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PD-ABB-484

LA/DR-DAEC/P-73/20

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December 29, 1972

COLOMBIA

HEALTH SECTOR LOAN

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HEALTH SECTOR LOAN

SUMMARY AND RECOMMENDATIONS

A. Borrower and Implementing Entities

The Borrower will be the Government of Colombia (GOC), represented by the Ministry of Finance. The implementing agency will be the Ministry of Health, and the Minister of Health will be a signatory to the loan. To formalize its responsibilities for monitoring and evaluating implementation of the program, the National Planning Department (DNP), will also sign the loan. The following are sub-implementing agencies: Malaria Eradication Service (SEM), National Special Health Projects Institute (INPES), Colombian Family Welfare Institute (ICBF), and the National Hospital Fund (FNH).

B. The Loan

1. Amount: Not to exceed \$24.8 million, of which up to \$1 million will be used for procurement of vehicles.

2. Terms: Interest in dollars at 2% during first ten years, 3% thereafter. Repayment shall be in dollars over 40 years, including a ten-year grace period.

Note: Peso amounts shown in this document for use in calendar year 1973 are calculated on basis of 24.0 Colombian pesos as equalling 1.0 U.S. dollar; for 1974 the exchange rate is estimated at 26.4 Colombian pesos as equalling 1.0 U.S. dollar.

C. Purposes

To support a major expansion of GOC investment and new policy initiatives in the health sector including the extension of public

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health coverage through improved and increased maternal/child care; a regionalized scheme of services which will permit unified direction and coordination of all public health activities, preventive and curative; greater delegation of function and more rationalized location of facilities; expanded training for health; improved rural sanitation; enlarged preventive campaigns of disease control and eradication; expanded operational research; increased production of medical inputs, and improved sector planning and administration.

D. Background

U. S. assistance to the public health sector in Colombia dates from the 1950's. It was accelerated in 1965, when grant-funded technical assistance was supplemented by provision of program loan-generated counterpart funds. The equivalent of U. S. \$36 million in local currency was allocated to the health sector between 1965 and 1971. In addition, approximately \$120 million of Title II PL-480 food was donated and distributed through voluntary agencies during the past 18 years.

In order to expand dramatically the impact of public health activities as part of the National Plan's emphasis of social development objectives, the GOC has submitted a formal loan application for U. S. \$35 million to assist the GOC finance sectoral investment during 1973-1975. The present CAP proposes authorization of a loan of up to U. S. \$24.8 million for the first two years of the investment program, and anticipates an extension for a third year, if the situation and GOC performance so warrant.

E. Reasons for Selecting the Sector Loan Technique

Consonant with A. I. D. experience in other sectors in Colombia, the sector lending technique is considered to be preferable to either project loans or program loans at this time. Unlike a project loan which covers only a small area, generally is expended over several years, is mainly concerned with the end-use of loan funds and is relatively rigid in its application once negotiated, the sector loan permits assistance to essential elements in the entire area of concern,

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especially improved policies, planning and management, and is under constant attention, through review and negotiation, allowing refinement of assistance and strategy as sector problems arise. Also, a sector loan has many of the advantages of a program loan, such as its effect on helping to meet balance of payments problems and spurring on more adequate fiscal performance. However, in the main, it addresses directly the crucial sector issues and seeks improved efficiency and utilization of applicable resources.

F. Loan Description

The loan will provide A. I. D. assistance for the expansion of public health investment primarily in the field of "prevention" (nutrition and maternal/child care), protection (disease control), facility remodelling and construction, personnel training, rural sanitation, research and planning. The sub-projects have been designed to support a strategy encompassing the following five elements:

1. Broadening the coverage of services through regionalization (which permits greater delegation of responsibility and increased efficiency), priority attention to maternal/child care, and, generally, increased emphasis on preventive medicine as opposed to curative services;
2. Expanded personnel training, together with revised curricula, increased incentives and greater delegation of functions;
3. Strengthened operational and applied bio-social research;
4. Increased, more rational investment in hospital construction and equipment through a reinforced single mechanism for channelling funds, and a strengthened central supply agency, and
5. Improved mechanisms of intra-and-inter-sectoral coordination, especially related to nutrition, maternal/child care, health education, urban development, and rural sanitation.

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It is expected that the above policy actions eventually will result in achievement of the overall policy goal of a unified national health services system.

G. Alternative Sources of Financing

The IBRD, IDB and Eximbank have been advised of this proposed loan and have indicated no interest in providing this financing.

H. Views of the Country Team

This loan will be the principal instrument of the FY-1973 United States assistance program for stimulating the development of the health sector. The loan program will have a measurable effect on the Republic of Colombia's capacity to develop and benefit from her human resources. The Country Team recommends approval of the loan.

I. Statutory Criteria

All Statutory Criteria have been met. (See Annex A, Exhibit 1).

J. Issues

Resolution of issues raised in connection with review of the IRR is summarized in Section VII of this CAP. More detailed analysis of these issues is provided in the appropriate sections of the Health Sector Analysis and Strategy Document.

K. Recommendations

Authorization of a loan to the Government of the Republic of Colombia in an amount not to exceed \$24,800,000, subject to the following terms and conditions, in addition to the normal A. I. D.

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loan conditions and any others which A. I. D. may deem appropriate:

1. As a condition precedent to disbursement for the National Hospital Fund (Fund) the Ministry of Health will take the necessary measures to reorganize and strengthen the Fund. The reorganization will be effected according to the basic recommendations of the preliminary report of the PAHO advisory group. In addition, the following initial actions which must be satisfactory to the A. I. D. will be undertaken:

a. Arrangements will have been made for technical assistance to the Fund to supplement its manpower in the fields of engineering and specialized hospital design, create a training program for its staff and advise on long-term development; and,

b. Colombian architects and engineers will have been employed to increase the capacity of the Fund to the level required for adequate preparation, evaluation and supervision of all projects within the schedule set forth in the National Hospital Plan. The execution of the Loan Agreement will be conditioned on a plan satisfactory to A. I. D. as to the number, type and qualifications of personnel, as well as the methods of selection and timing of employment (either directly or through consulting firms).

2. The Ministry of Health shall covenant that within six months of signing of the Loan Agreement it shall have designed, developed and entered into any contracts or other arrangements necessary for the implementation of a data collection and compilation system which will provide a wide range of information on the status of health of the Colombian population and the actual utilization of the public health system, so as to provide a more adequate basis for continuing assessment of the performance of the system.

3. The Borrower shall covenant that its contribution to the program, as described in the Annex to the Loan Agreement, shall be provided in a timely manner, and in accordance with the provisions set forth therein.

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4. The Borrower shall covenant that it shall take into account, or cause to be taken into account by the Sub-Implementing Agencies, ecological criteria, when and where appropriate.

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## SECTION I BACKGROUND

### A. Summary of Strategy and Plan

1. The health sector has had relatively less access to public investment funds in Colombia than many other sectors. Although the Colombian Government has a long and admirable record of commitment to development, social sectors until the last several years have had lower priority than developing infrastructure and achieving macro-economic goals. Currently, education, small scale agriculture and urban development are receiving increased attention both absolutely and relatively. In its most recent three-year development plan, health has been included in this group of high priority sectors.

The effects of long neglect of the public health system (e. g., lack of adequate coordination, insufficient quantity and poor quality of services) by the Central Government are described and analyzed in the USAID's Health Sector Analysis and Strategy Document (December 1972). The three-year sectoral investment requirement, involving a need for \$35 million in external assistance, forms an integral part of the National Development Plan. The analysis, strategy and investment program have been reviewed and accepted at the highest levels of the Government of Colombia and have been provided to the USAID Mission as part of the GOC's loan request.

The GOC analysis of health conditions stresses the cost-raising effect on public services of rapid population growth, the high incidences of controllable diseases (parasites, respiratory infections, childhood diseases, malaria) and the particular susceptibility of mothers and infants. The existing public health system is described and its deficiencies analyzed. Particular emphasis is placed on organizational duplication, maldistribution of institutional (hospital) resources, and human resource deficiencies (concentration of doctors in large cities, extreme shortages of nursing and auxiliary technical personnel, etc.)

Considerable information is available to the GOC and the USAID for analyzing health conditions in Colombia and the delivery system for health services. In 1965 the Milbank Foundation financed the National Health Survey (or Human Resources Study) which provides ample information

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about health conditions and medical resources, information which is probably as complete as in any developing country. A long period of PAHO technical assistance also has helped the Ministry of Health develop a significant planning capability. The IBRD report of October, 1971, constitutes a thoroughly competent and accurate analysis of many health sector problems. Nevertheless, health statistics as they are produced currently on a regular basis are inadequate to measure precisely present conditions. At the same time, economic data is insufficient to make all the kinds of cost-benefit analyses that would be desirable. As a consequence, research and studies are built into the future health program to improve such data.

The USAID Mission has drawn upon the GOC sector analysis, the IBRD report and several other sources to present an in-depth analysis of the Health Sector Plan. A document, "An Analysis of the Colombian Public Health Sector", completed by the Mission in December, 1972, provides the underlying justification of A. I. D. loan support for the Sector Program.

The GOC analysis leads it to propose a strategy, the overall goal of which is the provision of public health services to the largest proportion of the Colombian population it is practicable to serve in the reasonably near future. In our review of the GOC strategy and the program derived from it, the Mission has determined that the Plan is feasible and consistent with the laudable overall goal. The goal is to be achieved through a program based on the following five mechanisms:

1. Regionalization and Integration of the Health Delivery System

Direct provision of health services to an increasingly large portion of the population is to be sought through priority attention to maternal/child care and through the creation of a regionalized health care delivery system. Regionalization is expected to increase the efficiency of the delivery system through unified direction and coordination of all public health services, increased delegation of functions to para-medical personnel and rationalization of the location and staffing of health care facilities.

2. Personnel Training

The quantity and quality of personnel and their efficiency in the health care delivery system is expected to increase through a planned training program including revised curricula, increased incentives and greater delegation of functions.

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3. Research

Emphasis is to be placed on operational and applied bio-social research for the express purpose of assisting health planners to develop and support mechanisms which effectively and efficiently broaden the impact of the health system.

4. Construction

In support of the regionalized delivery system, hospitals and health posts will be constructed (or construction underway will be completed), subject to planned priorities, through a reinforced single mechanism for channelling funds and a strengthened central supply agency.

5. Intra- and Intersectoral Coordination

Emphasis will be given to the creation of effective mechanisms of intra- and intersectoral coordination, especially related to nutrition, maternal/child care, health education, urban development and rural sanitation.

The details of the program which will implement this strategy are summarized in Section II. A. below.

B. Appraisal of Past Assistance

U. S. Government assistance to Colombia health agencies dates from the late 1950's. Approximately US\$158 million has been provided since FY-1952 (6.1 million in grants between FY-1952 and FY-1972; 30.6 million in counterpart from program loans in the period 1962-1972; 1.5 million in regional funds through PAHO since 1969; and 120 million in Title II Food for Peace since 1954.) In addition, \$27 million in support of urban sewer and water projects have been provided in grants and loans, which are discussed in the Colombian Urban/Regional Sector Analysis Document. This section of the CAP is a general summary of accomplishments, by levels, attributable to U.S. assistance.

1. Special Health Projects

U. S. Government assistance from the 1950's to the early 1960's

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emphasized the construction of community self-help health centers and nursing schools. These activities were carried out by the Cooperative Health Service, a national servicio, which later turned its responsibilities over to the MOH and its institutes and to the Departmental Health Services. This servicio was the forerunner of the current Institute of Special Health Projects (INPES), which plays an important role in the current program discussed herein. Between 1950 and 1963 approximately 200 health centers were built with A. I. D. assistance.

During the past eight years the Mission's Special Development Activities Fund has assisted more than 60 projects, which have helped finance 10 sewer system, 22 aqueducts, 95 nutrition centers, as well as some school restaurants and health posts.

2. Food for Peace

Currently, Title II Food for Peace (CARE and CRS) and the World Food Program are improving the nutritional status of about 2.5 million pregnant and nursing mothers, pre-school children and primary school children. This program has provided a powerful stimulus for the MOH expanded maternal/child care program and the nutrition activities of ICBF. Both the MCC and the nutritional programs are analyzed in depth in the Colombian Health Sector Analysis Document.

3. Preventive Medicine

The World Health Organization, GOC and USAID embarked during the 1950's on disease control programs, to attack rabies, malaria, yaws, venereal diseases, and rickettsial diseases. Other campaigns were conducted for goiter prevention and control; mosquito and rodent control; and environmental sanitation.

A large part of counterpart funds from loans in the 60's was devoted to providing potable water and sewers to various areas of Colombia. INSFOPAL (National Institute for Municipal Development) has been assisting municipalities of over 2,500 population and INPES in those under 2,500 population.

4. Training

The USAID provided training outside Colombia for health educators, hospital planners, industrial hygiene personnel, public

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health engineers, and public health laboratory personnel in the late 1950's and early 1960's. Since FY-68, 124 participants have been sent abroad under the Demography Research Project for training in this field as it is related to their specialties. Their special fields have included Public Health, Nutrition, Biostatistics, Home Economics, Agricultural Extension, Medical Education, Demography, Public Health Nursing, Family Planning, and Public Health Engineering.

### 5. Planning and Administration

Substantive improvements have been made during recent years in health sector planning and administration. A. I. D. assistance has been limited but effective in specific areas related to the present emphases of the health sector program. For example, during FY-1968 and 1969, A. I. D. grant funds assisted through PAHO the MOH/ASCOFAME research on delegation of functions to auxiliary personnel. In FY 1968 advisory services were provided in assisting the Ministry to refine its criteria for the allocation of program loan counterpart funds for hospital construction.

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SECTION II THE PROJECT

A. Project Description

The project to be supported by the proposed A. I. D. loan consists of the entire Central Government public health sector investment budget during 1973 and 1974.

The total level of investment required over the three-year period 1973-75 is estimated at about U. S. \$210 million (Col, \$5, 537. 4 million), of which A. I. D. has been requested to finance U. S. \$35 million, or 16%. The loan requested in this CAP is to cover the first two years of the Plan. Examination of the GOC fiscal situation and prospects for the pertinent years supports the conclusion that the overall financial level can not be reached in this time frame without external assistance. The breakdown by programs, pursuant to the GOC request, is detailed on the following table.

Central Government public health investment expenditures, as planned, would increase 80% in 1973 over 1972 and continue upward over the succeeding two years. The largest programs are "prevention", (nutrition, maternal/child care, welfare), which would receive food contributions but only limited loan support,<sup>1/</sup> and recuperation (hospital construction and equipping). Substantially increased financing is programmed for personnel training and the rural sanitation program.

As justification for the heavy investment in recuperation facilities, the GOC Plan establishes that "the hospital is today thought of as the center of all health activity." That activity is to be organized along regional lines, with the hospital as the key organism of the scheme. The hospital thus assumes a leading role in training and in the supervision of satellite health centers and health posts which have been established to deliver health services in outlying areas. A referral system is contemplated which will provide a succession of progressively sophisticated health services from the simple care

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<sup>1/</sup> Maternal/child care includes a family planning component, but A. I. D. loan financing will not be used for this program.

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HEALTH SECTOR INVESTMENT BUDGET SUMMARY BY PROGRAMS

	(Millions of Current Pesos)											
	1972			1973			1974			1975		
	GOC	Other External		GOC	AID	Other External	GOC	AID	Other External	GOC	AID	Other Exter
1. Prevention (nutrition, maternal/ infant care, welfare) <u>2/</u>	338.2	2/	-	389.0	12.9	-	492.0	11.3	-	563.0	16.3	-
2. Protection (disease control)	125.0		-	152.9	30.0	-	176.0	41.0	-	202.0	56.0	-
3. Recuperation (hospital, health center const., equipment)	132.5		20.0	200.5	82.2	220.0	273.5	142.0	110.0	300.0	15.0	-
4. Human Resources (training)	35.4		2.6	60.9	32.6	-	69.7	38.8	-	78.4	44.6	-
5. Research	17.4		-	26.0	5.0	-	36.5	12.0	-	44.0	17.0	-
6. Complementary Inputs (Supplies)	27.7		-	35.3	6.0	-	63.8	8.1	-	81.0	25.8	-
7. Planning & Information	11.1		-	15.7	2.5	-	30.9	12.5	-	19.6	12.1	-
8. Environmental Sanitation <u>1/</u>	67.5		-	164.0	76.0	-	184.0	91.0	-	216.0	120.0	-
9. Administration	161.6		-	127.4	-	-	135.8	-	-	159.0	-	-
TOTALS	916.4	3/	22.6	1,171.7	247.2	220.0	1,462.2	356.7	110.0	1,663.0	306.8	-
(In \$US)					(10.3)			(13.5)			(10.9)	

1/ This table includes rural sanitation only; urban sanitation programs have been incorporated into the Urban/Regional Sector Program.

2/ Amounts shown for prevention activity do not include the value of food grants from WFP, CARE & CARITAS).

3/ It is currently estimated that the GOC will succeed in fulfilling approximately 90% of its budget plan in 1972. Total GOC allocations to health are expected to reach 820 million pesos in that year.

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at health posts manned by auxiliary nurses with scheduled visits by doctors, through health centers with auxiliary nurses and part-time medical service, then higher levels of care at local hospitals (primarily for emergency hospitalization and maternity care), to the specialized care provided at regional hospitals in departmental capitals and other intermediate cities, and, finally, to the apex or center of the system, with highly skilled medical service available in university medical faculty hospitals. Conversely, training, supervision, and outreach medical services emanate from the university and regional hospitals through the local hospitals to the centers and posts. The hospital, therefore, will serve not only as a center for curative medicine, but also as a key element for organizing, stimulating, and supervising preventive health measures and for implementing the stated priority of maternal/child care. The National Hospital Plan will assign investment resources for hospital construction in line with the regionalization scheme. The Plan recognizes the need for equipment and transportation, and the priority attached to finishing hospitals already started, before building others, except for missing or obsolete key elements of the network.

The Hospital Plan currently aspires to finish, remodel or construct 141 institutions, at a cost of 1.5 billion pesos during 1972-75. (One hundred twenty-two of these projects are to be carried out during 1973-75.) The National Hospital Plan is the cutting edge of the policy to consolidate public health services into a servicio unico, the mechanism selected to achieve greater internal efficiency. The Hospital Plan is also conceptually and physically linked to the AID-supported urban/regional focus on intermediate cities.

Several important health personnel bottlenecks are to be alleviated through a human resources program which includes new incentives, new organizational structures, and greater investment in training. Perhaps the most important element of the program is the increased delegation of functions to auxiliary technical and para-medical personnel, an integral part of the regionalized system. Training is to be provided for selected professional categories in short supply (anesthesiologists, pathologists), auxiliary and practical nurses, maintenance personnel and administrators.

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The various immunization and disease control campaigns that comprise the protection program appear to be well planned. Short-term goals are precise, quantified, and costed out; procedures have been established in fair detail and coordinated among the projects. Control efforts for malaria, yellow fever, and yaws are to be continued with special emphasis on agrarian colonization areas. New campaigns will be devoted to venereal disease control and measles and polio immunization.

Similarly, the rural environmental sanitation program is well conceived and involves basically the acceleration of on-going efforts. The goals have been costed out through 1980. The current plan, 1973-75, is consistent with the longer range planning goals. Priority in project selection will go to rural development concentrations in order to reinforce the advantage of multi-sector programming within selected rural areas. These projects also are partially self-financing. Local communities provide about 20% of the costs through donated labor and materials and repay the remainder of the investment costs to an INPES revolving fund, at subsidized interest rates.

Research, information, and planning projects have been developed which are consistent with the most pressing needs of the sector. Research is directed to operational problems in order to determine more efficient health services delivery mechanisms. The information program focuses on Colombia's substantial deficiencies in vital statistics.

Centralized supply of medical inputs is one of the Plan's mechanism by which more efficient organization in the sector is to be accomplished. The complementary inputs program will increase the scope of central supply services, in large part through increased production of medical inputs by agencies attached to the Health Ministry. The purchase of vehicles will be financed through the AID loan dollar input.

In addition to the sectoral investment program described above, the Ministry of Health and the DNP are preparing to sponsor and will require supplemental external, technical, and financial assistance for two studies

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which should affect future sectoral strategy and programs. The first of these studies is the analytic model of comparative cost-benefits of alternative strategies, which has been proposed by LA/DR/SASS. The second is an operations research study of the regionalization scheme as it has been implemented in the Department of Valle.

B. Description of Key Levels of Impact and Anticipated Results

The program is described in Section II A above, and expected results are recapitulated in Annex B.

1. Health "Prevention" (Fomento)

This activity, an important and integral part of the whole, and one of the largest in the sector program, will be financed largely from GOC resources. The following results from the expansion of GOC support to the activity are expected:

- a. Provision of the complete range of maternal/child care services to an additional 50 municipalities in 1973, and an additional 65 municipalities in 1974.
- b. An increase in those pregnancies which are aided by the MCC program, estimated at 25,000 additional cases annually in both 1973 and 1974.
- c. An annual increase of approximately 20% in the number of children who receive well-baby care and medical consultations under the MCC program.
- d. An increase of 7,000 in the number of promotoras engaged in the program by 1974.
- e. Social assistance and treatment of minors reaching approximately 430,000 persons by 1974.

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f. Nutritional supplementation for 170,000 mothers, 510,000 pre-school children, and 1,730,000 school children annually by 1974.

g. Nutritional education for approximately 1,600,000 persons annually by 1974.

h. Repair or remodelling of 25 geriatric facilities in 1973 and 52 facilities in 1974.

2. Health Protection

a. Control of malaria in areas containing 9,700,000 inhabitants, and direct treatment and eradication measures benefitting 2 million persons.

b. Control and eradication of yaws in areas containing 430,000 persons.

c. Control of aegypti (yellow fever) through mosquito eradication in 450,000 households.

d. Smallpox and tuberculosis vaccination of 80% of the nation's infants.

e. DPT vaccination of 60% of newborn infants.

f. A massive campaign to vaccinate 80% of children one to four years old against measles and polio during 1973.

3. Health Recuperation

a. Completion, remodelling, or construction of 122 hospitals during 1973 and 1974.

b. 1,528 additional beds to be added to public hospitals during 1973, and 804 additional beds during 1974.

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c. Additional hospital capacity is expected to generate an increase in hospitalizations annually of approximately 48,000 persons in 1973 and 28,000 persons in 1974.

d. The public hospitals will be incorporated into regionalized systems of stratified health care functions.

4. Human Resources Training

Approximately the following numbers of health sector personnel are to complete training by 1974:

<u>Type</u>	<u>Number to be Trained</u>
Health Planners	65
Medical Doctors	1,549
Public Health Doctors	60
Public Health Nurses	60
Professional Nurses	630
Auxiliary Nurses	6,012
Health Promoters	7,000
Sanitary Engineers	75
Sanitary Promoters	1,200
Dentists	824
Public Health Dentists	90
Dental Assistants	607
Equipment Maintenance Personnel	150

5. Research

a. Studies currently under way, to be completed during 1973:

- health planning in Colombia
- institutions of medical attention
- rural community environmental sanitation
- food and nutritional policy

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b. New studies which will commence:

- human resources in health institutions
- comparative model of alternative health care delivery systems
- venereal diseases
- health sector financing
- Taylor-Berleson study of MCC

6. Complementary Inputs

- a. Equipment is to be provided for tuberculosis detection, rabies control, and pure food inspection.
- b. Fluoridation is to be instituted in 140 communities containing 9 million inhabitants.
- c. Home water filters for 1,500,000 persons are to be produced.
- d. Biological materials sufficient for most of the nation's vaccination programs are to be produced at the National Health Laboratory.

7. Improved Planning

- a. Fifty hospital statisticians will be trained annually.
- b. Improved administrative procedures, including standardized procurement, contracting, personnel, training, and financial procedures will be designed and implemented.
- c. Construction of an administrative center for all units of the Ministry of Health will begin in 1974.

8. Rural Sanitation

- a. One hundred sixty-one rural community water projects will be completed during 1973, and 288 projects will be completed during 1974.
- b. Seventy-eight sewerage projects will be completed during 1973, and 148 projects will be completed during 1974.

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As a consequence, it is expected that approximately 35% of the rural population will be served by water and sewerage projects by 1974.

C. Priority of the Sector Loan Project

In adopting the new health policy and strategy described herein, the Colombian Government significantly elevated public health on its scale of national priorities. Current Colombian policy characterizes health as "an end in itself, an indispensable component of well-being and an important means for achieving economic development." The policy also asserts the principle that "health is a right which extends to each person, transcending any institutional or financial limitation." The heightened emphasis on providing health services to an increasing proportion of the population is fully consonant with the Colombian Government's general orientation of reordering public expenditures to serve more directly the basic needs and aspirations of the majority of the people, especially the most deprived groups. This same orientation applies to other current AID sector loans, hence the proposed health sector loan would strengthen AID's role in the improvement of the quality of life for large numbers of Colombians. Health, it can be argued, is probably the most basic determinant of well-being and life itself. The priority of investment in health can also be justified economically by the increased productivity of a healthier labor force, and by its effects on income distribution, where, as has been shown in Colombian studies, it is among the most redistributive of all public expenditures. Tangible evidence of the priority of this project includes the promulgation of the new health policy and the increasing share of the Colombian national budget already being allocated to public health.

D. Environmental Aspects

The one part of the program with direct measurable environmental impact is the rural sanitation project component dealing with sewerage and water projects for communities of 2,500 inhabitants or less. Besides directly improving health conditions, the rural sanitation project is

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expected to improve environmental conditions by collecting and distributing water from safe sources and by collecting and discharging wastes in a manner that lessens environmental contamination of water sources and the soil, and lessens the growth of dangerous and bothersome pests. Under the program, wastes are being discharged to areas where sufficient clean water and oxidation will render the wastes harmless. The Loan Agreement will require that the Agency which supervises these projects consider carefully the downstream effects of waste discharge, carefully monitor downstream water purity, and where harmful effects are to be expected, take such steps to treat the wastes or otherwise prevent their contamination of water supplies.

On all projects the Borrower will be obliged to take ecological considerations into account, or cause that they be taken into account by the sub-implementing agencies, where appropriate, among other factors to be taken into consideration in approval of any specific project under the Sector Loan.

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### SECTION III. ECONOMIC AND SOCIAL ASPECTS

#### A. Present Status of Colombian Economy

The rate of GDP real growth for 1972 is expected to approximate a healthy 7%, above Colombia's annual average since 1965 (just under 6%). Generally good business and industrial activity during the year, improved agricultural production, higher coffee prices, and a sharp expansion in minor exports all contributed to what is generally considered to have been one of Colombia's best years in recent history. Persistent fiscal problems and a continuing rate of inflation, similar to 1971's (15%) but above the 10% average experienced by Colombia in other recent years, remain the major economic problems facing the country as of end 1972.

Expanding public investment programs aimed at providing at least minimally sufficient services for large numbers of Colombians have continued to put pressure upon budgetary resources, while the rate of increase in fiscal revenues during 1972, while significant (about 15% in current terms), declined. Investment expenditures, nonetheless, expanded more rapidly during 1972 than operating expenditures, permitting AID-supported sectoral programs in education, agriculture, and urban/regional services to be financed adequately. The GOC actively pursues the completion of pending Congressional action raising taxes on both urban and rural property, but the perennial initial gap between anticipated financing and the targeted investment level will be present again in 1973. In this regard, some recourse to world capital market financing, other than official concessional sources, is planned by the GOC.

The extraordinary success of the minor export expansion during 1972 (an increase of more than 50% in registrations over 1971) and worldwide price trends have contributed to inflationary pressures. Colombian authorities have taken measures to meet supply and distributional problems and have sought to control monetary and credit expansion, but 1973 can be expected to test further the efficacy of current policies.

Improved balance of payments performance during 1972 is reflected in an anticipated level of reserves at year-end above U.S. \$300 million. As a result, and with higher coffee and minor export earnings

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and increased disbursements on foreign loans anticipated, the GOC plans to raise reimburseable import licensing levels further during 1973, beyond the increase from roughly \$60 to \$70 million monthly accomplished during the latter part of 1972.

External borrowing during 1972, from mainly official sources, but including some commercial bank lending, approximated the goal of \$400 million utilized by the GOC and Consultative Group in the February, 1972, Paris meetings. Colombia's debt service burden continues to be moderate by developing country standards. Despite fiscal stringencies, the GOC appears to have been able to reduce its outstanding debt to the Bank of the Republic during the past year.

B. Impact on U. S. Economy

The project does not compete with U. S. enterprise and is not expected to have an adverse effect on the U. S. economy. Together with recent changes in monetary parities, expanded and more flexible activities of the Export -Import Bank, and other increased promotional activities on behalf of U. S. exports, this loan, by improving Colombia's foreign exchange availabilities and so its import capacity, should also help to increase total exports to Colombia from the U. S. A purpose for which this loan is designed is to help bring about a growing prosperous Colombian economy, so providing a larger market for U. S. exports over the long run.

C. Title IX - Building of Democratic Institutions

From the standpoint of socio-political development, the provision of effective public health services strengthens government's role as an integrative social force. Health is considered to be one of society's most strongly felt needs. To the extent that public services satisfy that need, the general population can be expected to assume a more positive attitude toward government, and opportunities for wider participation in democratic institutions generally will be enhanced.

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More specifically, particular health sector activities to be expanded under this loan program provide a direct political benefit contemplated in Title IX of the Foreign Assistance Act. The rural sanitation program depends heavily on community action. Local groups request, help construct, manage, and repay most of the investment costs of each project financed by the program. Generally, their rural sanitation works constitute the first concrete projects which the communities undertake. The community action experience gained through this program often leads to further active communal participation in development. Further, it is expected, that community groups will play an active role in the operation of health posts constructed through another element of the sector program.

#### D. Contribution to Colombian Development

As discussed in the Health Sector Analysis Document, the sector program will have positive effects on various development criteria: production, or GNP; on the criteria more recently given added emphasis both within Colombia and in international development circles--distribution; and on the cost-effectiveness of public expenditures--or internal efficiency. While the exact quantification of returns to health investment is difficult, the medium and long-run benefits of the program should exceed its cost by a large margin.

#### E. Consistency With Consultative Group Reviews

The IBRD-sponsored Consultative Group for Colombia met February 28-29, 1972, in Paris, to assess Colombian economic performance and to coordinate economic assistance from donor countries. The Consultative Group expressed its general satisfaction with Colombia's recent progress in the development field and showed an interest in Colombia's continuing to receive a high-level of external assistance for priority investment in social and economic development fields. A. I. D. 's sectoral approach to external assistance was commended and especially highlighted, as was the GOC's appreciation of this type of assistance. The current DNP lending list, distributed during the most recent "CG local representative" meeting in Bogotá, December, 1972, lists the proposed health sector loan among the GOC's major 1973 priorities.

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F. Certification of USAID Director

The U. S. A. I. D. Director certified on December 28, 1972, that, in his opinion, the Government of Colombia has demonstrated the necessary capabilities to carry out this sector loan. Refer to Annex A, Exhibit 2, for text of this certification.

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SECTION IV - FINANCIAL ASPECTS OF HEALTH SECTOR LOAN PROJECT

A. Borrower - The Government of Colombia

The Borrower will be the Government of the Republic of Colombia, which will be authorized, after approval by its Economic and Social Policy Council and its Interparliamentary Committee, to enter into the Loan Agreement without further Congressional ratification.

B. The Relation to Total Health Financing

The evolution of total financing of the Colombian (Central Government) public health sector is as follows:

(Millions of Current Pesos)

	<u>Total Expenditures</u>
1970	4,179
1971	5,003
1972	5,658 *
1973	6,500 **
1974	7,092 **
1975	7,841 **

\* Estimated

\*\* Projected

Total expenditures on health by all levels of government have fluctuated, but have approximated 10% of total government expenditures since 1966 according to data collected by the DNP.

As the following table indicates, the National Government's support of health investment from its own resources is projected to grow dramatically during the first half of the current decade. Health investment is increasing in importance within the GOC investment

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budget, rising from 8% in 1966 to 13% in 1972, and a projected 18% for 1975.

Sources of National Government Health Investment  
(Millions of Current Pesos)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u> ***	<u>1974</u> ***
GOC Budget	371	674	821	1,172	1,462
A. I. D. *	121	104	-	247	372
Other External Credit -	-	-	-	220	110

\* Counterpart and Sector Loan Proceeds

\*\* Estimated

\*\*\* Projected

National Government financing of current expenditures for health are also increasing rapidly. In 1973, five hundred million pesos of additional financing is expected to become available through the "Situatedo Fiscal", the apportionment of specific tax revenues for local health expenditures.

C. Relation to Implementing Agency Financing

The following table compares, on a summary basis, the investment budgets for 1972, 1973, and 1974 of the agencies which are proposed as recipients of assistance in the sector loan. Looking at the data from the standpoint of A. I. D. support as a percentage of the total change in the investment budgets of each agency for the program period 1973-1974 over 1972, it is evident that in all cases A. I. D. 's share of the increase is less than 50%.

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Financing of Implementing Agency Budgets

(Millions of Pesos)

	<u>1972 1/</u>	<u>1973</u>	<u>1974</u>
<u>Min of Health</u>			
GOC	81.8	142.3	235.8
A. I. D.		35.1	74.4
<u>INPES</u>			
GOC	122.9	238.5	282.5
A. I. D.	-	87.0	103.0
<u>ICBF</u>			
GOC	371.7	433.0	499.7
A. I. D.	-	12.9	6.3
<u>INC</u>			
GOC	3.0	7.0	5.0
<u>FNH</u>			
GOC	120.7	198.0	273.2
A. I. D.	-	82.2	142.0
External Credit	-	220.0	110.0
<u>SEM</u>			
GOC	120.5	152.9	166.0
A. I. D.	-	30.0	31.0
<u>TOTAL</u>	820.6	1,638.9	1,928.9
GOC	820.6	1,171.7	1,462.2
A. I. D.	-	247.2	356.7 2/
External	-	220.0	110.0

1/ Total planned appropriation2/ Plus U. S. \$1.0 million for the purchase of vehicles

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D. Terms of Loan, Alternative Sources, and Repayment Prospects

1. Terms of the Loan

The terms recommended for the proposed loan are 40-year repayment by the Borrower, including a 10-year grace period, at an interest rate of 2% per annum during the grace period and 3% per annum thereafter.

2. Justification of Loan Terms

The Sector Loan Committee is of the opinion that the terms recommended are reasonable for this sectoral non-revenue producing program.

3. Other Free World Financing Available

The IBRD, IDB, and Eximbank have been advised of this proposed loan and have indicated that they are not interested in financing this program.

The sector program is being planned in close coordination with the pertinent UN and PAHO technical assistance programs, World Food Program, CARE and CRS food donations, as well as proposed hospital equipment financing from the British Government.

4. Prospects for Repayment

The prospects for repayment of the proposed loan are excellent. The Government of Colombia will undertake the obligation and assume the exchange risk. The debt service burden of the GOC is low compared to other Latin American countries experiencing similar economic conditions.

E. Financial Plan

Estimated total costs of the project over the estimated disbursement period are shown in Section IV. B. The Loan is anticipated to be disbursed during the course of CY-1973 and CY-1974. In general,

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disbursements are expected to follow the normal GOC disbursement pattern. However, since one of the purposes of the program is to enable GOC to proceed faster than it ordinarily would on progress of the program, and since, historically, the GOC disbursements from ordinary revenue are smaller in the first half and higher in the second half of any CY, it may be determined desirable for A. I. D. to disburse a higher percentage of loan funds in the first half of the year and a lower percentage in the second half, depending upon circumstances.

Subject to Conditions Precedent to Disbursement, A. I. D. would make an automatic initial disbursement of up to 15-20% of the total amount of the projected CY-1973 drawdown, distributed among all sub-implementing agencies. The exact breakdown of the amount of initial advance to be allocated to each specific sub-implementing agency would be determined during negotiation of the Loan Agreement and will be indicated in that agreement.

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SECTION V - CONDITIONS AND COVENANTS

In addition to the usual A. I. D. conditions and covenants, and any other which A. I. D. may deem advisable, the loan will be subject to the following conditions and covenants:

A. As a condition precedent to disbursement for the National Hospital Fund (Fund), the Ministry of Health will take the necessary measures to reorganize and strengthen the Fund. The reorganization will be effected according to the basic recommendations of the preliminary report of the PAHO advisory group. In addition, the following initial actions, which must be satisfactory to the A. I. D. , will be undertaken:

1. Arrangements will have been made for technical assistance to the Fund to supplement its manpower in the fields of engineering and specialized hospital design, create a training program for its staff, and advise on its long-term development; and

2. Colombian architects and engineers will have been employed to increase the capacity of the Fund to the level required for adequate preparation, evaluation and supervision of all projects within the schedule set forth in the National Hospital Plan. The execution of the Loan Agreement will be conditioned on a plan satisfactory to A. I. D. of the number, type and qualifications of personnel, as well as the methods of selection and timing of employment (either directly or through consulting firms).

B. The Ministry of Health shall covenant that within six months of signing of the Loan Agreement it shall have designed, developed and entered into any contracts or other arrangements necessary for the implementation of a data collection and compilation system which will provide a wide range of information on the status of health of the Colombian population, the actual utilization of the public health system so as to provide a more adequate basis for continuing assessment of the performance of the system.

C. The Borrower shall covenant that its contribution to the program , as described in the Annex to the Loan Agreement, shall be provided in a timely manner, and in accordance with the provisions set forth therein.

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D. The Borrower shall covenant that it shall take into account, or cause to be taken into account by the Sub-Implementing Agencies, ecological criteria, where appropriate.

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## SECTION VI - LOAN ADMINISTRATION

### A. Administration and Implementation Plan

#### 1. Execution Plan

Major execution steps of the program are described below. The Loan Agreement, together with its Annex and basic Implementation Letter No. 1, will state the conditions which must be fulfilled by Borrower prior to any disbursement.

USAID/Colombia will ensure that conditions precedent, the covenants contained in the Loan Agreement, and the procedures required thereunder, are in fact being followed. USAID personnel will make periodic inspections and reviews of the program, assisted by contract and AID/W personnel, if and as required.

Until the Loan is repaid in full, an audit of the loan will be made by A. I. D. at such times as may be deemed appropriate.

#### 2. Loan Monitoring

Implementation responsibility for the program will be under the primary control of the Ministry of Health. The primary responsibility for fulfilling A. I. D. 's part of the implementation functions rests with USAID/Colombia, assisted by AID/W personnel, as appropriate. Disbursement requests will be reviewed by the USAID's Health and Special Development Activities, Capital Resources Development, and Controller staffs. Qualitative progress of the program will be monitored by the USAID Health and Special Activities Division.

#### 3. Disbursement Plan

Peso disbursements of this sector loan are planned to be effected over a 24-month period beginning approximately January, 1973. However, to allow for unforeseen eventualities, the Loan Agreement will provide for a 30-month disbursement period. We now estimate that to

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initiate the \$604 million peso program, approximately 37 million Colombian pesos will be disbursed upon fulfillment of conditions precedent, with a balance of approximately 210 million Colombian pesos disbursed during CY-1973 and 356 million in CY-1974.

4. Disbursement Procedures - Local Currency Costs (Col. Pesos)

a) The Loan Agreement shall be denominated in United States dollars insofar as repayments to the U.S. is concerned, but will clearly state that the U.S. dollars are being loaned for the purpose of converting them into Colombian pesos so as to satisfy stipulated peso needs of the sector program, except for dollar allocation for U.S. procurement of vehicles. The agreement will also indicate the use for which the pesos are destined, the executing agencies which will be responsible for expending them, and the time period over which they are to be expended. In conformity with this, the agreement will provide that peso disbursements will be released to a given sub-implementing agency in concert with the program of the specified entity and evidence of satisfactory progress.

b) Peso Generation Procedure

The direct conversion procedure will be employed in accordance with the following system:

(i) Except for the initial advance, Borrower will request disbursement for the local currency requirements of the loan program in accordance with the terms and conditions of the Loan Agreement by submitting to A. I. D. such supporting documents as the Mission will prescribe in Implementation Letters.

(ii) In advance of disbursements, USAID/Colombia will obtain from the U. S. Treasury Department dollar checks in amounts approximately equivalent to the next anticipated disbursement. When the disbursement request has been received by USAID/Colombia, the USAID/Colombia Controller will convert, through the First National City Bank, the prepositioned dollar checks to a Colombia peso draft payable to the GOC Central Bank (Banco de la Republica). This peso draft, in the exact amount of the disburse-

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ment will then, on the same day, be transmitted to the Banco de la Republica for deposit to the GOC Treasury account there. Concurrently, the Loan Agreement will be charged with the exact U. S. dollar equivalent of the disbursement.

c) Peso Disbursements

(i) In the first months of implementation of the FY-1971 sector loan series there were a number of problems in making the pesos above generated available to the sub-implementing agencies with a minimum of delay. This problem has been thoroughly reviewed with the GOC at the very highest levels, some new procedures instituted, and disbursements are now moving satisfactorily. In addition, the GOC is exploring the desirability of having its Treasury set up a separate sub-account for receipt and disbursement of A. I. D. sector loan funds. Improved systems can be expected to prevail during disbursement of this proposed loan and should provide the necessary mechanisms whereby there is a minimum delay between A. I. D. disbursement and sub-agency receipt of funds.

(ii) At such times as A. I. D. may specify in Implementation Letters, the GOC central implementing agency for the sector shall provide evidence satisfactory to A. I. D. of receipt by it and by sub-implementing agencies of loan generated pesos from the Treasury of the Republic. Upon receipt of pesos allocated to the GOC implementing agencies, the funds will lose their separate identity and be merged with the funds of those entities.

(iii) At such times as A. I. D. may specify in Implementation Letters, the sector implementing agency shall furnish evidence satisfactory to A. I. D. of the total budgetary flow of the commingled peso funds of the sector, and of each of the sectoral programs operating agencies, in accordance with the sectoral plan agreed upon in the Loan Agreement.

(iv) The purchase and release of pesos will be on an advance basis, equivalent to the estimated needs of given activities for a mutually agreed period to permit opportune application of resources.

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(v) Justification for advances, after the initial ones, will be derived from reports showing progress on overall execution of the specified activity as evidenced by disbursement of commingled funds reported in (iv) above.

(vi) The timing of disbursement will be reflected by sector needs and requirements, and such disbursement will be approved subject to (1) GOC's requests for disbursements based on needs, and (2) USAID/Colombia's careful periodic review of these needs and overall sector fiscal and qualitative performance.

5. Disbursement Procedures - U.S. Dollar Costs

U. S. dollar disbursements will be made using standard A. I. D. procedures by issuance of Letters of Commitment and making payments through the use of Letters of Credit or otherwise for Dollar Costs of goods and services procured for the Program in accordance with the terms of the Loan Agreement. Disbursement of Dollar Costs will be made exclusively to finance the procurement for the Program of goods and services having both their source and origin in countries in Code 941 of the A. I. D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such goods and services. All ocean and air carrier shipping financed by Dollar Costs under the Loan shall have its source and origin in countries included in Code 941 of the A. I. D. Geographic Code Book as in effect at the time of shipment.

6. Procurement Procedures

Standard A. I. D. rules of procurement will apply. All procurement items are estimated to be ordered or contracted for by June 30, 1974.

7. Small Business Notification

In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, Borrower shall furnish to A. I. D. such information with regard thereto, and

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at such times, as A. I. D. may request, in Implementation Letter.

8. Shipping and Insurance

(a) Goods financed under the Loan shall be purchased on a CIF basis from any country included in Code 941 of the A. I. D. Geographic Code Book. Marine insurance may be purchased from any country in Code 935 at the option of the exporter.

(b) At least fifty percent (50%) of the gross tonnage of all goods financed under the Loan (computed separately for dry bulk carriers, dry cargo liners and tankers) which shall be transported on ocean vessels shall be transported on privately-owned United States flag commercial vessels unless A. I. D. shall determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. No such goods may be transported on any ocean vessel (or aircraft) (i) which A. I. D. , in a notice to Borrower, has designated as ineligible to carry A. I. D. -financed goods or (ii) which has been chartered for the carriage of A. I. D. -financed goods unless the charter has been approved by A. I. D.

B. Evaluation

The evaluation of this project will be carried out through the establishment of processes and criteria for evaluation acceptable to the GOC and USAID/Colombia.

It should be noted that the process of evaluation is viewed as a joint responsibility. The burden for carrying out the evaluation studies following the agreed guidelines rests with the GOC, which will report to USAID/Colombia the results of evaluations according to an agreed schedule.

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SECTION VII - ISSUES

A. A. I. D. Involvement in a Fourth Sector in Colombia

A. I. D. 's experience with sector lending in Colombia has been highly satisfactory. Since FY 1968, eleven sector loans (in agriculture, education, and urban/regional development) have been authorized for a total of \$236 million. These loans have proven to be innovative and effective in helping the GOC to achieve improved performance in, and increased allocations of the GOC's own resources for these priority sectors. FY-72 sector loans (\$77 million) were 80% disbursed as of December, 1972. The GOC has restructured its planning, budgeting and evaluation system to emphasize the sectoral approach. The proposed health sector program was formulated with specific reference to A. I. D. sector lending criteria, and reflects the substantial progress made by the GOC in applying such concepts and standards.

Colombia's public health policy and program will extend most essential services to a growing proportion of its people, thus distributing the benefits of development more broadly, improving the quality of life, and increasing the productivity of labor and capital. Attention to this sector will complement progress in the other three sectors being given AID support, and heighten the GOC's capability to provide a balanced response to priority social needs. Given the quality of GOC planning and management and the considerable experience with sector lending gained by both the GOC and USAID/Colombia, capability exists on the part of both governments to make a fourth sector loan program work efficiently. (However, Mission staff probably will need to be increased by one specialist, and the assistance of AID/W will be necessary in quantitative sectoral analysis and technical health matters.) The financial feasibility of the GOC taking on this additional sector is discussed below.

B. Feasibility of Financial Targets

GOC central government investment budget expenditures are expected to rise from a level of approximately 8 billion pesos in 1972 to approximately 9.4 billion pesos in 1973. The combined total investment from domestic and sector loan resources which flow

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through the budget in the four sectors currently receiving or proposed for A. I. D. support (health, education, agriculture and urban/regional development) accounts for approximately 50% of 1972 investment expenditures, and is expected to rise to about two-thirds of the equivalent amount in 1973, in accordance with stated GOC priorities. Health investment is projected to increase by 72%, urban development by 115%, agriculture by 29% and education by 24%. The increasing emphasis given to these sectors is undertaken largely as a consequence of proportionately reduced investment in economic infrastructure. The GOC justifies this reordering of priorities by its determination to increase emphasis on redistribution of income through expanded services benefitting the majority of the people. Moreover, investment in economic infrastructure has received a heavy total investment during the past decade, and can now be reduced proportionately.

We believe such a shift is reasonable and proper; it reflects a conscious decision critical to the GOC's adoption of the sectoral approach associated with A. I. D. lending. Our loan support, which accounts for nearly a fourth of the total central government investment budget in both 1972 and 1973 plays a major role in stimulating and supporting this shift. It is our conclusion that the increasing relative and absolute financial support planned for all four priority sectors is both reasonable and feasible, but that it represents the outer limit of the reallocative possibilities in this regard which the GOC may prudently undertake. The initial 1973 GOC budget, approved by the Congress, includes increased funding for the sector, in contemplation of the loan program, thus lending confidence to the GOC's commitment and desire to fund adequately the expanded activities.

C. Duration of the A. I. D. Commitment To The Colombian Health Program

As previously noted, the GOC has formulated an initial three-year (1973-1975) program in support of its current public health policy. Its formal request for an A. I. D. health sector loan proposed that A. I. D. 's commitment to the program extend through the three-year period, for a total of \$35 million. It is a coherent program for which multi-year financing is logical. Therefore, in preparation of the CAP, the Mission considered whether to recommend a three-year authorization for the full amount requested, and discussed the issue with responsible

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GOC officials. The latter reiterated their preference for a \$35 million sector loan to be disbursed during 1973-75; however, they expressed understanding and acceptance of the Mission's reasoning for proposing an initial two-year authorization for 24.8 million, with an additional loan to be considered depending on loan utilization and general Colombian performance. The major factor of that rationale is as follows:

Although the initial three-year program is a well-designed continuum, it contains elements which will be the subject of intensive quantitative analyses in the 1973-74 period. Such analyses will yield data on cost-effectiveness which may lead to refinement or modification of health delivery systems. These could thus reasonably begin to be reflected in any 1975 program. Accordingly, we consider it prudent to await the results of the analyses in order to present any 1975 program segment with such refinement as it may be suitable to introduce, and to propose financing that segment through an amendment to the present loan. The 1973-74 policy and program are considered to be justifiable on their own merits; they constitute an integral package within which a two-year A. I. D. commitment would be conducive to more efficient use of commingled resources and to fulfillment of the increased self-help which the GOC has proposed in its loan request to A. I. D.

#### D. Institutional Capability

The current capabilities of the agencies which will implement the sector program have been analyzed in the Health Sector Strategy and Analysis Document. It is the Mission's conclusion, confirmed by AID/W and contract TDY consultants, that five of the six agencies are currently capable of expanding their operations sufficiently to carry out the planned activities. The sixth agency, the National Hospital Fund (FNH), will require outside technical assistance in order to fulfill its role in the Plan. Such assistance appears to be readily available. Appropriate arrangements for technical assistance and staffing for the FNH will be a condition precedent to disbursement to FNH. Moreover, A. I. D. will require the FNH to define its additional needs in terms of staffing prior to signing of the Loan Agreement. It is anticipated that this will be done in further coordination with A. I. D. experts made available by Washington. As a condition precedent to disbursement, then, A. I. D. will require that the staff be employed in the agreed-upon

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amount, which should suffice to ensure the FNH possesses the necessary capability to manage the program.

E. Composition of A. I. D. Input

Some minor adjustments have been made in the original request that have changed the impact of A. I. D. 's assistance. In particular A. I. D. 's support for hospital construction and geriatric facilities was decreased in order to shift some A. I. D. support to the nutrition and welfare programs of ICBF. Because funds are commingled within agencies, the Mission has sought to ensure that all the activities of the sector program are feasible and consistent with the overall objectives of the sector strategy and A. I. D. 's assistance to it. It is believed that the 1973 and 1974 programs in their entirety have been improved by the adjustments made and that the program parts and whole reasonably meet established social and economic criteria for development assistance.

F. Requirements for Further A. I. D. Support

Colombia seeks international collaboration, not autarky, in the reform and development of its health services. We expect, therefore, that it may "require" (because it will desire) continued availability of certain external inputs (technology, equipment, advice) beyond 1975. Financing for such inputs will have to be elicited from among various sources, e. g. , direct Colombian procurement, suppliers' credits, commercial banks, and bilateral or multilateral loans or grants. At the same time, given the innovative character of the Colombian health policy, Colombia is itself likely to become an important source of experience in more efficient forms of public health services delivery, thereby offering something (aside from development progress and the repaying of loans) of substantial value in return for external assistance.

The GOC has not yet formulated an external borrowing program beyond 1975; thus, it is not known whether U. S. Government financing will be sought for elements of the Colombian health program at that time. Should requests be forthcoming, we expect that they will need to be considered in the light of their merits and of prevailing macro-economic factors, foreign assistance availabilities, etc.

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Meanwhile, the current health program is highly defensible on its merits. In addition to significant expansion of direct benefits, it is intended to restructure the pattern and priorities of public health investment to serve the goals of policy. That process, though still in flux by 1975, will be solidly initiated and substantial progress achieved; this, per se, would justify A. I. D. 's participation in it. In short, the Mission considers that a two or three-year program, as designed, is intrinsically justifiable, without reference to possible external requirements beyond 1975. As noted above, certain kinds of foreign inputs most probably will continue to be needed, but the sources of their financing can not and need not be determined at this time.

G. Coherence of Colombian Health Policy, Strategies, and Programs

This is a critical question because (in the GOC's own words) "the country has had an uncoordinated health system, with a fragmentation of resources, an atomization of activities, a lack of unity in general planning and formation of human resources, and, consequently, a narrow range of coverage of the population." Thus, whatever the rhetoric of previous health policy, "actual policy" was merely the sum of unrelated or poorly articulated pieces of health activity. The major current objective of the GOC is to reverse that process by promulgating a clear public health policy, devising strategies to move toward policy goals, designing programs to implement the strategies, and allocating resources to assure execution of the programs. In brief, it is a matter of better allocation of investment funds to rational priorities.

We find an acceptable and commendably high degree of coherence among Colombia's newly-developed health policy, strategies and programs. Nevertheless, considerable experimentation with and further analysis of particular strategies and activities, will be necessary to ascertain the most cost-effective system; such continuing analysis, of course, is an important part of the GOC's program, and will become a specific commitment in the loan.

This issue has been examined at length in the Mission's Health Sector Analysis (pp. 265-348). Those desiring to pursue the question in greater detail are invited to examine this analysis.

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H. Justification of the Hospital Construction Component of the Program

The major justification for the hospital construction component of the program is that it constitutes an essential instrument in creating the "regionalized and integrated system of health care delivery", including intensified outreach services and increased emphasis on preventive medicine and priority attention on mater/child care. Equally important, the regional hospitals, under the new policy, will be the institutions under which the direction of all public health services, prevention and curative, will be unified in order to assure that the GOC's policy and priorities are executed down the line.

We have determined that the proposed volume of new hospital construction, remodeling, and completion is in no sense excessive. Of 18 Latin American countries for which data is readily available, Colombia ranks 14th in the number of available hospital beds per capita. Moreover, given the rate of population increase, execution of the present program would leave Colombia with slightly fewer beds per capita at the conclusion of the three-year intensive effort than currently exist. However, the program will rationalize locations, types, equipment, and staffing of hospitals, significantly increase delegation of functions to auxilliary personnel, and intensify patient referral up and down the system. These innovations will improve the efficiency of hospital utilization and thereby more than compensate for the slight decline in beds per capita.

This being the case, the justification for the hospital component depends on an assessment of the feasibility and viability of the regionalized and integrated system. A careful examination of that system is contained in the Health Sector Analysis (pp.165-202). It demonstrates that the system is practicable, indeed is already functioning in various regions, and that the hospitals in the functioning systems are rapidly assuming the comprehensive role envisaged for them (as summarized above). Accordingly, we conclude that a program of hospital construction of the magnitude proposed is fully justified.

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I. Adequacy of Planning and Cost Estimates for Hospital Projects

Preliminary feasibility studies have been prepared for all of the hospital projects contemplated to be financed with commingled funds. Requirements for each hospital project have been established, considering present and forecasted population, discharge and referral rates, number of beds and percentage of coverage. From the requirements, hospital projects have been defined according to hospitals to be constructed, hospitals to be terminated, and hospitals to be enlarged or remodeled. Schedules for completion of the projects have been formulated.

A financial analysis for each of the projects has been prepared with building and operational costs estimated. A project investment budget has been compiled by aggregating the project cost estimates.

An explanation of the methodology for estimating hospital costs is provided as follows:

1. For University and Regional Hospitals, building and fixed equipment costs are based on unit costs of 3,000 pesos per square meter of floor space for a building requiring elevators or 2,500 pesos per square meter for a building without elevators. Medical equipment is estimated to cost 60 to 70% of the building and fixed equipment costs.

For example, a 200-bed University Hospital to be built with elevators at 50 square meters per bed would have 10,000 square meters of floor space. At 3,000 pesos per square meter, the building and fixed equipment costs would be estimated at 30 million pesos. Medical equipment costs at 70% of building and fixed equipment costs, would approximate 21 million pesos, giving a total estimated cost of 51 million pesos.

2. For local hospitals of 10 to 50 beds, building and fixed equipment costs are based on unit costs of 1500 pesos per square meter. Medical equipment costs are estimated at 40% of the building and fixed equipment costs.

For example, a 20-bed local hospital would have approximately 1,000 square meters of floor space. At 1,500 pesos per square meter,

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building and fixed equipment costs would be estimated at 1,500,000 pesos. Medical equipment costs at 40% of building and fixed equipment costs would approximate 600,000 pesos, giving a total estimated cost of 2.1 million pesos.

The rule-of-thumb methodology for estimating cost is simple but is considered adequate to provide a reasonably firm total estimate of the costs of the projects.

The unit costs employed in the estimates are based on experience and updated to reflect recent price rises. Moreover, according to the chief architect of the Ministry of Health, an appropriate inflation factor also has been introduced for 1973 construction cost estimates. For 1974, estimates have not yet been revised to reflect a hypothetical inflation rate. This is not considered serious, however, because Colombia has experienced relatively moderate cost rises in recent years, and with improved hospital design capability (which is one of the major commitments to be included in the loan), it is probable that unit costs of construction will be reduced, thus offsetting the impact of any general inflation in 1974.

In view of the augmentation of staff of the National Hospital Fund, and the provision of technical assistance to that organization (both required as a condition of A. I. D. 's assistance), the Mission deems that construction under the loan will be ready to commence almost immediately after disbursement, and thus the funds made available by A. I. D. will be utilized in a timely manner.

Based on what is considered to be sufficient preliminary technical and financial analysis, the Mission considers the provisions of 611 (a) have been adequately fulfilled for the contemplated assistance to sub-implementing agencies, including the Fondo Nacional Hospitalario.

CHECKLIST OF STATUTORY CRITERIA

(Alliance for Progress)

The following abbreviations are used:

- FAA - Foreign Assistance Act of 1961, as amended.  
App. - Foreign Assistance and Related Agencies Appropriations Act, 1971.  
MMA - Merchant Marine Act of 1936, as amended.

COUNTRY PERFORMANCE

Progress Towards Country Goals

1. FAA § 208; § 251(b)

A. Describe extent to which country is:

1. Making appropriate efforts to increase food production and improve means for food storage and distribution.

Colombia is making appropriate efforts through its Office of Agricultural Planning, Institute of Agricultural Marketing, Institute for Development of Natural Renewable Resources, and the Colombian Agricultural Institute. These efforts are more fully described in Parts One and Two of the FY 1972 Agricultural Sector Loan Paper.

2. Creating a favorable climate for foreign and domestic private enterprise and investment.

With respect to domestic private investment a favorable climate has been maintained and investment continues at a respectable rate. With respect to foreign private investment, some enterprises, which might possibly fall within the restrictive provisions of the Andean Code, may

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have been deterred by the uncertain legal status of the treaty of Cartagena and the Andean Code from investing in Colombia; but the amount of investment, if any, so deterred is a matter of speculation.

3. Increasing the public's role in the developmental process.

The public's role in the development process is clearly being increased, as witnessed by the programs instituted by the Colombian Government under this loan (See Section III C) and other programs also assisted by A. I. D. loans, entailing substantial increases in the financing of education and of credit to small and medium-sized farmers.

4. (a) Allocating available budgetary resources to development.

The Mission has concluded that Colombia's investment in the four crucial sectors of the economy concerned with overall development is both "reasonable and feasible" [ see Section VII (2) ]

(b) Diverting such resources for unnecessary military expenditure and intervention in affairs of other free and independent nations. (See Item No. 16).

It is considered that some expenditure for modernization of Colombia's armed forces is justifiable.

Colombia is not intervening in the affairs of other free and independent nations.

5. Willingness to contribute funds to the project or program.

In order to match the \$24.8 million dollars made available under the proposed loan, the government of Colombia is contributing approximately \$100 million dollars.

6. Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.

Colombia, with the assistance of the Mission, has embarked on a program of substantially improving tax collection procedures, which has resulted in increased fiscal revenues (see Section III A). Colombia's program of land reform is discussed in detail in Parts One and Two of the 1972 Agricultural Sector Loan Paper. The development plans of the GOC recognize the importance of individual initiative and private enterprise. Individual freedom, freedom of press, speech and religion continue.

7. Adhering to the principles of the Act of Bogotá and Charter of Punta del Este.

Colombia is adhering to the principles of the Act of Bogotá and the Charter of Punta del Este.

8. Attempting to repatriate capital invested in other countries by its own citizens.

Under the 1967 Foreign Exchange Statute, Colombian nationals were to repatriate demand and time deposits by mid-1967, upon their sale, and no Colombian national was to invest abroad without the prior approval of the Department of Planning. During 1967 it is estimated that up to \$50 million was repatriated. No data are available for later periods.

9. Otherwise responding to the vital economic, political, and social concerns

of its people, and demonstrating a clear determination to take effective self-help measures.

The GOC is undertaking effective self-help measures in response to vital concerns of its people.

- B. Are above factors taken into account in the furnishing of the subject assistance?

Yes.

Treatment of U. S. Citizens

2. FAA §. 620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U. S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?

According to the best information available, Colombia is not known to be so indebted.

3. FAA §. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U. S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

No such action is know to have been taken.

4. FAA §. 620(o). Fishermen's Protective Act. § 5. If country has seized, or imposed any penalty or sanction against, any U. S. fishing vessel on account of its fishing activities in international waters.

Apart from an incident which occurred in 1967, which was satisfactorily resolved, no such seizure, penalty or sanction has occurred.

a) Has any deduction required by Fishermen's Protective Act been made?

N. A.

b) Has complete denial of assistance been considered by A. I. D. Administrator?

N. A.

Relations with U. S. Government and Other Nations

5. FAA §. 620(d). If assistance is for any productive enterprise which will compete in the U. S. with U. S. enterprise, is there an agreement by the recipient country to prevent export to the U. S. of more than 20% of the enterprise's annual production during the life of the loan?

Loan funds will not finance the construction or operation of any productive enterprise which will compete with U. S. enterprise.

6. FAA §. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action, of U. S. property?

Colombia is taking adequate measures to prevent the damage or destruction by mob action of U. S. property.

7. FAA §. 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the A. I. D. administration within the past year considered denying assistance to such government for this reason?

The GOC signed an investment guaranty bilateral agreement in 1963, and has cooperated in implementing the guaranty program to date. However, the agreement has not been ratified by the Colombian Congress. For this reason, the "Administrator's Determination" under which the program has operated was not renewed upon its expiration on December 31, 1970. OPIC currently is studying the question of whether to continue the program in Colombia. Pending this study, the Mission recommends against denying assistance.

8. FAA §. 620(q). Is the government of the recipient country in default on interest or principal of any A. I. D. loan to the country?

No such default exists.

9. FAA §. 620(t). Has the country severed diplomatic relations with U. S. ? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

Colombia has not severed diplomatic relations with the United States.

10. FAA §. 620(u). What is the payment status of the country's U. N. obligations? If the country is in arrears, were such arrearages taken into account by the A. I. D. Administrator in determining the current A. I. D. Operating Year Budget?

Colombia is not delinquent with respect to dues, assessments or other obligations to the U. N.

11. FAA §. 620(a). Does recipient country furnish assistance to Cuba, or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba?

Colombia does not furnish assistance to the present Government of Cuba. Colombia has taken appropriate steps to prevent ships or aircraft under its registry from engaging in any Cuban trade.

12. FAA §. 620(b). If assistance is to a government, has Secretary of State determined that it is not controlled by the international Communist movement?

The Secretary of State has determined that Colombia is not controlled by the international Communist movement.

13. FAA §. 620(f). Is recipient country a Communist country?

No.

14. FAA §. 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the U.S. or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression?

No.

15. FAA §. 620(n). Does recipient country furnish goods to North Vietnam or permit ships or aircraft under its flag to carry cargoes to or from North Vietnam?

To the best of our knowledge, no Colombian ships or aircraft trade with North Vietnam.

16. FAA §. 481. Has the government of recipient country failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U. S. Government personnel or their dependents, or from entering the U. S. unlawfully?

The Government of Colombia has been made aware of the problem of narcotic drug trafficking and has initiated measures designed to inhibit such trafficking. The President has designated the Minister of Justice as overall coordinator. The Procurador General also has oversight responsibility through the Judicial Police. Seizures of narcotic drugs in the past twelve months have been substantially above earlier periods. The GOC has sponsored or participated in a number of inter-governmental, intragovernmental and public/private seminars, which have served to increase awareness generally and improve technical capacity of law enforcement officials. Staff of control agencies are being trained in narcotics interdiction. Assistance and advice of the USG in these respects has been solicited, provided and utilized.

#### Military Expenditures

17. FAA §. 620(s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).

(a) Military Expenditures as percent of total budget: In CY 1971 10.4 percent of appropriated funds. In CY 1972 11.1 percent of approved budget; actual expenditures 10.5% of appropriated funds. In CY 1973 it has been proposed that 9.2% of the budget go to the Ministry of Defense (including police forces).

(b) Foreign Exchange Expenditures for Military Equipment: In CY 1971 the GOC assumed commitments for foreign exchange expenditures of US\$91 million. Given that most of the acquisitions are being financed with credit over 8 to 10 years, actual appropriations for foreign exchange expenditures in 1971 were US\$9 million. In 1972, foreign exchange expenditures did not exceed \$10 million dollars, a figure which is expected to be repeated in 1973.

(c) Foreign Exchange Expenditures for Sophisticated Weapons: Of the foreign exchange totals above, the following are the amounts related to purchase of sophisticated weapons, i. e., Mirage jets; 1971 - commitments of US\$41 million and actual expenditures of US\$8 million; 1972 no new commitments and actual expenditures of US\$8 million. In 1973 the Mission anticipates no new commitments and estimated actual expenditures of US\$7 million.

## CONDITIONS OF THE LOAN

### General Soundness

18. FAA § 201(d). Information and conclusion on reasonableness and legality (under laws of country and the United States) of lending and re-lending terms of the loan.

The terms of the proposed loan are consistent with the laws of Colombia and the United States and are not excessive or unreasonable for the Borrower. [ see Section IV D(1) and (2) ]

19. FAA § 251(b)(2); § 251(e). Information and conclusion on activity's economic and technical soundness. If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds

\$100,000, has country submitted to A. I. D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

The project is economically and technically sound. The GOC has submitted an application for the proposed loan and the Mission has been provided sufficient information and assurances to indicate reasonably that the funds will be used in an economically and technically sound manner.

20. FAA § 251(b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.

The terms of the proposed loan are such that there are reasonable prospects for its repayment. (Section IV D, 4.)

21. FAA § 611(a)(1). Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the United States of the assistance?

Yes. See Section VII (9) for a full discussion of the adequacy of planning and cost estimates.

22. FAA § 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purposes of loan?

No further legislation is required except for the yearly Budget Law which is normally approved by the end of each CY. Based upon past performance, there are reasonable expectations that the necessary Budget Laws will be enacted and that the law or amendments thereto will contain the amounts scheduled to be contributed by the GOC.

23. FAA § 611(e). If loan is for Capital Assistance, and all U. S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

Yes. See Director's Certificate in this Annex.

24. FAA § 251(b). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States.

The IBRD, IDB and Eximbank have been advised of this proposed loan and have indicated that they are not interested in financing this program [see Section IV D(3)]. The sector loan is not suitable for financing by private financial institutions.

Loan's Relationship to Achievement of Country and Regional Goals

25. FAA § 207; § 251(a). Extent to which assistance reflects appropriate emphasis on: (a) encouraging development of democratic, economic, political, and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs, or (e) other important areas of economic, political, and social development, including industry; free labor

unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws.

a) The regionalized hospital scheme, bringing adequate health care to a substantially larger portion of the populace, is clearly a reflection of Colombia's determined emphasis on building democratic social institutions (see also Section IIIC).

b) One of the largest programs to be financed hereunder, entailing a large contribution by the Government, is prevention (nutrition, maternal-child care) which contemplates augmented food contributions by Colombia (see Section IIA).

c) Training of medical and para-medical personnel is a large component of the loan (see Section IIA).

d) The Mission believes that the program is competently designed to this end [see Section VII (7)].

e) A primary purpose of the loan is improved planning and administration. In addition, trained graduates at all levels will have an eventual impact on most other areas mentioned.

26. FAA § 209. Is project susceptible of execution as part of regional project? If so why is project not so executed?

The proposed loan project is not susceptible of execution as part of a regional project.

27. FAA § 251(b)(3). Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to realizable long-range objectives.

A healthy population is, of course, essential in order to achieve any long-range development objective. The loan activities relate directly to and are consistent with other sectoral and specific development activities contained in the overall Colombia 1972-74 Social and Economic Development Plan and will contribute to realizable long-range objectives by encouraging the GOC to take planning and administrative measures which will improve its action in the health sector. The loan program is consistent with recommendations of the Consultative Group for Colombia as expressed most recently on February 29, 1972. (See Section III E)

28. FAA § 251(b)(7). Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth.

See comment under Item 27.

29. FAA § 281(a). Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions.

Section III D hereof outlines the expected impact of the program on the people of Colombia, and concludes that it will increase participation by the populace in the development process. The hospitals to be financed hereunder are to be local governmental institutions.

30. FAA § 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in

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governmental and political processes essential to self-government.

Section I A of this loan paper describes the need for improving health in Colombia. A portion of the funds made available under the loan will be used to train governmental personnel concerned with health planning and medical and para-medical personnel, which will serve to encourage institutional development.

31. FAA § 601(a). Information and conclusions whether loan will encourage efforts of the country to:

a) Increase the flow of international trade;

The loan will increase the flow of international trade by making free dollars available to the GOC with which it can continue a substantial importation of necessary goods. (See Section III A).

b) Foster private initiative and competition;

The loan will foster private initiative and competition by making possible the continued importation of goods needed to strengthen the private sector's productivity, and by supporting the GOC's development plans which contain many measures designed to stimulate private initiative.

c) Encourage development and use of cooperatives, credit unions, and savings and loan associations;

N. A.

d) Discourage monopolistic practices;

N. A.

e) Improve technical efficiency of industry, agriculture, and commerce;

N. A.

f) Strengthen free labor unions.

N. A.

32. FAA § 619. If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?

N. A.

33. FAA § 251(h). Information and conclusion on whether the activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its annual review of national development activities.

The proposed loan is consistent therewith.

34. FAA § 251(g). Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America.

N. A.

35. FAA § 209; § 251(b)(8).

Information and conclusion whether assistance will encourage regional development programs, and contribute to the economic and political integration of Latin America.

The loan has no direct bearing on achieving economic and political integration throughout Latin America.

Loan's Effect on U. S. and A. I. D. Program

36. FAA § 251(b)(4); § 102. Information and conclusion on possible effects of loan on U. S. economy, with special reference to areas of substantial labor surplus, and extent to which U. S. commodities and assistance are furnished in a manner consistent with improving the U. S. balance of payments position.

The Mission does not contemplate any adverse effect on U. S. economy. (See Section III B).

The Borrower will be authorized to procure \$1 million dollars worth of vehicles with loan dollars in the U. S. , which is consistent with improving U. S. balance of payments position.

37. FAA § 601(b). Information and conclusion on how the loan will encourage U. S. private trade and investment abroad and how it will encourage private U. S. participation in foreign assistance programs (including use of private trade channels and the services of U. S. private enterprise).

It is anticipated that a substantial part of the dollars expended under this loan to purchase local currency will return to the U. S. in payment for U. S. exports to Colombia. (See Section III B).

38. FAA § 601(d). If a capital project, are engineering and professional services of U. S. firms and their affiliates used to the maximum extent consistent with the national interest?

Comingled peso funds under the loan will be utilized to obtain certain engineering and professional services under the loan in connection with the hospital building program. It is anticipated that, with the possible exception of assistance in specialized hospital design, architectural and engineering services required will be provided by Colombian professional firms, the competence of which is considered to be fully adequate. The use of Colombian firms in this regard is deemed consistent with the national interest of the United States, for the United States, over the past several years, has made a strong effort to strengthen local engineering and other professional firms in Latin America, towards the end that eventually the various countries in the region will become less dependent upon external financing. Thus, it is felt that a long-range objective of U. S. policy in the areas is being served by encouraging the utilization of local professional firms. Moreover, the Colombian government has requested and will receive assistance from the Pan American Health Organization in overall planning, administration and implementation of the construction program.

39. FAA § 602. Information and conclusion whether U. S. small business will participate equitably in the furnishing of goods and services financed by the loan.

See Section VI (6).

40. FAA § 620(h). Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries?

No.

41. FAA § 621. If Technical Assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and profess-

ional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.

See Item 38 above. Technical Assistance to be financed under the loan will be provided, to the maximum extent feasible, by private enterprise on a contract basis.

42. FAA § 252(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.

See Item 37 above.

Loan's Compliance with Specific Requirements

43. FAA § 201(d). Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter?

Yes.

44. FAA § 608(a). Information on measures to be taken to utilize U. S. Government excess personal property in lieu of the procurement of new items.

The loan agreement will contain a provision enjoining Borrower to use U. S. excess property under appropriate circumstances.

45. FAA § 604(a). Will all commodity procurement financed under the loan be from the United States except as otherwise determined by the President?

Yes.

46. FAA § 604(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U. S. market price?

N. A.

47. FAA § 604(d). If the cooperating country discriminates against U. S. marine insurance companies, will loan agreement require that marine insurance be placed in the United States on commodities financed by the loan?

Goods to be financed under the proposed loan will be purchased on a CIF basis with the responsibility for the purchase of marine insurance being left to the exporter. The loan agreement will contain such a clause.

48. FAA § 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?

N. A.

49. FAA § 611(b); App. § 101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962?

N. A.

50. FAA § 611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable?

Colombian law so requires.

51. FAA § 620(g). What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property?

The loan agreement will not permit such use.

52. FAA § 612(b); § 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services.

The GOC is financing the major portion of the cost of the program for which this loan is made; this financing includes the cost of contracting and other services. No U.S.-owned foreign excess currency is available for these purposes.

53. App. § 104. Will any loan funds be used to pay pensions, etc., for military personnel?

No.

54. App. § 106. If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms?

The loan finances part of the GOC program in the health sector. The contracting procedures and criteria for selection of contractors of various governmental agencies operating in this sector are approved by A.I.D.

55. App. § 108. Will any loan funds be used to pay U.N. assessments?

No.

56. App. § 109. Compliance with regulations on employment of U. S. and local personnel for funds obligated after April 30, 1964 (A.I.D. Regulation 7).

N. A.

57. FAA § 636(i). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction?

The anticipated purchase of vehicles under the loan shall be carried out in accordance with the provisions of Section 636(i) FAA.

58. App. § 501. Will any loan funds be used for publicity or propaganda purposes within the United States not authorized by the Congress?

No.

59. FAA § 620(k). If construction of productive enterprise, will aggregate value of assistance to be furnished by the United States exceed \$100 million?

N. A.

60. FAA § 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release?

No.

61. MMA § 901.b. Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U. S. -flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.

The loan agreement will contain a provision in compliance with this requirement. [see Section VI (7)]

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ANNEX I

Exhibit 2

CERTIFICATION PURSUANT TO SECTION 611(e)  
OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

SUBJECT: COLOMBIA - Capital Assistance - Health Sector Loan

Having taken into account, among other things, the maintenance and utilization of projects in Colombia previously financed or assisted by the United States, I certify hereby that in my judgment Colombia has the financial capability and the human resources (when supplemented by the specific external technical assistance to be required under the proposed loan) to maintain and utilize effectively the proposed Health Sector Loan.

This judgment is based primarily on the facts developed in the Capital Assistance Paper for the proposed loan of \$24.8 million, A. I. D.'s analysis and evaluation of the Colombian Health Sector contained in the document entitled "Health Sector Analysis", completed in December, 1972, and the manner in which the various Colombian government agencies scheduled to receive funds under the loan have utilized resources provided by the United States Government on prior occasions.



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Marvin Weissman  
Mission Director

*December 28, 1972*

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Date

I. DESCRIPTION OF PROGRAM

A. Background and Objectives

The Government of Colombia has undertaken to carry out an expanded health sector investment program which, during 1973 and 1974, is designed to accomplish the goals and objectives set forth in Document DNP-878..UINF, dated May 26, 1972. The overriding goal of the program is the provision of public health services to an increasingly large proportion of the Colombian population until, by phases, the coverage is extended eventually to the totality of Colombians who use the public health system. In pursuit of this goal, the following components of the program will be implemented.

1. Regionalization and Integration of the Health Delivery System

Broadened coverage will be achieved both by expanding the public health system and increasing its productivity through the regionalization and integration of the health delivery system. Regionalization will unify the direction, planning and management of all health services, preventive and curative; provide for increased delegation of functions down through the various levels of the stratified system; extend the use of para-medical personnel; intensify referral of patients up and down the system for treatment at the most appropriate facility; increase the flow of guidance, technical assistance, supervision, and evaluation from higher to lower levels; and rationalize the location, use and staffing of health institutions within each region.

2. Human Resources Training

The quantity and quality of professional and auxiliary personnel and their efficiency will be increased through a planned training and placement program including revised curricula, increased incentives and greater delegation of functions. The training program will emphasize the need for and means of delegating more functions to para-medical personnel.

3. Research

Priority will be given to operational and applied bio-social research to assist health planners develop and support programs which effectively and efficiently broaden the impact of the health system.

4. Construction

In support of the regionalized delivery system, hospitals and health posts will be constructed (or construction underway will be completed).

according to established priorities, through a strengthened single mechanism for channelling funds, and planning, designing, and supervising implementation of the National Hospital Plan.

5. Intra- and Intersectoral Coordination

Effective mechanisms of coordination will be created for intra- and intersectoral coordination, especially among programs of nutrition, maternal/child care, health education, urban development and rural sanitation.

B. Implementing and Sub-Implementing Agencies and The Activities for Which Each is Responsible Are as Follows:

1. Ministry of Health

- a) Training
- b) Improvement of planning
- c) Other

2. SEM

- a) Malaria, yaws, yellow fever
- b) Immunization
- c) Polio/measles
- d) V. D. control

3. INPES

- a) Research
- b) Rural Sanitation
- c) Other

4. FNH

- a) Construction
- b) Equipment
- c) Other

5. ICBF

- a) Treatment of minors
- b) Family welfare/nutrition
- c) Administration

The amount of pesos shown as loan proceeds and designed for use by the Implementing and Sub-Implementing Agencies are approximations only, and are subject both to the dollar limitations set forth in Section 1.02 of this Agreement and those provisions governing the rate of exchange contained in Section 7.02 hereof. Moreover, pesos scheduled for disbursement in a given calendar year pursuant to the provisions of this Annex may be disbursed in subsequent calendar years in accordance with the needs of the Program.

C. Ministry of Health

1. Financial Target

To make available for expenditure by the MINHEALTH, in 1973 and 1974, the following amounts, to be financed as follows:

<u>Source of Funds</u>	(Millions of Current Pesos)	
	<u>1973</u>	<u>1974</u>
Borrower (ordinary resources) <sup>1/</sup>	142.3	235.8
A. I. D.	<u>35.1</u>	<u>74.4</u>
Total	177.4	310.2

2. Activity Target

The program calls for the expenditure of commingled funds in approximately the amounts shown:

	(Millions of Current Pesos)	
	<u>1973</u>	<u>1974</u>
1. Training	93.5	108.5
2. Improvement of Planning	18.2	23.4
3. Other	<u>24.8</u>	<u>123.4</u>
Total	136.5*	260.3*

<sup>1/</sup> Includes, from the UNDP, 6.9 million pesos in 1973 and 3.9 million pesos in 1974.

\* Activity targets do not include Col. \$41.0 in 1973 and Col. \$50.0 in 1974 which the Minhealth will devote to the Maternal/Child Care Program from GOC resources exclusively.

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Not later than March 31, 1973 the DNP and the Ministry of Health will complete and provide to A.I.D. the basic design and implementation plan for a quantitative analysis of the Colombian health sector.

The analysis will seek to improve the bases for refinement or modification of health strategy by providing quantified estimates or projections of the cost-effectiveness of existing and alternative strategies, programs, and activities.

D. Training

Funds allocated for this activity are to be used to increase the availability of medical, auxiliary, administrative and general services personnel for Colombia's public health system. Sub-projects will provide post-graduate training for medical specialists in public health, in clinical sciences and in the teaching of basic sciences; training of additional auxiliary personnel in nursing, dentistry, sanitation, statistics and administration; training of additional maintenance and general services personnel and hospital administrators; upgrading of skills of professional and auxiliary personnel, and expansion of the activities of the National School of Public Health. Particular attention is to be given to training which will facilitate delegation of functions within the regionalization scheme. The training program, together with university and private efforts, is expected to produce, by 1975, additional trained personnel for the public health system in approximately the following numbers:

<u>Type</u>	<u>Number to be Trained</u>
Health Planners	65
Medical Doctors	1,549
Public Health Doctors	60
Public Health Nurses	60
Professional Nurses	630
Auxiliary Nurses	6,012
Health Promoters	7,000
Sanitary Engineers	75
Sanitary Promoters	1,200
Dentists	824
Public Health Dentists	607
Equipment Maintenance Personnel	150

Not later than March 31, 1973, the Ministry of Health, in coordination with DNP, will complete and provide to A. I. D. a schedule of training courses, a description of arrangements which it will effect for this training, and a plan of the numbers of persons in each specialty who are to be trained during 1973 and 1974. The plan will be based on a reassessment of the

possibility of accelerating the output of previously planned activity levels, especially those relating to auxiliary personnel. As a supplement to this plan, by September 30, 1973, the Ministry, in coordination with DNP, will have surveyed the conditions of the various schools of auxiliary nursing and will have identified needs for improving curricula and budgets, and recruiting and placing students. This study will contain a time-phased plan of action for meeting these needs.

The Ministry of Health will provide foreign post-graduate training for health sector professional personnel through non-budget resources made available by international agencies on grant and/or loan basis. Prior to June 30, 1973, the Ministry of Health will complete and provide to A.I.D. a study of the needs for foreign post-graduate training of health sector personnel, together with a schedule of proposed training and the criteria by which candidates for training are to be selected.

In addition, not later than June 30, 1973, the Ministry of Health shall have designed and initiated implementation of: (1) one or more pilot experimental systems of personnel placement which employ special incentives to assure the adequate staffing of all health institutions consistent with the regionalization scheme, and (2) a pilot program incorporating the use of empirical midwives ("comadronas") in the delivery of health care services at the local and rural levels.

#### E. Improvement of Planning

Funds allocated for this activity are to be used to finance expanded operations, staff and equipment of the Ministry of Health Planning Office. The Planning Office will design an improved information system, provide training courses for approximately 50 hospital auxiliary personnel annually in the application of the system and provide basic office equipment for statistical tabulations in 31 sectional health offices; design and implement improved administrative procedures, including standardized procurement, contracting, personnel training and financial procedures, and design and implement improved planning, coordination and evaluation mechanisms for the sector.

Not later than March 31, 1973, the Ministry of Health, in coordination with DNP, will develop and provide to A.I.D. specific plans of action by which the stated strategy of strengthening the capabilities of the Planning Office of the Ministry of Health is to be implemented. Specific consideration will be given to expanding the capacities of the Planning Office and the Division of Medical attention in order to assure their capability to evaluate progress in implementing the regionalized, integrated system throughout the country, to identify bottlenecks and to plan and supervise mechanisms for accelerating the regionalization process.

Not later than May 31, 1973, the Ministry of Health and the DNP will develop a series of not less than ten major indicators of general health and progress in instituting the regionalized health services delivery system. The Ministry will provide A.I.D. with periodic reports relating to the achievement of sector goals; the reports shall incorporate the progress indicators.

Not later than June 30, 1973, the Ministry of Health will complete and provide to A.I.D. the following studies and plans:

1. A study of the methods, quantity, and quality of supervision actually being carried out at the several levels of the regionalized system. The study will include recommendations for improving the quality of supervision and plans for incorporating recommended changes in training of supervisors and in administrative procedures of health institutions.

2. The "Experimental Study of Health Services", which reviews delegation of functions in three areas of Colombia. In the event that the training manuals prepared for this study are proven effective, the Ministry will undertake reproduction of the manuals and distribution of them to all relevant agencies.

3. A study of health institution equipment and supply requirements, the role of CORPAL<sup>1/</sup> in satisfying those needs, and user satisfaction with the existing system. The study preferably will be undertaken by a consultant or consulting firm. It will include analysis of the organization of CORPAL, its administrative procedures, its financial operations and recommendations for improvement. The Ministry's submission of the study to A. I. D. will include a plan of action based on the recommendations of the study.

4. Standardized procedures for the referral of patients within the regionalization scheme will have been developed and promulgated throughout the national public health system.

5. A survey of several of the initiatives in the country which have stimulated greater levels of community participation in the organization and management of local level health services or the divulgation of health education. Specific attention will be given to the methodology and relative success of the INPES basic Rural Sanitation Program, the activities of the Movimiento de Reconstrucción Rural and of CARITAS

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<sup>1/</sup> CORPAL is a semi-autonomous agency, attached to the Ministry of Health, which serves as a centralized hospital supply agency.

or other private agencies in the field. The study will include an evaluation of potential for including more of this emphasis in the general Ministry program and a time-scheduled plan for those actions considered feasible.

F. Malaria Eradication Service (SEM)

1. Financial Target

To make available through the National Investment Budget for expenditure by SEM, in 1973 and 1974, the following amounts, to be financed as follows:

	( Millions of Current Pesos)	
	<u>1973</u>	<u>1974</u>
Borrower (ordinary resources)	152.9	166.0
A.I.D.	<u>30.0</u>	<u>31.0</u>
Total	182.9	197.0

2. Activity Targets

This program calls for the expenditure of commingled funds in the approximate amounts shown:

	<u>1973</u>	<u>1974</u>
a) Malaria, yaws, yellow fever	97.9	112.0
b) Immunizations	40.0	60.0
c) Polio/measles	30.0	-
d) V.D. control	<u>15.0</u>	<u>25.0</u>
Total	182.9	197.0

a. Malaria, Yaws, and Yellow Fever

The funds allocated for this activity are to be used to continue and expand campaigns of control and eradication of these diseases in inhabited lowland areas of Colombia. Approximately 10 million persons will be served by the program of continued vigilance of previously endemic malaria areas, and over 2 million will be directly served by control and eradication measures in currently

endemic areas. Over 400,000 persons will directly benefit from control and eradication measures in endemic yaws areas, and over 450,000 households will benefit from aegypti control operations.

In the malaria control areas, approximately 600,000 hemetological samples will be taken annually; approximately an additional 260,000 samples will be taken annually in eradication areas. Malaria control personnel will make 1.4 million visits to 300,000 houses annually in surveillance of possible disease vector sources. Five million doses of anti-malaria drugs will be distributed annually. Approximately 550,000 houses annually will be sprayed with insecticides. In the yaws campaign, approximately 7,000 persons annually will receive medication. In the anti-aegypti campaign, approximately 450,000 houses will be sprayed three times annually.

Not later than June 30, 1973, SEM will complete and provide through DNP to A.I.D. a study of the feasibility of increasing the use of SEM personnel, especially in rural areas, in providing health education and basic health care services consistent with the current requirements of their positions.

b. Immunization

Funds allocated for this activity are to be used to raise the level of immunization against diphtheria, whooping cough, tetanus, typhus, tuberculosis and smallpox to 80% of the population. Immunization will be provided to approximately 85,000 infants and 700,000 children 1 to 15 years old each year.

c. Measles/Polio

Funds allocated for this activity are to be used to accomplish a massive vaccination campaign against measles and polio. 80% of the children between 1 and 4 years of age, approximately 3,000,000 children, are to receive vaccinations during 1973. Beginning in 1974, continued polio and measles immunization will be covered by the immunization project described in paragraph b. above.

d. V. D. Control

Funds allocated to this activity are to be used to expand public health efforts directed at controlling venereal

diseases. Diagnostic equipment is to be provided to hospitals and maternal/child care centers in order to expand blood testing facilities. In addition, drugs will be provided to units of the public health system to facilitate cure of identified V. D. cases.

O. INPES

1. Financial Target

To make available for expenditure by INPES in 1973 and 1974 the following amounts, to be financed as follows:

	(Millions of Current Pesos)	
	<u>1973</u>	<u>1974</u>
Borrower (ordinary resources)	196.5	236.5
Borrower (other resources)	42.0	46.0
A. I. D.	<u>87.0</u>	<u>103.0</u>
Total	325.5	385.5

2. Activity Targets

The program calls for the expenditure of commingled funds in approximately the amounts shown:

	<u>1973</u>	<u>1974</u>
1. Research	31.0	48.5
2. Rural Sanitation	240.0	275.0
3. Other	<u>54.5</u>	<u>62.0</u>
Total	325.5	385.5

a. Research

Funds allocated for this activity are to be used to support basic investigations by the INPES laboratory, "Samper Martinez," in the areas of genetics, cell biology, microbiology, bio-chemistry, epidemiology and pharmacology.

Funds are also to be used to support activities to be carried on by the INPES Division of Special Investigations, including studies on: odontological resources; smoking habits (in conjunction with the Pan American Health Organization); medical institutions and human resources, and sanitation in rural communities (in connection with the Colombian Association of Medical Faculties). In addition, INPES, in coordination with DNP, will examine the financing of health sector programs, including an analysis of the effects which patient fees have on use of health services and community attitudes toward those fees.

b. Rural Sanitation

Funds allocated for this activity are to be used to expand substantially INPES' program of financing and improving the construction and administration of water and sewerage projects in rural communities. In 1973, 161 water and 78 sewerage projects serving 400,000 persons will be completed. In 1974, 288 water and 148 sewerage projects will be completed. By 1974, it is expected that approximately 35% of the rural population will be benefitted by water and sewerage projects.

Not later than June 30, 1973, INPES will review and provide through DNP to A.I.D. planning criteria and project supervision manuals relative to disposal of sewage wastes in the sewerage systems which it finances. In addition, not later than June 30, 1973, INPES will complete and provide to A.I.D. a study of the feasibility of increasing the use of INPES personnel, especially in rural areas, in providing health education and basic health care services, consistent with the current requirements of their positions.

H. F.N.H.

1. Financial Target

To make available for expenditure by FNH in 1973 and 1974 the following amounts, to be financed as follows:

	(Millions of Current Pesos)	
	<u>1973</u>	<u>1974</u>
Borrower (ordinary resources)	113.3	178.2
Borrower (constant value bonds)	84.7	95.0
External Credit	220.0	110.0
A.I.D.	<u>82.2</u>	<u>142.0</u>
Total	500.2	525.2

Not later than September 30, 1974, the DNP and the Ministry of Health will formulate and provide A. I. D. a preliminary long-term plan for investment in physical facilities of the public health system. The plan will include financial projections, an illustrative construction schedule, and criteria for determination of types and locations of hospitals and other facilities.

b. Equipment

Funds allocated to this activity are to be used to purchase equipment for the hospitals included in the National Health Plan. Not later than March 1, 1973, FNH will develop and provide to A. I. D. a complete list of the equipment requirements of the hospitals being constructed and of the equipment being secured in 1973, together with a precise schedule of expected installation of the equipment. Not later than October 31, 1973, the same information will be provided for the equipment to be purchased during 1974.

I. ICBF

1. Financial Target

To make available for expenditure by ICBF during 1973 and 1974 the following amounts to be financed as follows:

	(Millions of Current Pesos)	
	<u>1973</u>	<u>1974</u>
Borrower (ordinary resources)	147.0	167.7
Borrower (Family Welfare Bonds)	156.0	189.0
Borrower (other resources)	130.0	143.0
A. I. D.	<u>12.9</u>	<u>6.3</u>
Total	445.9	506.0
2. <u>Activity Targets</u>	<u>1973</u>	<u>1974</u>
1. Treatment of minors	189.0	189.7
2. Family welfare/nutrition	171.9	227.3
3. Administration	<u>85.0</u>	<u>89.0</u>
Total	445.9	506.0

2. Activity Targets

The program calls for the expenditure of commingled funds in approximately the amounts shown:

	<u>1973</u>	<u>1974</u>
1. Construction	275.7	400.5
2. Equipment <sup>1/</sup>	220.0	110.0
3. Other	<u>4.5</u>	<u>14.8</u>
Total	500.2	525.3

a. Construction

Funds allocated for this activity are to be used to finance and supervise the construction of hospital and health posts facilities in furtherance of the National Hospital Plan. 112 hospital construction projects will be undertaken in 1973 and 1974, as has been detailed in the DNP document "Algunos Aspectos del Sector Salud", dated September 1972. Twenty-one of these are hospitals to be constructed, 30 are partially constructed hospitals to be completed, and 61 are hospitals to be remodeled or enlarged.

As a condition precedent to disbursement for the National Hospital Fund (Fund) the Ministry of Health will take the necessary measures to reorganize and strengthen the Fund. The reorganization will be effected according to the basic recommendations of the preliminary report of the PAHO advisory group. In addition, the following initial actions which must be satisfactory to the A. I. D. will be undertaken:

a. Arrangements will have been made for technical assistance to the Fund to supplement its manpower in the fields of engineering and specialized hospital design, create a training program for its staff and advise on long-term development; and,

b. Colombian architects and engineers will have been employed to increase the capacity of the Fund to the level required for adequate preparation, evaluation and supervision of all projects within the schedule set forth in the National Hospital Plan. The execution of the Loan Agreement will be conditioned on a plan satisfactory to A. I. D. as to the number, type and qualifications of personnel, as well as the methods of selection and timing of employment (either directly or through consulting firms).