



U. S. FOREIGN AID IN LATIN AMERICA

PROPOSED FISCAL YEAR 1972 PROGRAM

AGENCY FOR INTERNATIONAL DEVELOPMENT

GENERAL NOTE

This is an excerpt from the Agency for International Development's Program Presentation to the Congress outlining the President's foreign aid request for fiscal year (FY) 1972.

The terms "foreign assistance" or "economic assistance," as used in this volume, usually refer only to economic aid programs conducted under the Foreign Assistance Act and exclude other foreign assistance such as the Food for Peace Program under Public Law 480, the Peace Corps and the Military Assistance Program, as well as other economic programs such as those carried out by the Export-Import Bank.

Figures for fiscal years prior to 1971 are actual commitments. FY 1971 figures are estimates made at the time this volume went to press in June 1971. FY 1972 figures are illustrative proposed programs based on the FY 1972 appropriation request and anticipated receipts and recoveries.

Countries in Latin America where AID proposed economic development programs for FY 1972 are shaded in the cover map.

LATIN AMERICA

TECHNICAL COOPERATION – REGIONAL SUMMARY

PROGRAM SUMMARY (In millions of dollars)						
FY	Agricultural & Rural Development	Population & Health	Education & Manpower Training	Industrial & Urban Development	Program Development & Support	Total
1970	12.7	11.3 ^{a/}	25.0	7.8	29.6	86.4 ^{b/}
1971	14.0	15.9 ^{a/}	20.9	8.4	32.5	91.7 ^{b/}
1972	13.4	17.9	19.7	8.6	35.5	95.1

a/ Includes Development Loan funded grants of \$10,956,000 in FY 1970 and \$15,596,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

b/ Excludes Public Safety of \$3,825,000 in FY 1970 and \$3,321,000 in FY 1971, which is included in the Economic Supporting Assistance presentation for FY 1972.

A Concern for People

In his second annual review of U.S. foreign policy in February of this year, President Nixon stressed again the U.S. commitment to support the development efforts of Latin American countries:

“...For (the people of Latin America) the predominant issues in their relations with us are the content and style of our economic relations. The United States has traditionally responded to these aspirations. We will continue to do so believing that our own purposes are advanced when other governments can meet the needs of their people . . .”

Latin America enters the 1970's on a promising note: the region achieved an average per capita GNP growth rate of 3% or more in 1968, 1969, and, in all probability, 1970. However, behind this regional average lies a great diversity in country productive capacity and efficiency, saving and investment levels, population and employment, and income and opportunity distribution. Per capita income still remains low for the region as a whole; the \$500 per capita average cloaks wide divergencies ranging from \$201 in Bolivia to \$974 in Venezuela. Within each country, this divergence in income and opportunity is echoed. The subsistence farmer and the unskilled city laborer have been only marginally affected by economic change, and there has been only limited progress in terms of improving the quality of his life. This is a major challenge to development for the 1970's.

Progress and Problems

Persistent poverty in Latin America centers around three problems:

- - First, low productivity, particularly among the poorest classes, keeps per capita incomes low and limits opportunities for better-paying jobs.
- - Second, there is rising disparity between rural and urban incomes. The incomes of the rural population are significantly lower than those of their urban counterparts and have failed to increase proportionately with rises in GNP.
- - Third, rapid population growth contributes to persistent poverty. The higher birth rate among poorer families has distorted income distributions even more over time and has matched, almost step for step, increases in agricultural productivity during the past decade.

The rural-urban imbalance poses today, and for the foreseeable future, the most serious obstacle to Latin American development.

Low productivity has not only meant that the agricultural sector has failed to keep up with the overall economy. It has also generated historically unparalleled migration to urban centers, attended by acute underemployment and unemployment and acute inadequacies in housing, health, water, schooling and other facilities.

Although population growth has thwarted progress in virtually every sector, its effects have been most particularly pervasive in educational development. To date A.I.D. experience points to the need for a comprehensive approach in which outside aid complements the efforts of the recipient country, and attacks a whole range of related problems simultaneously. Breakthroughs in the technology of learning and the organization of education are needed and must be sought to reduce costs and meet existing needs.

If Latin American efforts are to succeed, substantial external support will be required. While we can anticipate that other donors will provide the bulk of needed assistance on a multilateral basis, our bilateral effort will be increasingly directed toward innovative approaches to development problems, principally to develop human resources.

Determining Assistance Priorities

Development assistance priorities in Latin America are determined within the multilateral framework of the Inter-American Committee of the Alliance for Progress (CIAP). Country reviews, held under the auspices of CIAP, provide opportunities for A.I.D. and the international agencies to exchange views and

analyses with each assisted government on needs, policies, and programs. Within this broad framework, A.I.D. and the other agencies frame their respective assistance programs; thus, the U.S. assistance programs proposed for FY 1972 funding have taken into account our own priorities, host country needs and priorities, and what other agencies are providing and plan to provide.

Country requests for assistance constitute the necessary – but not the sufficient – conditions for U.S. determinations of the composition and magnitudes of assistance programs. The final decisions on the programs proposed for FY 1972 funding reflect, for each country, an assessment of the country's economic and managerial absorptive capacity – the effectiveness with which it can use available resources, internal as well as external, to promote its development – and also of the country's commitment to development, as demonstrated by its willingness to institute reforms where necessary.

The FY 1972 Program

Technical assistance programs of \$95.1 million are proposed in Fiscal Year 1972. Major areas of concentration are education, agriculture and population. Stress is also given export development, tourism, and transfer of scientific and technological knowledge. These latter areas, already singled out by the Latin American countries as requiring major intensified self-help efforts, have been designated by President Nixon as meriting increased U.S. technical assistance efforts. Therefore, they and the complex issues related to urbanization will be given increased emphasis as experience with current assistance efforts accumulates and as assistance techniques and country institutions and policies in these key areas mature.

This year's proposal also reflects our growing reliance upon multilateral programs which offer the best avenue to attack problems of mutual interest. Within the proposed \$95.1 million, some \$17.7 million is programmed in support of CIAP and OAS assistance activities in education and science, capital markets and export promotion. This level of assistance channeled through the OAS is almost double the level in FY 1968.

The multilateral focus has also increased in Central America. Technical Assistance is being provided to SIECA (the Common Market Secretariat), and ODECA (Organization of Central American States). The Central American Bank (CABEI) receives A.I.D. support primarily through loans.

A.I.D. support to SIECA has included technical assistance in such areas as agricultural planning, industrial and infrastructural planning, fiscal and monetary planning, and customs policy. A highly competent staff of economists, planners and technicians has been developed in SIECA to advise member governments on policies and programs affecting regional integration. Starting in FY 1972,

assistance to SIECA will be channeled through a single project, with contract technical assistance provided to help carry out studies in specialized areas.

Assistance to ODECA focuses on policy formulation for regional manpower development, textbook development, health and demographic studies.

To minimize duplication by coordinating national efforts, additional support is being given to help develop regional federations of public and private universities and regional schools of veterinary medicine, sanitary engineering, business administration, as well as a Food Marketing Institute.

Assistance to the small countries of the Caribbean is channeled primarily through regional organizations such as the Caribbean Development Bank and the University of the West Indies.

Conclusion

The technology, managerial competence, research capabilities and productive know-how of the United States are vital parts of the resources needed for the economic development of Latin America. Latin American leaders have placed a high priority on obtaining these inputs and are investing their national energies and resources increasingly in these areas. The programs proposed herein are based on these premises and years of experience of operating projects on the ground in Latin America. They will have a development impact significant to Latin American and to U.S. national interest.

AGRICULTURAL AND RURAL DEVELOPMENT

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Technical Cooperation	12.7	14.0	13.4

The current program in *Guatemala* exemplifies such an effort to combine technical and capital assistance. The program is designed to provide part of the essential external resources needed to assure the success of Guatemala's 5 year, \$150 million rural development plan. This major effort of the Guatemalan Government, A.I.D., IDB and other external lending agencies aims to increase and diversify agricultural production in the rural areas, particularly in the Guatemalan highlands where development needs and opportunities are greatest.

Past efforts to improve Latin American agriculture have been directed primarily toward the transfer and adaptation of the production technologies of developed nations, partially through the development of research and training programs. In recent years, it has become increasingly apparent that discrete technical assistance projects in agriculture have limited impact unless they are viewed as an integral part of the agriculture sector as a whole. Attention must be given to such factors as inefficient marketing nets, expensive inputs, limited credit, low farm prices, and distortions of relative capital and labor cost. Hence, our technical assistance programs are increasingly being considered within a framework which views all aspects of the agricultural sector — social, economic, technical, and administrative — in the same context.

A.I.D.'s contribution to the 5-year program will concentrate on improving production credit and marketing techniques and developing programs for training extension agents, supervised credit agents, and rural community development leaders.

U.S. technical assistance is also helping to set up a self-sufficient federation of agricultural cooperatives which will provide a full range of agricultural services to their members.

In El Salvador, A.I.D. helped finance a detailed agricultural sector survey. As a result of the survey, the Government of El Salvador has reorganized its services to farmers and with A.I.D. assistance is creating a new Center for Agricultural Technology, similar to a U.S. land-grant university. A.I.D.-assisted research programs have developed high yield, disease resistant beans and local hybrid corn. A new and expanded extension program which has promoted large scale use of fertilizer, improved seed, and plant protection, has resulted in increased yields of both these important staple food crops. Corn production for 1971 is expected to be 35% greater than the record 1970 crop. These efforts, and a new

project aimed at improving fresh water fish culture as a source of low-cost protein will continue in FY 1972.

As we increasingly focus on an integrated approach to agricultural problems, individual projects will continue to deal with specific bottlenecks and seek to increase productivity for individual commodities, discrete geographic areas or groups of farmers. For example: A team of livestock specialists from New Mexico State University is assisting *Paraguay* to improve beef production. A Livestock Development Center and an experimental station have already been developed there through A.I.D. assistance. In Fiscal Year 1972, long-range research studies on Paraguayan beef production will be continued, and a beef cattle extension team will be mobilized.

In another project in Paraguay, the goal of A.I.D. technical advisors and credit assistance is to double the production of wheat; soybeans and rice by 1975 as compared with 1969. In 1970, increases in these crops were 33%; 50% and 17% respectively over the previous year, indicating that the 1975 goals are not unrealistic. An increase of 200% in credit to small farmers by 1976 is expected to result in a 33% increase in their annual output. In 1972, 10 new credit cooperatives are expected to be formed and the reorganization of 25 others completed.

Major research and training efforts are underway in *Brazil*, a country with considerable untapped agricultural potential. Supported by an A.I.D. development loan, a 5-year technical assistance program to assist Brazilian research capacity will focus on accelerated production of specific food crops, such as corn, rice and beans. This major effort is complemented by two smaller technical assistance projects designed to improve the protein content of Brazilian corn and to increase the fresh water fish resources in Northeast Brazil. Both projects will help offset large scale protein deficiencies in the diet of low income Brazilians. Assistance is also being provided to assist Brazil develop a more effective seed production and distribution system and A.I.D. is assisting four Brazilian agricultural colleges to develop graduate programs and improve their institutional capacities in teaching, research and extension.

In addition, we have supported research centers responsible for the development of high-yield agricultural products. The Inter-American Center for Tropical Agriculture in Colombia is being financed by the Ford, Kellogg, and Rockefeller Foundations and A.I.D. Research on increasing yields already suggests the likelihood of significant breakthroughs in swine, yucca, and rice production. A North Carolina State University contract team will assist Latin American countries with soil fertility testing, and provide training in this important specialty.

ECONOMIC SUPPORTING ASSISTANCE - SUMMARY OF PROGRAMS BY COUNTRY a/
 FISCAL YEAR 1972

(In thousands of dollars)

Country	FY 1972 Proposed ECONOMIC SUPPORTING ASSISTANCE
LATIN AMERICA - TOTAL <u>b/</u>	5,850
Bolivia	115
Brazil	174
Chile	-
Colombia	340
Costa Rica	198
Dominican Republic	370
Ecuador	135
El Salvador	56
Guatemala	377
Guayana	99
Haiti	3,000
Honduras	171
Jamaica	96
Nicaragua	91
Panama	203
Peru	-
Uruguay	225
Venezuela	200

a/ Economic Supporting Assistance funds are provided to friendly foreign countries to help them carry necessary additional defense burdens without incurring unsupportable political or economic costs.

In previous years, funding requests for this form of assistance have been

EAST CARIBBEAN REGIONAL

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	10.0	-	10.0

Finally, a \$10 million loan is under consideration in FY 1972 for the University of the West Indies. This loan would be used to strengthen faculty, improve curriculum and expand facilities at the two campuses to enable the university to become more significantly involved in development of the East Caribbean region.

Conclusion

The multilateral lending institutions have increased their role substantially in the past few years in Latin America. At the same time U.S. development lending support for the region has been declining proportionately. Increasingly, the U.S. is providing support when other donor support is not available and in pioneering innovative projects in agriculture and rural development, education and manpower training, health and population, and urban development. The lending program proposed for FY 1972 responds to initiatives by our partners in the Hemisphere in these critical sectors. Closely integrated with the assistance planned by the multilateral donors and U.S. technical assistance, it is a vital element in the sharing of U.S. technology, management systems and productive capacities which these countries recognize and want. Although the magnitude proposed here is substantially less than these countries have requested, the projects would help Latin America move to meet the challenges of confronting it, challenges significant to the whole of the Western Hemisphere.

Health Delivery Systems: The Pan American Health Organization (PAHO) plays a leading role in the improvement of health delivery systems and the extension of family planning through Ministry of Health Programs. Member governments and some European nations contribute to a multilateral fund for a hemisphere-wide education and training program, for improvement of program administration and for the development and implementation of such efforts as post-partum and clinical family planning services. Supported by A.I.D. regional funds, these PAHO programs form an integral part of existing national health programs, including maternal and child health services.

A.I.D. will also continue its bilateral support to private and public institutions, including maternal and child care programs, and Ministries of Health and Social Security in selected countries such as *El Salvador*.

One of the deficiencies of family planning clinics, maternal and child health services and post-partum programs is that they are largely urban systems and demand scarce medical skills. In order to reach the rural sector and economize on scarce manpower skills, new community medicine delivery systems have been developed. One such system is a comprehensive community-wide medical program which includes family planning as part of the maternal and child health services. Through its affiliated medical faculties, the Pan American Federation of Medical Schools (PAFAMS) with A.I.D. support encourages extension of this system on a pilot basis in other Latin American countries.

A.I.D. supports the International Planned Parenthood Federation (IPPF), a private, non-profit association of national voluntary family planning organizations which has 32 affiliates in Latin America. Clinics specializing in family planning were largely initiated in the private sector with the assistance of IPPF and the Pathfinder Fund. In some cases, these clinics have been absorbed, or are being partially supported, by Latin American public funds and private donations.

Demographic Data: A persistent impediment to population programs and national development planning is the lack of timely and adequate demographic data. Quality data are required to define the scope of the population problem and to enable objective evaluation of performance in ongoing and proposed family planning programs.

Goals in the demographic and evaluation area are: (1) to obtain national commitments to take timely and accurate censuses and intercensal surveys; (2) to incorporate the concept of evaluation in all family planning delivery systems; (3) to gain national support for the inclusion of the population problem in social and economic planning; and (4) to establish a national capacity to do research on factors that influence individual family decisions with respect to family size.

Along with Latin American and international organizations we will continue to help strengthen the capacity of the Latin American Demographic Center in Chile and its nucleus of trained demographers to undertake demographic research and provide technical assistance to Latin American Governments in relating demographic data to economic planning and resource allocation.

Guatemala has taken the lead with A.I.D. support in developing program evaluation methodology utilizing the resources of the family planning staff at the Center for Disease Control in Atlanta, Georgia. Other Latin American countries, particularly in Central America, are expected to adopt the Guatemala program as a prototype for their own evaluation systems. In addition, information and education programs are being formulated to reach men and women of reproductive age with information on responsible parenthood and family planning techniques.

EDUCATION AND MANPOWER TRAINING

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Technical Cooperation	25.0	20.9	19.7

During the 1960's, primary education enrollment increased by 72%; 92% more teachers were employed; and the number of primary school graduates rose by 124%, reflecting a steady improvement in the proportion of children in primary school remaining in school through graduation.

But these impressive gains in enrollment have barely kept pace with the increasing number of school-age children. Enrollment in the 1970's must be increased by 50% more than during the 1960's. Unless this is accomplished, the number of school-age children not attending school will once again start to grow by 1980.

In the post-primary levels, the expansion of enrollment during the 1960's was even greater than at the primary level. However, although general secondary and university level enrollment has more than tripled since 1960, the proportion of the population ages 15-24 years attending such schools has yet to pass 20%.

A correlated problem is to make the educational system responsive and relevant to the needs of development – to graduate competent, trained personnel with specialized skills.

For the future, both in education and agriculture, it is clear that efforts based on traditional approaches to improve quality will have to be supplemented by innovative and more comprehensive approaches.

U.S. technical assistance in countries such as Brazil, Colombia, and the Dominican Republic is coordinated with sector loans to provide U.S. expertise in education management, planning, technology and evaluation. In these programs, particular attention is given to: (1) improving the management technique of data collection, manipulation, monitoring analysis, and evaluation for use in plans, policies, budgets and operations; (2) exploring and experimenting with alternative techniques of education and of education technologies, and comparing relative costs and benefits; and (3) combining capital and technical assistance programs under a single broad education sector strategy.

Through the Regional Technical Aids Center (RTAC), more than 9 million copies of technical books have been distributed throughout Latin America to various educational institutions. Because of the high cost and continuing scarcity

of books, university students are often unable to carry out an adequate study program. To alleviate these problems and in conjunction with the RTAC program, small grants of \$5,000 to \$15,000 each have been provided to establish university cooperative bookstores which have been able to reduce book costs by volume purchases.

Supported by A.I.D., a primary school textbook writing and publications program in six countries of Central America provided over 14 million elementary level textbooks in science, math, reading, language and social studies for the six elementary grades. Coordinated curriculum development activities will continue in the future with assistance from A.I.D., the Central American governments and the OAS.

A separate region-wide contract with Florida State University is evaluating innovations in the learning process to determine their applicability to Latin American education systems. Also on a regional basis, 250 American colleges and universities have joined with A.I.D. in the Latin American Scholarship Program at American Universities (LAS PAU), under which approximately 200 Latin American college and graduate students are trained annually in the U.S., in preparation for teaching positions on Latin American university faculties.

- - *In Brazil*, U.S. assistance will finance contracts with the State University of New York and the San Diego State College Foundation. Through these contracts assistance will be furnished for the purpose of strengthening the administrative and managerial capacity of state secretariats of education and for assisting the Ministry of Education in planning for primary and secondary education. Similar efforts are underway in *Colombia*.

Other U.S. assistance programs in Brazil focus on higher education, such as master's degree programs in economics at selected universities, and the development of a core group of competent research chemists.

In other countries technical assistance is more concentrated in a particular part of the education system upon which the government has placed special priority. For example:

- - *In El Salvador*, A.I.D. is assisting a nationwide instructional television system, with the television hardware for studio and classrooms being provided through A.I.D. loans.
- - *In Panama*, a new project proposed for FY 1972 funding will provide short-term training in agriculture, education, industry and housing for both the public and private sectors. This program would complement an existing IDB loan for longer-term training.

- - *In Guatemala*, U.S. efforts are now focused on a study of curriculum innovation and teaching methods in rural areas to test in-service rural teacher training, study methods of supervisory training, and improve related programs at adult education, particularly the teaching of Spanish to Indians.
- - *In Ecuador*, A.I.D. is supporting non-formal community literacy and adult education programs to bring educational opportunities to low income groups who are not reached by the traditional education system.
- - Programs in *Bolivia* will assist cooperative bookstores and help the Government publish a series of basic textbooks for use in primary schools. In-service training for teachers in advanced educational techniques and assistance to the Ministry of Education are other important elements of the program.

Also under consideration is a proposal from Mexico for a middle-level technical worker exchange to be funded by the two governments and private U.S. funds.

Development Administration: Proposed U.S. bilateral assistance will continue to provide advisory services and training in public administration. Through an agreement with the U.S. Internal Revenue Service, experts are advising 14 Latin American tax collection agencies. Most assistance is concentrated in the areas of administrative improvements, tax audits and collection methods, the introduction of electronic data processing, and personnel administration. The Internal Revenue Service has also established in-country and U.S. training courses for Latin American tax officials. These bilateral programs complement OAS and other international agency financed tax programs aimed at policy and legislative changes.

Other areas of public administration assistance include advice to planning bodies, statistics training, and strengthening of budget and fiscal capabilities.

In addition to bilateral programs, A.I.D. is working through multilateral organizations for regional programs in education and manpower development. As part of this, the US will continue to support its share of the expanded OAS Special Multilateral Fund to finance a variety of educational, scientific and technological activities. A contribution of approximately \$8.6 million is planned for FY 1972.

Manpower development: The training of labor union leaders continues to be an important part of U.S. programs in education and training. Through contracts with the American Institute for Free Labor Development (AIFLD), labor union training programs now operate in 16 countries. These programs are aimed at

strengthening the free democratic trade union forces in Latin America by emphasizing collective bargaining and union organization. As part of the program, AIFLD also undertakes small community social development projects to improve the lot of the working man. These projects range from equipping a dentist's office in a community center to providing a small loan to allow a fish cooperative to buy a motor boat. Over 15,000 workers receive training annually, either through in-country seminars or more advanced programs in the United States. Approximately 20 qualified workers are selected each year for training in labor economics to enable them to assist their unions and federations more effectively in negotiations and analyses of economic problems within their countries.

- Under a contract with the Overseas Education Fund of the League of Women Voters, a leadership training program provides U.S. training and field internships for Latin American women who help organize women's groups within their own countries.

INDUSTRIAL AND URBAN DEVELOPMENT

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Technical Cooperation	7.8	8.4	8.6

The Latin American countries are increasingly aware of the need to maximize their foreign earnings while mobilizing and channeling domestic savings more effectively. Thus, both in multilateral and bilateral discussions they have assigned renewed priority to export development, capital markets, and tourism activities. In response to this new emphasis, President Nixon has stressed our willingness to help where U.S. assistance can make a meaningful contribution through multilateral mechanisms. For FY 1972, in addition to regular bilateral efforts, other contributions in these key areas will be channeled, to the extent feasible, through the OAS.

In addition to U.S. support of the OAS activities in education and science, we plan to respond to presidentially endorsed Latin American initiatives agreed upon at last year's IA-ECOSOC meetings. In FY 1972 A.I.D. will assist the OAS-sponsored "Year of the Americas" effort to promote tourism throughout the hemisphere with a grant of up to \$500,000. A contribution of \$2 million is earmarked for CIAP for capital markets studies. The U.S. will also provide an estimated \$675,000 in FY 1972 to support the Inter-American Export Promotion Center - (CIPE) located in Colombia. Limited grant assistance (up to \$200,000) to the Andean Development Corporation to assist in establishing efficient management and organization systems and research capability and facilities, and to finance preparatory work for the Corporation's anticipated future development program is also under consideration.

Other Bilateral Programs:

- *In Panama* A.I.D. will assist an industrial development project aimed at investment, export, and tourism promotion, fresh water fish and shrimp agriculture, and capital market development, principally through contractual services and participant training.

- *In Brazil*, short-term consultants will help the Central Bank of Brazil and the Brazilian Capital Market Institute (IBMEC) to establish a capital markets research center and conduct specialized seminars relating to capital markets. Using American advisors in credit and business management, the development agency for Northeast Brazil (SUDENE) will start programs to stimulate investment in small and medium industries in order to create more employment.

- - *In Honduras* A.I.D. will assist the Cooperative Technical Industrial Center (CCTI) in carrying out a survey and inventory of manpower resources in order to project manpower needs. CCTI provides courses ranging from vocational skills training to executive management. Specialized training programs will strengthen the staff of CCTI which will extend technical assistance to the Honduras private sector.

- - Cooperatives play an important part in mobilizing resources for development activities in agriculture, housing and other areas. The aim is to establish self-sufficient federations capable of continued growth and serving as an effective instrument for the improvement of productivity and living standards, particularly in the rural areas. The Credit Union National Association, the Federation for Cooperative Housing, and the Cooperative League of the USA work with cooperative groups in Honduras to train qualified leaders and to develop viable local cooperative institutions. Ecuador has also developed a wide-ranging program of civic leadership training with A.I.D. support.

- - As an additional means of enlisting support for private enterprise development, A.I.D. provides support to the National Association of the Partners of the Alliance. The state chapters work with Latin American countries on a broad spectrum of joint activities, ranging from teacher exchanges to investigations of investment and marketing potentials. To date 40 U.S. states are paired with 18 Latin American countries.

DEVELOPMENT LENDING – REGIONAL SUMMARY

PROGRAM SUMMARY (In Thousands of Dollars)	
Country	FY 1972 Development Loans
Colombia	75,000
Brazil	60,000
Central American Economic Community:	
Regional Office of Central America and Panama (ROCAP)	10,000
El Salvador	10,500
Guatemala	15,000
Honduras	9,000
Nicaragua	10,000
Bolivia	10,000
Dominican Republic	15,000
Ecuador	14,000
Guyana	3,500
Jamaica	10,000
Panama	25,000
Paraguay	6,000
Peru	10,000
Uruguay	12,000
Eastern Caribbean Regional	10,000
Regional	5,000
Total	310,000

A Time of Change

Development lending proposed for Latin America in FY 1972 is a result of intensive consultations within the inter-American community in which both the Latin American governments and the international lending agencies participated. The program is based on the substantial accomplishments of the people of Latin America and recognizes the compelling urgency of problems which now stand in the way of their further progress.

Progress and Problems

Latin America begins a new decade with more reason for optimism than it has

known for some time. Whereas economic crisis and lagging growth were characteristic of the early 1960's, encouraging rates of economic growth (3% and better in per capita GNP), were registered in 1968 and 1969. The same appears to be true of 1970.

However, despite the many evident signs of progress, per capita growth rates vary widely. The regional average per capita income of \$500 is still low. Moreover, income distribution while improving in many countries, continues to be highly inequitable. A large proportion of the Latin American population still lives just slightly above the subsistence level. And it is estimated that half of the people in Latin America earned under \$150 in 1970 – and about one-quarter – or over 66 million people earned less than \$100. Thus a substantial portion of the population have incomes below that considered necessary for a family to meet minimum needs for diet, clothing, health, housing and education. These data suggest the enormity of the development problem still existing in the hemisphere, as well as the urgent need for assistance.

The major challenge of the 1970's is to accelerate the development momentum, and to find ways of assuring that gains made will be sustained and more equitably shared in by the poorest segments of the population.

Low productivity and deeply rooted social and political traditions work against more equitable distribution of opportunity and income. Unprecedented population growth compounds the difficulty of achieving real gains for ordinary citizens. For example, while agricultural production increased at an average annual rate of about 3.9% during the last decade, population increased at nearly the same rate. As a result, net per capita growth in Latin American agriculture was negligible. Half of the Latin Americans still live in rural areas. Most of them have incomes substantially lower than the bulk of those in urban areas – and there is only limited opportunity for any significant improvement. Low agricultural productivity prevents the rural sector from making a proportionate contribution to the overall economy and, in turn, reinforces current heavy migration to urban centers which are ill prepared to receive it. Burgeoning cities, swollen both by high population growth rates as well as migration, offer limited employment opportunities and are unable to cope with intensifying pressures for housing, schooling, health and other services. Thus rapid urbanization intensifies already difficult development problems for much of Latin America.

The implications of the high rate of population growth show vividly in the education sector where otherwise dramatic accomplishments are largely nullified. In the past decade, for example, enrollment in primary education increased by 72%; the number of teachers employed rose 92%; and the number of primary school graduates rose 124%, reflecting major improvement in the proportion of children remaining in primary school through graduation. However, it is estimated that the number of children enrolled in primary schools will grow from 40 million to about 60-65 million during the next 10 years. If universal primary education is to be achieved by 1980, at current birth rates, at least 48 million additional children will have to be accommodated; 1.6 million more

teachers will have to be trained (there are currently about 1.5 million), and the present number of classrooms will have to be doubled.

The rate of expansion in post-primary levels during the 1960's was significantly greater than at the primary level. Nevertheless, although secondary and university enrollments tripled, less than 20% of the population aged 15-24 years were attending such schools in 1970.

In both education and agriculture, past efforts of national programs to improve quality and increase quantity were hampered by what are now seen to have been piecemeal approaches to interrelated problems. Prior analyses of whole sectors, as well as procedures for evaluating progress and refining approaches, have been inadequate. Progress in the application of science and technology, a basic requisite to greater achievement in these and other sectors, has also been disappointing. While official recognition of population and urban problems has been slow in many Latin American countries, concern about agriculture and education is already widespread. It is reflected in ever increasing percentages of central government expenditures devoted to these sectors. Between 1961 and 1969, the regional share of central government expenditures devoted to education increased from 8% to 12%, while the share obligated for agriculture rose from 4% to 6%. Despite increased government investment, however, absolute per capita amounts available are inadequate. A search for innovative, lower cost approaches to these problems is clearly essential for any long term solution.

Latin American gross investment grew apace with income during the 1960's and accounted for a nearly constant share (about 19%) of GNP. During the past decade, central government expenditures indicate some encouraging trends. Capital outlays, as a percentage of total expenditures, increased from 27% in 1961 to about 35% in 1969. However, the regional per capita gross investment of about \$90, covers a range of performance. Even in countries with high rates of investment, the absolute per capita amounts are small — ranging from a high of \$230 in Venezuela to below \$50 in Bolivia, Honduras and Paraguay.

Although certain Latin American countries have increased their exports significantly, the pace of growth for the region as a whole has shown little change over the past decade. Moreover, most of the products important in Latin America's export trade are raw materials or foodstuffs for which demand grows slowly. While exports of manufactured goods are gradually increasing, their share is still too small to influence total earnings.

Adequate government outlays for agriculture and education are beyond the means of these governments. Balance of payments considerations prevent most countries of the region from liberalizing money and credit policies enough to stimulate employment, output and investment effectively.

For the hemisphere as a whole, more jobs are required for the rapidly growing labor force. New technologies are needed to use labor more productively and in the agricultural sector more intensively. As assistance from other donors serves

an increasingly broad variety of needs in expanding productive capacity and infrastructure, bilateral programs will concern themselves with means of attacking the problems outlined above. A.I.D. will continue to (1) emphasize the transfer of relevant American technologies and comprehensive sectoral investment, and (2) fill in gaps where needed assistance is not available from other donors.

Determining Assistance Priorities Within a Multilateral Framework

U.S.-financed activities are identified within the framework of the recipient's development plans, its resource availabilities and the plans of other donors. Reviews by the Inter-American Committee on the Alliance for Progress (CIAP) provide an opportunity for an exchange of views between donors and recipients and for the coordination of assistance policies. U.S. assistance proposals are based on requests which are carefully scrutinized to determine the priority of the need, and relationship of the activity to other donor assistance and the availability and use of the country's own resources. The assisted government must also be prepared to implement overall development policies needed to make the aided activity effective and productive.

Amounts: In FY 1964, IBRD and IDB authorizations to Latin America were 48% and 23% respectively, of A.I.D. loan authorizations for Latin America. By FY 1970 these relationships were reversed. IBRD authorizations were 2½ times greater, and IDB authorizations more than twice the A.I.D. total. This pattern will be repeated in FY 1971 and FY 1972.

Types of Loans: A.I.D. has placed increased emphasis on sector loans in its lending to Latin America. Sector loans provide resources needed to help a government carry out an integrated program in a specific field of activity — such as agriculture or education. In FY 1966, A.I.D. made no sector loans. That year 61.3% of A.I.D. development lending to Latin America went into program loans, which transfer resources primarily to fill foreign exchange gaps. The other 38.7% was for specific project loans. By FY 1970, 25% of A.I.D. funds lent to Latin American countries went into sector loans. Program loans had dropped to 12.5% of the total, reflecting improved balance of payments situations in countries which had received program loans, while project loans required 62.5% of available funds. In FY 1971 and FY 1972, more than one-third of the total development lending program is planned for sector lending. Neither the IBRD nor the IDB has been active in sector lending and no significant change appears to be in the offing.

Sector Concentration of U.S. Assistance: A.I.D. is the principal lending agency for programs of innovation and institution-building in agriculture and education, programs which are geared to strengthening the human rather than physical infrastructure — people, institutions and knowledge. Over half the dollar value of A.I.D. loans made in the region in FY 1970, and expected in FY 1971 and FY 1972, are in the agriculture and education sectors.

Percentage of A.I.D. Development Loans
for Latin America by Field of Activity
(dollar value)

	<u>FY 1964</u>	<u>FY 1970</u>	<u>FY 1972</u>
Agriculture	7.5	23.1	39.2
Education	2.9	28.0	22.1
Transportation	22.7	0.1	1.6
Housing	10.4	0.3	9.7
Power	13.4	1.3	-
Program and Other	43.1	47.2	27.4

While both the IDB and the IBRD have become more active in these areas in recent years, the bulk of their loans continues to be in physical infrastructure, especially transportation and power.

Country Concentration: In recent years, A.I.D. loans have been concentrated in Colombia, Brazil, and the Central American Common Market countries. The major share (61%) of proposed A.I.D. development lending will continue to go to these countries in FY 1972. A.I.D. has made no loans recently to Argentina, Mexico and Venezuela.

COLOMBIA

DEVELOPMENT LENDING

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	71.7*	75.6*	75.0

* Excludes \$470,000 in FY 1970 and \$588,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

Following a period of financial instability which ended in late 1966, successive administrations of the Government of Colombia have pursued policies which have brought about economic stabilization and now impressive growth. During 1970, the growth in GNP in real terms was 7%; tax revenues increased 19% over 1969. Minor exports grew by 33% in 1969, but by only 4% in 1970.

The virtual elimination of the violence which terrorized the rural areas during the 1950's and early 1960's has aided the stabilization effort. With heightened popular expectations, Colombia is confronted increasingly with strident internal political demands for jobs, services, and reforms. Current governmental programs, which rely heavily upon comprehensive planning in policy setting and resource allocations, are designed to respond to this demand. The government is committed to expanding the gains of economic growth to the rural poor and the large numbers of urban unemployed.

A.I.D. assistance is designed to support Colombian efforts to (1) achieve fundamental reforms of agriculture, education and public administration; (2) accelerate economic growth, distributing its benefits more equitably and increasing employment in rural and urban areas; (3) expand and diversify exports; (4) increase public revenues and investment in needed human and physical infrastructure; and (5) stabilize prices. The proposed FY 1972 loan program for Colombia includes four sector loans totaling \$75 million: agriculture (\$25 million), education (\$20 million), urban development (\$20 million), and industry/capital markets (\$10 million). With the exception of the capital markets project, this program would continue previous A.I.D.-supported sectoral programs.

The proposed \$25 million agriculture loan is designed to support growth in agricultural production and employment with special stress on improvement in income for the smaller farmer. Substantial emphasis will be placed on measures to stimulate the small farmer's production and consumption role in the economy, and reduce urban migration through supervised credit, land titling programs, and feeder road projects.

The education sector loan of \$20 million will stress improved management of the educational system and improvement of the curricula. Past programs have supported comprehensive analyses of principal constraints on the efficiency and adequacy of the system which will be used as a basis for current plans. The loan is tied to the Government's 1970-1973 education plan under which Colombian resources devoted to education will be 30% higher in 1972 than in 1971.

In the urban development sector, FY 1971 A.I.D. capital assistance totaling \$24 million will help municipal, departmental (state) and national government bodies develop and implement policies and programs designed to stem migration flows to the four major Colombian cities. The proposed FY 1972 urban sector loan will help increase jobs in intermediate sized cities, and improve administrative and planning capabilities in the departments and regions.

An industry/capital markets loan of \$10 million is designed to address important constraints in the interrelated areas of industrial expansion and capital markets reform. As currently planned, the loan, combined with Colombian resources, will support:

1. Expanded and improved operations of the Development Credit Department of the Bank of the Republic, the central bank of Colombia;
2. Additional capitalization of the Private Investment Fund, in order to increase credit to firms emphasizing labor intensive exports;
3. The Governments' plan to establish employment services in industrial urban centers; and
4. The National Technological Service's efforts to encourage greater private sector utilization of modern technology.

IBRD and IDB are actively considering project loans totaling \$274 million in 1972 in this sector also. Of this total, \$171 million would support projects related to the A.I.D. lending proposals.

BRAZIL

DEVELOPMENT LENDING

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	75.0	57.5	60.0

Brazil entered the 1970's in many respects better prepared economically to meet modernization and self-sustaining growth goals than at any previous time in its history. Growth rates have continued to be high — 8.4% in 1968, 6.6% in 1969, and an estimated 8% for 1970. Inflation in 1970, as measured by the general price index, dropped below 20% for the first time since the revolution of 1964. International monetary reserves at the end of 1970 were slightly over \$1.2 billion, an increase of \$550 million since the end of 1969. Directed by capable planning and financial leadership, Brazilian economic policies since 1965 have proven exceptionally successful.

Even with these encouraging signs, Brazil continues to be plagued with many of the problems common to less developed countries — inequitable income distribution, regional disparities in economic growth, a large portion of the population outside the monetary economy, an antiquated educational system, and a backward agricultural sector. The size and depth of the development tasks confronting Brazil remain formidable.

The investment climate in Brazil is favorable, and new private investment, both domestic and foreign, is increasing. International lending agencies, such as the IBRD and IDB, have increased their support of the Brazilian development effort. However, A.I.D. bilateral lending is still very important, particularly in the Northeast, where economic and social problems are most pronounced and where development lags far behind the rest of the country.

With the increase in total external resources flowing into Brazil since 1965, A.I.D. assistance has been substantially reduced. Contrasted with lending levels in FY 1966-68 of \$229 million to \$181 million, the proposed FY 1972 level is \$60 million. Moreover our lending strategy has moved from one of concentrating on the physical infrastructure sectors such as power, roads, fertilizer plants, and program lending, to the areas of agriculture, education and health, which emphasize institutional and social development.

The proposed FY 1972 lending program, which will concentrate largely in the Northeast, is designed (1) to assist in increased agricultural productivity, industrial modernization, export expansion, and the absorption of new entrants into the labor market; (2) to support modernization and extension of the educational system; and (3) to assist in reducing economic disparities among regions, especially between the Northeast and the remainder of the country.

Agriculture accounts for 66% of total employment in the Northeast, and crop yields and prospects for improvement under current techniques are so poor that many young farmers are leaving rural areas and moving to the cities, which are unable to accommodate the influx.

A \$15 million loan is planned for agricultural credit and extension services to increase productivity of small farmers. Credit would be provided to farmers to help them institute farm improvement plans prepared by the Brazilian extension service. The Brazilian government would contribute \$50 million to the program.

Another proposed loan will finance agricultural inputs through commercial banks in selected areas where prospects for increased crop production, in combination with ecological and marketing conditions, are good.

The large-scale industries, located in the Northeast as a result of fiscal incentives offered by the Government since 1961, have created a demand for small scale service and supply enterprises. To strengthen Northeast Brazil's *industrial* sector through an integrated program of financial and technical assistance, a loan of \$10 million to the Bank of the Northeast is proposed. The funds would provide support to small and medium industry for modernization and increased production capacity. A special training program for industrial consultants will also serve a network of industrial assistance centers related to the lending activities of state development banks. Assistance to expand small and medium industry will help relieve high unemployment.

Health problems continue to plague the Northeast. Serious endemic diseases caused by malnutrition and inadequate water and sanitation facilities, principally in small communities and rural areas, are always present. A proposed loan of \$15 million would support the construction and equipping of health clinics, including maternal and child health clinics, laboratories, and training institutions; the construction of water sanitation facilities in small communities not now receiving assistance under existing sanitation loans; and the training of public health doctors, nurses, medical auxiliaries, lab technicians, epidemiologists, state health planners, and other needed health personnel.

Education: Possible programs have been identified for FY 1972 financing which are country-wide in scope:

- a \$10 million loan to support the establishment and expansion of community colleges to help train sub-professional level personnel in programs relevant to specific community needs. Such institutions would offer full-time technical level training in specialized, development-related fields such as practical nursing, engineering aides, and laboratory technicians. Funds would also finance teacher training in the US and third countries, essential teaching aids, improvement or construction of facilities, and technical assistance.

- a loan of \$10 million to strengthen the government's three-year graduate education program, which gives particular stress to upgrading and expanding facilities for training secondary education level teachers. The loan would provide scholarships for study in the US or third countries for university professors and high level administrators in the Brazilian educational system, and some required technical assistance.

CENTRAL AMERICAN ECONOMIC COMMUNITY

DEVELOPMENT LENDING

The total proposed Central America program for FY 1972 is \$54.5 million. Included is \$10 million for Central American regional lending in all five countries, and \$44.5 million for specific loans to four of the five countries in the region: El Salvador (\$10.5 million), Guatemala (\$15 million), Nicaragua (\$10 million) and Honduras (\$9 million).

Central American Economic Community

The United States is supporting efforts of the five Central American countries to establish a Central American Economic Community. For more than 10 years, they have been striving to create a workable Central American Common Market (CACM). The first treaties establishing the CACM removed trade restrictions on approximately 95% of the region's internal commerce. These measures make it possible for manufacturing and processing plants located in any of the Central American countries to sell freely in the other four. Measured by growth of trade within the CACM, progress has been rapid. Such trade increased nine times (from \$31 million to \$298 million) over the period 1960-70.

Development in Central America is taking place against a background of traditional agriculture oriented toward the production of a few export crops — coffee, cotton, bananas and sugar. The major change that has occurred with the development of CACM has been the rapid growth of manufacturing and related industries. The nature of this growth has created several problems and all five members have agreed to make changes in the structure of the CACM. The major difficulties are: (1) Benefits of trade within the CACM have been unevenly distributed. The less developed countries, Honduras and Nicaragua, are concerned that their purchases of industrial goods from their neighbors greatly exceed their sales. (2) The shift from dutiable to non-dutiable imports has had adverse fiscal effects. (3) Much of the new industry created has been based on imported materials with little "value-added" in terms of Central American contribution. Also, the level of protection for many products has been excessive, and prices are high. (4) There has been little progress toward achieving an effective regional market for agricultural products.

Agreement in principle on a basis for restructuring the CACM has yet to be reached, and Honduras is threatening to leave the Common Market. Moreover, trade between El Salvador and Honduras, broken during a conflict between these countries in 1969, has not been resumed.

Nevertheless, trade within the CACM continues to grow, and regional progress has occurred in other fields. For example, the five Central Banks signed and put into operation an agreement to establish a regional monetary stabilization fund.

REGIONAL OFFICE OF CENTRAL AMERICA AND PANAMA (ROCAP)

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	40.0	6.0	10.0

Assistance is provided to Central America on a regional basis where problems are clearly of a kind most susceptible to regional solution. Two such projects are under consideration for FY 1972 involving \$10 million which would be channeled through CABEL, the Central American Bank. The first loan is designed to assist in development of the human resources required to plan, manage and implement regional economic and related social development programs (\$7 million). This loan would accelerate development of manpower skills to meet industrial and agricultural needs, broaden educational and training opportunities for deserving and capable individuals, and assist in the preparation of competent technical and professional leaders in areas critical to regional development and integration.

A second loan of \$3 million would strengthen Central American economic development and integration by financing priority tourism infrastructure projects.

EL SALVADOR

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	7.8*	9.5*	10.5

* Excludes \$518,000 in FY 1970 and \$439,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

El Salvador has suffered economic dislocations since the 1969 war with Honduras, stemming from the need to accommodate the influx of returning refugees and the need to develop new trade arrangements. U.S assistance has helped the economy absorb the shock of these dislocations.

Agriculture and education programs would receive the greatest emphasis in the proposed \$10.5 million FY 1972 program. An A.I.D.-financed agricultural sector analysis published in December 1969 identified government actions and financial requirements needed to stimulate agricultural diversification, increase production, and improve distribution of income in the sector. A.I.D. loans would support these objectives, which, together with governmental policies and investment, form a comprehensive, coordinated approach to agricultural development.

In FY 1972 a \$5 million loan would finance agricultural education, research and extension activities. The National Center for Agricultural Technology would utilize this loan to construct and equip new research facilities as well as to staff and equip additional extension field offices. Scholarships to train Salvadoran faculty in the United States and technical assistance for in-country training activities would be financed.

Another agriculture-related loan of \$3.5 million would finance a portion of the costs for constructing or improving nearly 200 miles of farm-to-market roads. The goal is to provide year-round access to markets and services for population pockets now lacking these basic, essential facilities.

A.I.D. has supported education development at the primary and high school level in El Salvador through grants and loans. Past activities include the introduction of instructional television, teacher re-training, curriculum revision, provision of textbooks, and school construction. A proposed \$2 million loan for FY 1972 focuses on the university level. The loan would provide low interest sub-loans for technical training and graduate study, in the country and abroad, to qualified students. A revolving fund within an appropriate institutional framework would be set up to continue the project after all loan funds have been utilized.

GUATEMALA

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	25.1*	10.2*	15.0

* Excludes \$344,000 in FY 1970 and \$777,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

As a predominantly agricultural country, Guatemala's development efforts are concentrated on integrating the small farmer into the national economy. Within an anticipated loan program for FY 1972 totalling \$15 million, major projects

currently under review are:

- - A rural electrification loan (\$5.5 million) which would finance design and construction of transmission and distribution lines and transformer stations in rural areas along the Pacific coast and eastern Guatemala.
- - A rural health loan (\$1.5 million) designed to improve health infrastructure facilities in rural areas where facilities are presently highly deficient. Training for para-medical personnel is also included.
- - A loan (\$1 million) in support of the government's education sector development program. The loan would finance the introduction of new teaching techniques, related in part to the use of educational television facilities.
- - A loan (\$1 million) for construction and equipping of modern air cargo and customs facilities at the country's principal international airport. This loan would remove a bottleneck to the high volume of air freight for Guatemala and for transshipment throughout Central America.
- - A loan (\$2 million) to assist in developing the major tourist potential of the ancient Mayan Tikal area.
- - Other loans would support activities in science and technology (\$2 million) and urban housing (\$2 million).

NICARAGUA

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	-*	5.0*	10.0

* Excludes \$594,000 in FY 1970 and \$400,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

Loans totalling \$10 million are proposed for education and agriculture are to be closely coordinated with other international lending agencies. In the education sector loans totalling \$6 million would finance construction and equipping of new schools at each of the primary, vocational and junior high school levels, as well as technical assistance focused on improving the equality and management of education. The agriculture loan of \$4 million would support local credit facilities. The lack of credit at reasonable rates of interest and repayment terms has been a major obstacle to increased productivity. Most of this credit would be

used to finance irrigation equipment, farm machinery, transportation equipment, and agro-chemicals.

HONDURAS

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	2.7*	2.0*	9.0

* Excludes \$499,000 in FY 1970 and \$523,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

Honduras, the least developed Central American country, suffers from sparse communications and internal market development, weak public institutions, and a shortage of trained manpower to implement effective private and public investments and programs.

For FY 1972 four projects totalling \$9 million, currently under consideration, would provide assistance in rural development and institution building. These include two agriculture loans. The first (\$2 million) is designed to provide needed agricultural and road maintenance equipment, the creation of equipment maintenance facilities, and increased funds for agricultural credit; the second (\$3 million) will provide capital and technical assistance to the country's cooperative movement, thereby greatly increasing cooperative lending in rural areas.

Two loans related to housing are proposed. One loan (\$3 million) would provide capital and technical assistance to help set up a central housing bank which would coordinate and finance the national savings and loan system. The other loan (\$1 million) would finance installation of water, sewerage and electrical facilities at building sites for low-cost cooperative housing projects. A number of institutions working in the cooperative area would participate, including two large labor unions.

OTHER LATIN AMERICA PROGRAMS

DEVELOPMENT LENDING

Nine other countries and two regional projects are to receive the balance (39%) of the loan program proposed for FY 1972. The loan level for this group, \$120.5 million, will support agriculture, education, housing, banks, and a variety of other activities including tourism, feasibility studies, and transportation.

PANAMA

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	8.5*	15.9*	25.0

* Excludes \$282,000 in FY 1970 and \$700,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

For FY 1972, A.I.D. proposes a total of \$25 million. With 50% of the population dependent on agriculture which yields only 20% of the GNP, this sector has been bypassed by the country's recent economic buoyancy. Accordingly, a \$12 million agriculture sector loan is planned to finance a series of interrelated investments designed to achieve targeted production goals and greatly expand the number of farm units. The program entails expansion of professional training, research, technical education, extension activities, credit availabilities and marketing infrastructure. Proposed IDB financing for feeder roads and agricultural credit is closely related to this proposed activity.

Another loan, for \$5 million, would establish a credit fund in the National Bank to finance agribusiness, particularly in industries which generate exports and rural employment. The project would expand the availability of business credit for periods of more than 3 years.

Also under consideration are two smaller loans. One of \$3 million for feasibility studies would be allocated primarily for project analysis related to closing the Darien Gap, the last link in the Pan American Highway. Another loan of \$5 million for a tourism program would be used to establish an intermediate credit institution for small business projects designed to improve tourist facilities and tourist attractions, and to construct a convention center and a training facility for tourism trades.

JAMAICA

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	-*	11.1*	10.0

* Excludes \$420,000 in FY 1970 and \$510,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

While maintaining a satisfactory growth rate in recent years based largely on bauxite/alumina and tourism, Jamaica continued to be plagued by problems of overpopulation, unemployment, a lagging agricultural sector and unsatisfied demands for improved social conditions.

For FY 1972, \$10 million in loans are projected. Pending the outcome of a CIAP-financed feasibility study, a \$5 million loan may be made to help finance establishment of a revolving fund for underwriting private equity share issues. Another loan of \$5 million would help finance a forestry improvement project.

BOLIVIA

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	-*	-*	10.0

* Excludes \$145,000 in FY 1970 and \$335,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

Bolivia, with a per capita GNP of \$201, continues to require large amounts of external foreign assistance. The bulk of this is provided by the World Bank and the Inter-American Development Bank.

For FY 1972, four projects totalling \$10 million are under consideration for A.I.D. financing. Among these activities is a \$4 million loan to develop a financial institution which would channel funds to regional and city development groups for public sector projects. The loan would provide much needed impetus to the initiation of development activities and projects at the local level. Other proposals include a private investment fund loan (\$3 million), a road maintenance equipment loan (\$2 million) and a loan for rural electrification (\$1 million).

ECUADOR

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	19.5*	10.0*	14.0

* Excludes \$864,000 in FY 1970 and \$1,272,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

With per capita GNP of \$294, Ecuador is among the region's least developed nations.

Three A.I.D. loans totalling \$14 million are proposed for FY 1972. Two of these loans are in the agriculture sector which engages 57% of Ecuador's population and accounts for 35% of GNP and 90% of its exports. A \$2 million loan would finance data collection for a comprehensive agriculture census on which future national investment planning and policy formation can be based. A related loan objective is to develop a permanent capability for data collection and statistical analysis within the National Planning Board. Another loan would provide \$10 million in agricultural credit and technical assistance to help small and medium-size farmers increase production.

A third FY 1972 loan under consideration (\$2 million) is for feasibility studies to identify and evaluate priority infrastructure projects, such as hydroelectric resources; primary and secondary road networks; colonization needs; building materials; potential exports to other Andean Group countries; and education sector investment needs.

PARAGUAY

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	4.6*	2.0*	6.0

* Excludes \$332,000 in FY 1970 and \$471,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

A \$6 million program is proposed for FY 1972 consisting of a \$4 million project loan to increase exports by reducing the costs of river transportation, and a \$2 million loan to provide capital to a new savings and loan system. The objective of the first loan is to expand exports of limestone and agricultural products and thus increase foreign exchange earnings and provide reliable, year-round general

cargo river transportation service at a reduced cost. In addition, the loan would contribute significantly to regional integration and demonstrate the effectiveness of privately operated transportation facilities. Loan funds would be utilized for the purchase of limestone quarrying equipment and barge and towing equipment, and to cover some local costs. The other loan proposal would assist a new Central Savings and Loan Fund, now being formed, to expand the country's savings and loan system.. The goal is to mobilize private savings for the housing sector. A secondary benefit from the loan will be stimulation of the building materials and construction industries. The new institution will establish savings and loan operating rules and regulations, provide technical assistance, serve as a source of emergency liquidity, provide lending capital, and underwrite deposit and FHA-type mortgage insurance.

URUGUAY

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	15.4	18.0*	12.0

* Excludes \$223,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

Two loan proposals, for which \$12 million is planned in FY 1972, are under consideration. The first, a supervised agriculture credit loan of \$7 million would continue efforts to modernize the Uruguayan agriculture sector supported by an earlier A.I.D. loan. Recent studies of the sector highlight its low productivity, the stagnation of output, and the lack of coordination in agricultural policies. These studies give high priority to expansion of agricultural credit and the need for consistent price policies which would make agricultural investment more profitable. The proposed loan would support the Uruguayan Government's small and medium farm sector program. Particular emphasis would be given to increasing production of exportable agricultural commodities in world demand. Production and investment credits would be provided as would foreign exchange for machinery imports. Complementing the proposed AID loan are a fourth IBRD Livestock loan and possible IDB loans related to the elimination of hoof and mouth disease; the support of a colonization effort and a "small farmers" credit loan.

A second loan of up to \$5 million would provide capital equipment and materials for export-related industries and facilitate development and expansion of non-traditional exports.

GUYANA

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	-	6.0	3.5

For FY 1972, two A.I.D. loans, totalling \$3.5 million are proposed. The first, for \$500,000, would finance pre-feasibility studies in agriculture to determine the necessary commodity, pricing, and technical inputs needed for a national agricultural strategy and assist in planning anticipated fundamental shifts in their traditional agriculture markets. A decline in sugar exports, the number one export commodity, plus a tightening external market for rice, the second largest export commodity have contributed to a widening trade gap. Overdependence on these two primary products highlights the need for export product diversification.

The second proposed loan of \$3 million would continue support for expansion of the country's rural water supply system.

PERU

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	-*	3.0	10.0

* Excludes \$113,000 in FY 1970 and \$36,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

Four loans totalling \$10 million would help implement recently completed plans for reconstruction of the extensive area affected by the recent major earthquake. Loans for supervised agriculture credit, education, housing, and business reconstruction are proposed. The agricultural loan of \$4 million would complement earlier assistance provided by A.I.D. in an area where agriculture provides the major source of income for the population. The proposed education loan of \$2.5 million would assist in introducing a modernized educational program in the earthquake area to complement the extensive rehabilitation now underway. The housing loan totalling \$2 million to the National Housing Bank would be used for the construction of community public facilities. The business reconstruction loan of \$1.5 million would provide necessary financing for replacement of destroyed inventory and machinery and the reconstruction of small businesses and to provide employment for displaced persons.

DOMINICAN REPUBLIC

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	1.7	9.0	15.0

Although the Dominican economy has largely recovered from the effects of the 1965 revolution and the droughts of 1967 and 1968, real per capita GNP has barely reached the all-time high level of 1964 and the rate of unemployment continues very high. While there has been improvement in the balance of payments situation, pressures on the foreign exchange position continue to be a major problem. Because of the country's high import levels, export earnings must be increased significantly, particularly from nontraditional agricultural products and tourism.

Thus, \$15 million has been allocated in the FY 1972 program for two projects: one for tourism and one for agriculture inputs. The tourism loan (\$5 million) would provide part of the financing required to develop tourist infrastructure and services and thus increase foreign exchange earnings. There are major tourist possibilities in the northern and eastern areas of the country, but facilities such as roads and airports are lacking.

The \$10 million agriculture loan would finance the importation of production inputs needed to promote increased food production, employment and exports. The inputs, such as fertilizer, tractors and agricultural machinery, would be sold to farmers on reasonable credit terms.

LATIN AMERICA REGIONAL

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Development Loans	5.0*	-*	5.0

* Excludes \$5,260,000 in FY 1970 and \$8,242,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

A loan for the Coffee Diversification Fund (\$5 million), in conjunction with a \$2.5 million loan from the African A.I.D. program would complete the planned \$15 million U.S. contribution to the Fund. The Fund, which also receives revenue from a tax on coffee sold by producing countries, will be used for loans to International Coffee Agreement member countries for projects to diversify agricultural production and to stabilize production within limits set by the Agreement.

POPULATION AND HEALTH

PROGRAM SUMMARY (in millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Technical Cooperation	11.3 a/	15.9 a/	17.9

a/ Includes Development Loan funded grants of \$10,956,000 in FY 1970 and \$15,596,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

Population programs in Latin America are aimed at (1) increasing the recognition by individuals and leaders of the social burden imposed by high population growth rates; (2) introducing population as an input in long-range social and economic planning; and (3) helping to make economical family planning services widely accessible to all elements of society. To achieve these objectives a three-fold strategy is being used within Latin America:

- Expansion of information and educational programs to encourage attitudes favorable to limiting family size, to motivate the public to seek medical help for birth limitations, and to make the public aware of the location of clinics and services.
- Improvement of demographic data and program evaluation techniques in order to define the nature of the population problem, provide the means for more precise planning in social and economic sectors, and evaluate the progress of the overall effort; and
- Improvement of health delivery systems, focussing on the provision of family planning clinical services by developing new institutions and manpower resources and strengthening traditional health service facilities.

In Latin America, the population programs which A.I.D. supports are largely carried out by international, public and private organizations which receive funds from many donors, including European governments, foundations, and individuals. In FY 1970, these organizations contributed almost \$10 million from private funds to population programs in Latin America. During the same period A.I.D.-financed activities in demographic research and related projects amounted to almost \$11 million. Latin American governments and private Latin American groups have continued to furnish facilities and commodities, medical and administrative manpower, and research and training.

In addition, through the Latin America regional program we support development of a high-quality graduate level training center at Castelar Agricultural School in Argentina to serve southern South America. Other ways to reinforce Argentina's emerging role as a source of technical assistance to her neighboring countries are under consideration.

submitted to the Congress as a part of the budget authorized under the Foreign Assistance Act.

On April 21, 1971, however, President Nixon recommended to the Congress a major reorganization of foreign assistance, including the separation of Economic Supporting and Military Assistance from Development Assistance. The President recommended that Economic Supporting Assistance be made a part of a new International Security Assistance Act, along with grant military assistance, military credit sales and the Contingency Fund.

The FY 1972 Economic Security Assistance request is presented as a separate chapter in this booklet in order to reflect accurately the division proposed in the President's recommendations.

- b/ All Public Safety except for Haiti. Funds for Haiti are for Malaria Eradication, CARE, and other programs.

HAITI

PROGRAM SUMMARY (In millions of dollars)			
	FY 1970 Actual	FY 1971 Estimated	FY 1972 Proposed
Economic Supporting Assistance	1.6	2.8	3.0
Total	1.6	2.8	3.0

Haiti is beset by extreme poverty (about \$85 per capita GNP), high illiteracy (90%), high birth and mortality rates, widespread malnutrition and disease. Both Haitian and external efforts to relieve these conditions are severely hampered by administrative and institutional weaknesses. The A.I.D. Mission was withdrawn in 1963 because of inadequate Haitian cooperation in making effective use of assistance. However, given this limitation, it has still been possible to carry forward certain projects of benefit to the Haitian people, notably the malaria eradication program which, with continuing A.I.D. support since 1961, has reduced the incidence of that disease to below 1%. A.I.D. has also provided funds for modest programs to foster local community development administered by CARE and community self help efforts, as well as a grant covering financial support for three years for an OAS technical mission to help Haiti overcome its administrative and institutional problems.

FY 1972 Program

Funding of \$2.075 million is proposed in FY 1972 for the program in malaria eradication using the technical management of the U.S. Public Health Service. A recent re-evaluation of the program indicates that at least two additional years will be needed to reduce the remaining malaria cases to a negligible level. The program will undergo an intensive and complete review in 1973 to determine future courses of action. It is expected at that time the Haitian Government will assume most of the responsibility of continued surveillance and apply the

measures required when a case is discovered. The malaria eradication agency, with a nation-wide administrative network, may also prove a useful institution through which to provide family planning or other health services in the future, but it is too early to judge this with assurance.

A grant of \$650,000 is proposed to permit CARE Incorporated to continue and expand its community development programs and family planning services to three additional areas in Haiti's rural northwest. Government of Haiti contributions to this intensification of effort from the five existing centers will amount to about \$60,000. Despite organizational and administrative problems, the program has helped to establish 46 community councils, build grain storage facilities, schools, water systems, and roads; and provide clinical and family planning services for an average 4,500 patients per month, an increase of 33-1/3% over last year.

It is also proposed to provide \$275,000 for a Special Development Activities project to foster community cooperation through such self-help projects as providing pipe for water supply systems and a building block machine, assisting agriculture and fishery cooperatives, sewing centers and artisan training schools. This fund will be used to support small pilot activities for humanitarian assistance designed to alleviate poverty and disease.

PUBLIC SAFETY

The problem of terrorism has continued to be troublesome. It is becoming increasingly serious and is likely to remain an unstabilizing factor in many Latin American countries. This situation is characteristically manifested by the acute, intense urban terrorist activities, including assassinations of police officers, bombings and kidnappings of indigenous and foreign government officials, as seen in Uruguay, Guatemala, and Brazil, and by sporadic rural small scale guerrilla war as seen previously in Colombia and Guatemala and more recently in Bolivia.

Latin American police ability to maintain law and order in urban areas is taxed. Resources necessary for effective police control of subversion, violence and crime in rural areas are inadequate in most countries. Effective civil police institutions are in the process of development in most Latin countries. Attitudes regarding the concept of policing are changing. More and more police leaders accept the police role as a servant of the public — relying on voluntary compliance with the law, rather than forcing compliance through fear. However, much more needs to be done.

Latin countries see a need for the development of effective civil police institutions, which can maintain internal security basic to social, economic and

political progress; and to fulfillment of these responsibilities, to employ humane, modern police practices. They also see a need for help in reaching this goal.

The U.S. has responded to requests for police assistance and proposes to continue this kind of aid to 15 Latin American countries during FY 1972.

The overall objectives of Public Safety programs in Latin America, while varying from country to country, are focused in general on providing advice, training and limited equipment to the civil security forces to strengthen their (1) capability for regular police operations, (2) effective utilization of their resources in handling internal security threats with minimum force at their earliest phases and preventing disruptive subversive actions, and (3) the development of effective training institutions. These programs are adapted to host country initiatives for the improvement of the ability of civil security forces to employ accepted police management and operational practices in the fields of urban/rural patrol, investigations, training, communications, criminalistics and logistics.

The total proposed cost for the 15 Public Safety programs in Latin America for FY 1972 amounts to \$2.850 million. Of this sum, \$1.551 million will be for 51 Public Safety advisors who provide technical assistance on a day-to-day basis and for the limited number of TDY assignments which will be acquired; \$654,000 will be for 318 participants who will be trained in the U.S., principally at the International Police Academy in Washington, D.C.; and \$489,000 will be for selected commodities to provide the security forces with some of the basic material resources, consisting principally of mobility, communications, and training equipment essential to these improvement programs.

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