the units completed or underway have been located in the greater Santiago metropolitan area.

During 1989, a number of minor implementation problems were encountered concerning the interpretation of the legal documents and the design of the reporting system. RHUDO/Quito provided substantial TDY assistance throughout the period to address these concerns. A program evaluation is being made by RHUDO during the first quarter of FY 1990. Arrangements were made for an outside consultant provided under the LAC/PS project with ISTI to participate in the evaluation.

B. Program in Science and Technology Cooperation (PSTC)

The PSTC program of the A.I.D. Office of Science Advisor

has grown rapidly during the last two years, with eight research projects now operating in Chile's major research universities - the Catholic University, the University of Chile, and the University of Concepcion. Total A.I.D. funding being provided is \$913,636, of which \$404,150 are being administered and disbursed directly by AID/Chile. The individual programs are listed in the table on the following two pages.

Consequently, the demand on AID/Chile's project monitoring and support resources for PSTC has been much higher than originally envisaged. During the year, substantial staff time was spent on establishing project files, expediting disbursements from AID/W, preparing PIO/T's, explaining disbursement procedures, and handling inquiries regarding customs clearances, travel, etc. With the help of the Regional Financial Analyst, computer based financial control systems are being installed. Institutional capacities in the three participating universities are improving with each experience. We anticipate to be able to absorb new PSTC programs in FY 90 and beyond without difficulty. In fact, as more of the individual PSTC grants are set up for local disbursement, we expect to have fewer unplanned emergencies and will be better able to program our staff time.

C. Section 416 Food Aid -

Prior to the establishment of the A.I.D. ADC program in Chile, Section 416 food aid provided major assistance. From FY 1983 through FY 1988, approximately \$45 million in U.S. agricultural commodities such as nonfat dry milk, wheat, butter, oil and rice were imported for the GOC's pre-school and school feeding programs, and for charitable U.S. PVO's working in Chile. Food aid to the GOC was phased out in FY 1987. The FY 1988 416 grant level of \$1,300,000 was limited to two U.S. PVO'S CRS/CARITAS and ADRA/OFASA.

During CY 1989, there were a number of residual minor problems regarding shipments and disposal of the food aid authorized in previous years. Although most of the problems were routine and typical, substantial staff time had to be dedicated to their resolution. Also, during the year the local PVO representatives on several occasions pursued the possibility of reactivating the 416 program for monetization purposes. Since only sorghum is available, there is little prospect for USDA support of 416 sorghum exports to Chile given the current commercial sales of U.S. corn here. Accordingly, unless current 416

SCIENCE GRANTS UNDER THE PROGRAM IN SCIENCE AND TECHNOLOGY COOPERATION (PSTC)

<u>PSTC NR</u>	<u>SUBJECT</u>	<u>DATE</u>		<u>PROJECT OFFICER</u>	<u>GRANTEE</u>	<u>PRINCIPAL RESEARCHER</u>	<u>AMOUNT (US\$)</u>	<u>DISBURSEMENTS</u>	<u>REMARKS</u>
		<u>Agreement</u>	<u>Completion</u>						
7.079	Saccharification of Lignocellulosic Materials by Brown-Rot Fungi: Mechanisms and Potential Applications	Aug 30, 88	Aug 31, 91	John Kadyszewski SCI	University of Chile (INTA)	Dr. Eduardo Agosin	150,000	85,260	Site Visit made by A. Sabadell, S&T/EY and R. Hidalgo AID/Chile, August 89
7.334	Bases for the Separation of Light and Dark Tissue from Pelagic Fish	Aug 29, 88	Aug 28, 90	M. Rechcigl SCI	Catholic University	Eng. José M. Aguilera	20,000	12,900	Site visit made by A.Sabadell S&T/EY and R.Hidalgo AID/Chile August 89
7.068	Gene Expression of Thermotolerance and Injury Resistance in Underuse Trees, Prosopis Chilensis, Araucaria	Aug 30, 88	Aug 31, 91	Mike Bengé S&T/FENR	University of Chile	Dr. Liliana Cardemil	149,820	94,790	Site visit made by R.Hidalgo AID/Chile July 89
7.404	Role of Hydroxamic Acids in Cereal - Aphid Interactions	Aug 30, 88	Aug 31, 91	unknown to A.I.D./Chile	University of Chile	Dr. Hermann Niemeyer	149,000	125,300	Site visit made by Ma L.Higgins, S&T on May 89
8.051	Utilization of Hydrocarbon Producing Plants Native in Arid Areas	Aug 29, 88	Sep 30, 90	Alberto Sabadell S&T/EY	University of Concepcion	Dra. Sara Gnecco	40,666	37,246	Site visit made by R.Hidalgo AID/Chile July 89

<u>PSTC NR</u>	<u>SUBJECT</u>	<u>DATE</u>		<u>PROJECT OFFICER</u>	<u>GRANTEE</u>	<u>PRINCIPAL RESEARCHER</u>	<u>AMOUNT (US\$)</u>	<u>DISBURSEMENTS</u>	<u>REMARKS</u>
		<u>Agreement</u>	<u>Completion</u>						
6.537	Salmonella Typhi Poring in the Control of Typhoid Fever	July 7, 89	Dec 31, 92	Harvey Hortik S&T/AGR	Catholic University	Dr. Federico Leighton	150,000	113,049	Site visit made by J. Martin, Li Controller R.Hidalgo AID/Chile, May 1989
8.007	In vitro Propagation and Improvement of Fruit Species with Economic Potential for Semi-Arid zones	June 15, 89	Dec 31, 92	Harvey Hortik S&T/AGR	Catholic University	Dr. Miguel Jordan	148,000	116,516	Site visit made by J. Martin, Li Controller R.Hidalgo, AID/Chile, May 1989
9.386	Evaluation of the Genetic Stability and Potential of a Low Alkaloid Strain of Tarwin	June 30, 89	Dec 31, 92	Robert Schaffert S&T/AGR	University of Concepcion	Dr. Dietrich Von Baer	106,150	84,115	Site visit made by J. Martin, Li Controller R.Hidalgo, AID/Chile May & Augu 1989
TOTAL APPROVED							913,636		

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policies change, we do not anticipate that the 416 residual action in Chile will require much attention in 1990.

D. Population -

During the reporting year AID/Chile monitored three different S&T/POP supported activities in Chile:

(1) Ongoing FP support through IPPF/WHR grant for "Expansion and Improvement of Family Planning Program in Latin America and the Caribbean." APROFA, the IPPF affiliate in Chile receives an estimated \$700,000 in A.I.D. funded contraceptives annually through IPPF as well as \$800,000 in cash for paying nurses, midwives and administrative expenses of 44 clinics. There is a steady flow of consultants, evaluators, and advisors from IPPF to APROFA. AID/Chile enjoys good working relations with the IPPF regional office in Quito.

(2) Georgetown - Natural Family Planning - The Georgetown NFP project works closely with Chilean institutions in two areas of NFP. One is support of a multi-center study of the relationship between NFP use and fetal outcome. The NFP program funds data collection in two Chilean centers Catholic University and the University of Chile, as well as centers in Peru, Colombia, and Italy. The funding level for Chile is roughly \$300,000. The other activity is the promotion of breast-feeding and a study of its impact on child spacing. Funding for Chile under this activity is about \$150,000. The breast-feeding promotion component is coordinated with the project Wellstart, also supported by AID/W through the S&T/Nutrition project, Women's and Infants Nutrition.

(3) CDC - The S&T/POP Family Planning Logistic Management Project with the Center for Disease Control has furnished consulting services for a young adult reproductive health survey (contraceptive prevalence) during the year. The survey, carried out by the University of Chile's School of Public Health, was completed and presented at a regional conference held in Santiago.

AID/Chile oversight efforts on these activities is necessarily limited by lack of staff time. We must rely principally on debriefings provided by the visiting consultants. To date, we have observed no serious problem in being advised of consultant visits with sufficient advance notice to coordinate and process host country and post clearances.

E. Office of Foreign Disaster Assistance (OFDA)

During the reporting year there were no major disasters requiring OFDA relief actions. However, there are a number of on-going disaster preparedness activities supported by OFDA for which AID/Chile provided oversight/coordination. Approximately \$270,000 are being provided under an OFDA agreement with USGS to work with the University of Chile's department of geophysics to produce seismic zoning maps and to improve earthquake resistant construction design. The project is scheduled for completion in 1990, at which time the Mission should be involved in appropriate publicity and dissemination efforts. The work is proceeding without problems.

OFDA also supported limited short term training to upgrade Chilean disaster preparedness. One Chilean (a frequent OFDA consultant) attended the disaster operations program given in Tampa in January, 1989. An advisor to Chile's civil defense organization (ONEMI) attended a PAHO sponsored training course in connection with the UN Decade of Disaster program. The third OFDA sponsored trainee, a volunteer fireman, attended the search and rescue course in New Orleans. The Chile-Washington State Partners of the Americas (CWSP) has a very strong committee on environment and disasters. The post would like to see the local Partners committee used as a vehicle for such exchanges. Without lowering the quality of training, the use of CWSP as a vehicle would: (1) support Post objectives of furthering people-to-people relationships and voluntarism; and (2) supplement AID/Chile's limited administrative support capacity.

OFDA also used the capacity of Chilean disaster related organizations (e.g., CWSP and ONEMI) to carry out a subregional program for the training of trainers in disaster management. The course was held in Valparaiso in August/September with participants from Paraguay, Uruguay, Brazil, Bolivia and Argentina. The regional OFDA advisor also participated in an in-country disaster management course sponsored by PAHO and directed at foreign ministry staff in the subregion.

Throughout the first half of the reporting year, AID/Chile had to follow the potential disaster of a major volcanic eruption. The Lonquimay volcano, located in a remote area on the slopes of the Andes about 700 kilometers south of Santiago erupted, spewing out ashes and lava throughout a wide area over several months. Evacuation measures were taken as necessary and no human casualties reported, although there were losses of livestock and pastures.

Finally, in December 1989, the A.I.D. office prepared and updated a Natural Disaster Assistance Plan for Chile as part of the Embassy's Emergency Action Plan.

F. PRE Small Business Loan Portfolio Guaranty -

AID/Chile hosted the visit of two PRE officers during May 1989 to assess the possibility of implementing a PRE Small Business Loan Portfolio Guaranty program in Chile. Two private Chilean banks indicated interest in the program; one, the Banco de Desarrollo, sent forward a completed application. Because of legal questions on how to treat the Bank's contingent commitment to repurchase non performing loans purchased by the Central Bank during the financial crisis in the early 1980's, it was not possible to approve this application as part of the \$20.0 million 1989 pilot program of PRE. During the TDY of a PRE legal counsel in October 1989, additional information was gathered on the legal and financial nature of the banking system's contingent liabilities on portfolio repurchases that should resolve any remaining concerns. Accordingly, we expect that PRE will process the Banco de Desarrollo's \$2.5 million loan guaranty during the first half of CY 1990.