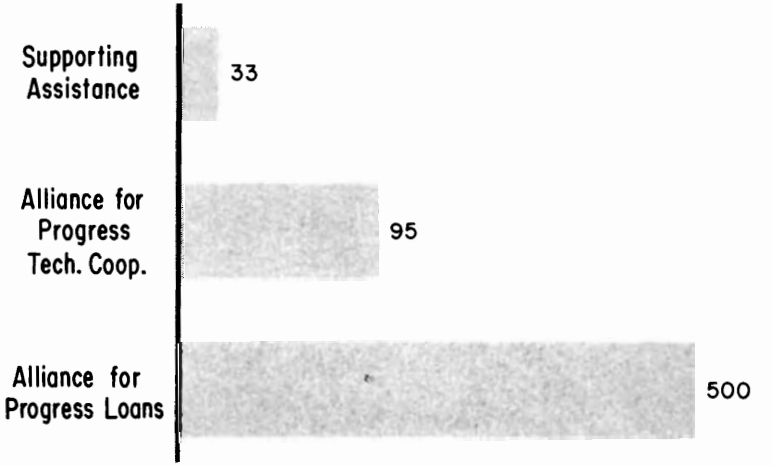
AID and the Alliance for Progress

AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C

LATIN AMERICA – FY 1967 PROGRAM---$628 million



ALLIANCE FOR PROGRESS

The Alliance for Progress enters fiscal year 1967 with a heightened awareness that its goal is, in the words of President Johnson, ". . . a hemisphere of free nations."

The first five years of the Alliance have demonstrated that the nations of the Americas share common ideals of freedom and justice. Increasingly, there is evidence that planning for economic and social change takes precedence over day-to-day politics, that government, industry and labor are finding ways to collaborate for the common good, and that elected leaders are committing themselves to bringing into the social and economic life of the hemisphere the 100 million persons—half the people of Latin America—who now live stunted lives on the neglected fringes of society.

President Johnson reaffirmed the commitment of the United States to the principles of the Alliance for Progress on August 17, 1965, the Fourth Anniversary of the signing of the Charter of Punta del Este, and called for a more direct effort ". . . toward those things which directly touch the lives of individual human beings—housing, education, health and food."

Then, on November 23, 1965, in a message delivered on his behalf to the Second Special Inter-American Conference at Rio de Janeiro, the President said:

"Recognizing that fulfillment of our goals will require the continuation of the joint effort beyond 1971, I wish to inform the Conference—and through you, your respective governments—that the United States will be prepared to extend mutual commitment beyond the time period foreseen in the Charter of Punta del Este. In determining the scope of the United States effort, we will want to examine carefully with you at that time the requirements of the Hemisphere, in the light of progress made through self-help measures and the contributions which by then some of your countries will be able to make to one another to further the common effort."

The New Generation

The readiness to face the hard facts of social and economic reform has come with the rise of what has been called "an Alliance for Progress generation." These men and women, whose number grows steadily in every Latin American nation, are determined that the old order must change, that the goals of the Alliance Charter must be pursued steadfastly,

and that human rights and political freedom must flourish if peaceful revolution is to be substituted for bloody conflict.

Social ferment brings political change. Following the March 1964 revolution in Brazil, the Castello Branco Government has shown iron determination in reducing the inflation rate by two-thirds, restarting economic growth after two years of near stagnation, and energizing a far-reaching process of social and economic reform while working to resist the strong pressures from groups within the society that would obstruct a return to full constitutional government. Following elections this year, a new government is slated to take office on March 15, 1967.

Chile, Colombia, and Peru are also demonstrating that social justice and economic reform can be promoted within a democratic framework of constitutional government. Tax reform in Chile increased tax receipts from 13.7 percent of the gross national product in 1964 to 16 percent of GNP in 1965, and public investment was increased by 25 percent in 1965 over 1964. Primary and secondary school enrollment increased 20 percent in 1965 and President Frei led a personal recruitment campaign which increased the number of primary school teachers by 150 percent.

The Government of Peru under President Belaunde has shown a strong commitment to the goals of the Alliance. Peru has embarked on a far reaching program to bring the Andean Indians and urban slum dwellers into the economy of the country.

Colombia will elect a new Congress and new administration in 1966, events which are likely to place considerable stress on the eight-year-old National Front coalition. Resolute performance by the present administration in achieving exchange-rate reform gives promise that the succeeding government will have a sound base for expanding economic activity in the country.

Mexico and Venezuela, two of the most successful Latin partners of the Alliance, are taking the first steps to help their Central American neighbors. And the Central American Common Market has increased the flow of trade among its five member nations by 126 percent in two years.

Five Years of Development and Self-Help

What level of performance has been achieved by members of the Alliance for Progress at this midpoint in the "Decade of Development"? If achievements are measured against the goals set down at the time of the signing of the Charter, the effort falls considerably short of the needs. The Alliance has not yet made satisfactory headway toward the 1971 target of providing every child in Latin America with six years of education, extending life expectancy by a minimum of five years, attacking the problem of rural backwardness, or carrying out the urban and rural housing programs necessary to provide Latin Americans with decent homes. Nor has sufficient progress been made in implementing agrarian reforms and better wage and

working conditions in city as well as country, in reforming tax laws so as to demand more from those who have most to give, in finding quick and lasting solutions to the grave problems created by excessive price fluctuations in the basic exports of the Latin American countries.

However, as President Johnson has indicated, no one is expected to resolve problems 400 years old in the short span of one decade—much less half that span. If the efforts of the Latin American nations are viewed within the context of their own histories, the results at this midway point in the development decade are promising.

Seven countries have grown since 1961 at a rate which met or exceeded the annual minimum 2.5 percent per capita target, and in 1965 nearly every country increased its per capita GNP over the previous year. Export earnings have increased by more than 25 percent for the region and in nine countries the export increase was at least 45 percent.

In the field of tax reform, at least nine countries have adopted legislation for more equitable and modern tax systems. Under the Alliance, total central government revenues in 10 countries increased in real terms by more than 10 percent, and in a few revenues increased by more than 30 percent.

Total exports of the 19 American Republics rose by some $700 million, or 7.5 percent, in 1964. Preliminary figures for 1965 indicate a further increase of about $500 million to a total of $10.4 billion.

Most countries are for the first time planning their public sector investments with due attention to priorities and relative returns. Several key countries have undertaken fiscal and monetary policies well-adapted to promoting sustained growth on a basis of monetary stability. Most are improving their capabilities for designing and implementing projects in order to make effective use of both domestic and foreign resources available to them.

Comprehensive agrarian reform programs have been carried out in Mexico, Bolivia, and Venezuela, and nine other Latin American countries are taking first steps forward in this fundamental area.

Important efforts are also underway in Latin America to engage individual citizens and private groups in working to achieve the economic development and social progress goals of the Charter of Punta del Este. In Peru, for example, *Cooperacion Popular* is involving citizens in a major self-help effort, enlisting young Peruvians to participate in a domestic Peace Corps program. Chile, Guatemala, Venezuela, and Costa Rica are taking steps to use private citizens in national community development and action programs.

The Inter-American Committee for the Alliance for Progress (CIAP), principal executive arm of the Organization of American States (OAS) in addressing the problems of economic and social development in Latin America, is charged with the task of reviewing and assessing each year the self-help performance of every Latin American Alliance country. For the

United States and all other agencies that provide external assistance to Latin America, the CIAP reviews are becoming increasingly important as guides, sharpening and deepening the common understanding of each nation's needs and of the relationships between the country's own policies and actions and the external resources it can absorb effectively.

The Trend of U.S. Assistance

The administration of AID programs in Latin America has reached new levels of achievement and efficiency.

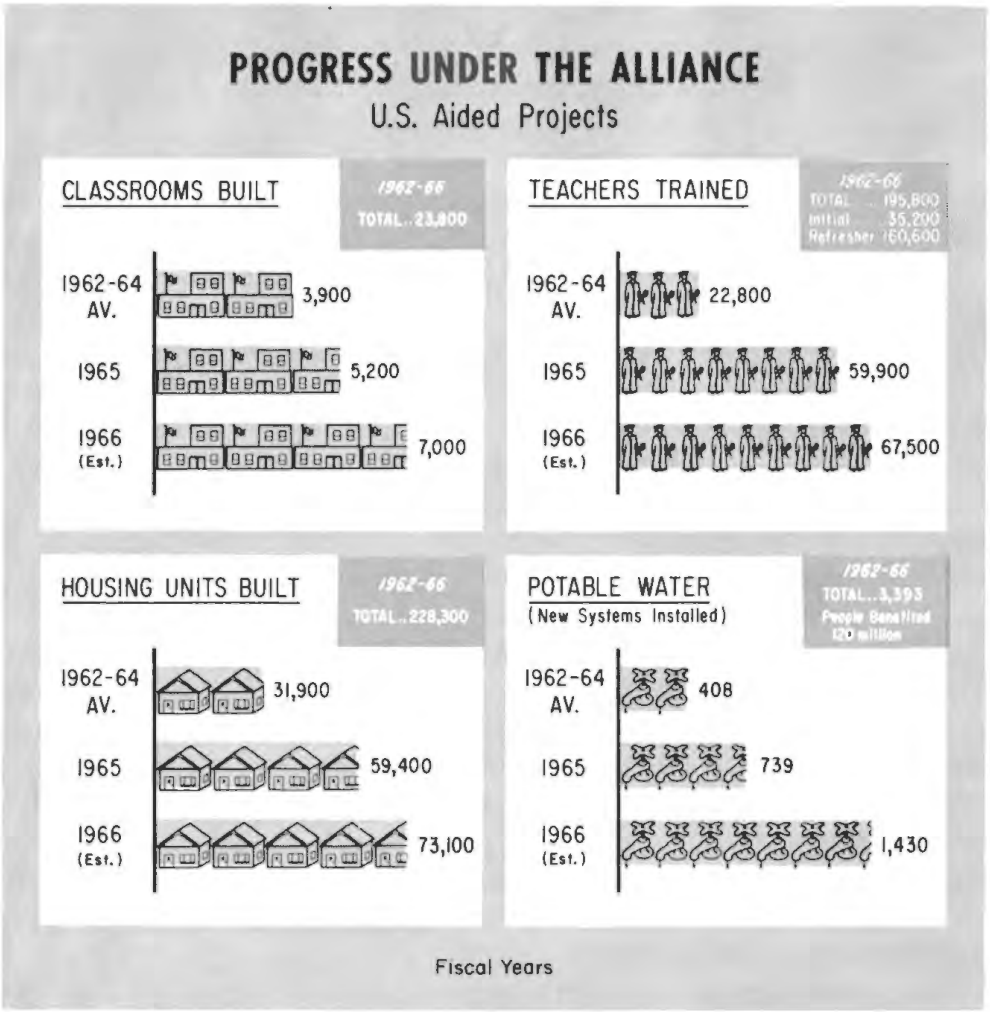
In the current fiscal year AID loans are being disbursed at a rate 50 percent above the rate during any prior year of the Alliance. In economic development terms, such performance translates directly into visible physical progress—more jobs, schools, homes, electric power and clean water—and to more efficient use of scarce dollars for heightened impact.

To achieve this performance, AID field staffs have been strengthened with the talents needed to make complicated development projects work, increased authority has been delegated to the field missions, and an implementation system has been installed to enable top management in the field and in Washington to spot problems early and follow up with appropriate corrective measures.

The credit needs of private individuals and corporations have been recognized and are beginning to be met. The United States has authorized loans of more than $440 million to intermediate credit institutions and cooperatives in 18 nations, and to the Central American Bank for Economic Integration. In six countries there are more than 1,300 credit unions with 358,000 members and savings of more than $15 million. Through AID assistance to intermediate credit institutions, more than 350,000 farmers have received agricultural credit loans. Nineteen development banks have been established. The United States has made loans totaling more than $170 million in support of these.

AID-assisted development banks in each of the Central American countries (except Guatemala) have set a pattern of lending to industry that is encouraging established local banks to shift from traditional real estate loans. This shift is bringing new investors into the market. The effect has been to create a demand for a capital marketplace, some institution through which stocks might be bought and sold. In Brazil, a major reform of the stock exchange has been recommended by a technician from the Securities Exchange Commission and another from the American Stock Exchange. New regulations for the exchange soon will be written and a number of Brazilians will be trained in exchange management in the United States.

Assistance also is being given private enterprises in Latin America by the International Executive Service Corps. This non-profit corporation has in its first year provided the expert services of more than 60 retired U.S. businessmen to enterprises in 11 Latin nations.



Private American citizens from 27 states are matching resources and needs with Latin American counterparts engaged in community development activities in many countries.

In physical terms, well over half the people of Latin America are benefiting from U.S.-assisted Alliance programs, including more than 25 million who are receiving surplus food from the United States and 100 million people who are protected from malaria through U.S.-supported eradication programs. More than 1.5 million people are living in Alliance sponsored homes; a million children are attending school for the first time because of new Alliance classrooms; hundreds of thousands of people are receiving medical attention from new hospitals and health centers; and more than 13 million people are benefiting from Alliance-financed water supply and sanitation projects.

Fiscal Year 1967 Program

In the first four and one-half years of the Alliance for Progress, Latin America has received $4.6 billion in food, equipment, and technical assist-

ance from the United States. This is the sum total of U.S. resources channeled to the southern part of the hemisphere through AID, the Export-Import Bank, Food for Peace, the Peace Corps, and the Social Progress Trust Fund of the Inter-American Development Bank.

The proposed AID contribution to the Alliance in fiscal year 1967 is $595 million. This represents a slight increase from the $581.1 million estimated for fiscal year 1966.

Development Loans: $500 million is required for continued program assistance and project lending. Under consideration are program loans in Brazil, Colombia, and Chile in support of their own efforts to carry on reform, stabilization and development programs. Project loans will be made for agricultural credit, expansion of educational facilities, savings and loan and other institutions dedicated to increasing the housing supply, private industries producing goods for domestic consumption and for export, private development banks, and public investment projects such as roads, power systems, and other infrastructure needed to facilitate the growth of the economies.

Through sizeable program assistance, AID is helping to provide the flow of goods from the United States required for the growth and expansion of the private sector in addition to essential public investments. All three countries have demonstrated the financial discipline and capacity for self-help necessary for the effective used of large scale program loans for development purposes.

In Brazil, the government has undertaken a major development effort on a sound, long-term basis, reversing a statist trend in favor of private enterprise and foreign investment.

Local currency generated by a program loan will be used in Brazil to help finance private sector development in agriculture, industry, and in housing through intermediate credit institutions. It is expected that additional counterpart funds will be earmarked for projects in water and sewage, public health and education. In addition, project lending is proposed for transportation, power and steel production.

Assistance to Chile in fiscal year 1967 will support the nation's efforts to reduce the rate of inflation, to broaden the base of taxation and education, and distribute more land to the peasant population. Dollars from a program loan will finance imports of materials and equipment by private industry while the local currency generated will be used for the public investment budget with emphasis on agriculture, education and health.

In the fall of 1965, the Colombian Government, with the support of the United States, the World Bank, and the International Monetary Fund, developed a comprehensive economic reform program which included the following self-help measures: Devaluation of the exchange rate for most imports; restriction on government spending; new tax measures; limitations on price and wage increases; and improved planning for the entire economy. The AID program loan for fiscal year 1967 will help Colombia

achieve financial balance at a level necessary for accelerated economic growth and social progress. This assistance will make a direct contribution both to closing the balance of payments gap and to increasing the ability of the government to meet its investment targets through non-inflationary means.

Technical Cooperation: The Technical Cooperation program for fiscal year 1967 amounting to $95 million will help speed development in Latin America through the provision of U.S. expertise in the fields of public and business administration, education, health, agriculture, transportation, labor, and public safety. More U.S. private and public contractors, including American universities, will be used to support U.S. capital investment, build development institutions, and develop the essential knowhow and trained manpower required for continued growth in Latin America.

AID plans to participate in a joint effort of the Colombian Government, the Ford, Rockefeller, and Kellogg Foundations, and several international agencies to promote agricultural education and development. The AID emphasis will be to expand and improve the curriculum and faculties of three agricultural universities in Colombia. Through a contract with the University of Nebraska, AID will provide for the advisory services of nine U.S. professors and other short-term consultants during fiscal year 1967.

In Peru, under AID contract, the University of North Carolina is helping to improve the curriculum and administration of the National Agricultural University, one of the most promising institutions of the land grant college type in Latin America.

In the interest of promoting civil stability, technical assistance will continue to be provided to police organizations in Latin America. The major thrust of this effort is the development of more efficient operations and greater coordination among the many non-military internal security forces of Alliance countries.

Other Kinds of Assistance: Supporting assistance funds amounting to $33.2 million are being requested for fiscal year 1967, largely to help the Dominican Republic meet projected fiscal and balance of payments deficits.

The Food for Peace program in Latin America will be tied to development programs so as to give greater emphasis to helping recipient countries meet their own food needs. It is contemplated that increased emphasis also will be given to sales under long-term, dollar-repayable credits. It is proposed that commodities valued at $195 million be made available in fiscal year 1967 under the Food for Peace program.

AID will continue to collaborate in economic and social development matters with the Inter-American Development Bank (IDB), the World Bank, the International Monetary Fund, the Export-Import Bank, and the UN Special Fund. The possibility will be considered of consultative groups being created for additional countries under the leadership of the World

Bank. The United States will also continue to encourage the European countries, Canada, and Japan to make more assistance available, on easier terms.

Agriculture, Education, and Health: The most significant increases proposed for AID programs in fiscal year 1967 are in agriculture, education, and health. In keeping with President Johnson's promise to the people of the world's developing nations that "this nation's dream of a great society does not stop at the water's edge," AID hopes to increase technical and financial assistance to nations prepared to devote an increased proportion of their own resources to priority development problems including these three areas.

It is proposed that there be expanded efforts to control malaria and aftosa (foot and mouth disease), to develop, on a large scale, pilot programs to combat malnutrition in pre-school children; and to assist health ministries and private health services in planning and carrying out expanded health activities.

AID will also be prepared in fiscal year 1967 to respond to requests for help in family planning and other aspects of population control.

It seems likely that Latin America will also respond affirmatively in fiscal year 1967 to the U.S. pledge to assist in a continent-wide effort to develop production of fertilizer, pesticides, and other products needed to increase agricultural yields.

To support self-help efforts to revitalize the agricultural sector in Latin America, AID is proposing a program for fiscal year 1967 of development loans for agricultural cooperative movements, marketing, supervised credit, farm to market roads, rural electric cooperatives, seed, and agricultural education.

AID will continue to assist Latin America in overcoming the deficiencies in professional and skilled manpower that block the road to economic development. To help Latin American governments meet the need for education, development loans are planned for university reform, industrial training, primary and secondary school construction, teacher training centers, and advanced research.

BOLIVIA

Bolivia has one of the poorest and most primitive Indian societies in Latin America. The continuing task of national integration requires a development effort of major proportions.

Economic growth has been limited in the past by an unstable political situation impeding the orderly execution of fiscal and social reforms in the nation as a whole and particularly in the mining sector—the country's single major source of foreign exchange earnings.

In addition, this landlocked nation lacks industry, suffers from a very inadequate transportation network in difficult terrain, and is largely populated by campesinos who require further educational, cultural, and economic opportunities in order to enter the political and economic life of the country.

Self-Help Accomplishments

In spite of these obstacles and the sudden change of government in 1964, Bolivia has made considerable progress during the last year.

The gross national product increased by five percent in 1965 and the stage was set for further improvements by successful efforts to broaden collections of central government revenue and improve the country's balance of payments position. The Bolivian Government also initiated strong measures to reform and reorganize the nationalized tin mines, passed a revised mining code favorable to private investment, issued a decree for the consolidation and control of the budgets and foreign borrowings of the semi-autonomous government corporations, and promulgated a new investment code and a revised, and more equitable, royalties schedule designed to encourage private investment.

Each of these self-help measures had been strongly urged by AID, and their adoption is largely attributable to AID assistance.

With the help of U.S. technology and the promotion of specific crops, Bolivia has also managed to increase its gross agricultural production by 25 percent since 1960. Significant institutional changes are playing a role in the development of Bolivian agriculture as a result of the reorganization and recapitalization of the Agriculture Bank and the reorganization of the Ministry of Agriculture. The United States has been helping to remove further deficiencies in the country's agricultural marketing system by supporting wool, fruit, and coffee marketing institutions.

Supplementing other U.S. efforts to develop the rural economy has been the effort to improve the health of the campesino by reducing mortality from disease. Since 1957, malaria has been eradicated from over 90 percent of the country, thereby opening large areas to colonization. More recently, AID has been working to eliminate hemorrhagic fever. With the completion of self-help water supply projects in 20 villages, water-borne diseases have been reduced.

From the advent of the Alliance for Progress, the United States has also been assisting the Government of Bolivia in the field of education. Educational accomplishments include the construction of more than 175 rural schools, the repair or construction of 80 multi-room urban schools, the printing of 1,500,000 textbooks for the first three grades as well as linguistic books and teacher manuals, and the training of 1,500 rural teachers. In addition, the Inter-American Development Bank has loaned more than two million dollars to four Bolivian universities for laboratory and other facilities in the basic sciences, engineering, veterinary, and agriculture.

Development Strategy

In fiscal year 1967, U.S. aid will be directed into selective institutional and capital development programs including government administration, transportation, and agriculture.

The Government of Bolivia will be urged to undertake further administrative, fiscal, and budgetary reforms to reduce operating deficits and to facilitate meaningful utilization of foreign aid funds. Approval of specific projects and of disbursements under project loans and grants will continue to be contingent on prior implementation of reforms within the government to enable it to exercise full control over the budget and fiscal policies of all of its agencies and semi-autonomous corporations. This is expected to improve control over public sector savings and lead to a reform of the tax code.

Fiscal Year 1967 Program

U.S. development lending in fiscal year 1967 will continue to concentrate on the transportation sector with technical assistance going principally to government administration and the development of human resources. It is also expected that loan financing and technical assistance will continue from the Inter-American Development Bank, the UN Special Fund, the World Bank, and the West German Government.

It is expected that fiscal year 1967 will mark the end of AID dollar support for Bolivian government operations. The final grant will be made to continue basic fiscal and administrative reforms necessary for reducing the central government deficit. This represents a reduction to 20 percent in the U.S. share of particular budget item costs from a level of nearly 100 percent four years ago. Technical assistance will be continued in public administration, supply management, economic planning, and tax and fiscal reform.

In mining and mineral development, the Mining Bank of Bolivia received a fiscal year 1966 dollar loan of $4.3 million to encourage expansion in medium-sized private mines. Further assistance in the rehabilitation of COMIBOL, the nationalized mining corporation, is now being provided by AID (a $1.1 million development loan is in process) with participation of Germany and the Inter-American Development Bank in "Operation Triangular." Fiscal year 1967 Technical Cooperation funds will finance the final year of operation of a highly successful mineral survey activity, and the continuation of an occupational health and tuberculosis eradication project which has already resulted in more than 20,000 individual TB tests.

Improved transportation will lead to both economic and political unification of the country through development of an integrated network of roads, bringing the Bolivian economy into closer touch with world markets and diminishing export and import costs. Fiscal year loan funding is scheduled for construction of mining and agricultural access roads, and

for improvement of the major road axis under the aegis of the National Roads Service. The Service has been reorganized with advisory assistance from AID and is considered to be one of the most efficient Bolivian government organizations. AID funds may be utilized to finance essential commodity support for a railway rehabilitation program.

In fiscal year 1967 AID will continue efforts of the past few years to promote rural development by accelerating the development of the entire rural economy and increasing food production. These programs will not only provide more food for the nation and more jobs for the rural population but are expected to improve the country's foreign exchange position by reducing food imports and boosting exports.

In addition to local currency support for community development centers which will provide services in technical agriculture, health, engineering, and marketing, AID will finance continued technical assistance by Utah State University to improve livestock, forage and range management, and marketing techniques in Bolivia. AID will also provide support to the Self-Help Community Water Supply projects.

Under an AID contract, Ohio State University's Research Foundation is conducting a major survey of the country's manpower requirements for economic and social growth. It will determine the effectiveness of the Bolivian labor market. Until this survey provides further guidance in 1967 on specific manpower needs, AID will continue to concentrate its educational program on advisory planning services, completion of a textbook project, support for school-building, and training and seminars for Bolivian teachers. Technical assistance will also be provided by the American Institute for Free Labor Development under a Trade Union Development program to develop an understanding of democratic union procedures.

To lay the groundwork for industrial development in Bolivia, support will be continued in fiscal year 1967 to selected institutions performing important services to the Bolivian business community—credit on reasonable terms through the private Industrial Development Bank, technical assistance in practical ways of improving productivity through the recently established Productivity Center, and the identification and promotion of new investment opportunities.

BRAZIL

With half the population of South America and more than one-third of the population south of the Rio Grande, Brazil plays an important role in the democratic balance of the hemisphere. Under the interim government which came to power in 1964 to halt a threatening trend to left-wing dictatorship, the Brazilians have adopted a sound economic program to meet the economic and social goals of the Alliance for Progress.

From a situation of galloping inflation and growing stagnation the Brazilian economy has been brought halfway along the road to price stability, clearing the way for long range development programs which will

broaden the base of social justice for millions of Brazilians living on the outer fringes of despair.

In October of 1966 they are to elect a new Congress as well as new legislatures for all of the Brazilian states, and governors for 11 of the states. The national elections will lead to the designation of a new Brazilian president.

The objective of U.S. economic assistance in Brazil is to help the country develop a fast-growing, self-sustaining, modern economy capable of generating and multiplying new economic and social opportunities through higher productivity, better distribution of income, more and better education, improved landowner-tenant relations, better rural living and working conditions, intensive development of backward areas in the North and Northeast, and improvements in housing, water distribution, education, sanitation, and public health.

Self-Help Accomplishments

The Castello Branco administration has conducted an effectively tough economic program of stabilization, development, and reform.

Inflation has been reduced from an annual rate of 140 percent as of March 1964 to a cumulative rise in prices of 45 percent during 1965. For 1966, the outlook is for about 20–25 percent inflation over the year, decreasing to an annual rate of less than 10 percent by the end of the year. This progress has required drastic compression of government expenditures, heavy tax increases, severe limitations on credit expansion, elimination of widespread subsidies, containment of wage increases, and improved performance by government enterprises. U.S. program loans in 1964 and 1965 made important contributions to Brazil's hard-fought efforts by insuring an adequate level of essential imports.

The balance of payments situation has been improved drastically in the same period. From virtual international bankruptcy Brazil has restored her credit standing, rescheduled debt service payments due in 1964 and 1965, liquidated the backlog of commercial arrears, reopened the flow of financial remittances, and rebuilt exchange reserves. Even with AID's assistance, this transformation required action by the Brazilian government through sound foreign exchange policy, export promotion, and restoration of investor confidence.

As a result of the highly successful stabilization program, there has been a resumption of economic growth after two years of near stagnation. The growth rate of national production reached five percent in 1965 and employment has risen with production as the government pushed forward non-inflationary investments in electric power and construction. Steps are also being taken to get a major private housing program underway.

Basic economic reforms are laying the groundwork meantime for programs which will directly benefit the poorer segments of the Brazilian populace. The government has secured major legislative reform measures

in tax structure, land tenure, agricultural credit, banking, the capital market, and housing. A proposal for public administration reform, including improved fiscal management, is to be submitted to Congress. Beneficial measures have also been enacted in education, operation of public enterprises, and many other fields.

Private enterprise has been encouraged by policies halting the previous trend toward state ownership. New incentives have been created and old obstacles removed in an effort to increase the participation of private enterprise, both foreign and domestic. New foreign investment is being sought for development of minerals and petrochemicals, and an Investment Guaranty agreement has been signed with the United States.

The Economic Outlook

Brazil's need for external investment during the period of the next five years approximates $600 million a year. To this figure must be added the governmental debt-servicing costs of around $400 million annually. After fiscal year 1967 requirements for concessional aid will decline as efforts to increase the flow of investments from other foreign countries and private sources begin to show results.

Over the next five years, total foreign private investment should return to the $300 million a year level reached in the 1950's (as compared with $28 million in 1964). The improved investment climate and the signing of an Investment Guaranty agreement with the United States lend realism to this projection.

Strong efforts will be made during fiscal year 1967 to increase the contributions from such sources as the World Bank, the Inter-American Development Bank, West Germany, and private foreign sources.

Technical assistance ($15.8 million) will be continued in order to support Brazil's self-help efforts. It is likely that Brazil will continue to need some further technical aid during the 1970's in order to complete the modernization of its social and educational institutions.

Fiscal Year 1967 Program

Economic stabilization continues to be the priority target of the U.S. aid program in fiscal year 1967. Through large-scale program lending and Food for Peace loans, AID will continue to finance the flow of essential imports needed to stimulate private investments and production while helping to hold the government's strict line on prices.

In order to reduce the rate of inflation to no more than 10 percent by the end of 1966, Brazilian authorities are expected to continue their efforts to eliminate the federal budget deficit, curb wage increases, reduce subsidies to government enterprises, and maintain credit policies which curb inflation without throttling private enterprise. It is also expected to concentrate further attention on developing a coffee policy which is fair to producers and consumers alike without draining government revenues and on pursuing exchange rates which stimulate exports.

Accelerating Economic Growth: Capital projects in fields such as power, highway maintenance, and private industry will also receive AID loans in the continuing effort to achieve a major break-through in the supply of working capital and medium-term investment financing for Brazilian private enterprise. Counterpart funds generated under AID's program loans have helped finance the establishment of five intermediate credit institutions which are now lending extensively to both businessmen and farmers. By the end of 1966 it is estimated that 4,000 business firms and 90,000 individual farmers will have drawn loans from these institutions.

Agricultural Production and Agrarian Reform: A primary goal of the Brazilian development program is to establish an agricultural credit system capable of meeting the credit needs of four out of every 10 farmers by the end of 1967 and seven out of that number by 1970. By that time this system should have capital funds equivalent to more than $800 million. At the same time the Brazilian Government is working to improve its minimum price system in order to guarantee a fair return on production and improve the terms of trade of the agricultural sector. The 1967 loans extended for this purpose by Brazil should triple to the level of the equivalent of $500 million annually.

Four U.S. universities are working with Brazil to double the university enrollment in agricultural courses by 1968. Other U.S. technicians are assisting with a national program in applied research and a program to increase the use of fertilizer. Brazil expects to be producing all of the fertilizer it needs in the early 1970's.

Agricultural exports are being increased, and technical assistance is expediting the agrarian reform to achieve a goal of 50,000 land titles and the relocation of 100,000 colonizing families a year.

Education: The United States is concentrating on assistance in educational planning and administration, development of high-level manpower, vocational training, literacy, normal schools, and textbooks.

These programs are being undertaken in support of a 1970 target date for: improving 80 percent of the national teacher training facilities; extending fourth grade education to all Brazilian children and enrolling a higher percentage of Brazilian youth in more advanced courses—50 percent through the eighth grade and 30 percent in secondary schools; providing free textbooks to all public school children; doubling university enrollments to 240,000; and achieving literacy for 1,000,000 adults in the Northeast.

Creation of a Private Housing Industry: The United States is providing technical assistance to the National Housing Bank and related financing institutions concerned with mortgage insurance, savings and loan associations, and cooperatives. Over 10,000 houses have been completed under the Alliance for Progress. New targets include a 10-fold increase in housing starts by 1968 from the present level of 40,000 a year and direct assistance to lowcost and public-cooperative housing.

Health and Nutrition: U.S. technicians are working with Brazil to eradicate malaria by 1972 and to install 60 to 70 municipal water systems by 1968. Other assistance includes a nutrition program aimed at correcting vitamin A and protein deficiencies in the Northeast; demographic studies and pilot projects in population control; and improved planning and administration of the Federal Health Ministry and of health services in key states.

Improved Government Operations: An Administration proposal to be sent to Congress in 1966 is expected to lead to further reforms improving tax collections, expenditure controls, planning, project execution and personnel administration. The United States will continue collaboration on a five-year development plan and building a professional planning staff; implementing a program performance budget system consistent with the plan; improving tax administration to strengthen the professional civil service system; and upgrading key operating agencies including the SUDENE Development Agency in the Northeast, the highway department, and the National Housing Bank.

The Northeast: The Northeastern region of Brazil has received priority attention since the beginning of the Alliance for Progress.

In the short run, the Northeast and other more backward areas suffer from serious technical and managerial limitations on effective utilization of capital. Failure to remove these limitations will lead to further waste, delay, and frustrations. Accordingly, a substantial part of the AID effort in the Northeast is directed to vocational training, increased literacy, improved public administration, and other institutional improvements. Though progress will not be rapid, AID's programs are aimed at integrating these areas into the more progressive national community.

CHILE

Chile has a long tradition of democratic government which has won that country high respect throughout the world. However, the economic and social fruits of that democracy have benefited too few and much of the population lives in ignorance and poverty.

The new government which took office in 1964 inherited a highly inflationary economy dependent on large government expenditures, extensive foreign assistance, and a limited private sector producing consumer goods at excessively high prices. The copper mining industry which earns most of the country's foreign exchange needed to expand its production and agricultural production had actually regressed to the point of stagnation.

To revitalize the productive sectors of the Chilean economy and lay the groundwork for self-sustaining growth by 1970, the new administration launched a broad program aimed at reform, development, and stabilization which it calls the "Revolution in Liberty." The development objectives of that peaceful revolution are supported by major assistance programs by

the United States and other sources intended to help effect reforms in economic structure while opening the way for major investments which will enlarge the country's productive capacity.

Considerable progress has been made in that direction in spite of continuing opposition from traditional ruling groups who seek to preserve what they can of their former privileges and from highly active leftists who seek to frustrate the moderate approach of the Frei administration. Per capita GNP rose by 2.5 percent in fiscal year 1965, as Chile realized for the first time the growth rate established under the Alliance.

Self-Help Accomplishments

In spite of extremist opposition and financial and human losses resulting from floods and a serious earthquake, the development effort moved ahead significantly in 1965.

Since the inauguration of President Frei, there has been substantial deceleration of the chronic inflationary cycle as a result of new fiscal policies which held the rate of inflation to 26 percent in 1965. These results represent a heartening improvement over the inflationary growth of former years—39 percent in 1954 and 45 percent in 1963.

Tax reforms and improved tax administration have, meantime, helped to increase government revenues from 13.7 percent of the gross national product in 1964 to 15–16 percent in 1965. With the help of an AID-financed team from the Internal Revenue Service, personal tax collections have more than doubled. Real estate tax collections have increased by 300 percent, and new capital gains and net worth taxes have gone into effect in an effort to distribute the tax burden more equitably.

A 25 percent increase in public investments, partially financed by proceeds from U.S. loans, contributed to a general expansion of economic activity and employment in 1965.

Educational opportunities have improved noticeably with a 20 percent increase in primary and secondary school enrollments and a 13 percent increase in higher professional education. AID assisted in this effort by providing new classrooms.

In the same period, the number of elementary school teachers entering the educational system was increased by 150 percent, primarily by bringing qualified teachers back into the profession. In December 1965 important educational reform decrees were promulgated with the intention of bringing the educational system into closer alignment with the requirements of economic development. These reforms increase the emphasis on vocational training for industry and business and extend the compulsory school program through the seventh and eighth grades.

Labor, taxation, banking, and corporate law are other areas that will benefit from reform measures now passing through the legislative process.

New private investments of $400 million are contemplated in the agreements reached between the Frei administration and U.S. copper companies,

but their ratification has run into difficulty in the Chilean Congress. American-owned mines presently generate nearly 70 percent of the country's foreign exchange earnings, and the projected investments could result in huge increases in production over the next five years.

The elimination of Chile's chronic inflation is essential if Chile is to achieve the self-sustaining growth necessary for long-term development. Until the inflationary circle is broken, there is little hope of bringing more private investors into national production.

Anti-inflationary measures are being undertaken to: increase public savings to eliminate recourse to the Central Bank for inflationary financing; stabilize the rate of increase in the money supply in line with holding price increases to 15 percent in 1966 and 10 percent in 1967; hold wage increases to levels consistent with the containment of inflation; reduce deficits in various government agencies; and increase tax receipts.

While the groundwork for sustained development is being laid by fiscal stabilization, the immediate popular demands for better living standards and more employment opportunities will require a rapid expansion of investments in industry and agriculture. To accomplish this, AID will give increased attention to policies, institutions, and services contributing to economic growth in both fields.

Priority programs include the development of detailed plans for the promotion of private investments in export industries; the improvement of training facilities to meet growing requirements for managerial and other skills; the reform of banking and other institutions responsible for laying the infrastructure for industry and agriculture; liberalization of controls on foreign investment; and the continued coordination of financial and economic policies which encourage efficient use of investment funds.

Fiscal Year 1967 Program

In fiscal year 1967 AID's major assistance to Chile will take the form of a program loan supporting the Frei administration's programs of stabilization, social reform, and economic development.

Local currency proceeds from the U.S. program loan will be disbursed through the development budget with priority given to agriculture, education, health, industry, transportation, and housing.

Project loans are proposed for agricultural cooperatives and for the private industrial sector.

Technical assistance ($3.2 million) will also go to priority areas of the government programs, with nearly 50 percent planned for the Chile-California Program, a contract arrangement under which the State of California provides advisors.

Technical assistance will also be made available for the modernization of the tax system and the customs service and will provide high level advisors to the government on policy and program matters.

Assistance in the improved use of public sector resources will be provided by a series of activities funded under the Chile-California program, including the preparation of a master transportation plan and national water resources planning. Short-term consultants will be provided to assist public sector agencies involved with development responsibilities and modernizing budgeting and planning processes.

In the private sector, agriculture will continue to receive technical assistance through the Chile-California Program in modernizing pricing and marketing systems.

To help Chile assess manpower requirements for long range development, the Chile-California Program plans to establish a human resource planning center. Other activities include training and research programs in economics and social sciences, labor education, and reorganization of the organization of the national health services.

COLOMBIA

Colombia's principal export, coffee, accounts for about half of the country's exports of goods and services. In recent years, slow growth of world demand for the product has retarded Colombian development by restricting foreign exchange availabilities for imports of essential goods.

The objective of U.S. aid is to help meet the import requirements of a dynamic private sector while assisting the national drive for diversification of exports. Export diversification has been successfully promoted: between 1960 and 1965, while exports of coffee grew 4 percent annually exports of petroleum grew 5.8 percent and other exports grew 12.3 percent.

Colombia will elect a new Congress and new administration in 1966 to carry on these and other programs aimed at widening the base of popular participation in the benefits of economic progress.

Self-Help Accomplishments

The most significant development favorable to the accomplishment of that objective is the economic reform program launched in the fall of 1965 with the help of the United States, the International Bank for Reconstruction and Development, and the International Monetary Fund.

Reforms include a major exchange devaluation and liberalization of imports, a 20 percent surcharge on income taxes and other tax measures, curbs on credit, and an improved pattern of public expenditures to reflect priority social needs. At the same time, the Association of Colombian Coffee Growers agreed to a new system of self-financing.

The outlook in public education was also improved by a decision to shift much of the financing of primary education from the federal to the local level. U.S. assistance is also playing a major role. By the end of fiscal year 1966, more than 400,000 Colombians will have enrolled in AID-

assisted schools and 57,800 teachers will complete in-service training courses set up with U.S. technical assistance.

In agriculture, the government is bringing more of the nation's small farmers into organized credit programs. By the end of fiscal year 1966, they will have received 20,000 supervised loans from the Colombian agrarian reform institute under a $10 million loan fund established by AID. The government intends to focus to a greater extent on the adverse factors which have retarded agricultural development. As a first step, it is strengthening the Planning Office of the Ministry of Agriculture.

More than 15,000 housing units have been constructed with the assistance of U.S. development loans and as the result of two low-cost cooperative housing programs set up by the Colombian Government.

With the help of AID, the government is installing potable water systems which will benefit more than 600,000 people throughout the country by the end of fiscal year 1966.

Fiscal Year 1967 Program

U.S. aid to Colombia in fiscal year 1967 will continue to focus on providing foreign exchange for private sector imports essential to continued economic growth through the program loan technique. The program loans, at the same time, will provide non-inflationary financing for new public and private investments. In addition, the program loan will provide direct and indirect support to reform programs in public education, land distribution, housing, and health and sanitation.

Colombia's drive to diversify and increase agricultural production will continue to draw support from the AID-financed loan fund which distributes credits to families farming small tracts distributed by the agrarian reform institute. Technical assistance will be continued to this and other government agencies trying to increase the ability of Colombian farmers to meet internal needs and increase export earnings.

Education is another field of emphasis in fiscal year 1967. AID-financed advisors will work with the Ministries of Education and Finance to lay the groundwork for local financing of public education at the primary level and studies will be undertaken to develop new programs to improve secondary schools and universities. A technical team from the University of California received an AID contract to work with the National Association of Colombian Universities in surveying the nation's long-range needs in higher education.

Housing programs and water supply projects will also receive help from AID in fiscal year 1967. Loans are proposed to meet the dollar costs of expanding water and sewage systems in several cities. Housing projects throughout the country, including projects of the government's low-cost housing agency as well as cooperative programs developed by labor unions and other groups, will receive technical assistance through AID-financed contracts.

Technical assistance is also planned in fiscal year 1967 to help strengthen internal security. The Civic Action Program of the Colombian military forces will receive commodity assistance from AID to meet the threat of banditry and violence in rural sections of the country, while contract consultants will work with the National Police to improve policing capabilities in the cities.

DOMINICAN REPUBLIC

After a period of violent turmoil which began in the spring of 1965 the people of the Dominican Republic are trying to resolve their differences in the interests of economic and social development.

The economy of the country suffered grave problems in the latter half of 1965 when public revenues declined and investment plans were frustrated because of political problems. A precipitous drop in the world price of sugar, the major export of the Dominican Republic, complicated these problems. However, emergency assistance from the United States (through AID) and the Organization of American States (OAS) helped to mitigate these hardships and head off a major economic recession.

The U.S. aid program for fiscal year 1967 is based on the projected election of a permanent representative government in June of 1966 and the implementation by that government of social and economic reforms which will bring about a better way of life for the Dominican people.

Development Needs

Feasibility studies for the development of power and irrigation in the two Yaque Valley regions of the Dominican Republic have already been resumed with the help of the International Bank for Reconstruction and Development and the United Nations Special Fund, and special legislation was recently enacted to establish a National Planning Office.

Considerable progress has been made in coming to grips with three immediate problems: creating emergency employment activities to cushion the adverse economic impact of the recent revolution; covering the budget gap and balance of payments deficit to avert inflation and maintain economic activity; and stimulating the recovery and expansion of the economy by utilizing funds from previously approved AID loans and providing funds for credits to farmers and businessmen.

At the same time, extensive administrative and fiscal reforms are being undertaken to prepare the way for long-term development programs.

AID foresees the need to improve the capacity of government agencies at the local as well as national level, increase government revenues through improvements in the tax system, and channel a higher percentage of budgetary resources into capital investments. A large share of these investments will go to rural sections producing the nation's food crops. The diversifica-

tion of Dominican agriculture will depend on improved credit and marketing systems, more efficient use of irrigation, and extensive technical assistance. Attention must also be given to agricultural and vocational training as well as public education throughout the country .

Fiscal Year 1967 Program

Development loans to the Dominican Republic in fiscal year 1967 will focus primarily on agriculture, community development, education, and transportation.

The development of cash crops and livestock production is considered the best means of achieving diversification of the export sector of Dominican agriculture while reducing food imports. Technical assistance in production and marketing will be provided through a contract with Texas A & M University. Assistance will also be provided in agricultural credit, cooperatives, livestock production, agricultural education, irrigation, and agrarian reform to increase productivity and expand total production.

In community development, emphasis will be placed on rural and urban community education, self-help projects in housing and sewage and water supply, and preparation of community leaders.

Educational deficiences are so pronounced that long range planning must be undertaken to meet the needs at all levels of education. AID will assist the government in that effort whle concentrating immediate assistance on agricultural and vocational education and teacher training.

Transportation bottlenecks will be attacked in isolated areas. In fiscal year 1967, road building projects will concentrate on secondary and feeder roads to open remote regions to new investment capital.

Technical assistance in fiscal year 1967 is also proposed for activities in industrial development, youth affairs, population studies, labor administration and development, and a special development fund for self-help community projects. In addition, AID will provide assistance in public safety in order to strengthen the capabilities of the National Police in maintaining internal security.

Supporting Assistance funds will be required in fiscal year 1967 to help meet projected fiscal and balance of payment deficits resulting from a decline in public revenues and prices of major exports and to assist the government in financing recovery and development activities including irrigation rehabilitation, community development and highway maintenance.

PERU

One of the more pressing problems faced by the Belaunde government in its development efforts is to speed the integration of the poverty-stricken masses of the Andean highlands and urban slums into the national life of the country.

Most of the Indians inhabiting the inland mountain regions have lived in cultural as well as economic isolation from the mainstream of Peruvian development without the educational or social opportunities they need to help themselves.

The rural development program including agrarian reform in the high sierras of Peru, which has been initiated with U.S. assistance, is one of the keys to the government's efforts to meet the goals of the Alliance for Progress. In addition, President Belaunde hopes to open the vast trans-Andean hinterland to economic development. Major transportation problems must be solved. Parts of the "Carretera Marginal," a highway which could eventually stretch from Colombia to Paraguay along the eastern slopes of the Andes, are already under construction in northern and central Peru.

Price increases, over 25 percent in the last two years, have been caused, to some extent, by budgetary deficits and by the inability of Peruvian agriculture to meet the food demand of a population which is growing about three percent a year.

Self-Help Accomplishments

Over-all economic growth has been proceeding at an encouraging rate in Peru, paced by the export boom of 1964 and significantly helped by private and public investment in 1965.

The Peruvian Government is planning a reduction of public expenditures during 1966 which should significantly reduce the budget deficit and temper inflationary pressures. The balance of payments outlook appears less promising now than in recent years. Imports have risen sharply, while several of Peru's chief export commodities failed to earn at expected rates.

Self-help efforts include a 60 percent increase during 1963–65 in public investment in economic and social infra-structure which has, among other things, helped launch the agricultural development program. The farming sector of the economy is now receiving one-fourth of the government's development investment. Nearly 200,000 people have received more than 1.5 million acres of farmland under the agrarian reform law of 1964.

U.S. technical and financial aid is supporting government programs in colonization and irrigation as well as extension services and research and planning work. In addition, AID has financed a pioneering supervised agricultural credit program which is making credit available to small farmers on reasonable terms for the first time.

Schools, roads, reservoirs, and clinics are being built throughout the country under an imaginative program of community development called *Cooperación Popular,* to which AID is giving technical assistance. *Cooperación Popular* has completed 2,000 projects, begun 4,000 others, and has requests to assist 11,000 more. To help meet the growing number of community requests for financial assistance under this program, a $20 million loan has recently been approved by the Inter-American Development Bank.

Finally, Peru has set up and staffed a Center for the Study of Population and Development, which will undertake studies in the field of demography and population.

Fiscal Year 1967 Program

In fiscal year 1967, the U.S. aid program in Peru will continue to concentrate on programs primarily beneficial to the large numbers of people living in rural and urban poverty.

The Peruvian Government's effort to modernize the rural sector of the economy and increase the production and distribution of foods will receive technical assistance through AID-financed university contracts. The University of North Carolina and Iowa State University are currently working in Peru. To complement these activities, several capital development projects have been proposed to finance agricultural credit programs, livestock development, major irrigation projects, and civic action.

The development of a transport system is essential to incorporate isolated rural areas into the national markets. Several capital development projects may be considered including construction of "frontier" airports and penetration and interurban roads. The Bureau of Public Roads and the Federal Aviation Agency have been providing technical assistance in these areas.

Technical assistance will also continue in industrial and community development. Considerable progress has already been achieved by government planners working with business leaders in Southern Peru. New industries are being established and expansion of artisan handicraft production encouraged. Marketing studies and management seminars have been developed with the help of AID-financed advisory teams from Stanford University, the Stanford Research Institute, and other U.S. institutions. The American Institute of Free Labor Development is training labor leaders and providing technical assistance to union-sponsored housing projects.

Communities participating in *Cooperación Popular* will continue to require technical and material assistance in improving living standards.

U.S. technical assistance will also continue in over-all development planning and public administration with a high priority on improvement in tax administration. Assistance will continue in educational development involving teacher training, the establishment of vocational high schools, and several training centers under the Peruvian Army's civic action program.

CENTRAL AMERICAN ECONOMIC COMMUNITY

The basic United States objective in Central America is to help the people of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua achieve a community of purpose and action that will quicken their move-

ment toward economic integration and develop the Central American Common Market into a broader economic community.

Common Market development continues to overcome obstacles presented by protectionist pressures, institutional inadequacies, and wide fluctuations in the economic capabilities of the individual countries.

The countries have been slow to commit national resources to the central institutions which are guiding the regional development program—the Central American Development Bank (CABEI), the Central American Secretariat (SIECA), the Organization of Central American States (ODECA), and the Central American University Council (CSUCA). Low rates of savings and investment in the public and private sectors of all the countries, ineffective tax systems, and inefficient allocation of national investment resources are other drawbacks.

In spite of these obstacles, the Central American governments have been making steady progress toward the free-trade goal set for June of 1966. In a series of inter-country agreements, they have achieved common external tariffs on all but 14 commodities and increased the volume of regional trade from $37 million in 1961 to $104 million in 1964. At the same time U.S. exports to these countries were rising from $207 million to $316 million.

Other achievements include the establishment of the Central American Bank for Economic Integration (CABEI) as the main source of long term credit for the private sector and the development of a system whereby the five countries cooperate in financing regional highway construction and other kinds of infrastructure.

While it is the general U.S. objective to support regional integration as the basis for attainment of self-sustaining economic growth, there are also serious problems that must be approached at the national level. For this reason, the major part of AID funding in Central America is for activities undertaken through bilateral programs.

Fiscal Year 1967 Program

AID assistance to ROCAP (Regional Office for Central American Economic Community) supports regional activities undertaken at the initiative of the Central American governments. The level of such assistance is related to support of the Central American governments and their commitment to the integration effort.

In fiscal year 1967 AID will encourage country participation in regional projects such as: The construction of a regional transportation system; improvements in the regional university system; and the creation of a regional management center with resources from the private sector.

No capital assistance in the form of development loans is planned for fiscal year 1967 but technical assistance projects will be financed by AID to strengthen regional institutions and inter-country working arrangements. In the 1967 fiscal year these will include support for the Central American School of Public Administration (ESAPAC), the Permanent Secretariat

(SIECA), and the secretariat of the Organization of the Central American States (ODECA). Emphasis will be given to unifying customs procedures, coordinating national economic plans within a regional framework, and developing a coordinated statistical system.

An effort will also be made to increase the capabilities of the CABEI to provide long term capital for the private sector and to establish a department of industrial development.

Costa Rica

The Costa Ricans have a long tradition of democracy which has helped them achieve a higher rate of literacy and a higher level of economic development than their neighbors. Although slow to join in the regional integration movement, they are now fully committed to the goals of the Central American Common Market.

Major country problems include balance of payments and fiscal difficulties which have slowed the national rate of economic development in relation to an extremely high rate of population growth—4.1 percent a year.

Over the past year, the Government of Costa Rica has taken a number of steps to try to correct this serious imbalance. With the assistance of a team from the Inter-American Committee for the Alliance for Progress, reform legislation is being prepared for income, property and sales taxes; and budget procedures are being revised. A vigorous mapping and appraisal program to increase revenues from property taxes was initiated with the assistance of an AID loan, and for the first time an inventory of delinquent tax accounts was compiled. In addition, the government has completed a four-year plan for economic development.

In fiscal year 1967, AID will help the government improve its services in planning and administration. A team from the Internal Revenue Service will continue to help with tax collections and budget procedures while other advisors work with economic planners.

AID's activities in rural development are designed to increase the effectiveness of the Ministry of Agriculture and School of Agriculture. In fiscal year 1967 attention will be focused on developing a self-sustaining system of agricultural credit for medium and small farms. Development loans will continue to support rural development projects including efforts to control floods and mudslides touched off by eruptions of the Irazu volcano.

El Salvador

El Salvador is the smallest of the Central American countries, but it has the largest number of industries. Many of these industries are now expanding operations to meet the broadening demands of the Central American Common Market.

The growth of Salvadoran industry and agriculture is reflected in a steady expansion of the gross national product, averaging eight percent a year since 1961. In rural development in 1964 and 1965, supervised loans were made to 3,400 operators of small farms, more than 2,000 families were resettled through land distribution, and mobile health units carried health services to 500,000 people in rural parts of the country.

The Salvadoran Government has also taken major steps forward in tax administration, housing, labor legislation, and education.

El Salvador has been a model for the other Alliance countries. Its reform program will continue to receive support through loans and technical cooperation in fiscal year 1967. AID will assist in building rural roads, bringing land under intensive cultivation, expanding supervised farm credits and enlarging the agricultural extension service.

In support of education, AID will help the University of El Salvador and will also provide assistance to teacher training schools and the National School of Agriculture.

Guatemala

Though not the largest of the Central American countries, Guatemala contains one-third of the regional population and a substantial portion of the economic resources that make up the Central American economy.

Few of its own citizens have benefited from economic development, however. Less than one third of the Guatemalan people can read and write, and half of the total are impoverished Indians living completely outside the money economy.

To help Guatemala build a base for economic development and return to constitutional government, the United States is directing most of its aid to strengthening public agencies involved in the formulation and execution of national development programs.

In fiscal year 1967, the AID program will also provide technical assistance to university and secondary education and loan assistance for the construction of elementary classrooms. Rural development projects will include community planning and vocational agricultural training as well as assistance to agricultural planning institutions.

Honduras

Honduras will play a key role in the physical integration of the Central American Common Market. Its central location makes it the crossroads for highway building projects to close the regional transportation gap.

The economic benefits of highway construction are urgently needed within the country itself, for Honduras is in many ways the poorest of the Central American economies.

In fiscal year 1967 the U.S. aid program will assist the public and private institutions that are responsible for rapid economic growth. Technical cooperation to improve governmental administration will include assistance to the National Planning Council, to the tax system, and to personnel management.

AID will also provide contract advisors to help implement the country's five-year rural development plan. The advisors will work through regional centers administering government extension services, credits, marketing and seed improvement progarms, and health and education programs. Development loans will be considered for improving water resources in areas subject to drought and for financing a major access road for forestry development.

Nicaragua

Nicaragua, with one-third of the geographic area of Central America, has extensive land resources in relation to a relatively small population of 1.6 million. In the past five years Nicaragua has made excellent economic progress in an atmosphere of growing political freedom. Gross national product has been rising an average of eight percent anually since 1960.

Efforts to develop its land resources are now underway in an economic development program expanding public education, public housing, social security, and programs improving labor relations. An agricultural credit institute has been established to provide supervised credits to small farmers, and rural health services are now reaching 200,000 people. Nicaragua has stepped up its participation in regional economic integration by moving to establish a caustic soda and insecticide industry within the Common Market.

The AID program proposed for Nicaragua in fiscal year 1967 will provide loan and technical assistance in national planning and tax administration, industrial and agricultural diversification, encouragement of private enterprise, and development of human resources.

OTHER LATIN AMERICAN PROGRAMS

Ninety percent of U.S. economic assistance to Latin America in fiscal year 1967 will be concentrated in six countries, plus Central America. AID technical cooperation and modest loan programs will continue in other Latin American nations.

Argentina

AID technical cooperation projects designed to improve the capacity of government institutions to carry out Argentina's National Development Plan are planned as part of the 1967 fiscal year program. They include

projects to improve tax collection methods, to reform budgetary administration, and to improve the system of central government statistics. Technical cooperation training and consultant assistance will also be provided in other key areas of the country's development effort—mainly agriculture, education, labor and housing.

Several development loans are currently in the process of implementation including four feasibility studies to determine some of the country's basic needs in highways, water, ports and related areas. No new loans have been signed with Argentina since early 1964. No new loan commitments are as yet scheduled from fiscal year 1967 funds, although negotiations are underway on two previously authorized pending loans. The achievement of development objectives in Argentina may require an accelerated program in cooperation with other lending agencies, in order to overcome the country's economic and social obstacles to progress such as housing shortages, lack of roads and communications, scarcity of agricultural credit and the institutions to develop them.

British Guiana

The United States has been supporting priority projects in British Guiana in social and economic development, encouraging the country's peaceful transition to independence in 1966. Development loans and technical assistance in fiscal year 1967 will continue to support efforts to diversify and increase the production of food crops and improve the nation's transport system.

The agricultural program will receive technical assistance and loan funds for farmer credits. An AID loan for penetration roads is planned to help open the interior for development relieving population pressures in the coastal areas.

In addition to assisting the British Guiana Development Corporation, U.S. management consultants will work with local industries to assure effective utilization of AID's private investment loan fund. Funds are also planned to train Guianese in a number of fields including public safety, health, and vocational skills related to AID project activities.

Ecuador

Serious budget deficits and balance of payments problems complicated by a decline in 1965 banana exports may slow the development effort in Ecuador in fiscal year 1967. AID will help to meet the government's need for loans and technical assistance within the framework of a fiscal and monetary stabilization program.

AID programs are helping to finance the construction of 3,000 primary classrooms in Ecuador, two normal schools, and the preparation of textbooks for the public schools. Technical teams from three U.S. univer-

sities are working to improve university education. A loan will be considered in fiscal year 1967 to finance university student loans and teaching equipment.

Loan assistance to finance credits to small farmers will also be considered, as will loans to promote the expansion of private industries.

In the last three years, the Industrial Development Center has attracted more than $50 million in new investments. Intermediate credit institutions, including the Cooperative Bank, have received $9 million in loans from AID.

Haiti

AID's program in Haiti was terminated in fiscal year 1963 except for the malaria eradication campaign administered jointly with the Pan American Health Organization, the United Nations Children's Fund, and the Haitian Government. Support for this program will continue in fiscal year 1967. U.S. voluntary agencies will distribute Food for Peace commodities to Haitian hospitals and orphanages, and will study the possibilities of extending the food program to community development projects.

Jamaica

With technical assistance from AID, the Government of Jamaica is expanding programs in education. Jamaica is also receiving assistance in support of its family planning programs.

Previously-approved AID loan projects on which implementation will be continued during fiscal year 1967 will support expansions of rural water supplies, housing, and agricultural credit.

Mexico

The United States will continue to make reduced contributions to Mexican development in fiscal year 1967 through the strengthening of permanent institutions in supervised agricultural credits, home loan banking, and higher education. A limited technical support program is proposed for adminstering previously authorized development loans, but no additional loans are contemplated in view of Mexico's ability to obtain external financing from international sources. It is understood that Mexico will soon offer loans and technical assistance to Central America for industrial and infrastructure development.

Paraguay

Agricultural development will be emphasized by AID in Paraguay. Road building projects are in operation and more are planned to open the northeastern section of the country to colonization. The agricultural min-

istry will continue to receive help in major phases of agricultural development.

To stimulate industrial development in the private sector AID will help to promote a private development corporation and establish an industrial productivity center, AID activities in Jamaica will be carried out in coordination with financial aid from other international lending institutions.

Trinidad and Tobago

In consideration for the right to maintain a Navy base in Trinidad, the United States agreed in 1962 to grant the Government of Trinidad and Tobago $30 million in economic assistance. Specifically, the agreement called for allotments of $10 million in fiscal year 1963 and $5 million more through fiscal year 1967. The local currency generated as a result of this grant supports activities related to Trinidad's second five-year development plan, including construction of the John F. Kennedy liberal arts college, 65 miles of truck highway and feeder roads, and primary, secondary, and vocational schools.

Uruguay and Venezuela

U.S. aid to both countries in fiscal year 1967 will be limited to technical assistance aimed at improving their manpower resources and, in the case of Uruguay, the national capacity to plan and carry out reform programs. While Venezuela has achieved a rhythm of economic growth requiring only limited technical assistance in housing and agriculture, inflation and deficit spending have seriously retarded the development process in Uruguay.

Latin American Regional Projects

In fiscal year 1967, AID plans to carry out a number of regional technical assistance projects which will benefit Latin America as a whole and which can be administered more efficiently regionally than on an individual country basis. Such projects include contracts for industrial development training and recruitment, contracts with cooperative organizations for assistance in establishing credit unions, for advice on rural electric cooperatives, and for creation of a marketing organization for Andean handicrafts; assistance in centralized planning for market development, population research, and development of cooperative banks and savings and loan associations.

AID also plans to finance the establishment of a Human Resources Development Center at a U.S. university and expand community develop-

ment and child feeding activities through the Partners of the Alliance and *Operación Niños.*

Multilateral projects in fiscal year 1967 will include support of the Special Development Assistance Fund of the Pan American Union and special grants for PAU programs in malaria eradication, research on foot-and-mouth disease and community water supply systems. Contracts will also support research training by the Inter-American Institute for Agricultural Sciences and development of cooperatives by the Organization of the Cooperatives of the Americas.

Excerpted from *Proposed Economic Assistance Programs, FY 1967,* the Agency for International Development's Summary Presentation to the Congress outlining the President's foreign aid request for fiscal year 1967

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