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UNITED STATES ASSISTANCE TO AGRICULTURE IN LATIN AMERICA THROUGH THE AGENCY FOR INTERNATIONAL DEVELOPMENT

BY

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INTRODUCTION

nited States economic assistance appropriations for Latin America have been declining since 1966. Yet the growth in income per head in Latin America still lags behind that of the industrialized nations. The development gap continues to widen. Undoubtedly, some of the U.S. resources that would have been made available to Latin America have been pre-empted by the Vietnam War; however, Congress is also concerned about the "serious disappointments" of the Alianza and the shortcomings of our own approach in this partnership.[1]

One of the areas of the AID program with which Congress has shown particular concern is agriculture. Senate and House committees have sponsored studies and hearings in which questions have been raised about the relatively small proportion of assistance channeled to the agricultural sector as well as about AID's agricultural strategy. The Thiesenhusen-Brown report prepared for the Senate Foreign Relations Committee concludes that AID has been too quick to respond to macroeconomic problems while paying too little attention to rural issues in Latin American development.[2] Congress

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[1]See New Directions for the 1970's: Toward a Strategy of Inter-American Development, Sub-Committee on Inter-American Affairs, Committee on Foreign Affairs, House of Representatives (Washington, D.C.: U.S. Government Printing Office, 1969), p. 4.

[2]William C. Thiesenhusen and Marion Brown, Survey of the Alliance for Progress: Problems of Agriculture, Committee on Foreign Relations, U.S. Senate, 90th Congress, 1st sess., 22 December 1967, p. 17. Also issued as Land Tenure Center Reprint No. 35.

has also heard testimony that AID has sold agriculture short altogether in Latin America in favor of forced industrialization.[3]

Despite these controversies, however, there has been little detailed analysis of the operations of the agricultural assistance program in Latin America. This paper attempts to determine the proportion of AID assistance provided to agriculture, the types of agricultural activities financed, and the distribution of assistance among major sub-sectors within agriculture in Latin America. Of particular interest in the analysis will be the factors which have influenced assistance policies and programs. Note that little is said here about the benefits or results of assistance, or about the amounts of aid that should have been invested to implement certain goals and commitments. Such questions must await further study, but hopefully this report may be of value in answering them. Agricultural assistance to Latin America since its beginning is briefly reviewed below, although the major emphasis will fall on programs undertaken by AID since the Alliance.

BRIEF CHRONOLOGY OF AGRICULTURAL ASSISTANCE POLICY

One of the most serious criticisms that can be made against U.S. agricultural assistance programs is that they have changed so frequently

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[3] U.S., Congress, House, Committee on Agriculture, World War on Hunger, 89th Congress, 2nd sess., 1966, pt. 1:156-172; note especially the testimony by T.W. Schultz.

in conception and implementation. Development is a dynamic process, and consequently, public and private investment priorities are constantly shifting. Changes in U.S. programs, however, have often been arbitrary and without regard for past efforts.

Although U.S. assistance to Latin America began in 1938, not until 1942 was a specialized agency established to deal specifically with assistance programs. This agency, the Institute of Inter-American Affairs, was created to coordinate certain assistance activities begun earlier by various other government agencies and also to implement certain projects of its own. Aid to agriculture was administered largely through servicios--joint arrangements between the U.S. and host governments. Many of the earlier programs undertaken by the servicios were of special interest to U.S. security ,such as the development and promotion of rubber and other strategic crops to meet World War II needs.

U.S. aid to Latin America for technical cooperation reached a peak of about $10 million during the War, but the annual commitment dropped in 1949 to $5 million.[4] The substantial decline in economic assistance raised the question whether assistance was really an extension of the "Good Neighbor Policy," or whether it was wartime emergency support for weaker allies. Mecham concluded that it combined the two objectives since most of the programs of the Institute

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[4] J. Lloyd Mecham, The United States and Inter-American Security, 1889-1960 (Austin: University of Texas Press, 1963), p. 357.

of Inter-American Affairs went beyond the immediate wartime effort.[5] Interestingly however, he claimed that the war stimulated a significant change in the meaning of the "Good Neighbor" doctrine: "It changed from a 'be good' to a 'do good' policy."[6] This "do good" image continues to haunt the U.S. assistance program some twenty years later, although apparently some serious efforts are now underway to change it.

The cutback in aid was only temporary as assistance increased rapidly under the Truman Administration's Point IV program. By 1953 agreements emphasizing health, education, and agriculture had been signed with all Latin American republics except Argentina. Technical cooperation programs gained momentum, particularly in Brazil, Chile, Colombia, Bolivia, Haiti, and Ecuador.

The servicios continued to function as the major administrative mechanism through which agricultural aid was channeled. These operations were favorably received by the cooperating countries, as witnessed by the fact that the major part of their cost was financed by the Latin Americans. For example, in Colombia in 1956, the United States Government contributed approximately $266,000 to the servicio (exclusive of U.S. technician costs) compared to the Colombian contribution of $997,000.[7] Projects were supported in

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[5]Ibid., p. 355.

[6]Ibid.

[7]Servicio Técnico Agrícola Colombiano Americano, "Project Agreements," mimeographed, Bogotá, January 1961.

agricultural engineering, forestry, and cacao development, but the major emphasis was on agricultural extension.

This "extension bias" in the servicio program prevailed throughout Latin American countries, primarily because extension had previously been largely neglected. There had always been little help to extend; and as the servicios developed extension, they did little to develop research along with it; consequently, extension continued to suffer the same basic problem it started with. Many of the projects the servicios supported suffered a similar fate since they were unrelated to a total development program and often unrelated to each other. It must be said in the servicios' defense though, that they were not charged with the responsibility of total development. They were instruments of the local Ministry of Agriculture and were created to implement specified projects within the framework of the Ministry's program. Moreover, their funds were limited. Total expenditures for all technical cooperation projects in Latin America during the 1953-57 period averaged less than $30 million annually.[8]

A New Dimension

The Eisenhower Administration added a new dimension to the foreign aid program in 1957 with the Development Loan Fund (DLF). The DLF was organized to provide capital assistance in the form of

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[8]Agency for International Development, Operations Report, [illegible] 1967 (Washington, D.C., 1967)

loans to the developing nations, and to supplement certain technical assistance projects with capital resources. As it turned out, however, the Fund operated largely separately from the technical assistance program. It was primarily interested in projects that were economically "sound" and "bankable" whereas the technical assistance program was directed to the longer-range problems of building institutions and education, costs and benefits of which were not apparent in the short run.[9] A major portion of the projects financed by the DLF was in transportation; few agricultural projects were supported. Loans of approximately $205 million had been committed by 1961, but less than $30,000 of this total went to agricultural projects.

The Alliance for Progress

In March 1961 President Kennedy called for a new multilateral development effort in Latin America. His appeal resulted in the meeting at Punta del Este in August 1961 and in the Alliance for Progress. The Alliance emphasized total country development--the assistance program was to change its focus from individual project activities to development of a country's entire economy. Furthermore, the U.S. assistance program was to assume some responsibility for total country progress rather than for individual projects. This responsibility would necessarily draw the U.S. closer to major policy decisions and legislative actions in Latin America.

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[9] "The While House Report to the Congress on the Mutual Security Program," January, 1959.

Moreover, social as well as economic development was emphasized in the Alliance. In agriculture, raising productivity, increasing output, and encouraging agrarian reform were to be the major concerns. The pledge by the nations of the hemisphere to support land reform was not new; never before, however, had the United States so enthusiastically endorsed this approach.[10] It is generally agreed that the revolution in Cuba, based in part on land reform, was a major reason behind U.S. acknowledgment of the political necessity of supporting a broader assistance effort and basic structural reforms.[11] Also, experience up to 1961 suggested that institutional reforms might be one of the prerequisites for agricultural development in Latin America.

Most countries, it appears, were serious in their commitments to "encourage" changes in land tenure systems. New government agencies were established and old ones re-organized and re-vitalized in several countries. By 1966, some fifteen countries had enacted agrarian reform legislation. Here again, the success of the Cuban revolution, besides land reform's status as one of the conditions of "self help" on which U.S. assistance was to be based, was a motivating factor in encouraging such actions.

Although technical assistance would continue, the servicio would be phased out of existence under the Alliance. The rationale

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[10]See "Latin American USOM's Seminar on Agrarian Reform," February 21-24, 1960, Santiago, Chile, p. 68, for background on pre-Alliance activities in Latin America on land reform.

[11]See, for example, Frank M. Coffin, Witness for AID (Boston: Houghton Mifflin, 1964), p. 73.

for this move assumed that these organizations had become too U.S.-dominated, and that the Latin Americans themselves, not U.S. technicians, must take the major role in their development programs. The demise of the servicio met with much resistance in several countries and, in fact, servicios in Honduras and Paraguay remained in business long after others closed their doors.

Along with the servicios went many development programs, some of which ante-dated Point IV. The specialized crop production (fomento) projects and applied research programs were effectively absorbed into local agencies.

Yet other projects including engineering, forestry, and even extension did not easily fit into the local scheme of things because they were largely products of the servicios themselves. The local governments had made substantial investments in many of these programs, but they had neither the technical expertise nor the resources to support them on their own. Extension services such as the one in Boyacá, Colombia were turned over to national and state authorities, but the Boyacá service was unable to continue for long. One recent AID evaluation report noted that "AID's record in phase out of extension is universally miserable...either AID should have built smaller services or have been prepared to continue budget support."[12] The same could be said about many other servicio projects which were terminated.

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[12] E.B. Rice, "Preliminary Report on Evaluation of Extension Activities in Latin America," AID, April, 1969.

War on Hunger

Finally, in response to population studies and predictions by social and biological scientists of worldwide Malthusian-Type crises, President Johnson adopted a special agricultural policy in 1966--a "War on Hunger." A separate office was set up in AID in 1967 to implement this policy, which was more specifically defined by AID as "an intensive and sustained drive, led by the U.S. to increase the supply of food throughout the world."[13] Emphasis was to fall on increasing "technical capacity" of each nation to produce food. Relatively little was said about agrarian reform and social development in the rural sector, although such problems had not disappeared. The Alliance for Progress continued in name, but in effect the emphasis of the assistance program shifted, as will be shown later. The policy goal of encouraging and assisting basic structural change in the rural sector had lasted less than five years.

The policy of the Nixon Administration concerning assistance to agriculture is only beginning to emerge. It appears, however, that it could take still another turn.[14] Such changes are characteristic of U.S. policy toward assistance to Latin American agriculture. Instead of building on efforts already underway, such as adding research to extension and adding the dimension of institutional reform and development to existing programs, the U.S. has tended to start again with a new approach. Such actions have interrupted programs in which substantial U.S. and Latin investments have already been made.

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[13]AID Policy Determination-35.

[14]See Nelson Rockefeller, "Quality of Life in the Americas," Report of the U.S. Presidential Mission for the Western Hemisphere, August 30, 1969, pp. 35, 113.

Also, the collected experience and expertise of previous efforts have been completely lost in many cases.

The reasons for continuous shifting of policy are many. In the first place, there are many conflicting views and theories about development, and AID in many cases has been experimenting. Also, each new administration since 1938 has sought to imprint its own special stamp of identity on the assistance program; consequently, new rhetoric and new programs have been devised. Finally, AID has never been considered a permanent agency; it must annually justify its existence (authorization legislation) as well as its budget (appropriation legislation). Therefore, new crises and approaches which "show new promise" are needed periodically to convince a reluctant Congress to approve the program. AID recipients, unfortunately, have had to bear the major burden of these weaknesses in the program.

ASSISTANCE TO AGRICULTURE SINCE THE ALLIANCE

There have also been substantial changes in the implementation of assistance programs, particularly in recent years. These changes have affected the kinds of activities financed as well as the distribution of assistance. The major approaches which AID has utilized since the Alliance include the project approach and the program approach. These forms of financing are briefly reviewed in order that the data on agricultural assistance may be better understood.

Project Assistance

Prior to 1963, grant and loan assistance to Latin America went primarily for specific projects. Project aid is tied to a particular, separable activity and is restricted for use only in that activity. By "separable activity" is meant, for example, a specific highway construction project for the purpose of building a road from Point A to Point B. Generally, AID makes a cost/benefit study of a project before making an investment, but some projects do not easily lend themselves to such analysis.

One limitation of project aid from the recipient's viewpoint is the difficulty of maintaining a flow of "bankable projects" acceptable for external financing. Thus, project assistance can limit absorptive capacity. Project assistance generally favors the building of large infrastructureal projects through government agencies, while other worthwhile projects in both the public and the private sectors may be neglected. On the other hand, both the recipient and AID are able to control project assistance to a greater extent than program aid. Project design and implementation can be carefully scrutinized, and the immediate economic and social impact of project aid is clearer and more easily measured than is the case with program aid.[15]

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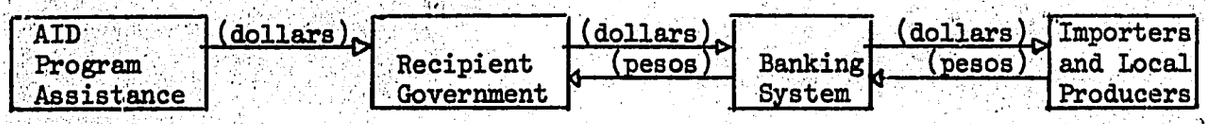
[15]For a more detailed analysis of the advantages and disadvantages of project aid, see Alan Carlin, "Program Versus Project Aid: Another View," The Economic Journal 77 (March 1967): 48-58.

Program Aid

The program approach--relatively new in Latin America--provides assistance for a country's entire development program rather than one separable activity. Singer calls such assistance "plan assistance," a name which suggests that a well conceived plan and the machinery to implement it are important prerequisites for recipients.[16]

The program loan (or a project loan for the purpose of generating local currency) works essentially as follows:



Dollar assistance is made available to the recipient government, which in turn deposits such assistance to its own accounts in the local banking system. Importers and producers with demands for foreign goods and services (which can be financed with dollars) then "buy" dollars from the banking system for pesos as in the diagram above. These local currency resources (often called counterpart) are then available to the recipient government for financing its development program.

AID may use the program loan for the purpose of influencing aggregate economic policy as well as the size and composition of the

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[16] H. W. Singer, "External Aid: For Projects or Plans," The Economic Journal 75 (September 1965): 540-545.

total investment program. In practice the program loan has apparently been utilized more for the purpose of influencing aggregate policy and stabilization, leaving the local investment program as only a secondary consideration. This issue, however, is discussed in more detail below. Program resources are advantageous to the recipient government since they are a more flexible form of financing than project assistance.

Specific instruments of assistance that are utilized in both program and project assistance include development loans and grants. Loans are generally programmed to defray the foreign exchanges costs of a project activity, or for program assistance.

Grant aid is self-defining. It is made available, generally for projects, on a non-reimbursable basis. A sizeable portion of grant funds is utilized to support U.S. technicians either attached to an AID mission (i.e., direct-hire employees) or contracted by the AID mission (e.g., university personnel) for various projects. Technicians, however, are sometimes funded out of loans made available by AID.

Besides the obvious one, a general distinction between loans and grants is that the latter are usually not used to finance the short-run, self-liquidating projects. Rather, grants cover the longer-run projects including improving education and technical skills, establishing and strengthening basic institutions, and carrying out programs of community development. The Act for

International Development of 1961, which established AID, emphasized the use of grant aid for the development of human resources and for rural development.

The Amount Committed to Agriculture

Table 1 presents data on the amount of AID assistance committed to agriculture and other major economic sectors during the Alliance.[17] Some judgment was involved in deciding what was, and what was not, an agricultural commitment. When questions rose, all available information on the project was reviewed to determine whether it was designed primarily to benefit farmers. If so, the project was classified as an agricultural investment, and if not, it was classified in some other sector. Undoubtedly some projects mainly benefiting the agricultural sector were mis-classified. To the extent such errors exist, the commitments in agriculture are understated.

Total commitments to all Latin American countries by AID since 1962 exceeded $4 billion (see Table 1). Almost 80 percent of this amount has been in the form of loans and the remainder in grants (see Table 2). Loans as a percent of total commitments have generally been increasing since 1962; they reached a peak of about 85 percent of all investments in 1968. In addition, interest rates have been raised

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[17]Committed, it should be noted, does not mean expended. Approximately 60 percent of all loans authorized in Latin America since 1959 have been spent. The percentage could be higher for grant funds. There is a relatively large "pipeline" of unexpended loan funds for those loans made in recent years. Also, this paper is concerned only with those funds made available through congressional appropriations to the Latin American Bureau of AID. Such appropriations exclude P.L. 480 assistance, U.S. contributions to the Inter-American Development Bank, and other such related foreign aid expenditures.

Table 1. AID Loan and Grant Assistance Commitments by Major Economic Sectors, FY 1962-1968[a]

	1962	1963	1964	1965	1966	1967	1968	Totals
	(Thousands of Dollars)							
Total Loans and Grants	476,716	555,975	627,410	588,037	684,095	572,332	533,161	4,037,726
Program or Non-Project	5,639	187,240	180,394	286,450	388,263	254,613	273,583	1,576,182
Agriculture	49,136	67,184	64,339	54,248	82,528	52,405	48,182	418,022
Education	28,389	26,982	20,019	19,373	14,991	21,205	35,057	165,926
Health	19,317	26,702	17,653	9,552	21,056	18,979	65,379	178,638
Housing	1,597	67,009	40,475	819	11,659	4,881	4,099	130,539
Industry - Private Enterprise	10,205	24,355	51,533	36,648	35,194	29,921	3,605	191,461
Transportation	11,684	77,199	89,182	34,711	44,444	59,473	3,041	319,734
Power	—	17,000	64,498	58,124	28,777	43,128	39,314	250,841
Other	350,750[b]	62,394	99,319	88,110	57,182	87,727	60,901	806,383

Source: Calculated from AID, Operations Report[s], Fiscal Years 1962 through 1968.

[a]Totals may not add because of rounding.

[b]Includes $140 million for earthquake assistance and several loans for commodity financing--a form of program assistance not defined as such in source materials.

Table 2. Percentage Distribution of AID Loan and Grant Assistance Commitments by Major Economic Sectors FY 1962-1968[a]

	1962	1963	1964	1965	1966	1967	1968	Totals
Total Loans and Grants	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Program or Non-Project	1.18	33.68	28.75	48.71	56.76	44.49	51.31	39.03
Agriculture	10.31	12.08	10.26	9.23	12.06	9.16	9.04	10.35
Education	5.95	4.84	3.19	3.30	2.19	3.70	6.58	4.10
Health	4.05	4.80	2.81	1.62	3.08	3.32	12.26	4.42
Housing	.34	12.05	6.45	.14	1.70	.85	.77	3.23
Industry - Private Enterprise	2.14	4.38	8.22	6.23	5.14	5.22	.68	4.74
Transportation	2.[illegible]5	13.89	14.21	5.90	6.50	10.39	.57	7.91
Power	-	3.06	10.28	9.89	4.21	7.54	7.37	6.21
Other	73.58	11.22	15.83	14.98	8.36	15.33	11.42	19.97
Percent Total as Loans	75.22	71.45	84.26	77.29	79.51	83.18	84.79	79.52
Percent Total as Grants	24.78	28.55	15.74	22.71	20.49	16.82	15.21	20.47
Percent Total Agriculture, as Loans	60.38	67.87	79.57	75.30	83.97	68.50	73.41	73.73
Percent Total Agriculture, as Grants	38.94	32.12	20.42	24.69	16.08	31.49	26.58	26.26

Source: Calculated from AID, Operations Report[s], Fiscal Years 1962 through 1968.

[a]Totals may not add because of rounding.

over the period such that loans made at a 0.75 percent interest rate in 1961 are now made at a rate of 2.00 percent for the first ten years and 3.00 percent thereafter. Increasing emphasis on loans and tighter terms are bringing about more indebtedness of Latin American nations. One study estimated that in 1967 debt repayments, payments of interest, repatriated earnings of foreign corporations, and other capital outflows exceeded all forms of foreign aid by some $500 million.[18]

The largest share of all AID commitments since the Alliance has gone to program or non-project aid (see Table 1). Brazil, Colombia, and Chile have been the major recipients of such assistance, with almost 80 percent of the total allocated to these countries. Program assistance has been substantial because one problem encountered in the Alliance has been the previous difficult of obtaining a flow of "bankable" projects suitable for external financing. For the most part, AID, as other international agencies has required feasibility studies and detailed specifications and plans for individual projects. Such information has not been required for activities financed with local currency generated by program loans.

Furthermore, program assistance presumably offered AID more leverage over aggregate economic policies. The effectiveness of

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[18] New Directions for the 1970's, p. 5.

such leverage turned out to be quite limited in some countries, however, as was clear from the recent case study of U.S. assistance in Colombia. That report concluded "...economic performance during the period under review rarely met all the standards of the loan agreements."[19] Because AID was not always successful in influencing the implementation of basic fiscal and monetary reforms, conditions made necessary further injections of dollar assistance to maintain economic stabilization and perhaps even political stability, resulting in a vicious circle. Increasing emphasis had to be placed on economic stabilization while the more mundane goals of the Alliance were given secondary consideration.[20] Detailed case studies were not carried out in Brazil and Chile, but several documents confirm that economic stability has also been a major target of AID program assistance in these countries.[21]

Over the Alliance period, investments in the transportation and power sectors have accounted for approximately 8 and 6 percent, respectively, of total AID commitments (see Table 2), mostly in the form of project loans. These sectors account for a large share of total investments because they are relatively capital absorptive and lend themselves more readily to project financing than do education,

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[19] U.S., Senate, Committee on Foreign Relations, "Colombia: A Case History of U.S. Aid together with a Report of the Comptroller General" in Survey of the Alliance for Progress, Document No. 91-17, 91st Cong., 1st sess. (1969), pp. 659-865.

[20] Ibid., p. 5.

[21] For example, see "Proposed AID Program for Latin America, FY 1970," mimeographed, no date.

health, and even some agricultural activities. Dollar costs are relatively high (for bulldozers, turbines, etc.) which fits a policy that has favored financing external costs of projects.

Also, AID is generally able to show more tangible results through assistance of this nature. As pointed out earlier, AID is not considered a permanent agency by Congress. One hypothesis forwarded here is that, given this precarious state of existence, AID has tended to invest in those projects which have a quick payoff in terms of physical accomplishments. This view does not imply that the real returns to such projects are always highest from a developmental point of view. In fact, when compared to investments in longer term projects, their return may be relatively low. But through such projects as road construction (which makes it possible to cite number of kilometers built) and power projects (number of kilowatts generated) it is possible to demonstrate tangible results.

Education, health, and housing, on the other hand, have received less priority in terms of dollar assistance (see Tables 1 and 2). Although particularly emphasized in the Alliance for Progress Charter, such activities have received only secondary consideration when compared to "rapid payoff" projects.

The "other" category accounts for approximately 20 percent of the total commitments. Loans and grants in this category include telecommunications, prefeasibility studies, feasibility studies,

earthquake reconstruction, public administration, public safety, labor activities, community development, and miscellaneous others.

Agricultural activities, of particular interest in this report, have received slightly over 10 percent of total commitments (see Table 2). Approximately 73 percent of all agricultural assistance has been in the form of loans and the rest in grants. Brazil, Colombia, Mexico, and Peru have received about half of total agricultural commitments. The above figures may understate somewhat assistance to agriculture since some transportation, power, health, and education projects may have indirectly benefited the rural sector. (However figures, for the most part, reflect AID's own classification scheme.)

Agricultural commitments, as a percent of total commitments, have been declining (although not consistently) since 1964. However, these calculations do not take into account three agricultural sector loans in 1968 which have been classified in this paper (and by AID) as program assistance. When these loans are considered, assistance to the agricultural sector increases to almost 20 percent of total commitments in 1968. But, as best as could be determined, only in Chile were AID sector loan dollars designated specifically for agricultural imports. In Colombia and Uruguay, where other sector loans were committed, AID dollar resources were available for the normal shopping list of commodity imports.

While the assistance inputs for agriculture appear impressive enough in terms of absolute magnitudes, it should be remembered

that the agricultural sector accounts for the single largest share of GNP in Latin America. It provides the major source of employment in ten of twenty republics, and slightly over half of the total population still lives in rural areas. One 1966 study concluded that total foreign aid to agriculture in Latin America by major agencies represents "less than half the additional estimated foreign exchange requirements needed for investment purposes to attain the growth targets postulated by the Alliance for Progress."[22] This conclusion suggests that AID, if it is to shoulder its part of the assistance burden, should at least double its investments in agriculture as one condition for achieving in Latin America the annual increase of 5 percent in agricultural output needed to satisfy an overall growth rate of 2.5 percent in per capita income. Such a doubling appears unlikely given the trend of the past few years.

It is difficult to generalize about how program assistance, the largest component of the total AID input during the 1962-68 period, has benefited the agriculture sector. Agricultural imports have been made possible through program loans, but local currency must also be considered.

Table 3 gives one indication of the kinds of commodities imported under AID program assistance. These data show average annual value of commodity imports financed by AID in selected countries for the 1966-68 period. All of these commodities

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[22]See Inter-American Development Bank, Agricultural Development in Latin America: Current Status and Prospects (Washington, D.C.: Inter-American Development Bank, 1966), p. 101.

Table 3. AID Expenditures for Commodities in Selected Countries, Average Per Annum, 1966-1968 Period
(Thousands of Dollars)

Importing Country	Commodity Group												
		Agriculture											
	Total[a]	Total Agric.	Fertilizer	Feeds	Grains and Seeds	Pesticides	Tractors	Equipment	Foodstuffs	Fuel	Raw Materials Semi-Finished Products	Machinery-Vehicles	Other
Brazil	151,376	21,938	3,024	118	99	2,408	15,805	484	330	2,392	48,159	67,057	11,500
Chile	57,841	5,034	2,570	27	16	81	1,136	1,204	294	1,110	9,922	36,214	5,267
Colombia	50,799	4,457	244	33	1	2,394	1,607	178	1,107	1,752	20,908	20,113	2,462
Dominican Republic	22,565	2,004	112	504	142	326	463	457	6,110	333	6,176	5,227	2,715
Panama	4,318	23	—	—	—	—	6	17	—	1	196	1,587	2,511

Source: Calculated from AID, Operation Report[s], Fiscal Years 1966 through 1968.

[a]Country totals adjusted to account for net changes in advance commodity financing.

originated in the U.S. The average total amount imported does not necessarily agree with average program assistance levels in each country, since there is generally a considerable pipeline of program funds. Table 3 also reflects dollar expenditures for some projects (i.e., project aid) financed by AID.

Machinery and vehicles (engines and turbines, generators and motors, textile machinery, motor trucks, etc.) comprise the largest category of AID-financed imports. In Chile, these imports' value was almost 63 percent of the total AID-financed imports' value. The second largest category is raw materials and semi-finished products (chemicals and related products, iron and steel mill products, pulp, paper, etc.), accounting for 30 percent of the total value.

Agricultural imports' value accounts for about 11.7 percent of total AID-financed imports' value in the countries included in the table; major imports include tractors and fertilizers. This figure may be considered a rough approximation of the amount of dollar program assistance that has benefited the agricultural sector. In Brazil, agricultural imports are 14 percent of the total over the period in question, but in Panama, they are only 0.5 percent.

AID is not technically responsible for the accounting of counterpart funds, and for this reason, data on utilization of these resources are also fragmentary. As the Colombia study points out, it is almost impossible to trace the detailed uses of such currency.[23]

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[23] Survey of the Alliance for Progress: Colombia, p. 63.

Field missions are inconsistent in their reporting and utilize different exchange rates and concepts.[24] Some missions do not give a detailed breakdown of types of activities financed by program counterpart and lump P.L. 480 local currency generations with program loan counterpart. Fairly reliable information is available from Colombia (although data include P.L. 480 Title I, or previous Title IV peso generations) and from Brazil. These two cases are presented in Tables 4 and 5 as illustrative of the utilization of counterpart local currency. Other countries which have received program assistance during the 1962-68 period include Argentina, Chile, Costa Rica, Panama, and Uruguay. Colombia and Brazil, however, have been the largest recipients.

One further point should be made before the data are presented. To count program counterpart as additional resources would be, in fact, counting the AID input twice. Local currency could be made available by the simple process of expanding the money supply for development projects--although such a method might result in considerable inflationary pressures. Inflation does not result, however, by "sterilizing" program counterpart and simply printing new currency. The existence of this alternative is another reason AID can exert only minimum control over local currency allocations.

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[24] AID/Washington publishes periodically a report entitled Status of Foreign Currency Funds, which includes some information on counterpart funds. However, this report does not provide information on utilization by sector of counterpart. Also AID controller personnel express serious reservations about some of the data included in program counterpart.

Given counterpart resources, it is possible that governments assigned more funds to a given project than would have been the case had counterpart not been available. If so, the existence of counterpart has brought about a net change in the allocation of total resources. (The process has resulted in a given amount of resources being transferred from an importer to the project in question.) Nonetheless, such resources cannot be considered additional.

Table 4 shows the allocation of counterpart by major sector in Colombia. The dollar equivalent of pesos generated does not agree precisely with the total amount of program assistance because of the inclusion of P.L. 480 dollar counterpart[25] and because some program loans have not generated their full equivalency in local currency.

As the data indicate, the major allocations (grants and loans) have been for export and industrial development--a sector which has received almost 30 percent of total allocations. Within the export-industrial development sector, major allocations have been made to the Private Investment Fund which was established within the Central Bank for re-lending to businesses, particularly those with ambitions to export.[26] Agriculture has received almost 25 percent of total

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[25] P.L. 480 sales agreements have amounted to approximately $37.4 million in Colombia, whereas program assistance to that country totals approximately $358 million during the 1962-68 period.

[26] For an interesting review of the activities of the Private Investment Fund, see the report by the General Accounting Office on "Review of Projects in Colombia Showing Need for Improvements in Planning and Supervision," September 1967.

allocations (grants and loans). Of the total amount allocated to agriculture, INCORA, the land reform agency, has received approximately 56 percent. These funds have been utilized largely for general budgetary support and for irrigation and land reclamation projects.

Table 4. Allocations by Sector of Dollar Equivalent of Counterpart Funds in Colombia, 1962-1968.

Sector	Million Dollar Equivalents	Percent
Export-Industrial Development	95.6	28.6
Agriculture	81.9	24.5
Health (including water supply)	38.9	11.6
Urban Development	36.0	10.8
Transport/Electric Power	35.1	10.5
Education	27.9	8.4
Planning	17.9	5.4
AID Local Costs	.8	.2
Totals	334.2	100.0

Source: Unpublished data from USAID/Colombia

At the other extreme is Brazil, where few program counterpart resources have been allocated to agriculture. Table 5 includes only program counterpart and not P.L. 480 counterpart as is the case in Colombia. As the data show, only 6.4 percent of total allocations have been made to agriculture. Such allocations include two allotments for agricultural credit--one to the Coordenação Nacional de Crédito Rural (CNCR) and one to the Gerencia do Crédito Rural e Industrial (GECRI). There have been no allocations to agrarian reform agencies or projects such as there have been in Colombia.

Possibly some counterpart resources programmed for general budgetary support and some of the resources "available for allocation" have been, or will be, made available to the Ministry of Agriculture, but data are not available to substantiate this.

Table 5. Allocations by Major Sector of Dollar Equivalent of Program Counterpart Funds in Brazil, 1962-1968.

Sector	Million Dollar Equivalents	Percent
Industry-Commerce	199.3	36.2
Available for Allocation	183.2	22.3
Budget Support	84.3	15.3
Agriculture	35.3	6.4
Education	31.5	5.7
Transportation	33.4	4.1
Technical Assistance Support	21.9	4.0
Housing	11.7	2.1
Health	7.5	1.5
Planning and Public Administration	2.4	.4
Other	-	-
Totals	550.5	100.0

Source: Unpublished data from AID/Washington

Based on the data from these two sources then, the best estimate of counterpart funds allocated to agriculture is 13.2 percent. This figure is derived by adding total counterpart allocations in Colombia and Brazil, adding allocations to agriculture in the two countries, and obtaining the percentage of the total that is allocated to agriculture.

One might suspect that allocations to agriculture would be higher since many rural development activities such as credit, settlement, extension, and so on can be financed almost entirely

with local currency. Undoubtedly, one of the problems has been that most governments have no "agricultural plan" for the utilization of such resources; consequently, there has been a constraint on the amount of program assistance counterpart that could be effectively absorbed. A detailed agricultural plan, prepared at the national level, may be necessary before the agricultural sector can effectively participate in program assistance.

A recent study suggests that increases in agricultural output in thirteen selected countries are highly associated with high impact assistance, which is defined to include foreign exchange for imports of new inputs and local currency allocations.[27] That study, however, does not clearly show whether the inputs have caused the increase, or whether the self-help conditions implemented by the recipient governments in return for the impact aid have been responsible for raising production. If the latter were the case, AID could obtain self-help conditions as easily by packaging project, technical, and other assistance.

Nor does that study mention anything about the distribution effects of program aid. This type of assistance allows import of such items as farm machinery that otherwise might not have been possible, given limited foreign exchange. Some types of mechanization may result in increased agricultural output, but machines also displace

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[27] Wayne Schutjer and Dale Weigel, "The Contributions of Foreign Assistance to Agricultural Development," American Journal of Agricultural Economics 51 (November 1969): 788-796.

labor, which adds to the unemployment problem. Moreover, the conditions of program assistance often include the improvement of price/cost ratios through price support programs, the liberalization of import duties (also making it easier to import machinery and other inputs), and the reduction of export taxes to stimulate production for export. Some variant of these conditions has been a part of program assistance loans in Brazil, Chile, and Colombia. Improving the relative prices of agricultural products may do little to help the majority of small subsistence farmers and rural laborers. In fact, the hands of the larger farmers would be strengthened by better relative prices, and consequently, they could obtain control over more resources to the disadvantage of smaller operators.[28] There is no conclusive evidence that program lending has brought about any of the distributional effects mentioned above, but the possibility does exist, and for this reason research is urgently needed to determine the impact of program lending on agricultural development.

Kinds of Activities Financed

Agricultural development goals are similar throughout Latin America, but each country has its own unique set of problems and needs. Accordingly, the assistance program has varied from country

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[28] On this point, see Solon Barraclough, "Employment Problems Affecting Latin American Agricultural Development," FAO Monthly Bulletin of Agricultural Economics and Statistics (July/August 1969): 5.

to country. Most of the activities supported by AID, however, can be listed under one of the following headings: production inputs and services, marketing, credit, livestock development, cadastral and natural resource surveys, infrastructure, research, education, and extension. Here, all AID projects have been classified under one of these categories to determine the emphasis of the assistance program in terms of activities supported.

Production inputs and services include all investments made largely for the purpose of increasing crop production. As Table 6 indicates, approximately 21 percent of total assistance has been committed to this category. Major items include loans of $29.8 million to Brazil for fertilizer imports and for construction of a fertilizer plant; loans of $3.6 million to Chile for fertilizer imports; a loan of $9.4 million to Nicaragua for fertilizer and chemical products; loans of $5 million to Uruguay for fertilizers; and grants to most of the countries for technical assistance to increase and diversify crop production. Note that assistance for inputs and services has increased, particularly since 1966. This trend reflects the War on Hunger policy, promulgated in 1966, to increase output in the less developed nations through assistance for new inputs such as fertilizers, and for new technologies.

Provision of production inputs and services will likely rise in Latin America given the present trend of the AID program. Agricultural sector loans, a form of the program loan where dollars are made available especially for agricultural commodity imports,

Table 6. Assistance to Agriculture by Major Field of Activity, FY 1962-1968

Kind of Activity	1962	1963	1964	1965	1966	1967	1968	Totals
	(Thousands of Dollars)							
Production Inputs and Services	9,086	5,424	17,829	9,295	10,814	21,270	13,516	87,234
Marketing and Storage	50	22,179	850	1,032	20,332	6,033	10,215	60,691
Agricultural Credit	30,322	24,447	10,515	21,628	31,220	5,298	2,990	126,420
Livestock Development	837	6,736	7,435	4,296	8,326	669	360	28,659
Cadastral - Natural Resource Surveys	2,617	1,026	5,058	6,681	1,291	1,476	1,108	19,258
Infrastructure	507	—	12,319	1,791	5,418	—	94	20,129
Research	1,190	535	394	516	647	2,930	15,269	21,481
Education	1,721	5,118	4,594	4,081	3,375	4,558	3,717	27,164
Agricultural Extension	1,758	570	243	2,400	—	407	196	5,574
Miscellaneous	1,048	1,149	5,102	2,528	1,104	9,764	717	21,412
Totals	49,136	67,184	64,339	54,248	82,528	52,504	48,182	418,022

Source: Calculated from AID, Operations Report[s], Fiscal Years 1962 through 1968.

are scheduled for some ten countries in 1969 and 1970. Whether the imports can be continued after loans are drawn down, however, is a question deserving consideration, particularly in those countries with balance of payments problems. Only in Brazil and Colombia have funds been made available for the construction of domestic plants to produce fertilizer locally.

Marketing and storage includes all loan and technical assistance to facilitate the flow of agricultural commodities from the producer to the consumer. Approximately 14 percent of total agricultural assistance has been allocated for this activity (see Table 7). Major loans have been provided to Argentina ($21.7 million) for grain storage elevators; to Costa Rica ($650 thousand) for construction of wholesale market facilities; to Honduras ($9.5 million) for storage facilities; and to Peru ($5.5 million) for food distribution and processing. Grants for technical assistance, in conjunction with the loans mentioned above, have been provided for the establishment of crop and statistical reporting services.

The category "agricultural credit" includes all loans to intermediary credit institutions for re-lending to farmers. It also includes grant assistance for technical help provided in conjunction with loan programs and for other purposes such as credit policy and program development. Over 30 percent of all assistance has been provided for agricultural credit, most of this in the form of loans. Major items include loans to Colombia of $18.5 million; Costa Rica

Table 7. Percentage Distribution of Assistance to Agriculture by Major Field of Activity, FY 1962-1968

Kind of Activity	1962	1963	1964	1965	1966	1967	1968	Totals
Production Inputs and Services	18.49	8.08	27.71	17.13	13.10	40.59	28.08	20.86
Marketing and Storage	.11	33.01	1.32	1.90	24.64	11.51	21.20	14.51
Agricultural Credit	61.71	36.39	16.34	39.87	37.83	10.11	6.21	30.24
Livestock Development	1.70	10.03	11.56	7.92	10.09	1.28	.75	6.85
Cadastral - Natural Resource Surveys	5.33	1.53	7.86	12.32	1.56	2.82	2.30	4.60
Infrastructure	1.03	-	19.15	3.31	6.57	-	.20	4.81
Research	2.42	.80	.61	.95	.78	5.58	31.69	5.13
Education	3.50	7.62	7.14	7.52	4.09	8.70	7.71	6.49
Agricultural Extension	3.58	.85	.38	4.42	-	.78	.40	1.33
Miscellaneous	2.13	1.70	7.93	4.66	1.34	18.63	1.49	5.12
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Calculated from AID, Operations Report[s], Fiscal Years 1962 through 1968.

of $10 million; Dominican Republic of $12.1 million; El Salvador of $8.9 million; Mexico of $41.5 million; Peru of $15.6 million; and Venezuela of $10 million.

One reason credit has been emphasized is that it offers the possibility of raising agricultural production relatively quickly, and rapidity has been a major concern of AID. But agricultural credit has also been one of the means available for directly reaching small- and medium-sized commercial producers. Since many countries have few agencies established to serve small operators, AID has concerned itself with strengthening public and semi-public organizations and banks to establish programs of supervised and directed credit aimed particularly at the small farmer and the settlers of agrarian reform programs. Credit is also a less controversial means of helping smaller farmers than some programs such as assisting farmer organizations and purchasing land for settlement projects. AID loans to Venezuela, Mexico, Colombia, and Peru have been provided to agencies for re-lending principally to small farmers and clients of agrarian reform agencies, as will be discussed in more detail shortly.

Livestock development includes largely those loans and grants to increase beef production for domestic consumption and for export. Production credit, disease control, nutrition, and marketing have been emphasized in assistance programs. Approximately 7 percent of total assistance has been allocated to this category. Major loans have been made in Argentina, Brazil, Colombia, and Jamaica, and technical

assistance has been provided in almost all countries for some aspect of livestock development. One of the most concentrated efforts has occurred in Colombia, where beef is thought to have important export potential. Two loans totaling $12 million plus technical assistance grants of $250 thousand have helped the livestock bank extend some 2,000 sub-loans for the purchase of breeding stock, pasture improvement, and acquistion of equipment. Allegedly, this program has been relatively successful in terms of institution building and the development of "sound" credit policy. Livestock production in Colombia, however, has increased little over the 1962-68 period.

Cadastral and natural resource surveys include all loans and grants for land use and resource planning and development, facilitation of land titling, and land tax improvement. Some 4.6 percent of the total has been committed to this category (see Table 7). Major loans have been made to Costa Rica ($1.6 million) and Panama ($2.7 million) for cadastral surveys, and to Nicaragua ($5.4 million) for a natural resource inventory. Grants for survey equipment and technical assistance have been provided to Brazil, Colombia, Ecuador, Panama, and Peru.

Five percent of the total has been committed for infrastructure. This category includes all those investments in social overhead capital that are planned primarily to benefit farmers. Loans have been made to the Dominican Republic for the maintenance and operation

of irrigation systems ($1.5 million); to Honduras for farm to market roads ($5.2 million); and to Peru for roads in new settlement areas ($12.1 million). Grants have been made to Paraguay and Haiti for technical services for roads and irrigation systems.

Agricultural research, education, and extension are self-explanatory. These categories combined have accounted for 12.9 percent of all loan and grant commitments in agriculture. About 64 percent of the total commitments for these activities has been in the form of grants. Only one loan totaling $13.4 million has been made for research. The purpose of this loan (to Brazil) is to finance technical assistance, to provide equipment to research centers, and to strengthen research at selected Brazilian universities. Agricultural extension has declined substantially since the closing of the servicios, and commitments for this activity accounted for less than one percent of total commitments in 1968. On the other hand, assistance for agricultural education has increased in recent years. A large part of the increasing assistance for education has been to support U.S. university contract teams in Argentina, Brazil, Colombia, Peru, and the Dominican Republic.

The miscellaneous category includes all loan and grant assistance which could not be classified under any of the above headings. Major items include 1) loans for cooperative development in Uruguay ($2.4 million), and 2) technical assistance grants for land reform and settlement in Dominican Republic, Colombia, and Nicaragua; for policy planning in Brazil, Colombia, and Dominican Republic; and for

rural community development in Bolivia, Dominican Republic, and Ecuador.

Distribution of Assistance among Major Sub-Sectors

With this lengthy, but necessary, background covered, it is now possible to turn to the question of the distribution of assistance among major sub-sectors within agriculture. Two major policy thrusts of the Alliance are increasing agricultural production and encouraging programs of agrarian reform. By classifying assistance according to these categories, a measure is made of the relative emphasis that AID has placed on each policy commitment. Specifically, the three sub-sectors considered include commercial agriculture, agrarian reform, and "other."

All loans or grants to reform agencies were classified under the reform sub-sector since such assistance was considered as benefiting, or potentially benefiting, the clients of such agencies. Thus, investments made investments made in reform agencies, or those made in conjunction with projects implemented by reform agencies, were the major criteria used in separating assistance to the reform sector from assistance to the other two categories. The reform sub-sector classification generally suggests a relatively long-term investment--one which may help produce some structural change in agriculture, but which is not immediately self-liquidating.

Some investments, however, may have indirectly assisted reform but could not be classified as such according to the above criteria.

For example, a loan for a cadastral survey could have provided valuable information for planning a settlement project or for facilitating land titling for new settlers. A grant for strengthening an institution of higher agricultural education may have educated agronomists who could ultimately make a valuable contribution to reform activities. By the same token, however, such investments may have benefited the commercial agriculture sector. A cadastral survey which defines farm boundaries and clarifies titles for legal purposes obviously assists large producers. And a program to train agronomists for extension and research positions could help commercial operators. Hence the category "other," which includes investments that may assist, or potentially assist, both the reform and commercial sectors.

The above discussion of the reform and "other" categories facilitates the task of defining commercial agricultural assistance. Investments in this sector are those carried out by the government or by a semi-public agency to assist farmers who are <u>not</u> being assisted by reform agencies. Commercial activities are generally those designed primarily to increase farm production. This sector classification generally suggests self-liquidating investments of a relatively short duration.

Other writers have used different schemes and concepts in attempts to measure international assistance contributions to various sub-sectors within agriculture in Latin America. Carroll, for example, considered assistance activities such as cadastral surveys and certain credit

and cooperative programs primarily beneficial to the reform sector He also considered assistance to low income families a special form of assistance to agrarian reform.[29] Such schemes, however, also involve a judgment factor. For example, how does one define a low income family? And cannot a cadastral survey in some countries assist commercial agriculture as much, if not more, than agrarian reform? Most typologies involve some value judgments, and the best that can be hoped for is a reasonable approximation of the true picture.

The data of Table 8 show the major sub-sectors which have benefited from assistance commitments. Approximately 52 percent of the total has been allocated to the commercial sector since the Alliance. Major items have already been mentioned--loans for fertilizers and agricultural chemical supplies to Brazil, Chile, Nicaragua, and Uruguay; for production credit to Costa Rica, Dominican Republic, El Salvador; for livestock development in Argentina and Colombia; and for technical assistance in most countries to increase and diversify production.

In addition to the above resources, imports of agricultural commodities under program loans may be considered to benefit primarily the commercial sector. These imports, including equipment, seeds, fertilizers, and chemicals, have for the most part been

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[29] Thomas F. Carroll, "Problems of Financing Agrarian Reform," paper presented to the World Land Tenure Conference, Rome, 1966. United Nations (WLR/66/5).

Table 8. Distribution of Assistance among Major Sub-Sectors, 1962-1968

Sub-Sector	1962	1963	1964	1965	1966	1967	1968	Totals
	(Thousands of Dollars)							
Commercial	10,706	47,886	35,217	12,056	48,761	39,076	23,960	217,662
Reform	10,649	10,695	12,969	921	27,224	334	270	63,062
Other	27,871	8,603	16,153	41,271	6,543	12,995	23,052	137,298
Total	49,136	67,184	64,339	54,248	82,258	52,405	48,182	418,022
	Percentage Distribution							
Commercial	21.79	71.28	57.74	22.22	59.08	74.56	49.73	52.06
Reform	21.67	15.92	20.16	1.70	32.99	.64	.56	15.08
Other	56.54	12.80	25.10	76.08	7.93	24.80	49.71	32.84
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Calculated from AID, Operation Report[s], Fiscal Years, 1962 through 1968.

obtained through commercial channels by commercial farmers. Only in Chile have imports under program loans (totaling $8.68 million out of a total loan of $23.00 million) been allocated specifically for reform programs.

Approximately 15 percent of total agricultural assistance has been allocated to the reform sector since the Alliance (see Table 8). Of the total amount committed to this sector, 95 percent has been in loans and the remainder in grants. These figures do not include local currency allocations from program loans, since such local allocations are not considered additional resources for purposes of this report. Loans have been made primarily for credit for re-lending to settlers and other clients of agrarian reform agencies in Bolivia, Colombia, Nicaragua, Peru, and Venezuela. However, loans have also been provided to Honduras and Peru for the construction of roads in settlement areas. Grants have been made for technical assistance in conjunction with the above loans, and for planning settlement and reform projects in several countries, including Bolivia Brazil, Colombia, Dominican Republic, Honduras, Nicaragua, and Peru.

The data show that agrarian reform has never been a high priority in terms of assistance allocations; moreover, since 1965 commitments have consistently declined. No project loans have been provided to this sub-sector since 1966 although a part of the sector loan to Chile in 1968 ($8.6 million out of a total of $23.0 million) was allocated to the Agrarian Reform Corporation for importation of fertilizers, machinery, equipment, seeds, and pesticides. Carroll

has estimated that to implement even a modest program of agrarian reform, Latin America would require external aid exceeding $400 million annually.[30] To meet that need, he estimates that assistance agencies would have to increase their inputs for reform seven or eight times over existing levels. Given the trend of the past few years, the outlook for increased AID financing for reform is not bright.

The shift of AID policy toward increasing food output rapidly explains the de-emphasis on reform since 1965. War on Hunger policy, as pointed out earlier, emphasizes the provision of fertilizers and new technologies. Consequently, scarce resources have been diverted from reform for these purposes. One problem generally encountered in assisting reform since the Alliance is the policy that AID funds not be utilized for the purchase of expropriated land in Latin America. If funds could have been provided for this purpose, it is possible that commitments to this sector would have been substantially higher. But, on the other hand, project proposals have not been forthcoming, and agencies in several countries simply have not been equipped to absorb large amounts of local currency from program loans. In other words, commitments by the Latin Americans themselves have been weak. Agrarian reform is a politically sensitive issue, often posing a threat to the very officials with whom AID must deal. These officials

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[30]Carroll, "Problems of Financing Agrarian Reform," p. 45.

generally have moved cautiously with agrarian reform programs and AID has followed suit.

The increasing threat of famine and the alleviation of political pressures from Cuba in recent years ironically have made it easier to circumvent the reform question. But the causes of such problems remain. Whether attention will become re-directed to structural reforms in the rural sector is one of the crucial issues now facing the assistance program in Latin America.

Thirty-five percent of total commitments have been considered as assisting, or potentially assisting, both the commercial and reform sectors. As mentioned, this category includes all grant and loan allocations for education, research, and extension; for cadastral and natural resource surveys; and for some credit programs carried out by agricultural banks for settlers as well as other commercial farmers. In many countries assistance for activities which will potentially benefit the reform sector, such as research and education, may take considerable time to have impact unless the countries themselves become more serious about agrarian reform. Yet by the same token, the nature of such investments may cause the benefits to the commercial sector to lag for several years.

SUMMARY AND CONCLUSIONS

This paper has tried to analyze major financial commitments of AID to Latin American agriculture and to discuss factors influencing assistance policies and programs. The complexity of the AID program

in terms of policy and implementation clearly points to the need for more research on specific projects and activities. Likewise, more research is needed on the results of foreign assistance, a topic this paper does not cover.

Assistance policy has vacillated widely and been influenced pell-mell by a number of different factors. During the Alliance for Progress, emphasis has been increasingly placed on short-run problems, a situation which leaves limited resources for longer-range development programs. Political considerations and crash efforts have affected policy and the allocation of assistance resources. The influence of the Department of State on AID policy may in part account for the concern with short-term economic stability problems. The failure of Congress itself to authorize a permanent or even semi-permanent existence for foreign aid may be another reason for short-sighted approach and for the bias in the allocation of assistance funds toward certain infrastructure projects which promise quick and tangible results.

The total AID commitment to Latin America during the 1962-68 period amounts to slightly over $4 billion. About 10 percent of this total has been directly allocated to agriculture in the form of project loans and grants. Agriculture has also benefited from AID program loans--particularly in Brazil, Chile, and Colombia--but it is difficult to make a meaningful estimate of the magnitude of this benefit. The major emphasis of the agricultural assistance program

has been credit, with approximately 30 percent of assistance resources (excluding program aid) allocated to this activity. The second largest commitment has been made in production inputs and services. Assistance for fertilizers, seeds, and agricultural chemical supplies has increased, particularly since the War on Hunger. Imports of inputs will likely increase given the present emphasis on agricultural sector loans in Latin America.

Agrarian reform considered the cornerstone of the Alliance for Progress, has never received high priority by AID in terms of dollar commitments. Only 15 percent of total agricultural commitments has been allocated for this purpose during the 1962-68 period. During the past two years commitments have been substantially reduced from this level.

It is generally recognized that there have been few accomplishments in the area of agrarian reform since the Alliance. The assistance program and the development programs of the Latin American countries themselves have been based on other, shorter-term considerations. Long-term efforts in general have been sacrificed in favor of short-run considerations. Even so, significant advancements have not been made in raising commercial production, despite the resources committed to this area by AID and the Latin Americans. In fact, the per capita agricultural production index for twenty-three Latin American countries in 1968 was down 3 percent compared to the 1957-59 level. It is this record of performance which has

disillusioned supporters of the assistance program. Little progress has been made toward the realization of the major agricultural goals of the Alliance.