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**UNCLASSIFIED**

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

CHILE

PROJECT PAPER

PROGRAM FOR THE IMMEDIATE IMPROVEMENT OF  
PRIMARY HEALTH CARE  
(PAAD)  
AMENDMENT 2

AID/LAC/P-796  
CR-588, 713

PROJECT NUMBER: 513-0350  
GRANT NUMBER : 513-U-601B

**UNCLASSIFIED**

**CLASSIFICATION:**

<p align="center"><b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b></p> <p align="center"><b>PROGRAM ASSISTANCE</b></p> <p align="center"><b>APPROVAL DOCUMENT</b></p> <p align="center"><b>(PAAD)</b></p>	<b>1. PAAD Number</b> 513-U-601B (Amendment 2) Program No. 513-0350	
	<b>2. Country</b> Chile	
	<b>3. Category</b> Development Assistance - Non-project	
	<b>4. Date</b> February 27, 1992	
<b>5. To</b> AA/LAC:James Michel	<b>6. OYB Change Number</b> N/A	
<b>7. From</b> LAC/DR:Peter Bloom	<b>8. OYB Increase</b>  To be taken from: N/A	
<b>9. Approval Requested for Commitment of</b> \$ 400,000		<b>10. Appropriation Budget Plan Code</b> LDHA92-35513-KG39 72-1121021.8 (248-65-513-00-53-21)
<b>11. Type Funding</b> <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	<b>12. Local Currency Arrangement</b> <input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None	<b>13. Estimated Delivery Period</b> N/A
<b>15. Commodities Financed</b>		<b>14. Transaction Eligibility Date</b> N/A

<b>16. Permitted Source</b> U.S. only	<b>17. Estimated Source</b> U.S. \$400,000
Limited F.W.	Industrialized Countries
Free World	Local
Cash \$10,100,000	Other

**18. Summary Description**  
 This amendment is to add an additional \$400,000 to the non-project sector assistance component of the amended grant, bringing the total to \$10.1 million, to assist the Government of Chile to implement its two-year Program for the Immediate Improvement of Primary Health Care. The additional \$400,000 will be added to the second tranche of the Non-Project Assistance, and will be used to encourage the GOC to implement its policy to promote a public-private partnership to expand health services to targeted populations.

<b>19. Clearances</b> DAA/LAC:AWilliams LAC/DPP:BSchouten	<b>Date</b> Draft 2/27/92	<b>20. Action</b> <input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
GC/LAC:JDovle LAC/SAM:NParker	Draft 3/5/92	
LAC/DPP:RMcClure	Draft 3/4/92	<b>Authorized Signature</b>  <b>Date</b> 6/27/92
PPC/PB:TBarker	Draft 3/20/92	
FM/A:RBonnaffon	Draft 3/24/92	
		<b>Title</b>

CLASSIFICATION

Agency for International Development  
Washington, D.C. 20523

JUN 15 1992

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, LAC

FROM: LAC/DR, Peter Bloom

SUBJECT: Second Amended Authorization of the FY 1991 Program for the Immediate Improvement of Primary Health Care for Chile (513-0350)

**Action:** Your authorization is requested to amend the \$9.7 million non-project sector assistance (NPSA) component of the subject program. The amendment will authorize an additional \$400,000, raising the current NPSA component level from \$9.7 to \$10.1 million, and the entire program total (which includes an associated \$700,000 technical assistance project) from \$10.4 to \$10.8 million. All funds are development assistance from the Section 104 (Health) account.

**Background:** The subject program was authorized by you, in two separate authorizations, on January 3, 1991 at levels of \$9.3 million for the program (cash transfer/NPSA) and \$700,000 for the accompanying technical assistance project. The \$9.3 million was to be disbursed in two tranches, contingent upon completion of a series of conditions established in the Grant Agreement signed by the Government of Chile (GOC) and the A.I.D. Representative on January 11, 1991. The Grant Agreement stipulates that dollars provided through the NPSA program must be used to finance health-related imports from the United States. Attached in Tab A are the Action Memo and the Program and Project Authorizations.

The first \$5.8 million tranche was disbursed in May, 1991, after the GOC met conditions established in the Grant Agreement. About \$US 3 million of this first tranche has been used to reimburse the GOC for U.S. imports as authorized in the original Grant Agreement. The second tranche has not yet been disbursed.

On January 21, 1991, shortly after the signing of the Grant Agreement, the Chilean Minister of Health formally requested that an additional \$800,000 be added to the NPSA component. The additional funding would encourage the GOC to implement its policy to promote a public-private partnership to expand health services to targeted populations. It was agreed that the large amount of qualifying health imports, estimated at \$US 40 million per year, would easily accommodate the additional \$800,000.

On July 31, 1991, in response to this request, you authorized a \$400,000 amendment to the Grant Agreement, bringing the total NPSA component to \$9.7 million. At that time it was agreed that the second \$400,000 amount would be authorized in FY 1992 once funds were available. Attached in Tab B are the Action Memo and PAAD facesheet authorizing the first \$400,000.

The first \$400,000 are in the process of being transferred to the MOH. The funds are being used to reimburse the GOC in a manner consistent with the process described in the Financial Procedures Annex of the original Grant Agreement, and noted below.

**Deposit and Programming of Dollars and Local Currency:** Cash transfer with dollar tracking requirements is the mode of disbursement for the NPSA program. Cash Transfer was considered preferable to a Commodity Import Program because the administrative and commodity source/origin requirements of the latter would have introduced distortions into Chile's relatively unfettered foreign exchange market. This would have been contrary to the GOC's economic policy agenda as well as USG policy objectives for the region.

Per the Grant Agreement, A.I.D. funds are controlled and processed through a financial management system incorporating the following three components: (1) an interest-bearing, non-commingled US dollar separate account for the initial deposit of A.I.D. disbursements; (2) an interest-bearing, non-commingled separate peso account for receipt of the local currency equivalent of A.I.D. dollar funds; (3) a MOH operational account for the receipt of local currency proceeds drawn from the separate peso account. Both the separate dollar and peso accounts are administered by a subsidiary of the Central Bank, BANESTADO.

A.I.D. dollar funds disbursed to the separate dollar account are converted to local currency and transferred to the separate peso account upon presentation of documents by the MOH verifying public and private sector purchases of eligible U.S. medical and health imports. Upon receipt and approval of the MOH's monthly budget requests, A.I.D. issues corresponding Project Implementation Letters (PIL) as the basis for transfers from the separate peso account to one of the MOH's designated operational accounts. USAID receives periodic certified financial reports on the uses of dollars and local currency.

As a condition precedent to disbursements, assessments were conducted to verify the soundness of the BANESTADO's and the MOH's financial management capabilities. Both were found to be satisfactory.

**Discussion:** The A.I.D. Representative in Chile has informed LAC/DR that he is ready to obligate the second \$400,000 amount, pending your authorization. This amendment will stipulate that the \$400,000 it provides will be used solely to finance government imports of eligible U.S. commodities.



Clearances:

LAC/DR/SA:OCarduner	<u>OC</u>	Date	<u>6/10/92</u>
LAC/DR/SA:CThompson	(Draft)	Date	<u>2/27/92</u>
LAC/DR:EBrineman	<u>EB</u>	Date	<u>6/5/92</u>
LAC/DR/:JEVans	<u>J</u>	Date	<u>6/10</u>
LAC/DPP:BSchouten	(Draft)	Date	<u>2/27/92</u>
GC/LAC:MWivipaldi	<u>J. DOYLE</u>	Date	<u>6/11/92</u>
LAC/DR/HPN:NStudzinski	(Draft)	Date	<u>2/27/92</u>
LAC/SAM:ADanart	(Draft)	Date	<u>2/27/92</u>
LAC/DPP:RMcClure	(Draft)	Date	<u>3/4/92</u>
PPC/PB:TBarker	(JP for in Draft)	Date	<u>3/20/92</u>
FM/A:RBonnafon	(Draft)	Date	<u>3/24/92</u>
DAA/LAC:AWilliams	<u>AW</u>	Date	<u>6/11/92</u>
SAA/LAC:KHarbert	<u>KH</u>	Date	<u>6/15/92</u>

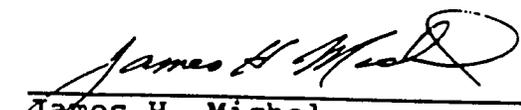
Drafter: LAC/DR/SA for Natiello: 2/27/92: DRPUB/SAM/CHILE2

PROJECT AUTHORIZATION

Country: Chile  
Project Name: Immediate Improvement of Primary Health Care  
Project Number: 513-0351

1. Pursuant to Section 104 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Immediate Improvement of Primary Health Care Project for Chile (the "Cooperating Country") involving planned obligations of not to exceed \$700,000 in grant funds in fiscal year 1991, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange costs and, to the extent permissible under A.I.D. "Buy America" policy, local currency costs for the project. The planned life of the project is two years from the date of initial obligation.
2. The project consists of support for the Cooperating Country's Program for the Immediate Improvement of Primary Health Care, which program will be partially financed by non-project assistance provided by A.I.D. Project activities will include technical assistance pursuant to buy-ins to A.I.D. centrally-funded projects, financial reviews and audits, and provision of a Program Coordinator.
3. The project agreements which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the terms and conditions stated herein, together with such other terms and conditions as A.I.D. may deem appropriate.
4. Except as A.I.D. may otherwise agree in writing, commodities financed by A.I.D. under the project shall have their source and origin in the United States or, to the extent permissible under A.I.D. "Buy America" policy, the Cooperating Country. Except as A.I.D. may otherwise agree in writing, the suppliers of commodities or services (other than ocean and air shipping) shall have the United States or, to the extent permissible under A.I.D. "Buy America" policy, the Cooperating Country as their place of nationality. Except as A.I.D. may otherwise agree in writing, ocean and air shipping under the project shall be financed only on flag vessels of the United States.

1/3/91  
Date

  
James H. Michel  
Assistant Administrator  
Bureau for Latin America  
and the Caribbean

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CLASSIFICATION

AGENCY FOR INTERNATIONAL DEVELOPMENT  PROGRAM ASSISTANCE  APPROVAL DOCUMENT  (PAAD)		1. PAAD Number 513-R-601	
		2. Country Chile	
		3. Category Development Assistance - Non-Project	
		4. Date November 16, 1990	
5. To AA/LAC: James Michel		6. OYB Change Number N/A	
7. From LAC/DR, Peter Bloom <i>Peter Bloom</i>		8. OYB Increase To be taken from: N/A	
9. Approval Requested for Commitment of \$ 9,300,000		10. Appropriation Budget Plan Code LDH091-25513-IGIS-301	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None	13. Estimated Delivery Period N/A	14. Transaction Eligibility Date N/A

15. Commodities Financed

N/A

16. Permitted Source	17. Estimated Source
U.S. only	U.S. \$9,300,000
Limited F.W.	Industrialized Countries
Free World	Local
Cash \$9,300,000	Other

18. Summary Description

This program will assist the Government of Chile (GOC) to implement its two-year Program for the Immediate Improvement of Primary Health Care. This program consists of DA Section 104 non-project assistance of \$9.3 million to be provided in two tranches (conditioned upon benchmarks and progress made in achieving outputs as specified in this PAAD) and a technical assistance project component of \$700,000 which will fund program coordination, financial reviews and audits and technical assistance. The non-project dollar funds will be used by the GOC to finance (via reimbursement) public or private sector imports from the U.S. destined for the health sector. Local currency will be generated once dollars are released from the Separate Account and will be deposited into a Special Account. Local currency will help finance short-term costs of restructuring the primary health care system, and will be managed by the Ministry of Health.

"I certify that the methods of payment and audit plan are in compliance with payment verification policy."

*[Signature]*  
LAC/Controller

19. Clearances	Date	20. Action
LAC/DPP:BSchouten <i>B.S.</i>	12/20/90	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED  Authorized Signature: <i>[Signature]</i> Date: 12/2/91 Title:
GC/LAC: PSullivan <i>PWS</i>	12/18/90	
LAC/SAM: RNelson <i>RNelson</i>	12/12/90	
LAC/DPP: CADams	12/13/90	
PPC/PE: TBarker <i>TBarker</i>	12/20/90	

AID 11-20-175-01

CLASSIFICATION

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AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, LAC

FROM: LAC/DR, Peter Bloom *PB*

JAN 3 1991 

SUBJECT: Authorization of the FY 1991 Program for the Immediate Improvement of Primary Health Care for Chile

Action: Your authorization is requested for a grant of \$10 million from the FAA Section 104 (Health) appropriation to Chile for the subject program (513-0350) and project (513-0351). It is planned that a total of \$10 million will be obligated in FY 1991.

Background: During the 1980's, Chile moved toward an open economy. In line with this goal, the military government began to privatize some social services, including part of the health care system. The GOC attempted to decentralize the remaining public system, but funding cutbacks resulted in inadequate implementation of decentralization and an inadequate supply of health care. At the same time Chile has experienced a decline in infectious disease-induced mortality and an increase in mortality due to chronic diseases.

All of these constraints (inadequate resources, incomplete decentralization and a new set of health problems) are to be addressed in the Government of Chile's two year Program for the Immediate Improvement of Primary Health Care ("the Program" or "PII/PHC"). The GOC will cover the Program's total value of \$26.7 million with \$16.7 million of its own resources and has asked the USG to contribute \$10.0 million. The Program will help to set the stage for subsequent investment by the Inter-American Development Bank (\$200 million) and the International Bank for Reconstruction and Development (\$170-\$200 million) and other donors (up to \$75.5 million) currently being proposed for the period 1991-1995.

A.I.D.'s program in support of the GOC Program calls for DA non-project assistance of \$9.3 million to be provided in two tranches and a \$700,000 technical assistance project which will finance a Program Coordinator, provide short-term technical assistance through buy-ins to A.I.D. centrally-funded projects and finance financial reviews and audits.

Conditions Precedent to the first disbursement of non-project assistance (\$5.8 million) will include four key benchmarks (see below). Accomplishment of these benchmarks is well in hand and it is expected that the first disbursement will be made shortly after the Program Agreement is signed. The second disbursement (\$3.5 million) will be made subsequent to A.I.D. determination that the GOC has progressed in implementing the Program.

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**Discussion:** Congress provided in the FY 1990 Dire Emergency Supplemental Appropriations bill that \$10 million in health development assistance should be "provided to help the newly elected government in Chile to launch a primary health care program targeted for the poor. The infusion of these funds will also help the process of consolidating democracy in Chile." The report also noted that "these funds are urgently needed to jump-start Chile's primary health care system." Given the maturity of GOC institutions, the fact that the Program is a GOC initiative which the MOH is currently implementing, and Congress's expressed wish that the funds be provided as an "infusion" to the health care system, A.I.D.'s assistance will be provided through non-project assistance (NPA), with the exception of the technical assistance which will be authorized as a project. The dollars provided in the form of non-project assistance will be used to finance imports of health-related products (except pharmaceuticals) on a reimburseable basis. Local currency generated through this assistance will be programmed for the budget of the Chilean Ministry of Health, and used to support the implementation of the GOC's Program.

**Tranching Strategy and Conditionality:** Subject to the availability of resources, \$9.3 million in FY 1990/1991 DA Health funds will be fully obligated in FY 1991 and disbursed to the GOC in two tranches. The first tranche should be disbursed soon after the Program Agreement is signed. [A Project Agreement will also be signed and the technical assistance funds will be obligated at this time.] The second tranche will be disbursed approximately one year after signing the agreement. The conditionality described below was approved by the DAEC, which met on November 5, 1990. The A.I.D. Representative will certify that conditions have been substantially met. Such a determination will be based on review of GOC reporting on progress in attaining targets, as well as a qualitative assessment of the GOC's overall progress in implementing its Program.

The first tranche of non-project assistance (\$5.8 million) will be disbursed to the GOC upon compliance with the standard conditions precedent as well as (a) establishment of a separate account and a special account for the deposit of the U.S. dollar and Chilean peso proceeds of the grant, respectively; (b) provision to A.I.D. of the procedures governing how the dollars and pesos will be handled; (c) documentation submitted to A.I.D. (i.e. a report) evidencing that the following benchmarks have been achieved:

- New Agreements will be signed between the Health Service Areas (HSAs) and Mayors in at least 85% of the priority

104 rural and 24 urban municipalities. These Agreements would reflect the agreement between these authorities and the Ministry of Health on the goals to be achieved with the increased funding available for Primary Health Care.

- Establishment of at least 11 of the 13 24-Hour Emergency Services planned for selected urban consultorios in the first phase of the PII/PHC Program.
- Extension of hours in 100% of the 38 consultorios selected to include a third shift (during the first phase of the PII/PHC Program). These extended hours will allow greater access to primary health care services by the working public.
- Hiring of at least 50% of the 28 additional medical professionals planned for the first phase of the PII/PHC Program in order to strengthen the technical supervisory capacity of the Directorates of Primary Care (DAPs) of the 18 Health Service Areas (HSAs) which contain the 104 priority rural municipalities.

Prior to the disbursement of the second tranche, tentatively scheduled to be effected by December, 1991, the GOC will have attained progress, based on joint review by GOC and AID, in implementing the Program for the Immediate Improvement of Primary Health Care. The joint review will measure progress attained in achieving the outputs described in Section V.D. "Program Outputs" of the PAAD.

Disbursement of project funds for technical assistance will be subject only to standard conditions precedent to facilitate provision of any technical assistance deemed necessary by the A.I.D./Representative prior to disbursement of program funds.

Deposit and Programming of Local Currencies: During the DAEC meeting it was decided that in order to meet the requirements of local currency guidance which is currently being prepared for approval in this fiscal year, a financial assessment should be performed as soon as possible, but in any case prior to disbursement of local currency from the local currency special account. The program grant agreement will contain a provision stipulating that disbursement of local currency from the Peso Separate Account will be conditioned on prior completion of a financial assessment of the Ministry of Public Health's budgeting and financial systems. Funds for this financial assessment will be available from the technical assistance component of the program. This assessment will reach a conclusion as to whether the GOC's budgetary systems are adequate to ensure that local currency from the Peso Separate Account will reach the designated Ministry of Health budgets.

Congressional Notification: A Congressional Notification (CN) was sent to Congress on November 19, 1990 and expired on December 3, 1990.

Delegation of Authority: The A.I.D. Representative to Chile will negotiate, execute and implement the Program Agreement and Project Agreement governing this program, in accordance with the terms of the Project Authorization and the PAAD, pursuant to Delegation of Authority No. 752.

Buy America: The attached Project Authorization designates the United States as the source and origin of commodities and the nationality of the suppliers of commodities and services. It also authorizes local cost procurement "to the extent permissible under A.I.D.'s 'Buy America' policy." We currently anticipate that local cost procurement for the project will include up to \$250,000 for technical assistance pursuant to buy-ins to A.I.D. centrally-funded projects, up to \$100,000 for financial reviews and audits, and up to \$100,000 for the Program Coordinator. Under recent guidance further clarifying the revised Buy America policy (State 410442), it appears likely that these various costs will be exempt from that policy. In the event, however, that any of these costs is determined not to be exempt, a waiver will be sought in accordance with the revised policy.

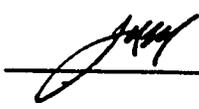
Recommendation:

A. That you sign the attached PAAD facesheet, thereby authorizing financing of up to \$9.3 million for the Program for the Immediate Improvement of Primary Health Care for Chile.

B. That you sign the attached Project Authorization, thereby authorizing financing of up to \$700,000 for the Program for the Immediate Improvement of Primary Health Care for Chile.

Attachments:

PAAD Authorization  
Project Authorization (and Project Data Sheet)  
PAAD

Approved: 

Disapproved: \_\_\_\_\_

Date: 1/3/91

Clearance:

LAC/DR/SA:PLapera	<u>PL</u>	Date	<u>12/5/90</u>
LAC/DPP:BSchouten	<u>B.S.</u>	Date	<u>12/70/90</u>
LAC/DR:JEvans	<u>J</u>	Date	<u>12/20/90</u>
LAC/SAM:JSchneider	<u>905</u>	Date	<u>12/12/90</u>
LAC/DPP:CAAdams	<u>2</u>	Date	<u>12/13/90</u>
PPC/PE:TBarker	<u>10</u>	Date	<u>12/20/90</u>
GC/LAC:PSullivan	<u>PWS</u>	Date	<u>12/18/90</u>
SA/AA/LAC:KHarbert	<u>H</u>	Date	<u>1/10/91</u>

LAC/DR/SA:PLiefert:11/12/90:3296P

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CLASSIFICATION: UNCLASSIFIED

<p>AGENCY FOR INTERNATIONAL DEVELOPMENT</p> <p>PROGRAM ASSISTANCE</p> <p>APPROVAL DOCUMENT</p> <p>(PAAD)</p>		1. PAAD Number 513-U-601A (Amendment 1) Program No. 513-0350	
		2. Country Chile	
		3. Category Development Assistance - Non-Project	
		4. Date November 16, 1990	
3. To AA/LAC:James Michel		6. OYB Change Number N/A	
7. From LAC/DR: PBloom <i>[Signature]</i>		8. OYB Increase To be taken from: N/A	
9. Approval Requested for Commitment of \$ 400,000		10. Appropriation Budget Plan Code LDHA91-35513-KG39	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None	13. Estimated Delivery Period N/A	14. Transaction Eligibility Date N/A
15. Commodities Financed			

16. Permitted Source U.S. only	17. Estimated Source U.S. \$400,000
Limited F.W.	Industrialized Countries
Free World	Local
Cash \$9,700,000	Other

18. Summary Description

This amendment is to add \$400,000 to the grant to assist the Government of Chile to implement its two-year Program for the Immediate Improvement of Primary Health Care. The additional \$400,000 will be added to the first tranche of the Non-Project Assistance, making for a total of \$9.7 million in dollar funds to finance (via reimbursement) public or private sector imports from the U.S. destined for the health sector.

19. Clearances	Date	20. Action
DAA/LAC:AWilliams <i>[Signature]</i>	5/28/91	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
LAC/DPP:BSchouten <i>[Signature]</i>	7/17	
GC/LAC:TGeiger <i>[Signature]</i>	7/9/91	Authorized Signature <i>[Signature]</i> Date 7/31/91 Title <i>[Signature]</i>
LAC/SAMINParker <i>[Signature]</i>	5/22/91	
LAC/DPP:CADams <i>[Signature]</i>	7/18/91	
PPC/PB:TBarker <i>[Signature]</i>	3/28/91 7/4/91	
LAC/DPP:BBrockie <i>[Signature]</i>	7/22/91	
FM/A.R. Bonaffion <i>[Signature]</i>		

CLASSIFICATION UNCLASSIFIED

12

Agency for International Development  
Washington, D.C. 20523

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, LAC

FROM: LAC/DR, Peter Bloom

SUBJECT: Amended Authorization of the FY 1991 Program for the Immediate Improvement of Primary Health Care for Chile (513-0350)

Action: Your authorization is requested to amend the \$10.0 million grant to Chile for the subject program. The amendment will authorize an additional \$400,000, for a program total of \$10.4 million to be obligated in FY 1991. It is planned that \$400,000 more will be authorized and obligated in FY 1992. All funds are development assistance from the Section 104 (Health) account.

Background: The subject program was authorized by you on January 3, 1991, at levels of \$9.3 million for the program [cash transfer/non-project sector assistance (NPSA)] and \$700,000 for the accompanying technical assistance project. The Grant Agreement was subsequently signed by the GOC and the A.I.D. Representative on January 11, 1991. The purpose of the Grant is to help Chile improve the quality of life of the Chilean people by supporting Chile's program to improve access to primary health care, especially of the poorest segment of the population, and to increase the capacity for health care problem resolution at the primary level. This is to be accomplished with U.S. dollars by helping to finance health-related imports from the U.S. and with local currency by contributing to the GOC program. Attached in Tab A are the Action Memo and the Program and Project Authorizations.

In a letter dated January 21, 1991, to our Ambassador in Chile (TAB B), the Chilean Minister of Health requested that \$800,000 be added to the program. The large amount of qualifying health imports, estimated at \$40 million per year during program design, would easily accommodate the additional \$800,000. The Minister of Health requested that the local currency be used to assist in carrying out a pre-school feeding program through a public/private partnership with a Chilean PVO, INTEGRA, mostly in northern Chile which has recently suffered droughts.

Discussion: The original Grant of \$10.0 million was provided to assist the GOC in its move towards democracy by "jump-starting" a major restructuring of the Chilean primary health care system. The additional funds will enhance achievement in an important policy area under the GOC's program: forging of a public-private sector partnership in pooling resources and expanding services to targeted populations. In light of this, with LAC Bureau approval, both the A.I.D. Representative and Assistant Secretary Aronson (who also received a request) responded favorably to the GOC. However, due to budget constraints this year \$400,000 will be provided in FY 1991 and it is planned that a second \$400,000

will be provided in FY 1992. Since the grant is being provided through Non-Project Sector Assistance and authorized with a PAAD facesheet, only the amount available this FY, i.e., \$400,000, not the entire \$800,000, can be authorized now.

Therefore, \$400,000 will be added to the first tranche of the cash transfer without additional conditions precedent to disbursement, for a total of \$6.2 million (from \$5.8 million) to finance health related imports from the U.S. on a reimbursable basis. Conditions for disbursement of the first tranche have been met, so the \$400,000 will be disbursed as soon as possible. The second \$400,000, planned for FY 1992, will be added to the second tranche, currently at \$3.5 million, and expected to be disbursed in early CY 1992. Conditionality will not change. As soon as funds become available in FY 1992, a PAAD facesheet will have to be executed to authorize funds.

**Congressional Notification:** A Congressional Notification (CN) at the \$10.0 million level expired on December 3, 1990. Since the additional \$400,000 is less than a 10% increase over the previously notified level, no CN or TN is required.

**Delegation of Authority:** The A.I.D. Representative in Chile will negotiate, execute and implement the amended Grant Agreement, in accordance with the amended Program Authorization (PAAD facesheet) pursuant to Delegation of Authority No. 752.

**Recommendation:** That you sign the attached PAAD facesheet, thereby authorizing additional financing of \$400,000, for a total of \$9.7 million in FY 1991 for the Program for the Immediate Improvement of Primary Health Care for Chile.

Approved: *JMM*

Disapproved: \_\_\_\_\_

Date: 7/31/91

**Attachments:**

- Tab A: Action Memo, PAAD facesheet and Project Authorization dated January 3, 1991.  
 Tab B: Letter from Minister of Health, dated January 21, 1991.

**Clearances:**

LAC/DR:EBrineman	<u>ECB</u>	Date	<u>7/11/91</u>
LAC/DPP:BSchouten	<u>Draft</u>	Date	<u>5-28-91</u>
GC/LAC:TGeiger	<u>KHansen</u>	Date	<u>7/16</u>
LAC/SAM:JSchneider	<u>Draft</u>	Date	<u>4-03-91</u>
LAC/DPP:CADams	<u>Draft</u>	Date	<u>5-28-91</u>
PPC/PB:TBarker	<u>X</u>	Date	<u>7/18/91</u>
FM/A:RBonnafon		Date	
DAA/LAC:AWilliams	<u>AW</u>	Date	<u>7/31/91</u>
SAA/LAC:KHarbert	<u>X</u>	Date	<u>7/3/91</u>

Drafter: LAC/DR/SA:pl:5-24-91:PLM PERA\DOCS\CHILEPL  
+ 7/10/91