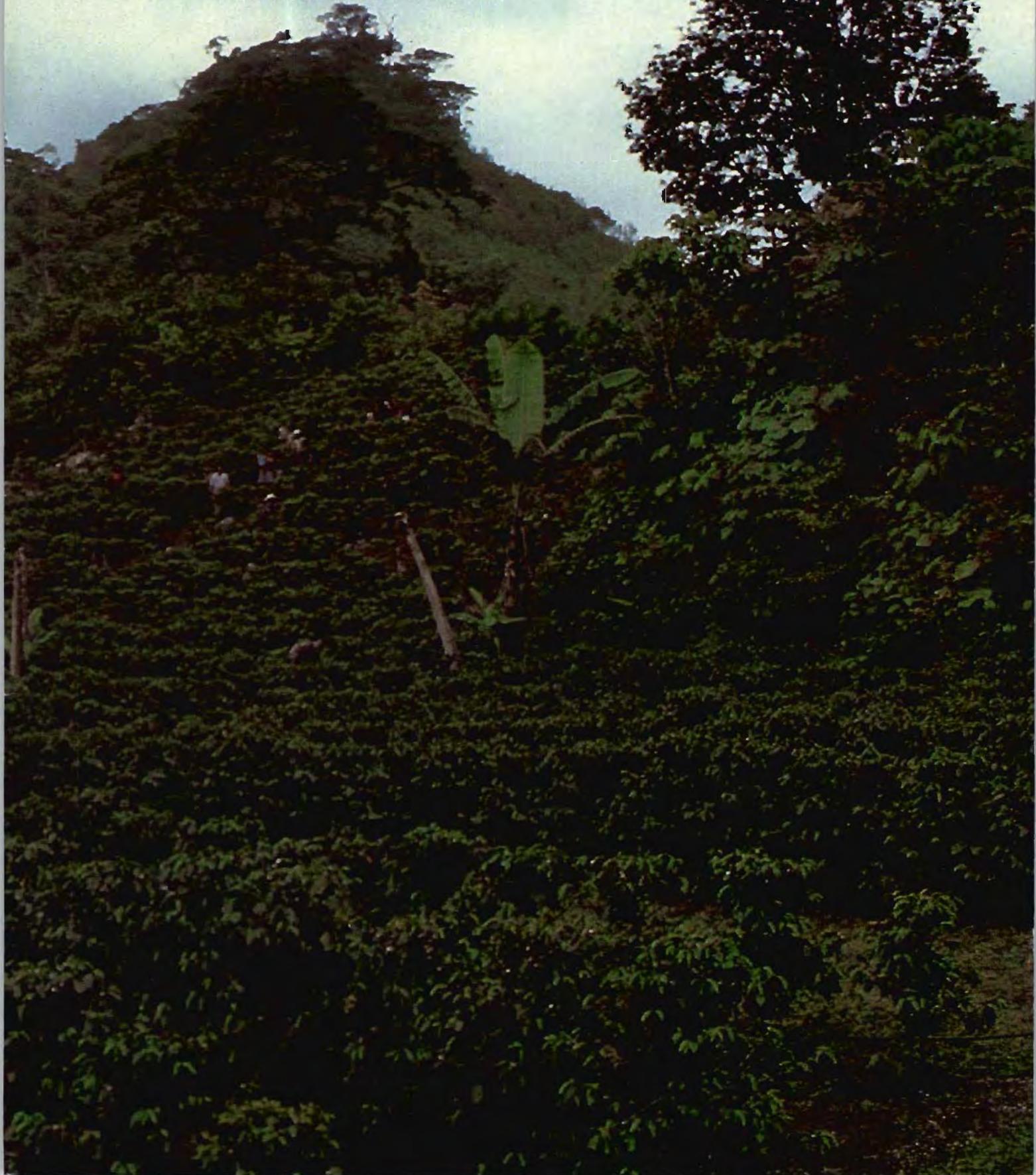


DEVELOPMENT, GROWTH, OPPORTUNITY

U.S. ECONOMIC
ASSISTANCE TO CENTRAL AMERICA
AND THE CARIBBEAN



Coffee trees cover mountainous hillsides in Honduras. Fidel Leyba, once locked in a losing battle with the coffee farmer's traditional enemies of disease and soil erosion, is now using new conservation techniques and harvesting more disease-resistant varieties of coffee.



**DEVELOPMENT,
GROWTH, OPPORTUNITY**

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AND THE CARIBBEAN

*Cover: Small, family-run farm
in Central America. Productivity
of such farms is vital to the
region's economic future.*

In the little village of Cacao, in Costa Rica, Javier Espinos Seguoiera, Jesús Peralta Fernández and Alberto Anchia Perez, using local materials, work in a new factory making brooms that bring a steady source of income into the community.





Deep in Jamaica's backcountry, Private Voluntary Organizations, Ltd. provides a mobile clinic with hearing and speech therapists, child psychologists and nurses who bring basic health services to the island nation's rural families.

The Chapeton brothers, formerly tenant farmers in western El Salvador, now own the land they farm through the "Land to the Tiller" program.





Development, growth, opportunity...these are the fundamental economic challenges facing the nations of Central America and the Caribbean. Meeting these challenges is a story about commitment and cooperation among governments and private businesses, multinational banks and voluntary organizations. Above all, it is the story of individuals working to build lives of opportunity and prosperity for themselves and their families.

The United States shares the goals of the countries of the region and is working to achieve, in the words of M. Peter McPherson, Administrator of the U.S. Agency for International Development (AID): "A free, secure world in which growth and development are self-sustaining and the extremes of poverty have been eliminated."

"Enlightened Self-Interest"

More than 75 percent of all U.S. assistance to Central America and the Caribbean is economic, a three-to-one ratio of economic to military aid that has remained remarkably consistent during the past several years (see table, page 45). Despite El Salvador's struggle against leftist guerrilla forces and Nicaragua's growing military threat, only one quarter, or less, of U.S. assistance has been military. Military assistance to the region has certainly increased—by approximately \$106 million from 1982-83 to 1984-85—but economic aid jumped \$710 million during the same period.

Many of the direct bilateral assistance programs in the region have been expanded dramatically in the past several years; as a result, several Central American and Caribbean nations are now among the highest per capita recipients of U.S. economic assistance in the world. This publication explores some of the initiatives of Central America and Caribbean nations, in partnership with the U.S., to revitalize their economies, extend the benefits of growth to all their citizens, and strengthen the institutions of democracy.

These cooperative programs are based upon the realization that a government responsible to its people cannot abuse them with impunity. In addition to being one of the best guarantors of human rights, democracy is also the best guarantor of the peace and stability necessary for growth and prosperity. Democratic governments do not drive their people into armed opposition, nor do they threaten to attack their neighbors in order to divert their citizens' attention from problems at home. As Secretary of State George Shultz said: "Freedom and economic development go hand in hand. This does not happen automatically.... Our support for democracy complements our support for economic development and free markets—and vice versa."

The Caribbean island nations, Central America and the United States are more than just neighbors. They are dependent upon one another for economic growth, security and prosperity. The security and well-being of the countries of the Caribbean and Central America are vital to the United States and to the Western Hemisphere as a whole.



AID-funded aquaculture project is a source of protein and income for Panamanians. (AID)

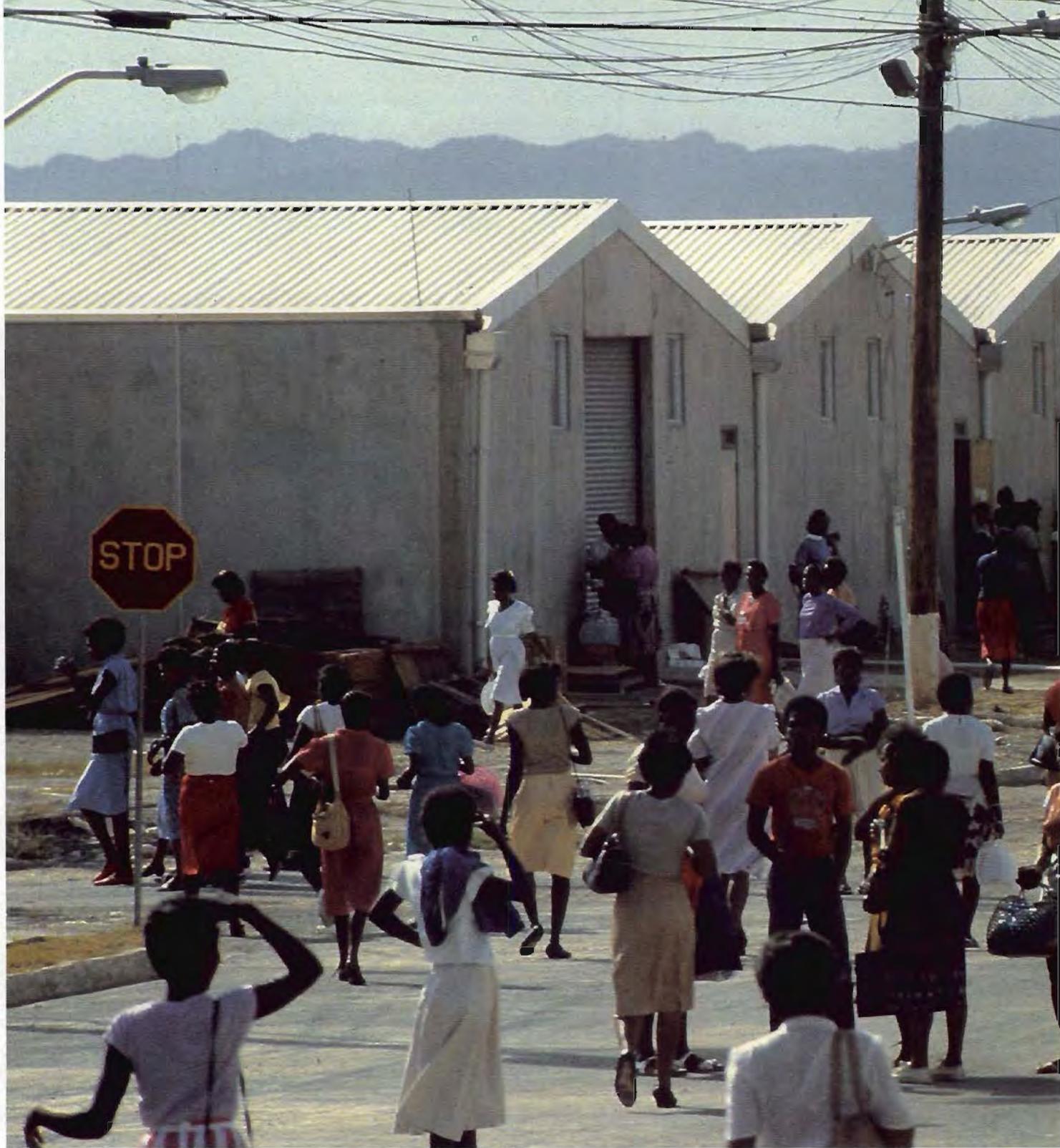
U.S. investment in the region, for example, amounts to 62 percent of all U.S. direct investment in developing countries. The region was the second largest export market for the United States after Western Europe in 1981, purchasing \$42.1 thousand million of U.S. exports. When the region's economies declined in 1983-84, U.S. exports to the region dropped to less than \$30 thousand million, resulting in a loss of jobs and income for U.S. workers, factories and farms.

Nearly half U.S. total exports and imports, representing over two-thirds of its seaborne foreign trade, pass through the vital commercial arteries of the Panama Canal, the Caribbean or the Gulf of Mexico. Caribbean trade routes are of particular importance to the U.S. economy since they carry three-fourths of the imported oil for the U.S. In addition, over half of the strategic minerals imported by the United States pass through the Panama Canal or the Basin's sea lanes.

Housing project (below) built with U.S. funds in San Bartolo, El Salvador, contains 4,000 units. Some 60 to 65 percent of the monies for such projects is spent on labor, i.e., on employment for Salvadorans.

Bottom, rural electrification, supported by AID, is an important element in Guatemala's development program.





Caribbean Basin Initiative

JAMAICA—

In operation since 1976, the Kingston Export Free Zone is a bustling industrial park which offers complete duty-free "off-shore" facilities, from warehousing

and repackaging to manufacturing. Over 60 units have been completed of 540 square meters each. Occupancy is 100 percent.

While companies within the Free Zone do not generate profits directly for Jamaica, they do increase employment, which now totals more than 2,500 people working with

14 different companies.

Although not subsidized directly with U.S. funds, the Kingston Export Free Zone grew out of a marketing study sponsored by the U.S. Agency for International Development, which also supported the Kingston Free Zone's marketing and promotion programs in the United States.

While the U.S. commitment to economic growth and development is long-standing, it has been spurred recently by two dramatic initiatives. The first, announced in February 1982 by President Reagan at a meeting of the Organization of American States, was a response to the continuing economic crisis in the nations in and around the Caribbean—the Caribbean Basin Initiative. The second, based on recommendations of the National



Bipartisan Commission on Central America, came to be called the Jackson Plan in honor of the late U.S. Senator Henry Jackson whose concern for the region led to the study.

The Caribbean Basin Initiative, or CBI, is an innovative program that integrates trade, tax and regional assistance in a mutually reinforcing package intended to foster long-term, self-sustaining economic development. CBI is designed to expand

the production and export capacity of the region through trade and tax provisions that will harness the private sector to the enormous resource potential of the Caribbean Basin area.

The centerpiece of the initiative is a provision that virtually all products exported by Basin countries—which include most Caribbean islands and Central America—be allowed duty-free entry to the United States for 12 years.

*Workers depart
factories in
the Kingston
Export Free Zone
at the end of
the day.*

The one-way free trade provision was passed by Congress in the Caribbean Basin Economic Recovery Act, and was signed by the President in August 1983. The act also permits a tax deduction for business conventions, thus aiding tourism to CBI countries.

In addition, several U.S. government departments with international responsibilities have active programs in the Caribbean Basin. Examples are the technical and business support services of the Agriculture and Commerce Departments, the investment insurance and information offered by

the Overseas Private Investment Corporation, and the export credit and guarantee programs of the U.S. Export-Import Bank.

The duty-free provision offers higher revenues immediately for traditional exports from the region; in addition, duties have also been eliminated for Caribbean Basin nations on thousands of items imported by the U.S. which are not currently produced by those countries. This is an incentive for entrepreneurs in each country to identify products they can produce and export efficiently—thereby attracting new investment and creating new jobs.

As of September 1985, the President has designated 21 countries as CBI beneficiaries: Antigua and Barbuda, the Bahamas, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Panama, St. Christopher and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. Other countries have not as yet requested designation or are in the process of negotiating CBI status.

Since the CBI was first conceived in 1982, over \$2 thousand million in U.S. government resources have been committed to CBI-related programs.

In 1984 the U.S. provided almost \$600 million in support of the CBI. That funding is being used to support public and private sector projects in the Caribbean Basin, and to finance critical imports—such as machinery and other capital goods—from the United States for private-sector producers in Basin countries.

In the first two years, the U.S. cooperated in efforts to promote economic recovery and stability in the Basin countries. The United States today is supporting national programs to remove barriers to trade and growth, restore domestic business confidence, rationalize interest rates, attract foreign investment and develop new trading patterns.

HONDURAS—

Delicate ceramic jewelry based on palm and banana leaf patterns, intricately carved wooden chests that reflect the traditions of rural Honduras, and hand-made wood carvings—the AID-supported Artisan Marketing Project encourages the making and marketing of these crafts, which can increase income and employment for craft workers in Honduras. This program is expected to serve as a model for similar projects throughout Latin America and the Caribbean.

Aid to Artisans (ATA), the private voluntary organization that administers the project, identifies craft and folk art pieces that are best suited to U.S. markets and are most representative of the indigenous culture. ATA then assists in their importation and distribution in the U.S. (now duty-free under the CBI program). In some cases, ATA has given grants to craft groups and cooperatives for tools, equipment and raw materials—and then provided advice on product design and marketing.



Honduran woodworking enterprise, with help from Aid to Artisans (ATA), generates employment for Honduran craft workers. In one notable example, ATA works with the Fundacion Hondureño de Rehabilitación e Integración de Limitados (FUHRIL) to teach handicapped persons various crafts and thus integrate them into the Honduran economy. Peace Corps volunteers serve as designers and supervisors in conjunction with many ATA enterprises.



One of the goals of the Jamaican government, in the words of Prime Minister Edward Seaga, is to drag Jamaican agriculture "screaming and kicking into the 20th and, possibly, the 21st century."

A part of that effort is a program called "Agro 21." Its goal is to provide employment by encouraging crop diversification (away from excessive reliance on sugar) and earn foreign exchange for Jamaica by increasing export production. AID is assisting Agro 21 by seeking ways to develop and expand Jamaica's agricultural enterprises, encourage joint ventures involving the private sector, utilize unused land, expand employment and reduce dependence on food imports.

As a result of an AID-financed study, Jamaica halted operation of its government-owned agricultural marketing corporation (AMC). Recently, the AMC facilities in Kingston were renovated under AID's Agricultural Marketing Project and leased to a joint U.S.-Jamaican group for the assembly, grading and inspection of produce, such as green peppers, for export to the United States. The project cost \$3.7 million, of which AID contributed approximately \$2.5 million. □

Woman sorting green peppers at the AMC export facility outside Kingston, Jamaica.

The Jackson Plan

In its report, the National Bipartisan Commission on Central America (also called the Kissinger Commission for its chairman, former Secretary of State Henry Kissinger) made recommendations that formed the basis of the legislation that became the President's Central America Democracy, Peace and Development Initiative—the Jackson Plan.

The Bipartisan Commission concluded: "Central America is both vital and vulnerable, and whatever other crises may arise to claim the nation's attention, the United States cannot afford to turn away from that threatened region." The crisis coincided with a global economic recession: the per capita income of several of the countries in the region had been reduced by 25 percent. Guerrillas in El Salvador, supported by Nicaragua, Cuba and the Soviet bloc, intensified the turmoil, exploiting persistent, often legitimate local grievances for their own purposes. Stating that the acute crisis in Central America endangers fundamental strategic and moral interests of the U.S., the Commission recommended a program emphasizing economic aid and policy reform to get at root causes of poverty and political unrest.

In the Jackson Plan, the U.S. recognizes that the crisis, because it has multiple causes that exacerbate each other, must be dealt with in its entirety. Security efforts will not produce political stability unless they are buttressed by economic growth and social reform; economic and social progress cannot be accomplished without a military shield.

The crux of the Commission's recommendations was that U.S. policy should be guided by the principles of democratic self-determination, economic and social development that fairly benefits all, respect for human rights, and cooperation in meeting threats to the security of the region.

The Jackson Plan, sent by President Reagan to the Congress in February 1984, is a comprehensive response to this "seamless web" of issues,

and included the following initiatives:

- financial stabilization of regional economies;
- trade credits for the region through the U.S. Export-Import Bank;
- provisions to strengthen the administration of justice;
- a greatly expanded scholarship program for Central Americans to study in the United States;
- support for land reform.

Even though only a short time has passed since the initiation of the Jackson Plan, it is apparent that the policy is working. During 1984 and 1985, U.S. economic assistance has been a critical factor in:

- Stopping the severe decline in the economies of Central America. In El Salvador, two percent growth is expected this year after five years of economic declines totaling 25 percent. In Costa Rica, growth could be 2.3 percent.
- Promoting renewal of private sector confidence and a reversal of the outflow of capital from the region.
- Improving economic policy to encourage the contributions of the private sector and spur growth.
- Reinforcing the positive trend toward equity and democracy through support for judicial reform and land reform in El Salvador; democratic elections in El Salvador, Panama and Honduras, as well as scheduled elections in Guatemala; and emergency assistance to displaced persons and victims of civil strife.

As Secretary of State Shultz said in February 1985: *Nowhere has the dynamic linkage...between democracy and economic opportunity been more dramatically illustrated than in Latin America and the Caribbean. The past year has provided strong evidence that democratic development and the rejection of the communist left and the far right are the keys to ensuring peace and improving standards of living for all....*

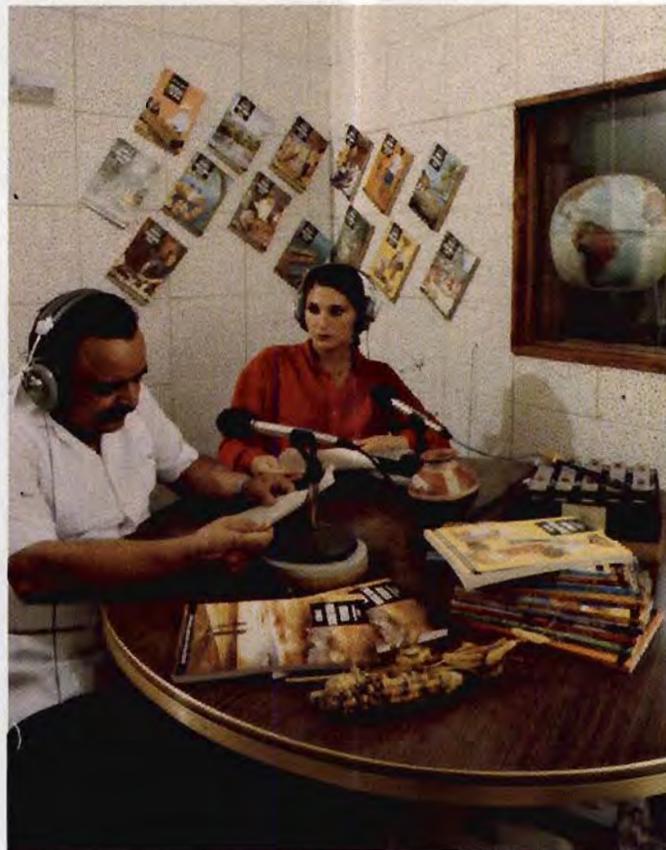
"Comprender lo comprensible es un derecho humano."
(Knowledge is a human right.)

Everywhere in rural Central America, from the mountainside coffee farms in Honduras to the windswept plains of Costa Rica, one hears of the *Escuela para Todos*, the "School for Everybody." It seems that all the *campesinos* attend. In fact, no one "goes" to the *Escuela*, the *Escuela* comes to the people through the radio and through its yearly almanac.

On the surface, the *Escuela para Todos*—based in Costa Rica but transmitting throughout Central America—seems to be a modest research library and studio for recording tapes for radio broadcast. But it is more than that. It is a bridge from the university to the farmer in the field who wants to learn but lacks the opportunity, a program whose sole aim is to provide knowledge to people who ordinarily would not have access to it.

The *Asociación Escuela para Todos* and its mother institution, the *Instituto Centroamericano de Extensión de la Cultura* (ICECU), were the brainchildren of an Austrian named Roderich Thun and a group of Costa Ricans who wanted to narrow the cultural gaps between Central America's urban and rural populations.

After exhaustive analysis and consultation with scholars at local universities, they decided to offer Central American *campesinos* access to a group of experts in every field of human knowledge. They wanted a way in which the *campesinos* could get answers to questions about subjects that really interested them in a quick, clear and comprehensible manner. The answer proved to be radio.



The ICECU was founded in Costa Rica in 1963, and the *Asociación Escuela para Todos* shortly thereafter—to provide "an extensive, vigorous fundamental education program for all on the Central American isthmus."

Although *Escuela para Todos* is prohibited, by law, from answering questions pertaining to political controversies, it is nevertheless vocal in its support for human rights, representative democracy and respect for the dignity of the individual.

In order to satisfy the educational needs of the rural population, the ICECU and the *Asociación* developed a three-part correspondence, radio and editorial program to disseminate knowledge and information.

The correspondence program provides written answers to questions that the *campesinos* mail to the station. *Escuela para Todos* answers questions concerning everything from animal husbandry and agriculture to the environment and physics. All the questions sent in by the *campesinos*—even those not used on the radio question-and-answer show—are answered in writing.

The station receives about 16,000 questions per year, and the *Escuela* keeps all questions and responses on file. Some individuals write as often as 40 times per year. A small room in the *Escuela* building, for example, contains loose-leaf notebooks that line the walls from floor to ceiling, with letters ranging from a farmer's question about the salinity of his soil to a child's query about why the earth is round. When the *campesinos* feel they cannot adequately describe an object, they have been known to mail such items to *Escuela para Todos* for identification. As a result, the *Escuela* has a vast and varied collection of artifacts ranging from pre-Colombian pottery to mutant animals.

Since October 1964, the radio program has selected some of these written questions and answers and broadcast them throughout Central America. The 30-minute radio program is currently on-the-air six days a week over more than half of the radio stations in all of Central America. In addition to its audience of three million in Central America, *Escuela para Todos* is heard in parts of Mexico and in northern Colombia.

Every year the editorial program publishes an almanac based on the questions received by the *Escuela* during the previous year. The *Libor Almanaque Escuela para Todos* (*Escuela para Todos Free Almanac*) was published for the first time in January 1966 and since that time has been published each consecutive year, for 20 editions or a combined output of 7,026,500 volumes. Studies estimate total annual readership at more than two million.

In addition to Costa Rica itself, *Escuela para Todos* has been supported by several other Central American governments as well as by West Germany and Canada.

In 1984 cutbacks in Costa Rican government subsidies, and political unrest in the region, cut almanac sales severely, leaving the program in dire straits. AID then stepped in and provided \$1 million to help keep the program operating. Currently, AID is funding 12 to 15 percent of the *Escuela's* operating budget, and is considering a proposal to provide *Escuela para Todos* with its own broadcasting station in order to save money on the fees required for broadcasting on commercial stations. □

Escuela para Todos narrador Rafael Angel Arias Gomez and researcher Barbara Chacon tape a segment of a show that will be broadcast throughout Central America.



Nurse Marina Elena G3mez looks after children of the Copapayo cooperative in a medical clinic that was built with profits realized by the cooperative after Salvadoran land reform.



Members of the La Mosquitia sugar cooperative (facing page) walk to their fields past the school and electric power lines that the cooperative sponsors with profits it returned to the community.

Woman hauling brush (below) up a steep hillside to construct a coffee nursery at a cooperative established under the Salvadoran land reform program.



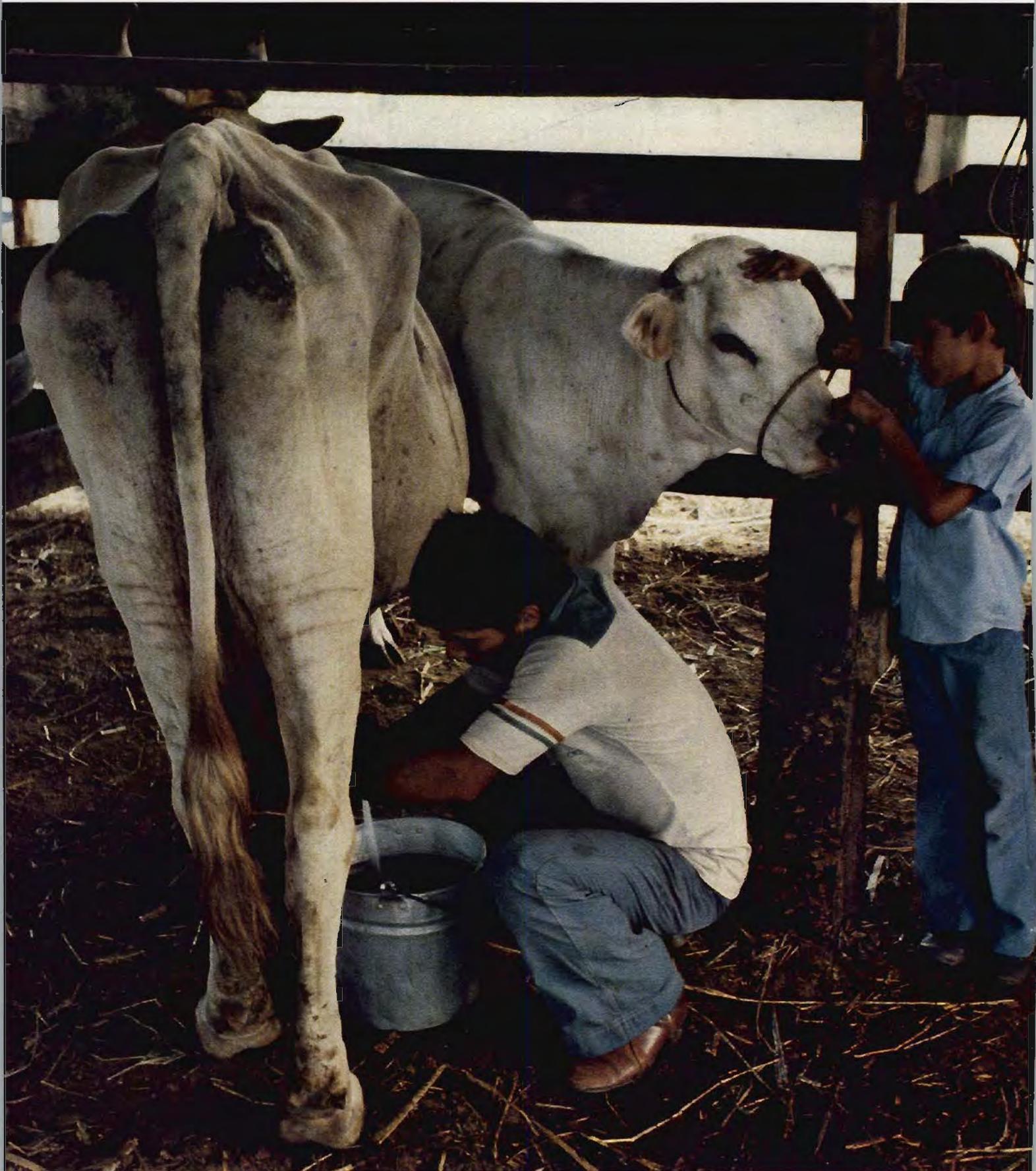
In March 1980 the Salvadoran government began a land reform program affecting roughly one-third of the country's farmland. By 1984 more than 550,000 people have benefited from the program, either individually or as members of cooperatives.

The land reform has occurred in three phases. In Phase I the government converted more than 469 large plantation farms (each in excess of 500 hectares) into 317 production cooperatives with 31,000 former farmworkers as co-owners. Phase II covers estates between 100 and 500 hectares and includes coffee-growing areas that account for a substantial portion of the country's export production. (Because of fears that expropriation could damage Salvador's export trade, Phase II was deferred until December 1985.) Phase III "Land to the Tiller" programs benefit thousands who were former renters and sharecroppers, with little prospect of owning land, by allowing them to apply for a maximum of seven hectares of the land they farmed as of May 1980. By August 1984, 63,635 families had signed up for 96,700 hectares.

The coffee cooperative at left is an example of the Phase I agrarian reform program. Having a share in the land has proved to be an incentive to the members of the cooperative to increase production and to look after their investment. The woman is working in one of nine cooperative coffee plant nurseries; these nurseries yield 113,000 new plants every year to help the cooperative grow and prosper. In addition to producing coffee, the cooperative builds housing for migrant workers and takes in displaced persons. AID helps the cooperatives acquire legal titles to the lands, compensate the former land-owners, and provide administrative support such as locating professional managers and accountants.

The sugar cane cooperatives shown here are one type of enterprise resulting from the "Land to the Tiller" program. Cooperative members have reinvested their profits in housing, schools, health clinics and other public works. The *La Mosquitia* cooperative used proceeds from farming to bring electricity to their village and establish education programs for adults and children. The clinic was funded by the *Copapayo* cooperative. AID provides management support and pays Salvadorans for the complicated legal work involved in transferring titles, land measurement and surveying.

In another example of the benefits of land reform, the Chapeton brothers bought the land they farmed under the "Land to the Tiller" program (see page 2) and switched from corn to papayas. The simple act of changing crops caused a quantum leap in both productivity and income for the family. □



Roberto Suazo's dairy farm in Honduras is one of many small dairy and cattle operations that have become "going concerns" through the programs of the Fondo Ganadero.



The satellite-fed computer system pictured here provided such useful international market information that it enabled FEPROEXAAH to arrange a deal that paid for the system (\$200,000) in about 30 seconds.



Promoting Growth

HONDURAS—

Designed to boost Honduras' cattle and dairy industry, the Fondo Ganadero buys cattle and places them with ranchers and dairy farmers to be raised as a joint venture. The Fondo also provides technical assistance to the ranchers and farmers, usually through AID contract workers. When the cattle and dairy products are sold, the ranchers or farmers keep 55 percent of the proceeds (five percent of which consist of shares in the Fondo itself), and the

Fondo receives 45 percent to run its operations and reinvest in capital and more livestock.

"Running cattle on shares" has transformed cattle and dairy farms which formerly operated on a subsistence level into income-producing operations. The Fondo Ganadero, based on a similar operation that was very successful in Colombia, obtained its operating and technical assistance funds through a combination of U.S. loans and grants.

The sources of U.S. economic assistance to developing countries are diverse and range from private voluntary organizations to a number of federal departments of the United States government, notably the U.S. Agency for International Development (AID), which coordinates U.S. foreign assistance efforts and directly administers a majority of U.S. economic assistance programs.

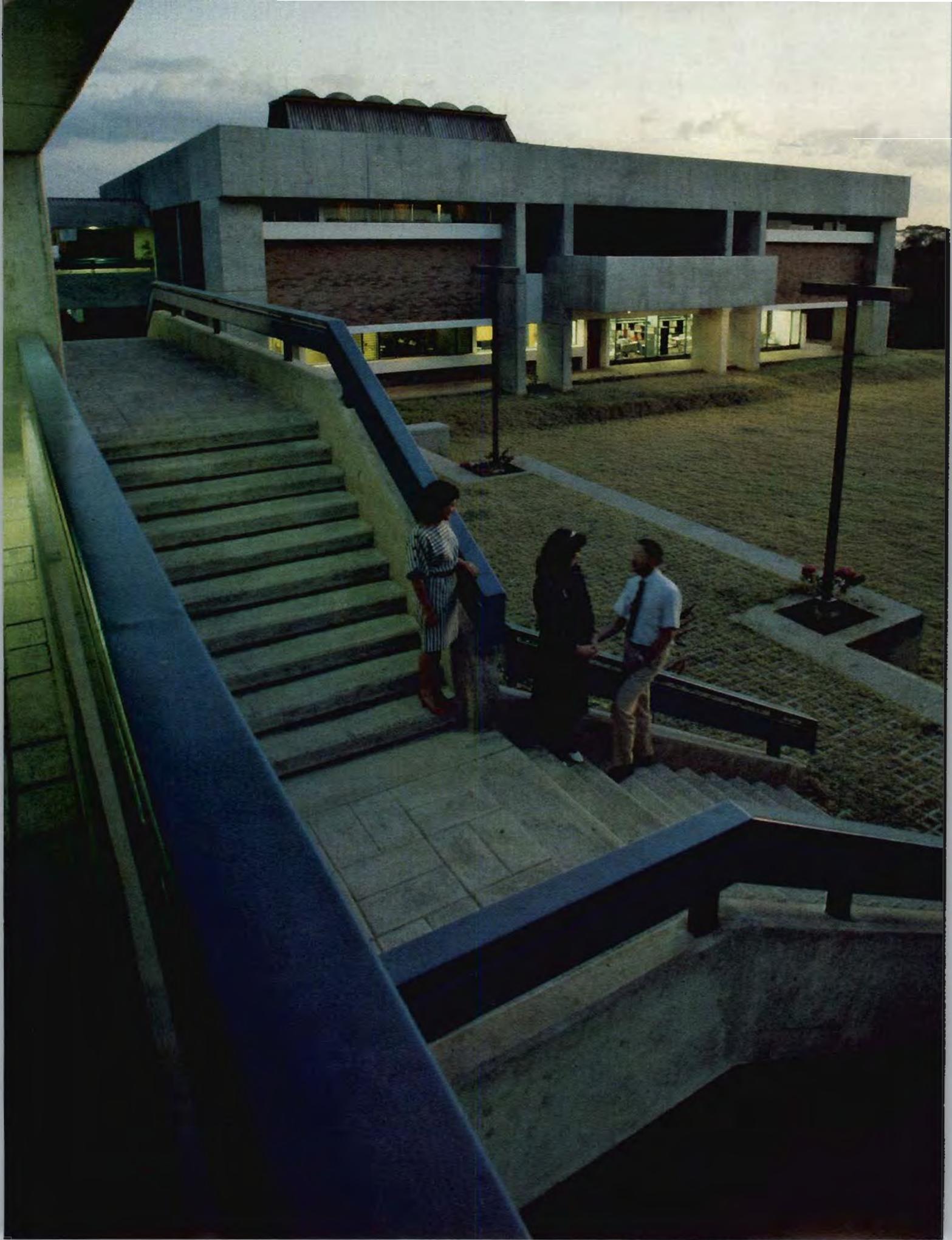
Central America, the island nations of the Caribbean and the United States share the primary goal of self-sustaining economic growth. In cooperating with the nations of the region to achieve this goal, the U.S. emphasizes four key elements in its programs of economic assistance.

One is supporting efforts at policy reform, which means eliminating practices that can inhibit long-term economic growth such as fixed prices for agricultural products so low that farmers have little incentive to increase production. High tariffs and overvalued exchange rates can also be serious impediments to growth. Instead, the United States seeks to support the efforts of governments and the private sector to expand labor-intensive production and to stimulate increased exports of new as well as traditional products from the region.

An example of this policy reform effort is FEPROEXAAH (above), a federation of Honduran agro-industrial producers and exporters, whose slogan is "AID is a partner, not a boss." Representing Honduran agribusiness associations, FEPROEXAAH promotes Honduras' agricultural and livestock exports by facilitating commercial relations between producers and buyers, promoting joint ventures with foreign investors, and providing members with technical assistance in marketing, production and quality control for the export market. AID helped FEPROEXAAH to organize and loaned it the money to get its modern, computer-based operation underway during the first two years. By April 1985 FEPROEXAAH had sold all of its projected production for 1985—in industries as varied as citrus, cattle, coffee, bananas, poultry, honey and tobacco.

Second, the United States actively encourages private enterprise throughout the region. A free economy, in the U.S. view, is the best means to achieve development. Underlying this emphasis is the recognition that the development of a strong non-government sector is critical not only for economic growth, but for the long-term preservation of civil and political rights in any society.

AID's Bureau for Private Enterprise has undertaken a variety of activities to improve the business climate in the Caribbean Basin. One year-long project trained investment advisers serving several Caribbean governments; the U.S. has also created investment centers to attract U.S. direct private sector investment to key countries in the region. Through these centers, grants have been provided to the Caribbean Association of Industry and Commerce, and to local chambers of commerce and business associations. The goal is to attract investors seeking new business opportunities or wishing to enter international markets for the first time.



Another example of U.S. support for private enterprise in the region can be found in Panama where, in 1983, the U.S. provided \$3.9 million in project aid to the National Investment Council of Panama. This project encouraged 28 firms from all over the world to invest \$32 million in Panama, creating 4,000 new jobs. In 1985 seven additional firms were negotiating to participate in the program, with the potential for \$4.9 million in investment and 1,500 new jobs.

Third, schools, colleges, training organizations, capital markets, and other institutions are necessary for economic growth in developing countries. Effective institutions enhance a country's ability to marshal its own human and other resources for development, and help men and women gain access to the skills and services needed to increase their productivity and income.

One such institution, sometimes referred to as "the Harvard Business School of Central America," is the *Instituto Centroamericano de Administracion de Empresas* (INCAE), established to train Central Americans in the latest techniques in management and business administration. Students at INCAE are often professionals seeking to enhance their skills in order to help their countries' development efforts.

INCAE moved from Nicaragua to Costa Rica when operations became increasingly difficult under the Sandinistas. Forced to leave their library behind when they moved, INCAE has rebuilt its facilities outside San José with U.S. assistance, most notably a new library, new books and scholarships for INCAE students.

INCAE is one of several Central American regional institutions where AID finances research, development and service projects. Others include the Institute for Tropical Agriculture (CATIE), also based in Costa Rica, and the Institute for Nutrition (INCAP) in Guatemala.

Fourth, economic growth requires the capacity to develop and apply a continuing stream of innovations designed to increase productivity, employment and incomes, and to adapt technologies transferred from industrialized countries.

One of the few agricultural analysis and research facilities in Central America, the *Fundacion Hondureña de Investigacion Agricola* (FHIA) in Honduras uses advanced technologies to serve all the countries in the region with soil analyses and a quick growth/reproduction program that promotes accelerated development of disease-resistant strains of endangered plants. AID subsidizes 90 percent of the operations of this vital facility.

EL SALVADOR—

From 1979 to 1984, El Salvador's exports—critical to earning foreign exchange and increasing employment—fell precipitously. In response, a group of key business leaders concerned with investment promotion created FUSADES—the Salvadoran Foundation for Economic and Social Development.

FUSADES encourages foreign businesses to invest in Salvadoran industries, matches Salvadoran companies with international sponsors for joint ventures, and sponsors international and domestic trade fairs to encourage such investment. AID is helping FUSADES with export promotion for markets outside Central America.

(Facing page) In Costa Rica, "the Harvard Business School of Central America," INCAE has a new library which was built with U.S. funds.

(Right) FHIA laboratory technician in Honduras monitors progress of pineapple sprouts in program that promotes development of disease-resistant plants.

(Far right) South Korean-backed joint venture in textiles prospers in the Salvadoran Free Zone (Zona Libre). Although such enterprises do not generate tariff revenues for El Salvador, their goal is to create 6,000 new jobs per year.







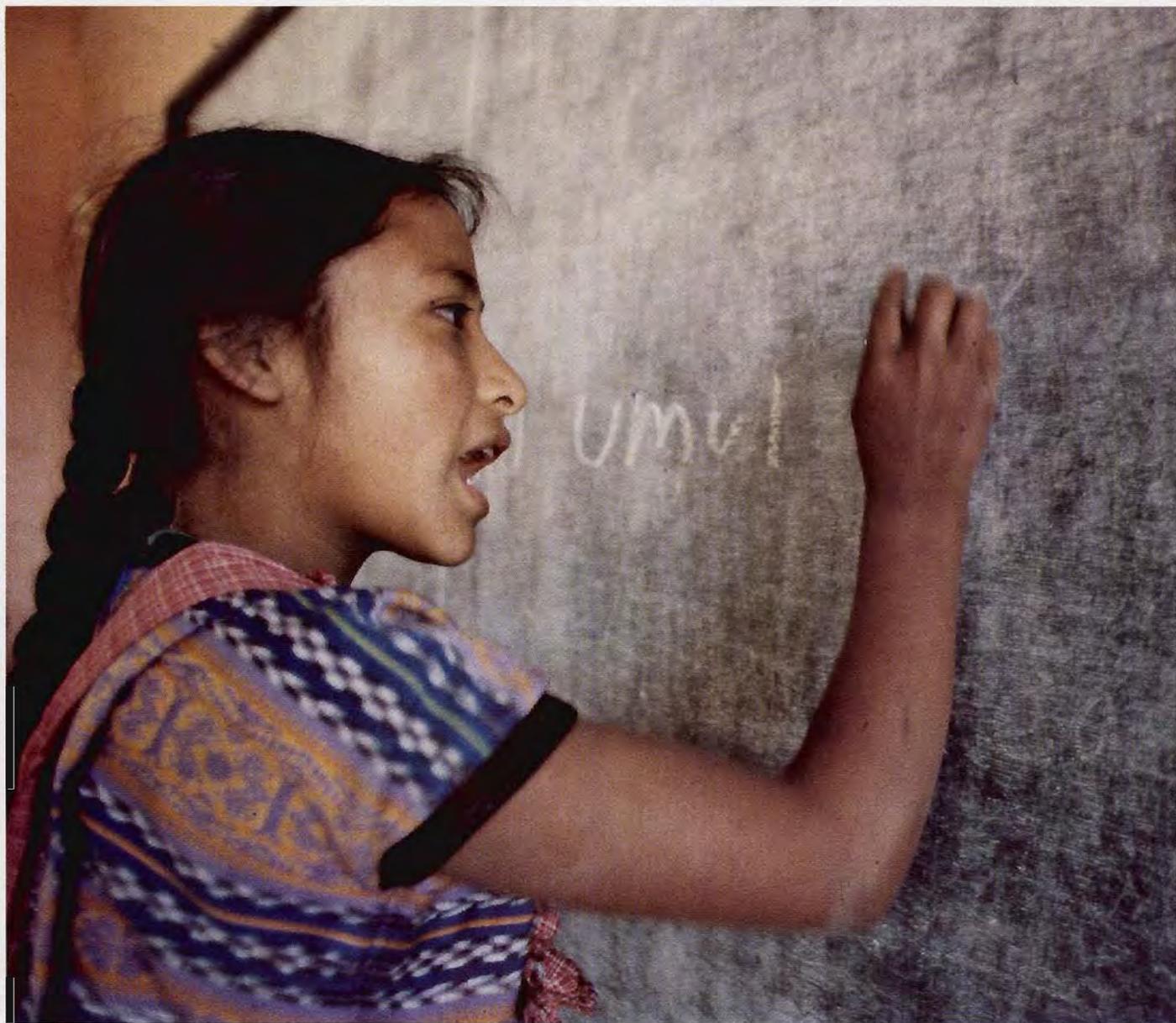
Paulina Cristal Sipac, an instructor, or *promotor bilingua*, who teaches first-year students at the *Escuela Pacorr*, is a native *Cakchiquel* speaker who supplements language instruction in her classes by teaching the children traditional Spanish songs and games.

Guatemala's Indian population, which represents 46 percent of the total national population and 67 percent of the country's overall rural population, does not speak Spanish as its native language, but rather four principal Mayan languages and 22 dialects. Without Spanish, these Indians lack the most basic communications skills necessary to take advantage of economic and social opportunities available to speakers of Spanish.

In the past, Indian students often dropped out after only two to three years of primary school because all instruction was in Spanish. Efforts in the '60s to address this problem by teaching the first year of primary school with a mix of one of the four primary Mayan languages and Spanish met with only limited success.



Students in the AID-supported bilingual education program at the Escuela Pacorr are taught to read and write in their own Indian language before learning Spanish.



The bilingual education program is designed to provide Guatemala's Indians with the basic communications skills necessary to take advantage of economic and social opportunities available to speakers of Spanish.

In the 1970s, experts realized that one year of bilingual education was not enough to get the Indian children acclimated to mainstream Spanish-language education. In cooperation with the government, the U.S. began a program in 1980 that uses the four principal Mayan languages and spreads instruction over three years. In their first year of primary school, Indian children receive about 85 percent of their instruction in their native language, 15 percent in Spanish; in the second year, 60 percent of their instruction is in the Indian language; and, by the third year, only 50 percent of their classes are in the Indian language.

Ten pilot schools are using this system in each of Guatemala's four major language zones. (In addition, 10 "comparison

schools" provide instruction in Spanish only, to gauge the effectiveness of the program.)

The first objective is to teach Indian children to read and write in their own language, and then to transfer those skills into learning Spanish. Other elements of this program include:

1. Curriculum development. The project prepares text materials in math, science and social studies in the four Indian languages. The textbooks are the first of their kind.
2. Native Indian teacher aides, *promotors bilingual*, are used to orient the children in the classroom after they have been trained in teaching methods and use of the new texts. Although these *promotors bilingual* lack the formal education of full-fledged teachers, AID is providing scholarships to help such peo-

ple get a *licenciatura*, or the equivalent of a bachelor's degree. Forty *promotors bilingual* are being sent to Washington, D.C. and the University of New Mexico for one month on AID scholarships.

3. Evaluation. By tracking student progress over the years, the pilot programs were deemed effective enough to expand the program nationally from its current total of 40 schools to 400 schools. The eventual goal is to establish the program in all of Guatemala's rural schools.

The U.S. has provided \$12 million for a six-year bilingual education program; \$8.7 million in loans and \$3.3 million in outright grants. (The government of Guatemala has provided \$31 million for the program for the same six years.) □



A car in the employees' parking lot outside a wooden handicrafts manufacturer in Kingston, Jamaica, sports a bumper sticker with a simple message: "Enable the Disabled."

This optimistic exhortation is the driving force behind Deeds Industries Ltd., one of the few enterprises to employ the handicapped in a country where one out of 10 people suffers from some sort of physical or mental disability.

Deeds Industries got its name in 1983, when it was founded by Jamaica's Combined Disabilities Association (CDA) to demonstrate "not by words, but by deeds" that the handicapped could be integrated into the work force. The CDA itself is unique in that it is one of the few advocacy groups put together by the handicapped themselves. The CDA came into being, according to its wheelchair-bound chairman, Huntley Forrester, because "persons with disabilities needed to come together to deal with the problems we face in terms of society and employment. We felt that we should harness the most talented persons from the disabled and get them to work for the disabled in Jamaica."

Forrester adds: "Deeds was founded with the objectives of providing full, gainful employment for the handicapped, and to be a model of the integration of the able-bodied and the handicapped at the workplace."

Deeds has succeeded. Having started with three employees, one of whom was disabled, Deeds today employs 43 people, 23 of whom are handicapped, and it is still growing. The profits earned in selling the beautifully inlaid cheese boards, boxes and toys—all crafted from Jamaican hardwoods and other materials of Jamaican origin—revert to the Combined Disabilities Association.

AID has assisted this enterprise by providing approximately \$90,000 for production engineering, marketing and wood-working, which enabled Deeds Industries to buy woodworking machines and a solar-powered kiln. U.S. assistance to this project is expected to create at least 60 new jobs.

The Technical Consultation and Training Grants program, under which AID assisted Deeds, has made available approximately \$5 million per year over the past two years in Jamaica. □

At Deeds Industries—where handicapped workers are integrated into mainstream occupations—a worker assembles a toy truck.

Expanding Opportunity

The nations of the Caribbean Basin acknowledge the primary importance of economic growth; but they also recognize that the ultimate purpose of economic development is increased human welfare. The nations of Central America and the Caribbean must succeed in generating economic growth while expanding individual opportunity and protecting basic human rights if the cycle of conflict and deprivation that has plagued these nations in the past is to be broken. The United States cannot determine the path chosen by the people of the region. It can, however, provide moral and material support to those countries that choose democratic processes and provide a broader distribution of social and economic benefits.

Democratic institutions help ensure that the benefits of expanded opportunity will be distributed equitably throughout a society, giving all its members a stake in its continuing prosperity. The United States is actively committed to supporting the efforts of governments throughout the hemisphere to strengthen the practice of democracy through such institutions as the new National Endowment for Democracy, which pools the resources of U.S. business and labor organizations and its two main political parties to support democratic initiatives. The U.S. has also provided practical as well as political support for free elections in El Salvador and throughout the region.

A strong, responsible, independent judiciary is a cornerstone of democracy, just as periodic, free elections are necessary to maintain the accountability of democratic leadership to the popular will. To meet this need, the U.S. has instituted the Administration of Justice Initiative. Directed initially toward the democracies of Central America and the Caribbean, it provides support for the administration of justice in all its aspects—court management, rules of evidence and procedure, and specialized training for the judiciary and officers of the court. This assistance covers criminal, civil, commercial, agrarian, administrative and labor law.

One key to opportunity is employment. Expanding job opportunities, in industry and agriculture, is a priority for nations throughout the region.

Another key is exports. In the view of many development experts, only the export market is likely to provide the impetus needed to spur rapid industrial growth. For its part, the U.S., through the CBI provision for duty-free access to its markets, is helping create a favorable environment for just such an export strategy. One estimate is that, with government encouragement, non-traditional exports from the Caribbean Basin could increase 20 percent by the end of the decade.



Worker (above) in Honduran coffee cooperative nursery holds new coffee plants ready to be transplanted in individual farms.

Printing facility (right) in San José, Costa Rica, where textbooks are being produced by Costa Ricans for the first time.

Half of the region's labor force works in agriculture. Experience indicates that small farmers are the most productive users of land resources, yet in a number of Central American and Caribbean countries they lack adequate access to the credit, modern technology and marketing services that would unleash this capacity. In cooperation with these nations, the U.S. goal is to assist farmers in expanding agricultural production by four percent per year through 1990. More food means healthier people, and would generate exports of non-traditional agricultural and agro-industrial products, besides providing about 80,000 new jobs per year. Overall, the United States, through AID, has spent about 44 percent of its project aid, called Development Assistance, on agriculture, rural development and nutrition.

Growth and opportunity also require a sound economic infrastructure, i.e., roads, communications and urban services. Moreover, financing of such infrastructure projects is likely to increase economic activity and, by using labor-intensive techniques, increase employment relatively quickly. Road building has created a large number of jobs in Grenada, for example. The U.S. funds infrastructure projects primarily through multilateral development banks.

In El Salvador, the guerrilla war has caused heavy damage to roads, bridges, transmission lines, communications, as well as disrupted or destroyed numerous farms and businesses. At the same time, thousands have fled their villages for the safety of refugee camps near the cities. To meet these dual problems, the U.S. supports a number of local currency public works employment projects which employ large numbers of workers rebuilding roads, bridges and farms, and contributing generally to the restoration of public services disrupted by the guerrillas. From 1980-1984, the U.S. spent more

than \$48 million on 1,600 projects which generated more than 10.2 million person/days of work. Often too, a single project, such as a local road, can serve to stimulate local industries, and thereby increase employment further.

The United States also sponsors a jobs program within the displaced person settlements which provides employment for up to 17,000 refugees a day on road-building, water and sanitation projects. The U.S. assists displaced persons in El Salvador in other ways too, with special nutrition programs, food distribution and health services in the settlements; over the longer term, the U.S. is helping families relocate or return to their homes as conditions permit.

COSTA RICA—

As a result of a \$2 million AID grant for writing and production, Costa Rican students are using textbooks written and printed in Costa Rica for the first time. Currently, Spanish and social studies books for grades one

through six are being produced, but the program will be expanded eventually to include science and mathematics textbooks and teachers' guides. The grant will cover the costs for one million books.

Expanding economic and social opportunities means expanding education. Throughout Central America and the Caribbean, education ministries, with active U.S. support, are seeking to expand access to primary schools to nearly 100 percent of the school-aged population, to increase educational quality, to achieve a goal of 50 percent literacy for the Caribbean and Central America as a whole, and to reduce the number of grade repeaters and dropouts. The U.S. is helping in school construction, teacher training, and distribution of textbooks and educational materials. From 1985 to 1989, the U.S. government plans to provide 10,000 scholarships for study in the United States.

HONDURAS—

Growing coffee is hard work, and small farmers continually face the problem of disease, notably coffee rust. Conservation and preservation of the coffee industry is crucial since it is a pillar of the Honduran economy. In 1981 AID provided \$9 million to clean out old groves and plant new trees, establish a coffee nursery, encourage the development of new more resistant varieties of coffee plants and the use of new farming technologies. The changes have resulted in 400 to 1,000 percent increases in the incomes of small farmers. AID loans to these farmers have a 7-year term with a 3-year grace period, at a below-market rate of interest.



In health, the U.S. goal is to help the nations of the region reduce infant and child mortality 15 percent over the next five years. To improve health conditions, particularly in rural areas, the U.S. is working with government and private groups to control malaria and other infectious diseases, disseminate oral rehydration therapy (ORT) for severely ill children, train nurses and other health workers, and provide better nutrition through education and food aid programs.

HONDURAS—

In Central America, the rains can kill. When the rainy season comes, the rivers swell and drinking water becomes contaminated. Diarrhea is second largest killer in the region, leaving its victims—mostly children under five years old—unable to replace the fluids they lose during their illness. Fortunately, the solution is simple and inexpensive. Heralded as one of the most important health ad-

vances of the century, Oral Rehydration Therapy (ORT) is a means of replenishing the fluids in the body. The ORT program, supported by AID, stresses preventative measures and shows the people how to purify their water. The results have been dramatic. Recent studies show that ORT use in Honduras has been responsible for a 40 percent drop in infant mortality caused by diarrhea.

Population is another area of cooperative endeavors in the region. Despite a significant reduction in birth rates in Central America during the past decade, the rate of population growth in Central America remains around three percent per year, and the U.S. continues to support the work of private voluntary organizations providing family planning services.

Improved access to land may be the most rapid way to expand economic opportunity to disadvantaged groups in some of the countries of the region. The United States promotes efforts to make land available for poor rural families through cultivation of vacant land, legal reforms needed to protect land titles, and long-term financing for land purchases. In El Salvador, for example, more than 60,000 families have signed up for over 96,000 hectares under the country's "Land to the Tiller" program (see pages 12-13).

Martha de Rodriguez, Director of the ORT Program at San Pedro Sula Hospital, explains oral rehydration therapy to local mothers.



GUATEMALA—

Before irrigation technology became available, Felipe Alcor had to water his fields by hand, carrying his buckets one kilometer uphill from the nearest water source. Because of the increase in production due to irrigation, Alcor now earns approximately \$2,600 per year in an area where the per capita income is normally around \$260 annually. This small-farm irrigation project, sponsored by AID, effectively doubles the amount of productive land available to the farmer. It also allows them to grow non-traditional crops like snow peas for export to earn foreign exchange.

Results have shown that where farmers have used irrigation to plant new vegetable and fruit crops, they have been able to bring in as many as three harvests per year. Their earnings per unit of land rose by as much as 10 times the first year, reaching levels approximately 600 percent of the earnings from sales of traditional crops. Where farmers in the region continued to plant traditional corn and beans, increases were reported to be about 150 percent, due to the harvesting of a second, dry-season crop, and a small (up to 20 percent) increase in overall yields due to a more regulated water supply.



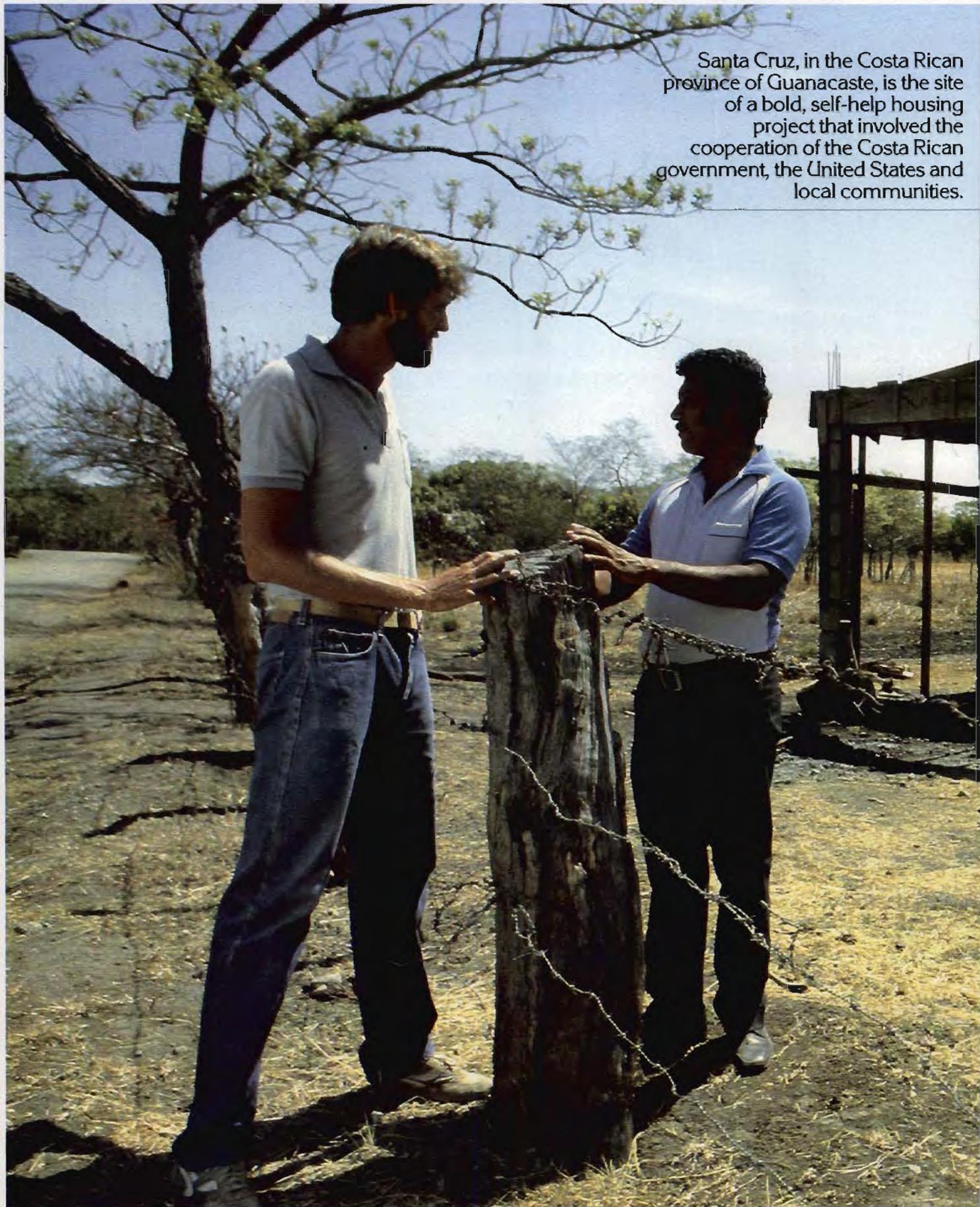
Farmer Felipe Alcor (top, facing page) irrigates his fields with water provided by the AID small farm irrigation project. This particular project, near Santo Domingo, Guatemala, serves 37 area families. AID has earmarked \$3 million to keep the program in operation and provides the loans for irrigation pumps, tubing and sprinklers. The irrigation project allows Guatemalan farmers to grow non-traditional crops like snow peas (above) for export to earn foreign exchange.



COSTA RICAN HOUSING

COSTA RICA

Santa Cruz, in the Costa Rican province of Guanacaste, is the site of a bold, self-help housing project that involved the cooperation of the Costa Rican government, the United States and local communities.



Historically, Costa Rica's rural citizens have confronted an extreme shortage of affordable housing; they faced equally critical housing problems when migrating to the cities. In Santa Cruz, low-income rural residents, working with Peace Corps volunteers, built their own houses with materials provided or financed by AID and the Costa Rican National Institute for Housing and Urban Planning.

This housing project, like all Peace Corps efforts, focuses on assisting the poorer people in a community. The Peace Corps works at

the community level to allow rural people to remain in their towns and villages where they can keep their traditional family and social structures intact, and find new opportunities for making a living.

AID provided \$300,000 in start-up funds for a pilot project, which has proved to be highly successful; so far, 270 homes have been built in several locations throughout Costa Rica. The success of the project also sparked interest among representatives of other Central American nations who came to investigate the possibility of duplicating the project in their countries. □

Peace Corps volunteer Michel Holsten (left) works on self-help housing projects in Guanacaste Province, Costa Rica.



The Tools of Economic Aid

JAMAICA—

The buttons worn by the students at the Portmore H.E.A.R.T. Academy read: "H.E.A.R.T.: Learn to Earn." The Human Employment And Resource Training (H.E.A.R.T.) Corporation is a Jamaican government firm established in 1982 that coordinates all vocational skills training programs at the secondary school level.

In support of this effort, the \$13 million AID Basic Skills Training Project provides technical assistance, training, vocational and innovative educational equipment—through Jamaica's Ministry of Education and Ministry of Youth and Community Development—to 10 vocational technical high

schools and four H.E.A.R.T. academies. It also provides help in curriculum design to the Vocational Technical Development Institute.

At the Portmore H.E.A.R.T. Academy for Building Skills, for example, youths and adults receive training in a practical on-the-job setting. Students are taught carpentry, joinery, cabinet making, electrical installation, maintenance, masonry, steel repair, tiling, plumbing, pipefitting, welding, fabricating, painting and decorating. They also study trade technology, mathematics and English, technical drawing, blueprint reading, civics, personal development, agriculture, family life and sports.

Worldwide, the United States has a number of ways of delivering economic assistance: *Development Assistance (DA)*, in the form of loans and grants, is aimed at improving the quality of life of the poorest people in developing countries through programs in agriculture, rural development, nutrition, family planning, health, education and human resources, energy, and science and technology.

Economic Support Fund (ESF) is designed to promote economic and political stability in areas where the United States has determined that economic assistance is essential in assisting nations to secure peace or avert major economic or political upheavals. ESF resources meet a variety of needs, including balance-of-payments support, financing of roads, ports, bridges, capital projects and other development programs.

Disaster Assistance: AID conducts humanitarian relief activities in support of those who suffer from calamities such as earthquake, famine, flood and drought. In 1984-85 alone, the United States responded to 41 new disasters (including 11 related to food shortages in Africa). The amount allocated for disaster relief in 1985-86 is \$25 million. The objective is to alleviate human suffering with efficient and rapid emergency relief. Assistance to Grenada following the joint U.S.-Caribbean rescue mission falls into this category, as does the recent aid to flood victims in Panama City and the \$7.5 million relief program in Honduras for the Miskito Indians.

Housing Investment Guaranty Program (HIG) has been AID's chief means of securing funds from private sources to improve housing for low-income

families. Under the HIG program, private financial institutions provide long-term financing for low-income shelter and for upgrading neighborhoods, including squatter settlements; The U.S. underwrites these transactions by protecting the U.S. lender against possible loss. Since the program's inception 20 years ago, AID has authorized a total of \$1.81 thousand million to finance housing projects in 44 countries worldwide. For 1984-85, HIG programs have been conducted in 15 countries in the region: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Jamaica, Panama, and the Caribbean island nations of Antigua and Barbuda, Domi-



Pipefitting is one of several types of vocational training offered at Jamaica's Portmore H.E.A.R.T. Academy.

AID funds helped reconstruct this school on the Island of Dominica after it was destroyed by a hurricane in 1978. (AID)

nica, Grenada, Montserrat, St. Christopher and Nevis, St. Lucia, and St. Vincent and the Grenadines.

In Honduras, for example, at the *Hato del Medio* Housing Project outside Tegucigalpa, low-income residents can buy a small house, then build on extra rooms themselves later when they can afford them. This housing project is designed to serve people with annual incomes ranging from a high of \$340 per year to a low of \$177 per year. AID provided \$2.95 million to the Honduras National Housing Authority which builds the basic core units; AID also provided the funds for community roads and sewers.



HONDURAS—

A unique educational institution founded in 1941, the Pan American School of Agriculture—called El Zamorano after the farm it sits on—educates students from 15 Latin American countries with a very intensive “learning by doing” program. Students obtain practical experience in all fields of modern agriculture, including animal science, agronomy, horticulture, aquaculture, forestry and agricultural economics.

The 7,200-hectare school also operates one of the region’s most extensive certified seed programs. The students process and treat the

seed themselves, making their own hybrids and identifying reliable, productive strains.

The list of alumni from El Zamorano includes ministers and vice-ministers of agriculture, directors of agricultural research institutions and the deans of colleges. One of the most important contributions of the school has been in the teaching of modern agricultural methods to farmers.

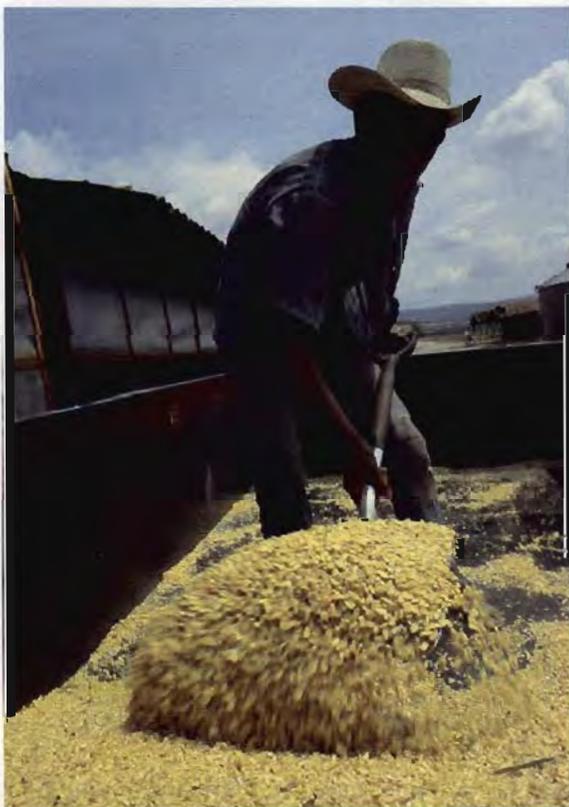
Funds from AID, American Schools and Hospitals Abroad (ASHA) and the Inter-American Development Bank supplement student fees and the school’s own endowment.

International Training: More than 244,000 individuals have been sponsored for training in the United States and in other countries by AID and its predecessor agencies during the last 40 years. In 1984-85 alone, the U.S. sponsored training programs for more than 10,000 individuals worldwide. Plans for 1985-86 call for the training of 15,000 individuals, a 50 percent increase.

A major component of this international training effort is the Central America Peace Scholarship program, which focuses on providing education and training in the United States for promising lower- and middle-income students in Panama, Costa Rica, Guatemala, Honduras, El Salvador and Belize. This program was authorized in February 1985 to train 7,000 individuals over five years (1985-1990) in courses ranging from 2-3 week technical training workshops to graduate and undergraduate studies at U.S. colleges and universities.



Students (above) “learn by doing” in the feed lots of the Pan American School of Agriculture in Honduras



Worker (left) shoveling Zamorano certified seed onto a conveyor belt.

AID sponsors two general types of participant training, largely through private institutions: *academic programs*, which lead to college degrees and account for 45 percent of all programs, and *technical training*, which includes courses, seminars, and job-related training and visits. Participants are trained primarily in the fields of agriculture, industry and energy, health and family planning, and public administration. In one project, Caribbean participants worked with furniture companies, food processors, a muffler manufacturer and other U.S. private companies.

AID assists private, non-profit schools and hospitals overseas through the American



Schools and Hospitals Abroad program which, in 1984-85, provided \$30 million in grants to 40 institutions.

Private Voluntary Organizations: Non-governmental organizations, which rely heavily on the private contributions of millions of Americans, are involved in a significant portion of U.S. bilateral economic assistance efforts. They have proved particularly effective in the fields of rural and small enterprise development, health and family planning. The United States supports representatives of voluntary agencies in virtually every country in the world and, through direct grants, is seeking to increase the role of private organizations.

JAMAICA—

Greening precariously down twisted mountain roads deep in the areas Jamaicans refer to as "the country," a clinic on wheels brings medical care and testing services to the children of rural Jamaica (see page 2).

The mobile clinic is run by Private Voluntary Organizations, Ltd. (PVO Ltd.)—with assistance from Goodwill Industries and an AID grant of \$500,000—which launched the Rural Services and Devel-

opment for Special Children Project in March 1982. The heart of the project is a mobile clinic equipped with basic medical supplies and instruments for testing hearing and sight. The clinic's team, which is composed of Peace Corps volunteers and Jamaican staff, includes a public health nurse, audiologist, eyesight technician, pediatrician, physical therapist and psychologist. The team helps about 80 children each month, screening them, assessing those who are potentially

handicapped, performing basic physical therapy and lecturing local communities on preventive care.

REPAIRING THE DAMAGE

EL SALVADOR

*Repair crew works
on toppled transmission tower
in rural El Salvador.*
(AID El Salvador)



It is early morning at the edge of a small Salvadoran town. The sun is not yet up and a heavy mist hangs over the dark green volcanic peaks that overlook the town. Suddenly a series of explosions disturbs the morning calm, reports echoing off the mountains, sending parrots screeching out of the trees. An electrical transmission tower, its legs blown apart in sequence, pirouettes awkwardly and crashes to the ground, live wires snapping and exploding as it falls.

Salvadoran guerrillas, unable to garner support in the villages and cities, have taken up a campaign of sabotage to disrupt the country's economy. The easiest targets are the transmission towers that relay electricity throughout the country. There are simply too many of them to protect from attack. As a result, almost 90 percent of the transmission towers have been sabotaged at least once.

A few hours after the destruction, however, repairs are underway. Salvadoran soldiers assigned specifically to this task secure the area to eliminate the possibility of ambush, and then clear the site of the mines and booby traps the guerrillas leave behind to kill and maim repair crews. When the area is secured, repair crews drive in with trucks or, more often, fly in by helicopter to clear away the rubble and prepare the site for new transmission poles.

After the helicopter delivers the repair crew, it flies back with the new transmission poles suspended beneath it on cables. At the site, the helicopter becomes a flying crane as it lowers the poles into holes prepared by the repair crews. Once the poles are set firmly in the ground, the business of replacing the wires can begin. The program has proved so successful in restoring electrical service that the guerrillas have taken to shooting at the helicopters as they go about their work.



Helicopter installs transmission poles to replace those destroyed by guerrilla sabotage. (AID El Salvador)





New wooden transmission poles installed by helicopter-borne repair crew replace steel tower demolished by guerrillas. (AID El Salvador)

Although large-scale guerrilla operations in El Salvador have been reduced, the guerrilla campaign to foster economic and political instability by destroying the country's infrastructure—roads, bridges, power plants, etc.—continues with frustrating regularity. The success of El Salvador's National Plan—which includes the revitalization and stabilization of its economy—requires that such installations destroyed by the guerrillas be repaired or replaced and that public services be restored. A large part of AID's effort in El Salvador is dedicated to keeping basic public services operating so that the country can get on with the business of economic recovery. In addition to replacing towers with helicopter-borne repair crews, these projects include:

- Emergency stand-by generators that are activated when the guerrillas try to cut off electrical power to whole sections of the country by destroying substations, as well as transmission towers. (The U.S. assumes the cost of this operation which can amount to as much as \$100,000 a day.)
- AID-funded "Bailey bridges," which provide temporary (and movable) replacements for bridges blown up by the guerrillas. □



Salvadoran soldier stands guard over U.S.-funded emergency generator which helps to restore electric power when guerrilla activity disrupts normal public services.

“Food for Peace”

Public Law 480, or the “Food for Peace” program, enacted in 1954, is the primary means by which the U.S. government, through the Department of Agriculture and AID, provides food assistance to other countries.

One of P.L. 480’s most important advantages is that it allows developing countries to buy the farm products they need, while reserving their foreign exchange for imports vital to development. Recipient countries are obligated to repay the U.S. eventually in dollars, or in local currencies convertible to dollars; most P.L. 480 sales agreements, however, include a grace period during which repayment is deferred. In this period, buyer countries may use any funds earned from P.L. 480 sales for development projects of their own choosing. P.L. 480 authorizes three types of food assistance: *Title I*, the concessional sales part of the P.L. 480 program, allows developing countries to buy U.S. agricultural products for dollars, although payments can be stretched out over as many as 20 years, and interest rates are much lower than with commercial financing. Title I does allow for credit sales on 40-year terms with deferral of repayments on the principal of up to 10 years.

Recipient countries may use P.L. 480 commodities to build food stocks, or they can resell the commodities internally and use the proceeds for agricultural and economic development projects.

Food supplied under Title I has been the largest component of the Food for Peace program. Costa Rica, for example, uses Title I assistance, which has averaged \$24 million per year over the past three years, to reduce foreign exchange earmarked for food imports, thereby helping to alleviate its balance-of-payments problems. In El Salvador, Title I assistance, which averaged \$37 million per year from 1981 to 1984, provides bal-

ance-of-payments support and, by selling the commodities internally, generates local currency to help finance essential public service programs.

Title II, the donation program of P.L. 480, provides food to meet famine or other urgent relief requirements, to combat malnutrition, and to promote economic and community development.

Over the years, food donated by the U.S. has often made a life-or-death difference for victims of earthquakes, hurricanes, volcanoes, floods, droughts and civil strife. These foods have also been an important weapon in the ongoing battle against world hunger and malnutrition. Donated U.S. foods serve as the mainstay of many school lunch, preschool and mother-child health care programs around the world.

From 1955 to 1983, more than \$8 thousand million worth of U.S. agriculture products have been donated worldwide under Title II. These farm products are also used in “food for work programs” to pay workers in developing countries for their labor on such public projects as building schools and roads, improving village water and sanitation systems, and digging wells and irrigation ditches.

Title II assistance to El Salvador, roughly \$6 million per year, is utilized by private voluntary organizations for projects directed to maternal and child health care, emergency feeding of displaced persons, and improvement in nutrition.

Title III, the Food for Development program, was added to P.L. 480 in 1977. It is a long-term sales program similar to Title I, but provides for forgiveness of the original loan if the recipient country uses the currencies generated by the local sale of the commodities for programs in agricultural development, nutrition, and health designed to better the lives of small farmers, tenants and landless agricultural workers.

Displaced persons are people caught in the middle. Innocent bystanders who happened to reside in areas contested by leftist guerrillas, they were forced to leave their homes and farms when guerrilla fighting and sabotage made it impossible for them to stay.

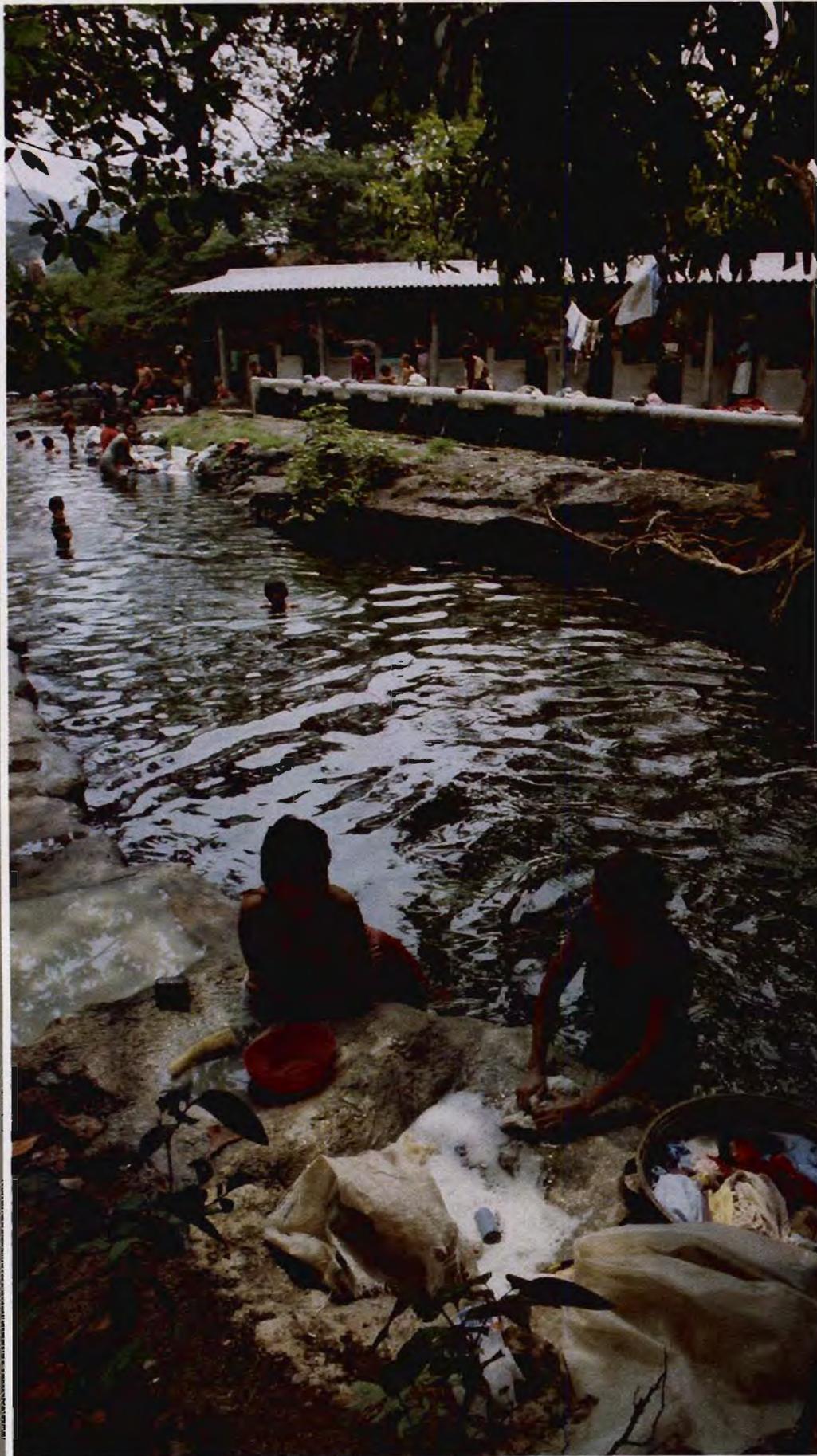
With no money and little hope of employment in their war-torn countryside, they have gravitated toward the cities by the thousands, placing an enormous strain on the meager welfare resources of these municipalities. As a result, displaced persons settlements, some organized and recognized officially, others not, began to spring up, each requiring assistance in the form of shelter, food, medicine and employment.



A makeshift veranda (above) has been added by tenants onto a unit in the Moncagua displaced persons camp in El Salvador. Young and old residents (right) are among several generations of Salvadorans who have taken refuge in the Moncagua displaced persons camp.







The United States has sought to relieve some of the suffering of these refugees and to provide hope for the future. AID, along with several U.S.-supported private voluntary organizations, administers many of the special medical, health, food and employment programs so desperately needed by the people in these settlements.

The U.S. thus far has spent \$72.5 million on its displaced persons program in El Salvador and the U.S. Congress has authorized a three-year, \$60 million extension of the program.

Project Hope, a U.S. private voluntary organization, runs the dispensary in the Moncagua displaced persons settlement pictured here. Under the aegis of employment projects funded by AID, residents built their own housing as well as drainage ditches and the washstands by the river. The workers receive the minimum wage and meals. Around the country, these employment projects employ from 11,000 to 16,000 displaced persons a day. The projects also receive U.S. food aid, which is donated outright or used in "food for work" programs.

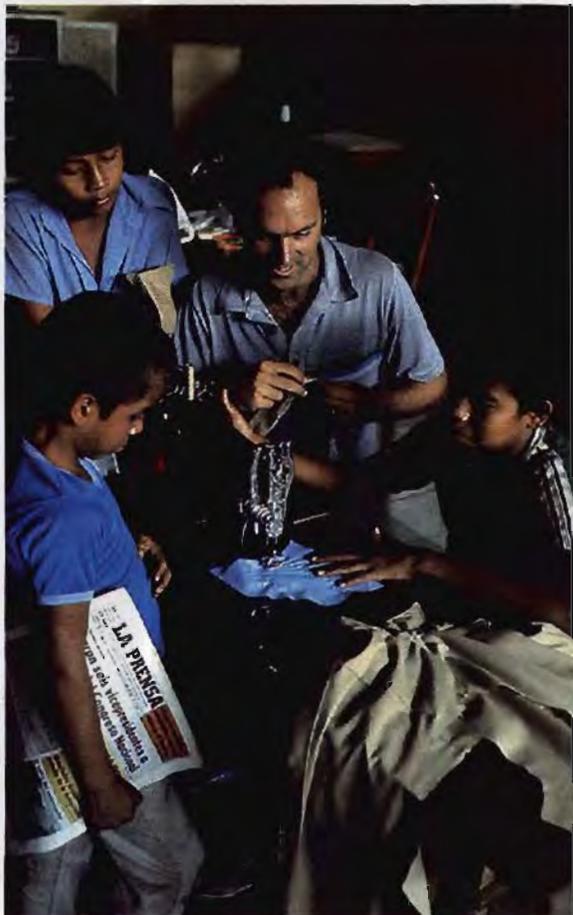
The feeding center at the camp is run by CESAD, the Salvadoran Evangelical Committee, which took over the project from AID. □

Families at Moncagua either wash their clothes in the river or in the washbasins built with AID funds as an employment generation project.

Peace Corps

The Peace Corps has been active in Central America and the Caribbean since 1961. Volunteers are currently serving in Costa Rica, Guatemala, Honduras, Belize, the Dominican Republic, Haiti, the Turks and Caicos, Jamaica and 10 island countries in the Eastern Caribbean: Barbados, Grenada/Carriacou, St. Lucia, Dominica, Antigua, St. Christopher and Nevis, Montserrat, Anguilla, and St. Vincent and the Grenadines.

Agriculture, health/nutrition, irrigation/sanitation, cooperatives and small business development, vocational training, and forestry/conservation have been key areas in the Corps' programs in the region for the past 23 years. More recently, the Peace Corps has responded to the energy crisis that arose in the late '70s. Many volunteers have worked in so-called "appropriate technology" at the village level—especially renewable energy projects that rely on wind, water and solar power. Governments have also become increasingly concerned over the rapid destruction of the natural resource base—forests lands and water, and requests for volunteers with skills in environmental education are expected to grow in the coming decade. Finally, with the President's Caribbean Basin Initiative has come the demand for Peace Corps volunteers in small business development.



Peace Corps volunteer Jim Benedict teaches young canillitas in San Pedro Sula, Honduras, how to make shirts in the program that emphasizes pride and self-sufficiency while it teaches a trade.

HONDURAS—

The children living on the back streets of the city of San Pedro Sula used to spend most of their time selling newspapers and chewing gum to passing cars to earn money for themselves and their families. These canillitas (literally "newsboys") faced a grim future without a chance for education or vocational training.

The Peace Corps, through its Partnership program with U.S. companies and the Honduran Social Welfare Agency, started a project to provide the canillitas with small-business

training and rudimentary trade and craft skills. The canillitas project teaches these children how to make products they can sell readily such as shirts, stuffed animals, potholders and pin-cushions. While teaching them how to function in the taller, or workshop, the program also endeavors to instill in them a sense of pride and self-sufficiency. The Peace Corps (with support from Texaco) donated the sewing machines and provided a volunteer to supervise the project. The canillitas also receive meals through CARE.

In August 1984 the U.S. Congress passed a supplemental appropriation which provided the Peace Corps with the funds to expand its program in Central America as recommended by the National Bipartisan Commission on Central America. As a result, programs in literacy, rural health, self-help housing and small enterprise development will be expanded gradually over the next four years.

Some examples of Peace Corps volunteers working in partnership with people of the region include:

— In Jamaica, a Peace Corps volunteer has helped a small group of farmers establish a market for zucchini with 12 of the island's most important tourist hotels and restaurants.

— In Guatemala, a Peace Corps volunteer has been working with a cooperative of small farmers (none with more than one acre of land), helping them grow snow peas and export them to the U.S. This effort has dramatically increased each farm family's income from an average of \$125 per year to more than \$1,000.

— In the Dominican Republic, volunteers have helped rebuild the nation's swine population, an important food staple, after an epidemic wiped it out.

— In Costa Rica, volunteers are assisting 300 low-income, rural families build their own homes (see pages 26-27).



Peace Corps volunteer Linda Weller (center) counsels mothers in the Dominican Republic about nutrition and child health care. (Bob McNeely, The Peace Corps)

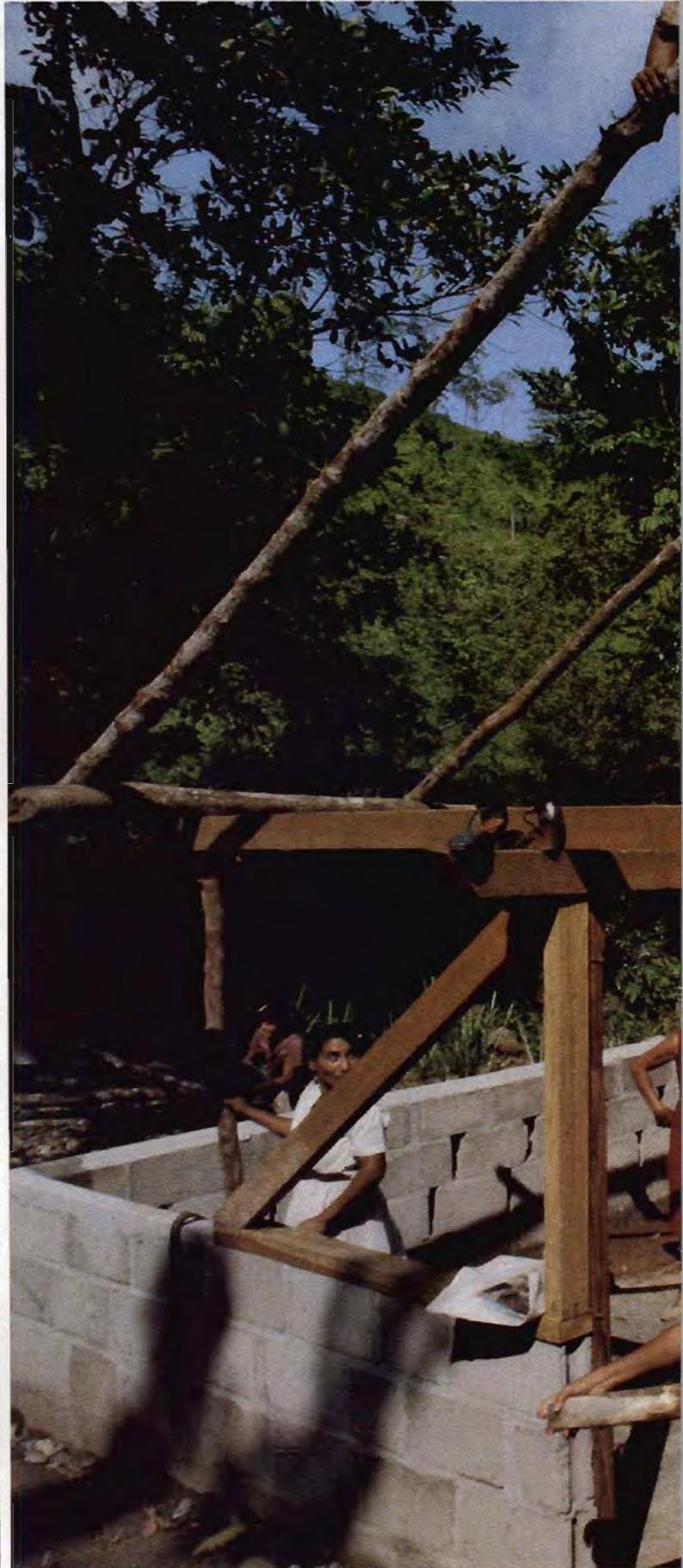
George Fee grew up on a farm in Ohio, in the American Midwest, with the intention of pursuing a career in farming like his parents.

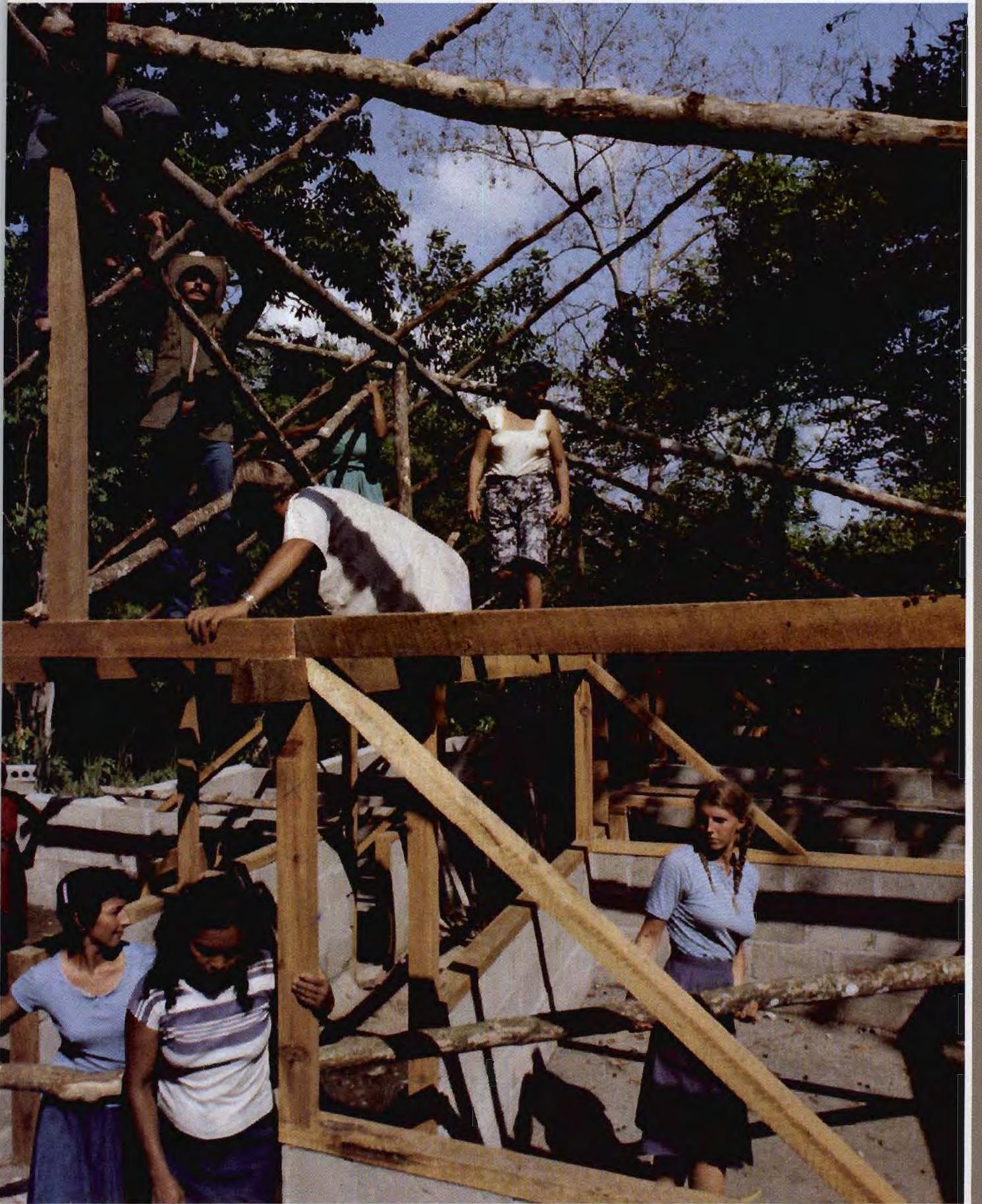
He joined farm-oriented youth organizations like the Future Farmers of America and later attended college where he concentrated his studies on agriculture and animal husbandry. Today, Fee is a Peace Corps volunteer in the wooded foothills of northern Honduras near San Pedro Sula, where he is helping the women of a Honduran village supplement their income through construction of a hog-raising cooperative. The cooperative is called *La Esperanza*—"Hope"—a name that signifies the faith that the women of the village have in their ability to help their community develop.

The Overseas Education Fund (OEF), the private voluntary organization with which Fee is working, is sponsored by the U.S. League of Women Voters. With the assistance of AID and Peace Corps personnel, the OEF trains Honduran women to start up their own businesses. To establish *La Esperanza*, the village women took out a loan; OEF helped them plan and organize the facility; and the Peace Corps provided Fee to supervise construction. The men and women of the village take an equal part in the construction of the hog-raising facility and, when it is finished, what began as an initiative of the village women will be run as a cooperative for the benefit of the entire community. □



With the assistance of Peace Corps personnel like Rebecca Bunnell (lower right corner) and George Fee (left), the U.S. League of Women Voters' Overseas Education Fund (OEF) trains Honduran women to start up their own businesses.







Peace Corps volunteer Sam Harle (left) trains Jamaican women in lithography at Operation Friendship in Western Kingston.

"A first class craftsman could still be a poor person unless he can live a meaningful life in the community," according to Reverend Webster Edwards, executive director of the Jamaican private voluntary agency, Operation Friendship.

Since 1961 Operation Friendship has worked to improve conditions in Greater Western Kingston, where 150,000 people live in a 6.5-square kilometer area.

Operation Friendship's goal in Western Kingston is "to build a bridge of goodwill" by providing education, primary health care, family planning and job training. Founded by church groups, service clubs and social service agencies, it initially offered training in automobile mechanics, woodworking, general machinery and industrial sewing.

Operation Friendship is unique among vocational schools in accepting students with very low levels of academic training. Although basic literacy is necessary, those who fail the entrance test are not turned away, but are channeled into a pre-vocational course offering basic math and reading instruction. The students also receive training in health, nutrition, communication, job seeking, money management and family planning.

The United States assists Operation Friendship in its work through two agencies: the Agency for International Development (AID) and the Peace Corps.

A three-year, \$500,000 grant from AID enabled Operation Friendship to improve its training facilities and to expand into new areas where market surveys indicated employment potential is greatest: air conditioning/refrigerator repair, electrical installation and small appliance repair, and lithography. Some of the improvements included construction of a new training center, purchases of upgraded equipment and supplies, hiring and training of instructors, and expansion of job placement efforts.

AID's goal is to enable Operation Friendship to train 150 students annually. From 1982-84, 200 students had graduated from Operation Friendship's trade training center. Of these, 83 percent were placed in private sector jobs upon graduation. The remaining 17 percent found jobs in their trades within three months following graduation.

The Peace Corps assists Operation Friendship through Sam Harle, a 60-year-old volunteer with 35 years of commercial printing experience, who teaches lithography in a workshop with printing equipment and supplies funded by AID. Called "Uncle Sam" by his class, Harle notes that all of the students chosen for his class are female because there are so few skilled trades open to women in Jamaica. Harle maintains an attitude typical of Peace Corps volunteers: "It's a satisfying experience for me personally—and I know it is helping Jamaica as well." □

TDP/IAF/OPIC/Eximbank

The United States Trade and Development Program (TDP) was established in July 1980 as a mechanism to facilitate development and, at the same time, increase U.S. exports. Many developing countries, particularly the "middle and upper income" countries, need plentiful energy supplies, efficient transportation and communications systems and an adequate industrial base to diversify their traditional economies and sustain economic growth.

TDP finances the planning by U.S. firms for these major capital-intensive projects, and assists with the design, engineering and construction by providing U.S. engineers, planners and technicians whose skills are frequently lacking in these countries.

The Inter-American Foundation (IAF), established by Congress in 1969 as an autonomous government corporation, makes grants to local private groups in the Caribbean and Latin America, particularly to grass-roots organizations such as agricultural cooperatives, community associations and small urban enterprises traditionally outside the mainstream of U.S. development assistance. The Foundation's funds come from the U.S. and from the Inter-American Development Bank. During the past 13 years, IAF has made more than 1,800 grants for \$190 million in 27 nations throughout Latin America and the Caribbean.

Since 1971 the Overseas Private Investment Corporation (OPIC) has served as a key United States government agency for encouraging American businesses to invest in developing countries around the world. OPIC provides investors with investment insurance against loss from certain political risks, loan guarantees, direct loans to small businesses and cooperatives, and feasibility studies.

In January 1984, for example, OPIC co-sponsored an investment mission to Grenada which assisted U.S. business executives in identifying 12 specific investment projects. The enthusiasm of the American participants and the keen interest shown

by Grenada's businessmen for U.S. direct investment led to a follow-up meeting in March 1984.

Throughout the region, OPIC works to create an attractive business climate and to implement business investment which will create jobs, generate capital, teach new skills and accelerate economic growth and social development. These investments also earn foreign exchange and tax revenues for the host government, open up new business opportunities for entrepreneurs throughout the region and reduce dependence on costly imports from outside sources.

With the advent of the Caribbean Basin Initiative, OPIC has focused on promoting basic information about the region to the largest possible audience, followed by briefings for hundreds of selected executives. Then, serving in a "matchmaker" role, OPIC has introduced smaller groups of U.S. companies to their Caribbean counterparts.

Another U.S. government financial institution, the Export-Import Bank of the United States (Eximbank), sponsors the Central American Trade Credit Insurance Program (TCIP). Through this program, Central American countries are eligible for trade credits toward the purchase of U.S. exports, specifically non-military goods and services for use in the Central American private sector.

Under the TCIP, U.S. banks extend lines of credit to banks in Central America which have their governments' guarantees. Participating Central American banks draw from the lines of credit to extend financing to local importers of U.S. goods and services. Eximbank's export credit insurance provides repayment protection for the U.S. lending bank. In this manner, U.S. exporters get new markets and Central American importers are able to obtain products they might not otherwise afford. As a result of Jackson Plan recommendations, TCIP was authorized to spend \$300 million in 1984-85 to underwrite credit guarantees for private firms in El Salvador, Costa Rica, Guatemala and Honduras. □

Caribbean Basin



Economic Assistance includes Development Assistance (DA), Economic Support Fund (ESF), P.L. 480 Food Aid and Peace Corps.

Military Assistance includes the Military Assistance Program (MAP), Foreign Military Sales (FMS) loan guarantees and grants, and International Military Education and Training (IMET) funds.

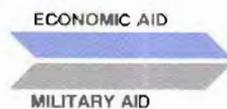
ROCAP is the Regional Office for Central America Programs.

FY 1985 Estimate includes FY 1984 Supplemental Funds. The U.S. fiscal year (FY) begins on October 1 of the preceding calendar year and ends on the following September 30. For example, FY 1983 began on October 1, 1982 and ended on September 30, 1983.

Source: U.S. Agency for International Development.

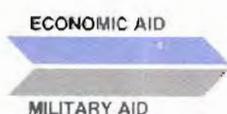
FY 1983-86 Economic and Military Assistance to Central America and the Caribbean by Country

(\$ MILLIONS)



FY 1983-86 Total Economic and Military Assistance to Central America and the Caribbean

(\$ MILLIONS)



Country	Belize	Costa Rica	Dominican Republic	El Salvador	Guatemala	Grenada
FY 1983 ACTUAL	17.80	213.40	62.00	241.90	28.50	--
FY 1983 ACTUAL	0.07	4.50	6.00	81.00	--	--
FY 1984 ACTUAL	5.37	169.73	95.47	230.88	18.60	46.97
FY 1984 ACTUAL	0.55	9.11	6.34	196.55	--	--
FY 1985 ESTIMATE	23.77	211.06	161.82	428.99	93.10	8.03
FY 1985 ESTIMATE	0.58	9.20	5.73	128.25	0.30	--
FY 1986 REQUEST	13.30	398.16	113.90	350.74	80.57	--
FY 1986 REQUEST	1.10	2.73	10.80	132.60	10.30	--



U.S. Goals for Economic Assistance to Central America, 1985-1989

AID's development strategy for Central America emphasizes improving the policy framework for growth and productivity, particularly by expanding employment opportunities and increasing access to such basic social services as health care and education. It is a growth-with-equity strategy designed to bring about broad-based national development. These goals include:

- An end to the downward spiral in production by 1985;
- Achievement of an economic growth rate of at least six percent per year in the region within six years, producing more than 250,000 jobs annually through export-led growth;
- Agricultural production increasing by four percent per year by 1989, generating 80,000 jobs per year and increasing both food availability and agroindustrial exports;
- Substantially greater participation of all sectors of the Central American population in the benefits of economic growth, including:
 - an increase in primary school enrollments to 95 percent of the school-aged population by 1989 from the current 84 percent;
 - a reduction in the rate of primary-level grade repeaters by 50 percent in all countries, and an increase in the primary school completion rates from 40 percent to 80 percent in Guatemala, Honduras and El Salvador, and from 80 percent to 95 percent in Costa Rica, Panama and Belize by 1990;
 - a reduction in infant mortality from the current rate of 65 per thousand to 55 per thousand by 1989;
 - provision of modern family planning services to almost 600,000 couples, increasing contraceptive usage by 50 percent by 1989 and reducing the number of births by 1 percent each year;
 - an increase of 25 percent in the rate of construction of low-income housing; and
 - a 25 percent increase in the coverage of water and sewerage services by 1989;
- A strengthening of democratic institutions in countries where they already exist, and achieving substantial progress toward participatory democracy and legal systems that respect individual human rights in the others. □

Haiti	Honduras	Jamaica	Panama	Caribbean Regional	ROCAP	Panama Canal Military School	U.S. Army School of the Americas
45.70 0.31	104.40 47.50	103.40 2.00	7.20 5.00	35.00 2.27	19.40 --	-- --	-- --
45.85 1.03	94.10 77.44	109.85 4.20	16.73 8.50	58.58 7.32	15.46 --	-- 5.29	-- --
54.09 0.45	219.84 62.40	132.63 5.25	74.00 10.60	50.63 5.37	153.91 --	-- 2.00	-- 3.50
56.76 0.98	148.77 88.25	126.20 8.28	64.00 19.05	68.76 10.40	148.50 --	-- 2.50	-- 4.00

\$901.90

\$907.58

\$1,611.86

\$1,569.64

Multilateral Banks

Multilateral institutions, including the World Bank Group and the regional development banks, are particularly effective in providing assistance for large-scale projects which require very large amounts of financing. The United States played an important role in the establishment of most of the multilateral development banks, and has traditionally viewed U.S. participation in them as complementing its bilateral assistance programs.

The average U.S. share of multilateral development bank resources is about 25 percent, ranging widely from 41 percent in the Inter-American Development Bank's (IDB) "soft window" (lower, noncommercial lending rates) to 5.79 percent of the African Development Bank's "hard window" (funds loaned at prevailing commercial rates).

The World Bank Group consists of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC). In addition to financing loans, the IBRD and IDA also provide technical assistance—especially in agriculture and rural development. Their activities also serve to encourage the adoption of effective economic policies by borrowing countries and increased reliance on market forces.

The Inter-American Development Bank (IDB), the largest and oldest of the regional banks, provides funds for lending at both near-market and lower concessional terms. During 1984-85, the IDB committed a total of \$3.32 thousand million in loans. As of 1984, cumulative lending from IDB (since it began lending in 1961) amounted to \$25.9 thousand million. IDB's Fund for Special Operations, which provides development loans on concessional terms to the poorest countries in the region, has lent \$9 thousand million since 1961.

During 1984 the Administration received congressional authorization to participate in the Inter-American Investment Corporation (IIC), which the IDB is helping establish. The IIC will eventually provide equity investments and loans for the private sector in Latin America and the Caribbean.

The International Monetary Fund

As the central monetary institution for the world economy, the International Monetary Fund (IMF) serves two key functions:

1) general guidance of the monetary system, including surveillance over exchange arrangements, the balance-of-payments adjustment process and the evolution of the international reserve system; and 2) provision of temporary financing in support of members' efforts to deal with their balance-of-payments difficulties.

The IMF is not an aid institution. Rather, it is a revolving fund of currencies, provided by every member in the form of a quota subscription and available to every member for temporary balance-of-payments assistance. The IMF emphasizes the need for measures to promote savings, investment and efficient resource use, and thereby to improve productivity and competitiveness as a means of attaining sustainable balance-of-payments positions.

In late 1983, Congress approved a U.S. contribution of \$8.4 thousand million to a roughly \$29 thousand million increase in total IMF quotas. Because of the quota increase, IMF resources rose almost 50 percent; quotas totaled approximately \$61 thousand million in September 1983 and rose to approximately \$89 thousand million as of September 1984.

United Nations

The United Nations system, comprising more than 30 specialized agencies and other entities, continues to play a highly significant role in development assistance activities throughout the world. U.N. development programs complement bilateral aid programs of the United States and other major Western donors and, through their technical assistance for institution-building and pre-investment feasibility efforts, improve prospects in developing countries for significant public and private sector participation in the development process.

In 1982 the United States contributed over \$576 million to the development assistance activities of the U.N. system (excluding the World Bank Group). This amount included \$243 million for the World Food Program (mostly in the form of commodities) and a \$49 million share of development activities funded from the regular budgets of the U.N. agencies. (These figures, however, do not account for \$207 million in U.S. contributions to refugee and disaster relief programs.)

Listed below are organizations and programs created primarily to serve development objectives or provide technical assistance:

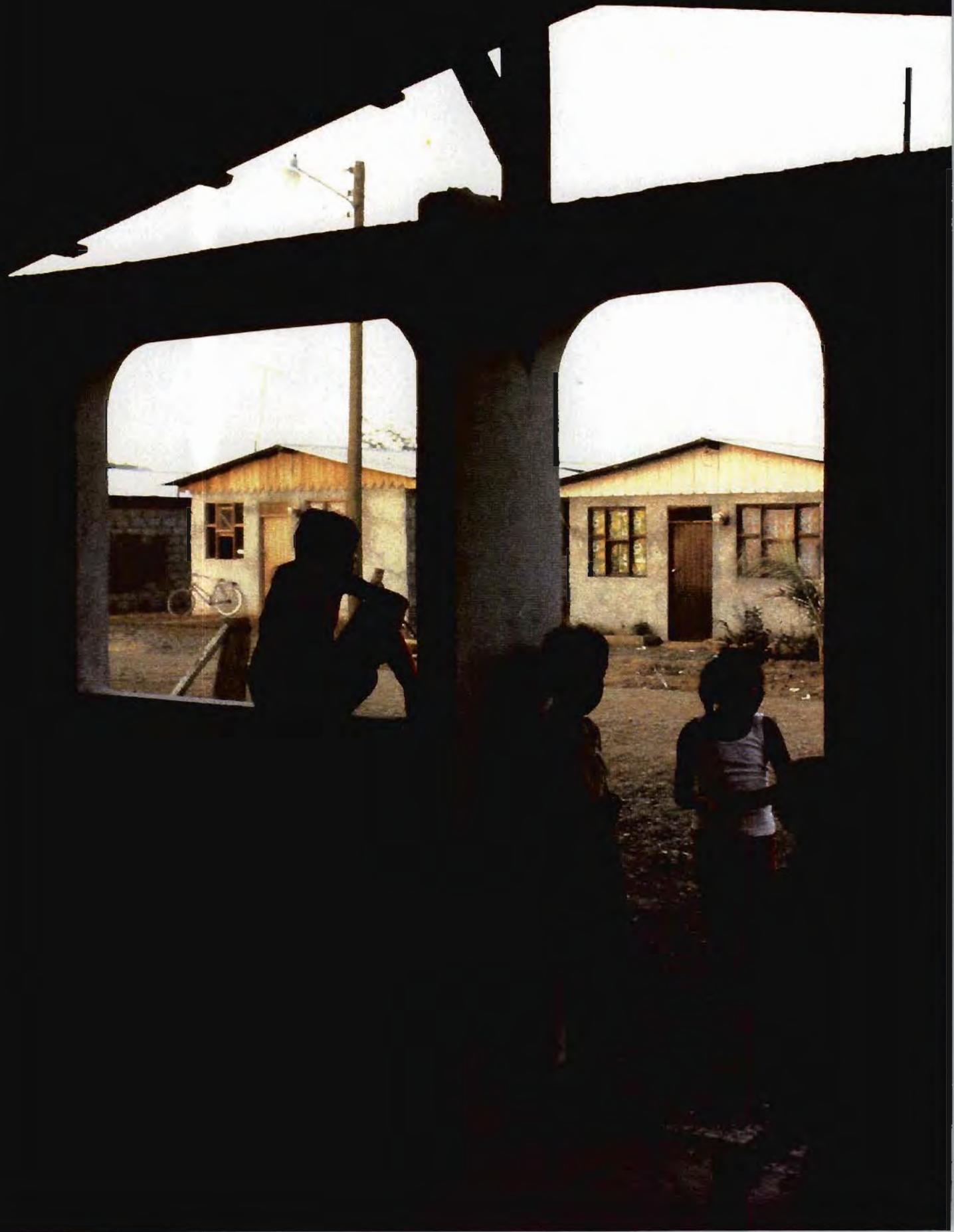
- United Nations Development Programme (UNDP)*
- U.N. Fund for Population Activities (UNFPA)*
- United Nations International Children's Emergency Fund (UNICEF)*
- World Health Organization (WHO)*
- World Food Council (WFC)*
- Food and Agricultural Organization (FAO)*
- World Food Program (WFP)*
- International Labor Organization (ILO)*
- U.N. Industrial Development Organization (UNIDO)*
- United Nations Capital Development Fund (UNCDF)*
- Voluntary Fund for the U.N. Decade for Women*
- International Fund for Agricultural Development (IFAD).*

Organization of American States

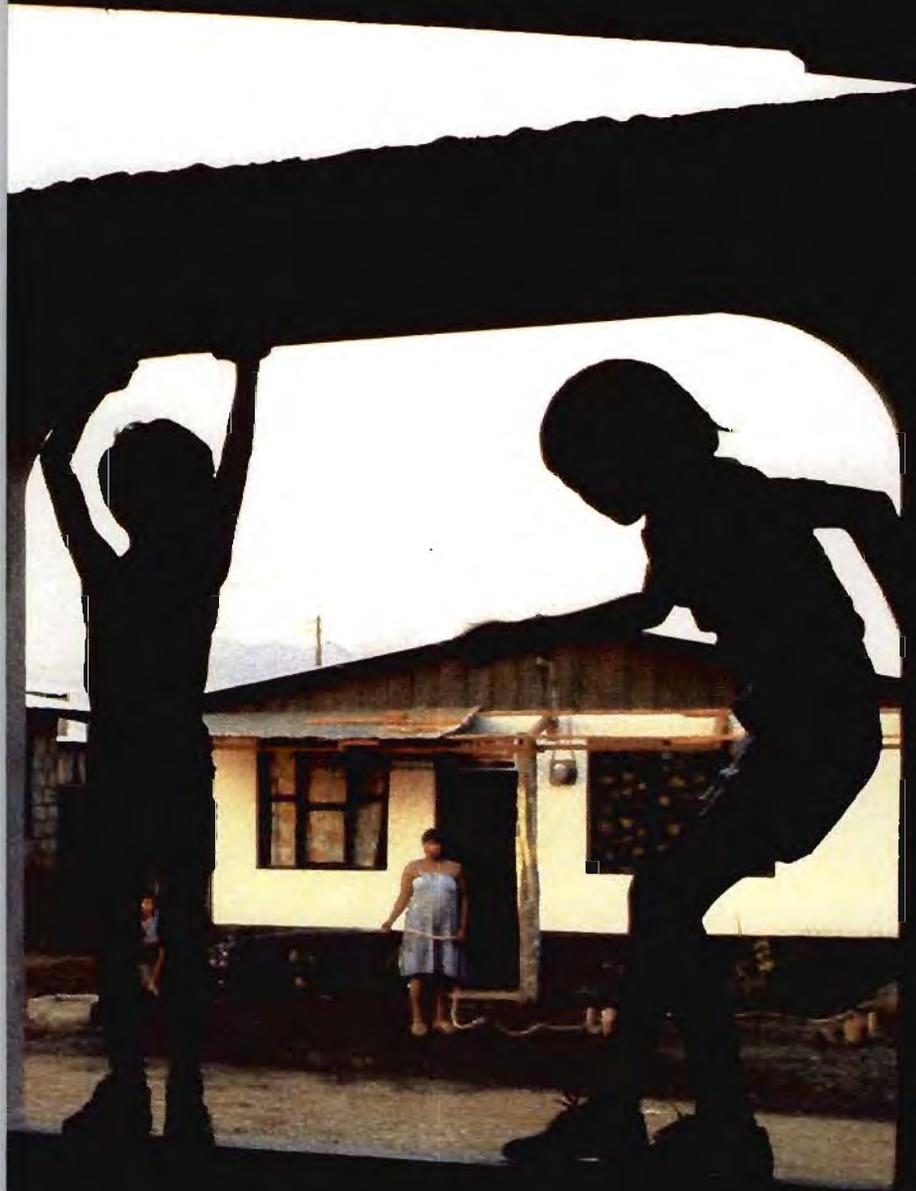
Until the early 1960s the Organization of American States (OAS) functioned almost exclusively as a forum to promote hemispheric security. The OAS then began an effort to support regional development through cooperation between member countries and sub-regions. OAS technical assistance programs have since become an important source of multilateral aid to OAS member countries. These programs are specially attuned to the region's needs and consequently are highly effective.

OAS expenditures for development purposes in 1983 amounted to \$65 million, toward which the United States paid \$40.6 million in voluntary and assessed contributions. Approximately 58 percent of expenditures go to technical assistance and support activities, with the remainder allocated to training, research and dissemination. □

The tallest dam in the Western Hemisphere, Honduras' 226-meter, 300-megawatt El Cajon dam is scheduled to be inaugurated in late 1985. The project was financed by an alphabet soup of international agencies: IBRD, IDA, IDB, CABEL, CDC and many other multilateral banks and organizations.







*Children playing
inside a house in
Santa Cruz, Costa Rica
which is being built
by local residents
with materials
provided by AID and
help from Peace Corps
volunteers.*

Whatever the level and nature of outside assistance—whether in the form of development grants, loans, technical advice or trade expansion—it is the people of the Caribbean and Central America themselves who ultimately wield the tools that will build societies of economic growth and opportunity.

In its programs of development cooperation, however, the United States and the nations of the region share a set of goals beyond those of economic expansion alone. As Secretary of State George Shultz observed in a recent speech on the prospects for the global economy:

The benefits that economic growth can bring to all the world's people transcend the purely material—though for the world's poor and hungry, this alone would be a monumental blessing. A strong and growing global economy will help advance... a world of cooperation, peace, stability and progress, a world where human rights are respected and freedom flourishes.

WRITER: Robert F. Holden
EDITOR: Howard Cincotta
ART DIRECTOR: Robert Banks
PHOTO EDITOR: George P. Miller

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