

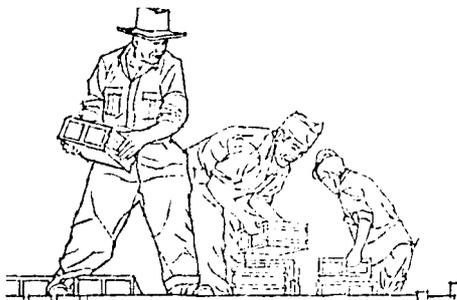
***ALLIANCE for  
PROGRESS...***  
***an AMERICAN PARTNERSHIP***





**PARTNERS IN THE ALLIANCE**

## THE SETTING



Beyond the Rio Grande River stretching southward 7,000 miles to Cape Horn lies the oldest part of the New World—Latin America.

More than 200 million people dwell in this eight-million square mile area, composed of the continent of South America, Central America, Mexico and the Caribbean Islands.

Some of them live in the shadows of mountains that are among the loftiest in the world; some in jungles that are nature's largest. Many inhabit regions where the rain never or seldom falls; others where it hardly ever stops. Millions jam burgeoning cities, but there are thousands of square miles where men have never set foot. Some of Latin America's people are among the world's most culturally advanced; a few are some of the most primitive on earth.

The 19 free republics that govern the politically independent people of Latin America range from giant Brazil, world's fifth largest in land area, to El Salvador, one of the smallest. Ethnically, the region is one of the world's most diverse, with Indians most numerous in some countries, people of African descent dominant in several, and those of European stock predominant in others. Spanish is the most common language, but Haiti speaks French; Brazil Portuguese. In large areas, only Indian dialects are heard.

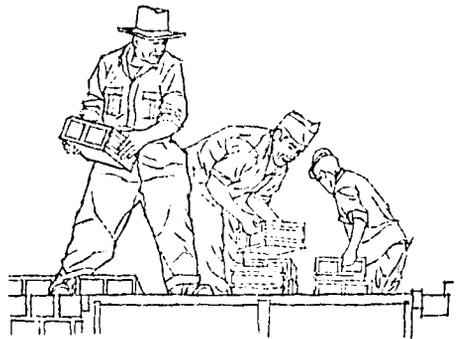
Like North America, Latin America is rich in resources. Unlike the United States and Canada, however, much of the southern hemisphere's wealth remains undeveloped. Even so, natural wealth ranges from tons of anchovies netted in the Pacific Ocean to ounces of precious metals scratched out of dusty hills; from oil that the whole world can use to chinchillas that only a few individuals can afford; from bananas and bauxite to tin and copper.

Since the days of the Conquistadors, the world has sought and bought Latin America's minerals, fruit, coffee, sugar, cotton, beef, lumber, fish, grain, rubber and cocoa. This commerce brought wealth and power for the few; peonage and poverty for the many.

The Alliance for Progress is concerned with these many—to help them build for themselves security and a better life under freedom, and by doing so, to enhance the prospects of freedom and peace for all the American peoples—North and South.

The task demands a many-sided approach, based on an appreciation of the sharp differences in physical, cultural, political and economic conditions. The solution for one country may be wrong for another; the prospects in one area could be the opposite for another; the rate of progress cannot be the same everywhere.

This complexity demands a realistic assessment of what can be accomplished by and through the Alliance. Because of the diverse nature of the region and its problems, progress can be measured only over the long term. One of the few generalizations that can be made of Latin America is that it is, in the words of President Kennedy, "the most critical area in the world today."



## THE BACKGROUND

Historically, the United States and the Latin American nations have maintained closer cultural and ideological ties with Europe than they have with each other. But over the past century, the realities of politics and economics have resulted in a greater recognition of the interdependence of north and south.

The "Good Neighbor" policy of the 1930's expressed the growing American concern with the fortunes of its southern neighbors. The establishment of the Institute of Inter-American Affairs (II-AA) in 1942 was the first organized effort by the United States to help its southern neighbors attack problems which—as World War II made clear—hurt not only Latin America, but sapped the strength of the entire hemisphere.



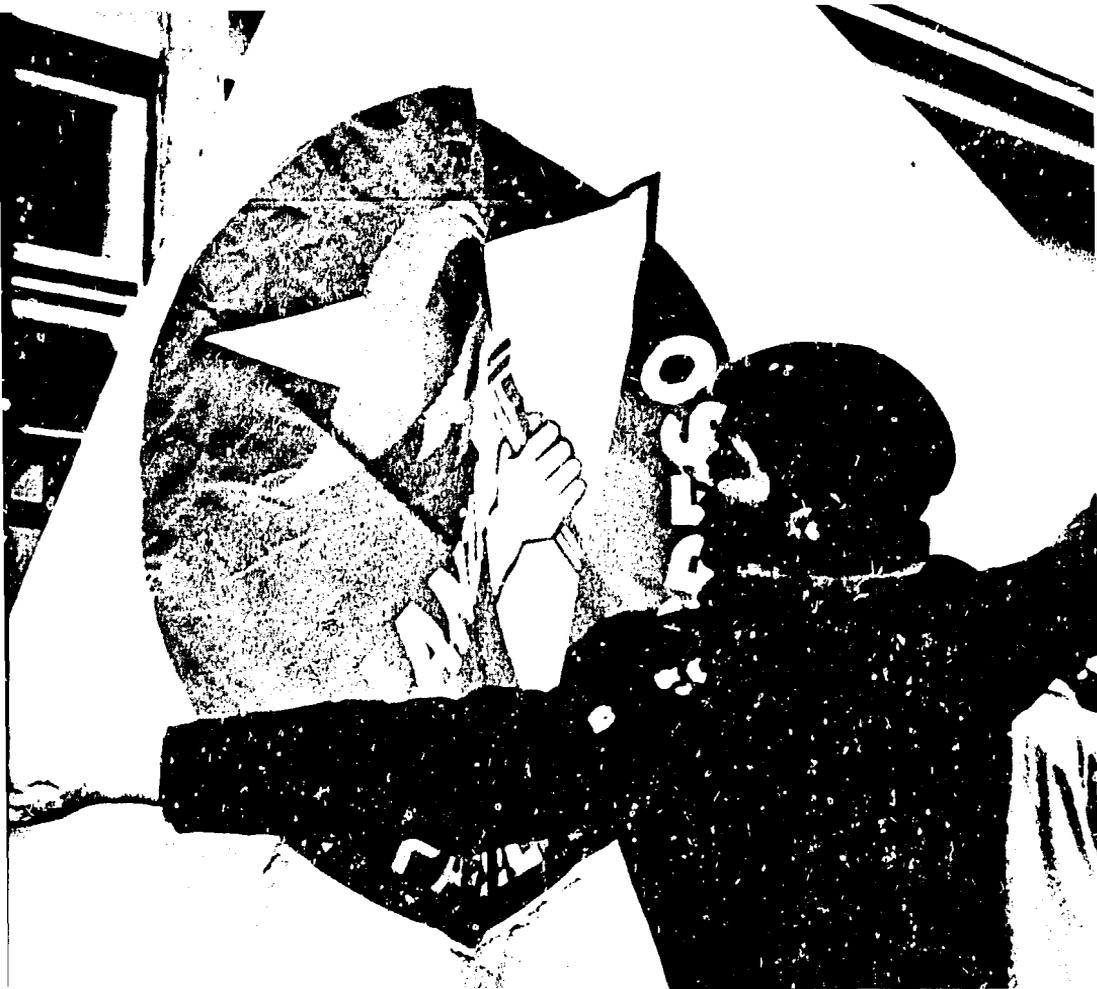
For millions of families living in squalor, the Alliance means hope for a decent dwelling.

The II-AA provided the first program of technical assistance and laid the groundwork for future "Point Four" programs. North Americans with special skills went to Latin America to help improve agriculture, education and health. These programs were modest ones, but they showed what could be done and, in many countries, paved the way for the first public health programs, educational systems and agricultural extension services.

In 1950, the first Act for International Development created the Technical Cooperation Administration which eventually absorbed the II-AA and carried on its work in larger scale. Within the next 10 years, the United States committed more than \$900 million in technical assistance and Food for Peace grants to the countries of Latin America. During the same period about \$2.5 billion was lent, most of it on commercial terms by the Export-Import Bank, for purchases of United States products.

But it was evident that this pilot type of assistance could not meet the massive needs of the 1960's. The United States had helped build some schools and train teachers, but not enough to educate the 55 out of 100 people who could not read or write.

Production of goods increased during the decade—but trade, which had flourished during World War II and during the Korean War, fell off sharply. World prices for coffee and other major Latin American



The torch of the Alliance has become a beacon of opportunity in the struggle for a better life.

exports dropped and cut down the supply of foreign exchange.

Inflation spread, while population boomed. Benefits from new farming techniques, better health, and improved sanitation practices were submerged by the population increase—five million babies a year.

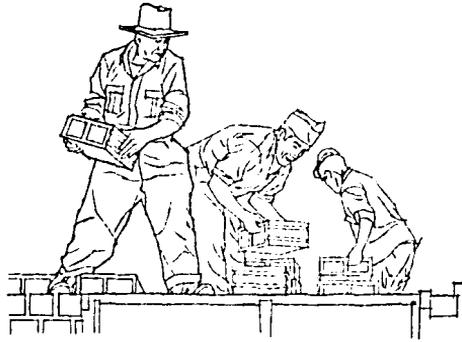
In the meantime, the aspirations of the great majority of 200 million Latin Americans to better their lives continued to create explosive pressures.

The Alliance for Progress was the culmination of dreams and plans long maturing in the minds of North and South Americans alike. Events in Cuba were not the reason for the Alliance. What happened in Cuba was a reflection of the ferment stirring in the slums and villages,

on the campuses and streets all over Latin America.

The Cuban revolution was a warning siren. Thoughtful Americans, North and South, had read the signs much earlier and called for action.

In 1958, President Juscelino Kubitschek of Brazil proposed an "Operation Pan-Americana." The United States agreed to join a committee of 21 nations to study and plan new measures for hemisphere economic development. On September 5, 1960, the Act of Bogota was signed. Social progress, the creation of a special fund for development and economic growth, and multilateral cooperation were its objectives.



## THE CHALLENGE

Bogota was not just another agreement. The United States had brought to the conference ideas that expanded the assistance concept from economic development alone to the wide realm of reform and social progress. Latin America became a major topic of discussion in the United States during the months following Bogota. The term "Alliance" began to appear in speeches and articles. A long-range, large-scale answer to the challenge of the Americas was taking shape.

On March 13, 1961, at a White House reception, President Kennedy proclaimed the Alliance for Progress—"a vast cooperative effort, unparalleled in magnitude and nobility of purpose, to satisfy the basic needs of the American people for homes, work and land, health and schools." The following day, March 14, the President asked Congress for funds to give life to the new concept.

At Punta del Este, Uruguay, on August 17, 1961, the President's words and Latin American aspirations were translated into a formal charter. Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras,

Mexico, Nicaragua, Panama, Paraguay, Peru, United States, Uruguay and Venezuela signed the Alliance compact, linking them in an unprecedented mutual undertaking. Of the countries belonging to the organization of the American States, Cuba did not sign. The 20 signatories pledged:

- *To improve and strengthen democratic institutions.*
- *To accelerate economic and social development.*
- *To build houses.*
- *To correct unjust and uneconomic systems of land ownership and use.*
- *To assure fair wages and satisfactory working conditions.*
- *To wipe out illiteracy.*
- *To improve health and sanitation.*
- *To reform tax laws.*
- *To protect purchasing power.*
- *To stimulate private enterprise.*
- *To stabilize prices of basic exports.*
- *To speed the economic integration of Latin America.*

It was estimated that significant advancement toward these goals would require \$100 billion over 10 years. Latin America would provide

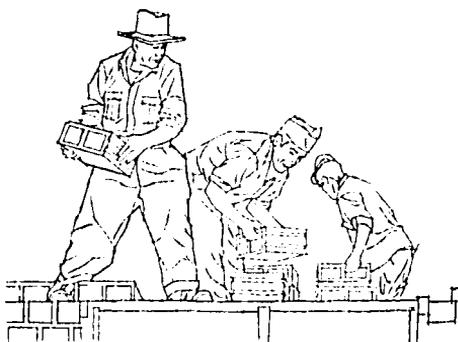
A father and son working together to build a new home typify the spirit of self-help fostered by the Alliance.



80 percent. A major share of the remaining \$20 billion was pledged by the United States. The rest would come from other industrialized nations, international organizations and from private enterprise.

The money, the plans, the far-reaching objectives dwarf anything of its kind that has been attempted previously. The Marshall Plan, to which the Alliance has been likened, was a comparatively simple program of financing the reconstruction of countries ravaged by war. The Alliance is viewed as no less than a huge revolution of peaceful reform, self-help construction and development for an area ravaged by history. If successful, it will change ways of life rooted in 400 years of custom and tradition.

## **THE UNITED STATES AS PARTNER —AID'S ROLE**



Those who drew up the Charter of Punta del Este assigned the major responsibility and financing to the Latin American countries. But it was evident that the roots of growth would have to be nourished by the strongest and most developed of the partners—the United States.

The major task of implementing the United States participation in the Alliance has been assigned to the Agency for International Development, an agency of the State Department created by Congress in 1961 to consolidate most of the nation's foreign assistance functions. The activities of technicians of the International Cooperation Administration and the dollar financing of the Development Loan Fund were combined into AID.

The objectives of Punta del Este are the guiding principles of AID's Latin American Bureau. The Administrator of AID has the authority and responsibility for carrying out projects and programs. He advises and is consulted on financing from other institutions involved in the Alliance.

The Assistant Administrator who directs AID's Latin American Bureau is the U.S. Coordinator for the Alliance, a special title conferred on him by the President. The focus of AID on self-help, reform and long-range planning coincides with the aims of the Alliance. Participation of other free world sources and emphasis on free enterprise are other elements of the AID program that dovetail with the objectives for Latin America.

In addition, AID's growing emphasis on technical assistance contracts with universities, service organizations and associations, brings the talents and skills of the United States' private resources to bear on the problems of the Alliance countries.

U.S. funds for the Alliance are part of the annual foreign assistance authorizations and appropriations legislated by Congress.

### **Self-Help and Reform**

The funds committed by the United States are meant to help those people of the world seeking better lives through their own efforts.

"The United States can help and counsel, but the real battle will be engaged by the Latin themselves," Teodoro Moscoso, U.S. Coordinator for the Alliance, has declared. His words, emphasizing the fundamental thrust of the Alliance, are being put into action throughout the region.

Near Juma-Caracol at the edge of the rich Cibao Valley in the Dominican Republic lies a former estate of the Trujillos, the wealthy dictator's family that had ruled the country for more than 30 years. Fifteen acres of this land now belong to Fernando Fernandez, a farm laborer who in his 50 years never owned any property and never earned more than a few hundred dollars a year—until now.

Fernandez received a loan under the Alliance for Progress to buy building materials. With these and the aid of a neighbor he constructed a five-room house for himself, his wife and his 14 children. Fernandez raises beans, corn and tobacco. In the first year of his new status as land- and house-owner he earned more than \$1,000, and through new cooperative marketing was certain to increase this in following years.

The case of Fernando Fernandez is an example of self-help efforts

being undertaken by people and governments and of the reforms under the Alliance that make self-help possible. When the Trujillo dictatorship was overthrown in the Dominican Republic, the new government undertook a land reform program—one of the essential self-help measures called for by the Alliance charter. The large land holdings were split up for ownership by farming families such as Fernandez'. The loan, the encouragement to build his own house, the establishment of a cooperative to help market Fernandez' and his neighbors' products also are part of the self-help effort which is expected to resettle 10,000 families by the end of 1963 and provide credit for thousands of small farmers like Fernandez.

Typical of land reform under the Alliance, the Dominican program is motivated, not simply by the idea of dividing large holdings, but by the objective of creating a productive, efficient farm sector based on the concept of the family homestead.

The reform measures in the Dominican Republic are being duplicated in other Latin American countries, not only in agriculture, but in taxes, finances, education and other fields. They would, if carried out effectively, remove some basic barriers to progress in Latin America: too much land owned by too few people; too few people paying too little revenue; too little attention paid to the future.

Argentina has tightened up its tax collections, adding 215,000 new income taxpayers to its rolls. New revenue measures and improved enforcement are expected to add \$200 million to the country's revenues.

Bolivia had passed land reform legislation in 1953. Implementing it, however, had been a problem. In 1955, for instance, only about 129,000 acres of land were distributed, benefitting 2,800 families. In 1962, with assistance under the Alliance, an estimated 3.7 million acres were distributed to 30,000 families.

Brazil has passed tax laws and tightened collection methods designed to increase revenues approximately \$200 million.

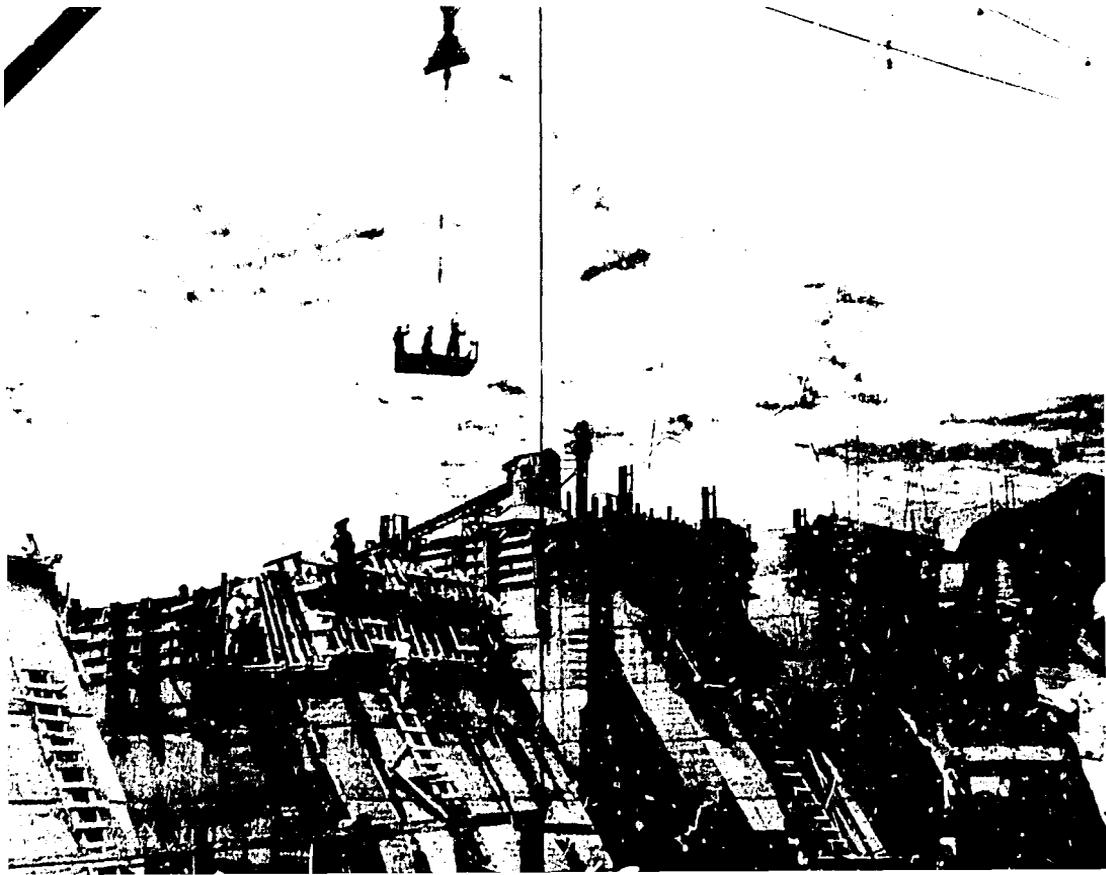
Chile adopted an agrarian reform law with ownership contingent upon proper land use and improvement. New tax laws and reforms are expected to increase revenues by about \$40 million in 1963 and may double that in 1964.

Colombia has increased its income tax declarations and is legislating new taxes expected to boost its revenue about \$80 million yearly. An agrarian reform law is in effect.

An important series of tax reforms went into effect in Mexico since the inception of the Alliance which will increase the number of taxpayers by 3.5 million by the end of 1964. Under Mexico's agrarian reform laws, nearly half a century old, 38,000 families were benefitted in 1962. An AID loan is supplementing public and private Mexican funds to provide credit to small private farmers.

Efforts to improve tax collections in Ecuador anticipate that national and municipal revenues can be increased as much as \$16 million annually by 1966. In Costa Rica, where agriculture remains the main source of income, a \$5 million loan is helping to open up new farms under the country's rural development program.

The jobs to be done range from the very small to massive, long-range undertakings like this hydro-electric development project.



In Uruguay new personal and corporate income taxes and improved administration are expected to result in an increase in revenue.

Venezuela has undertaken such self-help measures in the financial area as tax reforms and improved tax administration, including placing tax collections on a "pay as you go" basis. This helped increase receipts 30 percent in 1962. Under its land reform program, Venezuela has distributed over 3.5 million acres to 56,781 settlers.

## Planning

Linked to reform in the self-help effort of the Alliance countries is the emphasis on planning, an essential task where usable resources are scarce. The sense of the Charter was that any assistance, in order to achieve permanent benefits, must be based on sound plans for the long pull. It was agreed that countries seeking extensive help would draw up long-range programs and submit them to a panel of experts of the Organization of American States. These "nine wise men" would counsel and assist each country in evolving its plan and judge its possibilities for execution.

In the first two years of the Alliance, seven of the countries submitted formal plans. Others took steps toward systematic planning.

Following through on a four-year investment program, Colombia has drawn up a 10-year development plan calling for an effort to achieve a 5.6 percent average increase in per capita income. In December 1962, AID authorized a \$60 million loan as the first step to assist in carrying out the development program. The United States also is a member of an international consultative group which met to support Colombian development.

Bolivia also submitted a 10-year development plan and a two-year investment program. Among other aims, Brazil's three-year plan seeks to curb inflation, redistribute the tax burden and increase investments. The OAS panel has evaluated Chile's 10-year plan which is to be carried out by a Committee of Economic Programming and Reconstruction.

Costa Rica is preparing one-year, four-year and 10-year plans. El Salvador also is drafting a two-year plan for education, health, housing, transportation, power, agriculture and industry. Mexico put into effect a three-year plan in 1962 to coordinate private and public investment and production.



Tax and social reforms are the major bases for a two-year plan submitted to the OAS experts by Honduras, while Panama has drawn up an eight-year plan covering the period 1963-70.

Venezuela's four-year plan for 1963-66 submitted to the "nine wise men," seeks to attain an annual growth of eight percent in gross national product, cut unemployment from 13.5 percent to 6.8 percent; reduce illiteracy from 29 percent to 10 percent; provide vocational training to 60,000 youths; settle 140,000 farm families on agrarian reform projects; increase agricultural production; and diversify and expand industry, with heavy reliance on private investment.

Ecuador, Paraguay and Nicaragua have established planning offices and boards, as has the Dominican Republic. Peru is perfecting a plan, while Uruguay, Guatemala and Argentina are actively working on theirs. No action has been taken by Haiti.

### **Do-It-Yourself Schools**

Nowhere is the self-help impetus more evident than in school construction. In Manizales, the coffee capital of Colombia, Ernesto Valencia Restrepo, who makes \$35 per month, can now expect to send all seven of his children to public school. Until the Alliance brought a new school to the Barrio Chipre, a working class district where he lives, the prospects were that only one or two would receive five years of formal education at the most.

Now, his children are among the 400 in the barrio who attend a bright, new 10-room school. It was built with AID and Colombian funds and the efforts of Ernesto and his neighbors. Their labors put the school up in 10 weeks, about half the time such construction normally takes.

The school is of simple concrete block construction with water and sewage facilities. It cost about \$25,000. It replaced an old school, poorly lit, with sanitary facilities limited to a single faulty toilet. The dropout rate was so high that eight out of 10 children who began never finished five years.

In El Salvador, the zeal for school building also has resulted in imaginative self-help efforts. In one small coffee-farming town, the

residents contributed \$1,000 plus 120 bags of cement, and cleared the site for a new school. In another mountain community, the 300 men of the town pledged a day's free labor weekly until their school was built. The Salvadoran Army melted down 3,000 rifles to obtain about seven tons of steel for reinforcing rods in building work.

The people of the remote mountain hamlet of Toabre, Panama, dedicated their first school in June of 1963. It was financed by AID and the Panamanian Government. Volunteers pressed 12,000 dirt and cement blocks by hand tools for the 12-room structure. The formerly inaccessible area was opened by the construction of roads, also self-help projects under the Alliance.

In Guatemala, a self-help school building program provided 1,309 classrooms by December, 1962, and another 483 were under construction. A self-sustaining housing project in the Central American Republic has financed 3,000 low-cost units. Honduras, too, has nearly completed a self-help school building program calling for 400 classrooms.

### **Making Self-Help Work**

Behind the self-help plans and deeds are loans and grants provided through AID, plus financing from the countries themselves and through the Inter-American Development Bank, Export-Import Bank and other institutions. Approximately two billion dollars was committed by AID and other sources from 1961 to 1963 for a wide variety of activities ranging from such vast projects as a public health program for 2,300,000 people in Brazil's state of Pernambuco to a water pipe in a Bolivian village; from slum clearance for seven Venezuelan cities to a farm road in Panama.

The effect of these loans and grants is eloquently expressed by one of the people who has benefitted. "Now we have dignity and liberty," Argenil Plazas Garcia, a vendor of second hand clothing, wrote to President Kennedy after he had moved into a house in Bogota built under the Alliance.

Self-help in its most direct form—the volunteered work of the people who will benefit—is involved in many of these programs. An agreement signed between AID and the government of San Salvador in



For Carlos Reyes, 6, the Alliance meant a mobile medical team, an operation, and cure of the malady that had left him voiceless for a year.

December 1962 calls for 10 Rural Mobile Health Units financed by an AID grant. These units include a doctor, a trained nurse and a sanitary assistant and they are bringing medical care to villages where modern medical facilities do not exist. The village health centers are being built by the people themselves, who contribute the land and the labor. They pay nominal fees, used for community development work.

Similar health projects are being financed in other countries, as in Panama where \$930,000 has been allotted for work on 15 health centers, the first pediatric institutions in the republic.

In Brazil, an AID-assisted malaria eradication program has led to creation, by the end of 1962, of 14,000 "notification posts" in malarious areas manned by volunteers (teachers, physicians, ordinary citizens) who were trained to give antimalarial drugs to fever cases, take blood smears and forward these with reports to the malaria campaign headquarters.

In the field of housing, AID grants for concrete mixers, wheelbarrows and tools, and for technical assistance, and the volunteered labor of the people who will benefit is providing modest, but decent homes

For some, the Alliance means learning and literacy . . . . . For others.



in place of slum shanties. A self-help housing project begun in 1961 in Colombia with help from both AID and the Inter-American Development Bank has already produced 5,600 homes towards its goal of rehousing 30,000 families at a cost of less than \$400 per dwelling.

Many of the fiscal and governmental reforms the Latin American countries are undertaking depend on the existence of government servants sufficiently competent to carry them out. During Fiscal Year 1962 alone, AID committed more than \$6 million in grants to support technical assistance in public administration for Latin American countries. Under these programs, AID sent experts from the U.S. Internal Revenue Service to train tax collectors, carried out local training programs for civil servants, financed the work of American universities in strengthening the public administration programs of universities and

Child-feeding program, the difference between malnutrition and good health.



colleges in Latin America, among other activities. One such program in Paraguay, introduction of better fiscal and control procedures in the Customs and Tariff Department, resulted in a 21.7 per cent increase in 1962 government revenues without any change in the rate structure.

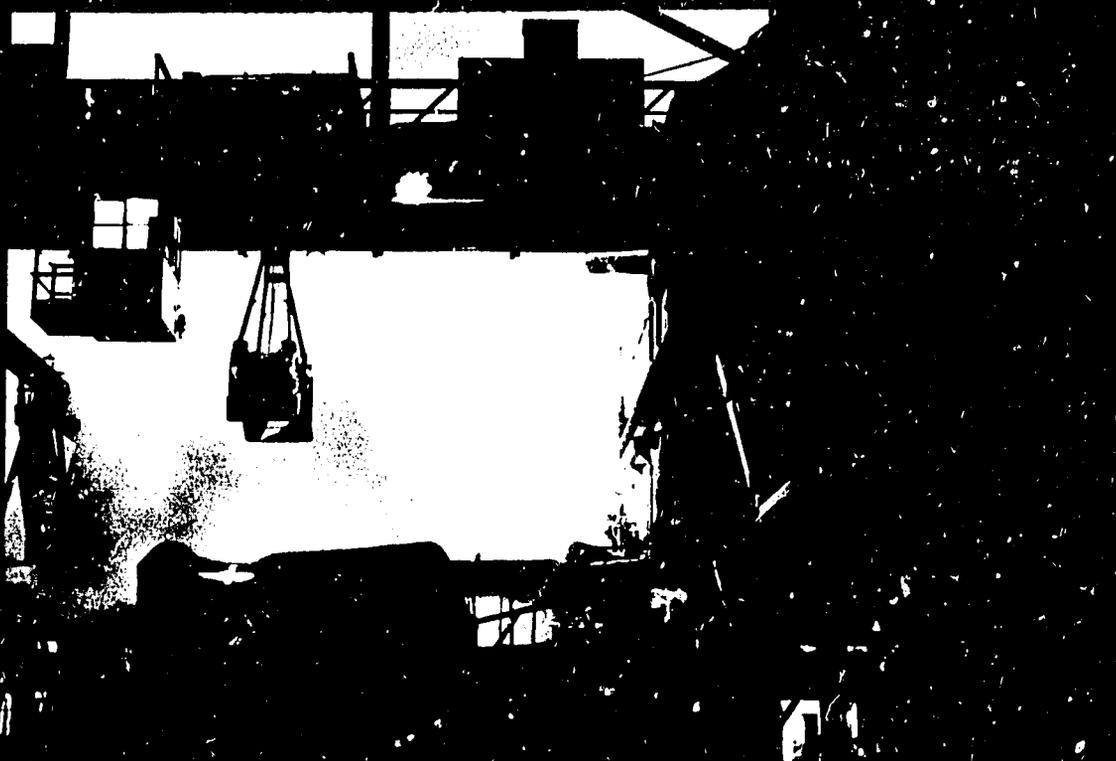
Not all funds make an immediate impact. AID loans for such development projects as a \$15.5 million credit to expand Rio de Janeiro's power supply, or \$40 million to Chile for power, transportation, irrigation, housing, school and hospital construction will produce results over a longer term, as will similar projects: A combination loan and grant totaling \$1.2 million to build 96 schools in Tegucigalpa, Honduras; and \$35.5 million in loans to Argentina to establish a central housing bank, finance the purchase of U.S.-made goods and to enable a study of development projects in 13 provinces.

## **Voluntary Organizations and Excess Property**

In addition to development assistance, the Alliance countries receive emergency help, when needed, through AID's contingency fund and through voluntary agencies authorized by AID. In cases of flood, earthquake, landslides and similar disasters, the embassies are permitted to expend up to \$10,000 of contingency funds while voluntary agencies may use Food for Peace or other commodities to rush assistance. In the event of major emergencies, the President may commit more from the contingency fund.

Property declared excess by the United States can be furnished to countries by AID for cost of rehabilitation and transportation. Used but serviceable machines are at work in Alliance countries for projects such as school construction, vocational training, medical facilities and road building. A unique use was the employment of previously moth-balled U.S. ships to furnish power for cities on Colombia's coast.

United States private voluntary and charitable organizations such as CARE, Church World Service, or Catholic Relief Services, are enabled to ship medicine, food, tools, school supplies and other people-to-people gifts under AID's authority to pay freight costs. A voluntary agency's program of importing purebred sheep in Ecuador has im-



Industrial development and greater capital investment is a prime need in almost every Latin American nation.

proved the quality of wool produced by Indians. Another project supplies tools in Colombia for a self-help health center.

## **Private Investment**

The achievement of the goals of the Alliance requires a key role to be played by individual initiative. Private business, both in North and Latin America, is offered inducements and incentives to invest in productive enterprises.

For United States business, AID provides investment surveys, investment guaranties, dollar and local currency loans. Financial assistance also is available for Latin American firms.

In Brazil's Northeast state of Bahia, a \$6.4 million carbon black factory is being built with the help of an AID dollar loan for \$2 million. The firm is the privately owned Companhia de Carbonas Coloidais. The purpose, in addition to stimulating Brazil's tire production, is to help relieve the pressing unemployment problem in the area.

Local currency (Cooley) loans are made by the United States from funds generated by the sale of surplus foods and fibers. One such loan of 4,500,000 pesos (equivalent to about \$500,000) was made to the Owens-Illinois International S. A., jointly owned by U. S. and Colombia interests. The money is being used to modernize a glass bottling plant in Colombia.

A firm contemplating investment in Latin America is encouraged to make a survey. Should the project prove feasible, the U.S. firm will bear full costs of the survey. AID will share half the cost if the firm decides not to go through with the investment.

Investment guaranties for Latin America, insuring a United States firm against specific risks such as non-convertibility of local currencies and loss from expropriation or war, revolution and insurrection, as well as extended risks that include commercial exigencies, also are available for several countries.

In fiscal 1963, a total of 46 specific political risk guaranties were issued to U. S. investors in Latin America for a combined value of \$68,739,610. These guaranties covered such varied private industry

projects as the production of petrochemicals, manufacture of canvas rope-soled shoes, manufacture and sale of automobiles, truck axles, tires and tubes, and production of nitrogen fertilizer and fish products.

Special protection for housing developers is issued. One example is in Lima, Peru, where a housing investment guaranty up to \$1,260,000 has been issued to Apollo Peru S. A., jointly owned by North American and Peruvian interests. A similar guaranty for up to \$3.5 million has been issued to the Sociedad Comercial Constructora S. A., a U. S.-Mexican company.

A stimulant to local enterprise is offered by loans and assistance to development banks and centers. A \$4 million loan was made by AID to COPEG Credito e Financiamento, a new development bank in the Brazilian state of Guanabara. This money, in turn, is lent to small and medium businesses in the area. Similar loans have been made to the Central American Bank for Economic Integration and to the National Securities Commission of Ecuador. In Venezuela, AID is providing management and operation consultant services on a demonstration basis to a number of selected industrial firms in cooperation with the Venezuelan Development Corporation.

### **Building Cooperative Institutions**

Among the Andes Indians, the "minga" (tribal) spirit of cooperation that enabled them to build an ancient civilization is being adapted to such 20th Century uses as credit unions, savings and loan institutions, labor unions, higher education and marketing cooperatives. In the first two years of the Alliance, 164 credit unions in 10 countries and 75 cooperatives in 15 countries have been established.

This type of institution-building, based on a foundation of self-help and cooperation, is considered one of the essential structures for progress. The mutual undertaking of responsibility frees the individual from the indignities and resentments that arises from usury, hand-outs, and exploitation. It offers him the opportunity to use his ability to better his life and that of his family and strengthen his community.

For this purpose, AID calls on the experience and knowledge invested in United States cooperatives, labor unions, savings and loan institutions, credit unions, and educational institutions. The experts,

technicians and advisors, help to implant the basic equipment required by modern society if it is to function for the benefit of the people as a whole.

On a remote hacienda in Ecuador, for example, 1,500 Indians live much the same feudal existence as did their ancestors 400 years ago. A credit union has been started with AID advice. Now, a family seeking to buy a sewing machine can borrow the money by putting up for collateral "Maria the cow," or roof a house with tile by pledging "10 good sheep."

An AID program which will also involve the Peace Corps and seven United States specialists is designed to establish 1,000 credit unions in Central America. These are aimed to pave the way for cooperative businesses in rural villages and to be self-sustaining in five years. A training center for cooperatives has been established in Lima, Peru, by the Credit Union National Association through an agreement with AID. Pilot projects leading to the organization of 475 credit unions are being carried on in eight countries.

The National Rural Electric Cooperative Association, under a contract with AID, is focusing a large part of its world-wide assistance and consulting facilities in Latin America. An electric power cooperative has been formed in Nicaragua and several others are contemplated in Colombia and Ecuador. A survey has been completed for the Dominican Republic.

Several cooperative projects are planned for Brazil and Ecuador; a contract with Puerto Rico will lead to the establishment of a cooperative development administration in the Dominican Republic; and AID is working with the Chilean Institute of Cooperatives and the Cooperative League of the United States to set up a training center.

Trainees are brought to the United States. The National Farmers Union is sponsoring 75 young farmers destined to head cooperatives, who are living with Midwestern families for two years. A special commission, under an AID grant, is reviewing the status, laws, leadership and potentials of more cooperative undertakings in the Alliance countries.

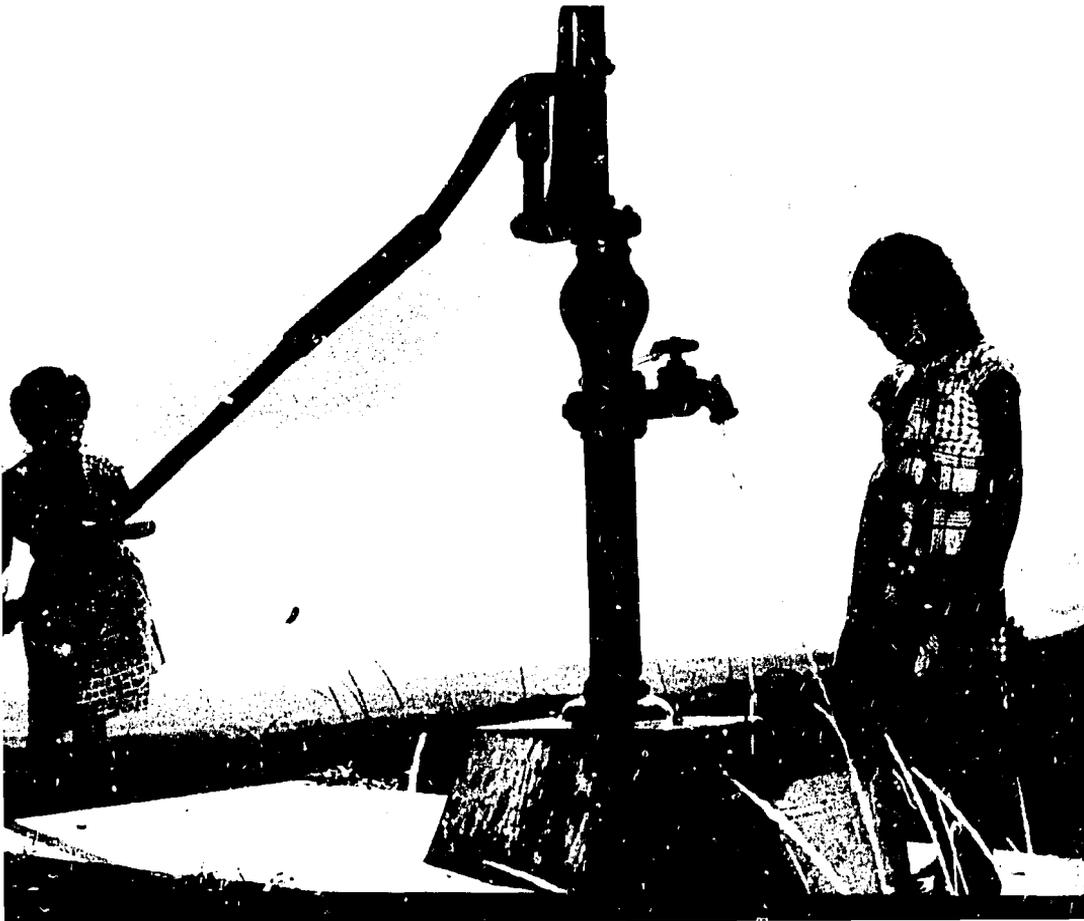
The American Institute of Free Labor Development, supported by

the AFL-CIO and firms with Latin-American interest, is working under a \$210,000 AID grant to conduct seminars and training centers for labor leaders.

This program has been called by George Meany, president of the AFL-CIO, "one of the most exciting undertakings in the history of the labor movement." Applicants seeking training under the program are selected for their ability and dedication to freedom. Each must first have devised a project he hopes to carry out. A three-month course is held in the United States, followed by nine months of additional sponsorship in the trainee's own country.

In addition, U. S. advisors assigned to AID missions recruited from the ranks of organized labor in the United States are counseling local trade union leaders. Further assistance is provided by the U. S. Department of Labor through an agreement with AID.

A new well for clean water, an important part of many Alliance community development programs.



In Ecuador, a new confederation of labor has been formed, counteracting one dominated by Communists. Several thousand workers are now covered by contracts for the first time.

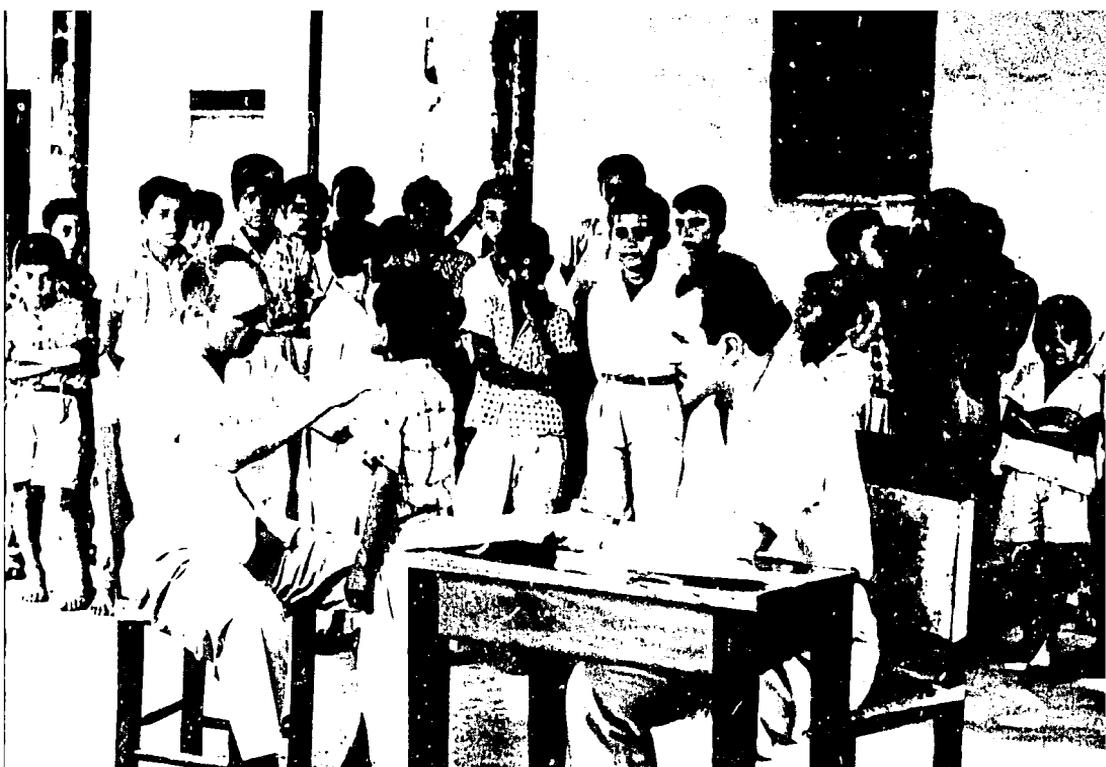
One of the brightest developments since the inception of the Alliance has been the mushrooming of savings and loan associations. The spread of mutual financing at reasonable rates of interest has been particularly high in Chile. In Peru, nine associations have been established, doubling their volume of operations every six months. Venezuela, where three savings and loan associations are operating, will soon have more in operation.

A letter from a young Ecuadorean to a friend in Nashville, Tennessee, expresses the enthusiasm of Latin Americans for this type of cooperative endeavor. It reads in part:

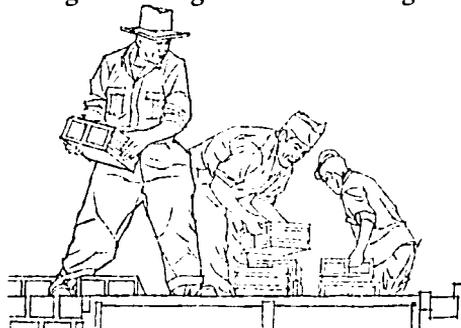
"The housing program is working with savings and loan associations founded all over the country. . . The interest rates are quite low and the monthly payment is no more than the 25 percent of the salary. The loans are only for poor people that don't own a house. . . I think that is the way to help the underdeveloped countries like mine. . ."

Another form of teamwork is found in the participation of United States educational institutions. Grants from AID are enabling 35 universities to cooperate in 15 countries. South America's first graduate school of business is being established in Lima, Peru, through an agreement signed by AID with Stanford University. The Massachusetts Institute of Technology is attacking civil engineering problems through another AID agreement. The University of Pittsburgh has sent the first of 20 professors to Ecuador to strengthen the faculty of the Central University.

In the same spirit but on a unique level is the cooperative sponsorship of a varied program by the state of California with Chile. Some communities in the United States, such as Oakland County, Michigan, have "adopted" Latin American counterparts to assist and advise on public planning and administration.



Traveling medical teams go from village to village in the battle against suffering and disease.



## OTHER U. S. PROGRAMS

Military and supporting assistance also is provided to Latin American countries to strengthen internal security and provide for a stabilizing force that permits orderly economic development. Many of the military assistance projects emphasize cooperative civic action in which the military works with civilians on school, road, and other community projects. Overall, less than five percent of worldwide U. S. military assistance is assigned to Latin America.

## Food for Peace

Mutual effort also is being encouraged through Food for Peace work projects, in which surplus commodities from the United States are used in part payment of wages. In Brazil, 112 projects estimated to benefit

100,000 persons are under way. These include road construction, bridges, health, education and housing facilities. More than 5,000 families in the Dominican Republic are being grubstaked through Food for Peace. A large, self-help village improvement project for 150,000 Mexicans also is being financed through U. S. food.

Food for Peace antedates the Alliance but is now an integral part of the economic development programs. Administered by AID, surplus foods are supplied by the United States Department of Agriculture. The Director of the Food for Peace Office in the White House coordinates the program.

Since 1954, when Congress passed Public Law 480, the United States has sold or donated nearly \$800 million worth of food for economic development in Latin America.

More than eight million school children in Latin America are now being fed through the Food for Peace program. Not only is United States abundance providing the necessary nutrition for malnourished youngsters, but it is responsible for increasing school attendance and enhancing the spirit and energy of the children. In the mountainous region of Puno, Peru, the lunch program has induced so many children to attend and stay in school that a serious shortage of classrooms, teachers, desks, and hygienic facilities has arisen. This is described as "the first welcome problem" faced in the poverty-ridden Andes area.

The sponsors of the program are planning for an eventual termination of U. S. food donations. The government of Peru is appropriating increasing amounts of money to pay for program costs. In the meantime, pupils in each school in the program are planting vegetable gardens with seeds purchased through the sale of the empty sacks and boxes in which the food is shipped. It is expected that the produce grown in the gardens will partially replace the American donations.

## **The Peace Corps**

Helping in this Puno project and in all of Peru's and AID's huge program of feeding several hundred thousand children are Peace Corps Volunteers. They are part of the 1,355 men and women as-

signed to Latin America in the effort to assist peoples of underdeveloped nations meet their needs for trained manpower and promote mutual understanding.

Latin America has the largest contingent of Peace Corps Volunteers of any region. In Colombia, more than 200 are at work at the grass roots level in community development, social work in urban slums and related duties. In Central America, Peace Corps and AID-financed teams ride jeeps, mules and boats to bring health facilities to isolated villagers and farmers.

In its work, ranging from the operation of a leper colony to building roads, from reforestation to constructing sanitary facilities in a slum, the Peace Corps is helping to translate the cooperative spirit of the Alliance into reality.

## **The Export-Import Bank**

The Export-Import Bank is the oldest of the United States governmental institutions concerned with assistance to Latin America. Formed in 1934 and reconstituted in 1943, the Export-Import Bank's principal function is to promote sales of U. S. industrial and farm equipment through loans.

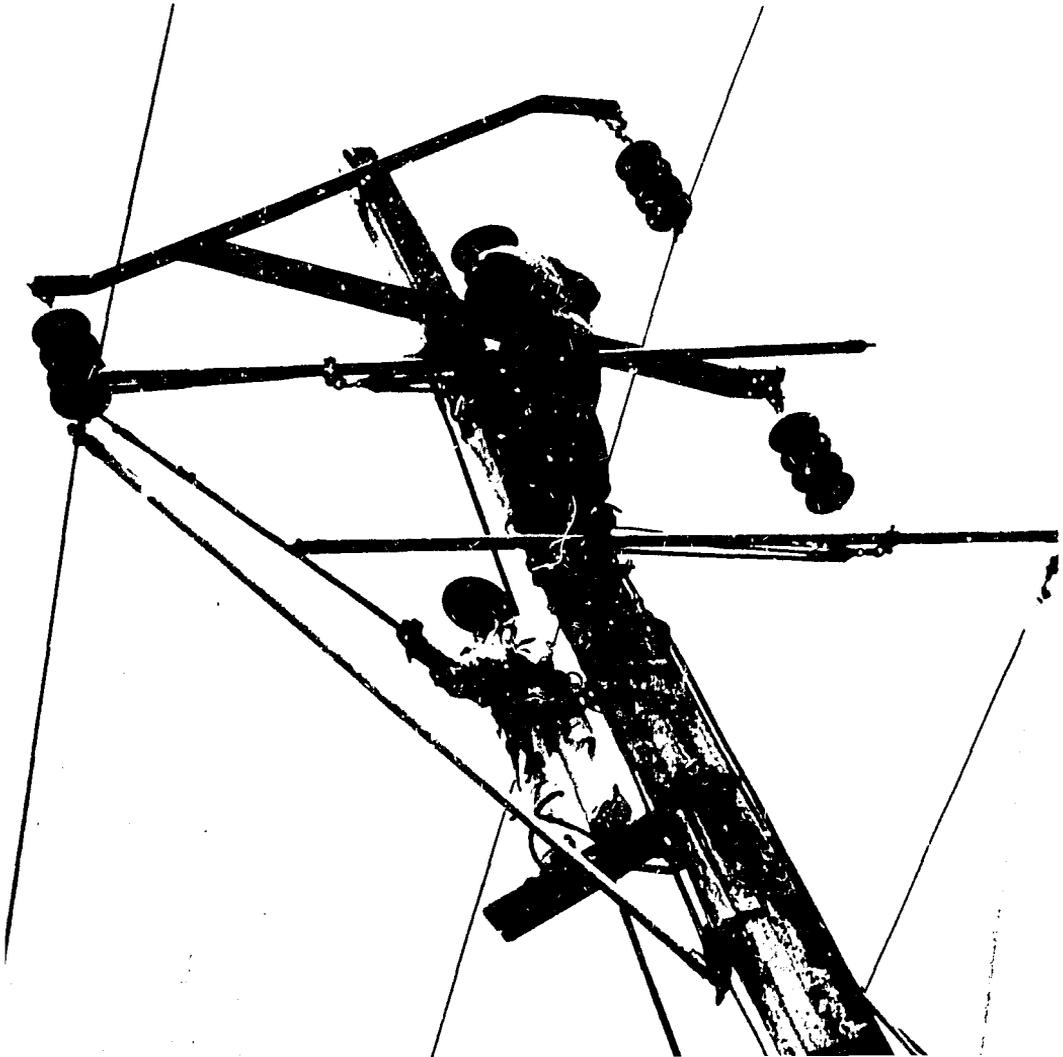
In the two years of the Alliance, the Export-Import Bank has made long-term loans totaling more than \$580 million. A typical transaction provides for a \$16.9 million credit to a steel-making firm in Mexico for the purchase of U. S. mill equipment. Occasionally, the Export-Import Bank and AID will join in financing a project, as in Peru where the Export-Import Bank lent \$6.5 million to the government for purchases of U. S. services and equipment for a water and sewer system. AID, at the same time, lent \$8.6 million to help meet local costs of the project.

Export-Import Bank loans generally are at higher interest rates and shorter terms than those of AID. Since AID does not make loans which can be secured from other sources, the two lending agencies do not conflict.

## **INTERNATIONAL PARTICIPATION**

A vital element in the structure of the Alliance is the participation of international organizations. They reinforce the concept of the Alliance as a partnership and emphasize its importance as an effort to further world peace. It was in this spirit that a new organization was formed in July, 1963, composed of 10 NATO countries: the United States, Britain, France, West Germany, Italy, Holland, Turkey, Canada, Norway and Portugal. The Atlantic Community Development Group, as it is called, will employ European techniques and capital to work alongside the Alliance in promoting economic development.

Electric power for homes and industry, part of the formula for economic and social progress.



## **The Organization of American States**

It was under the aegis of the Organization of American States (OAS) that the Act of Bogota was signed and foundations laid for the Alliance. Evolving from the former International Union of American Republics and Pan-American Union, the OAS was formed in 1948 to advance the security, welfare and development of the American republics.

The OAS plays a major role in implementing the Alliance program through basic studies, technicians and its committee of "nine wise men" who evaluate the countries' long-term plans. The Inter-American Economic and Social Council, a secretariat of the OAS, surveys regional development and trade programs. It was the convening authority for the Punta del Este conference and holds annual meetings of the Alliance countries' ministers to appraise progress.

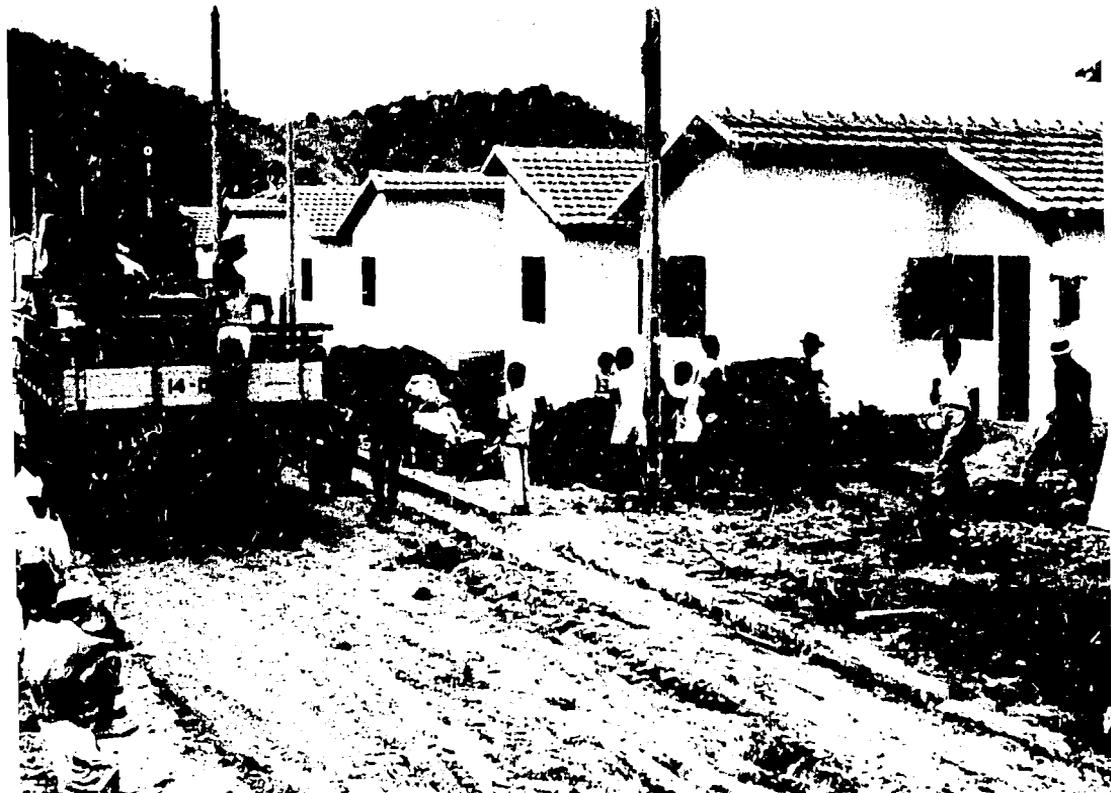
## **The Economic Commission for Latin America**

Closely related to the work of the OAS is the United Nations Economic Commission for Latin America (ECLA). Created in 1948, the ECLA helps strengthen relations between the participating countries and coordinates Latin American needs with other UN agencies. It engages in fact-finding studies, some of which led to the formation of the Central American Common Market and the Latin American Free Trade Association. In addition to the Latin American countries and the United States, its membership includes France, the Netherlands and the United Kingdom.

## **The Inter-American Development Bank and Social Progress Trust Fund**

The Inter-American Development Bank (IDB), called "the world's fastest growing credit institution," formally came into being in 1960. Through its ordinary resources, Fund for Special Operations and the Social Progress Trust Fund, it concentrates financing in the Latin American region for such projects as major highways, land reform, housing and a host of projects in the social development field.

The Social Progress Trust Fund went into business in May, 1961, when Congress appropriated \$394 million for it. Of this amount,



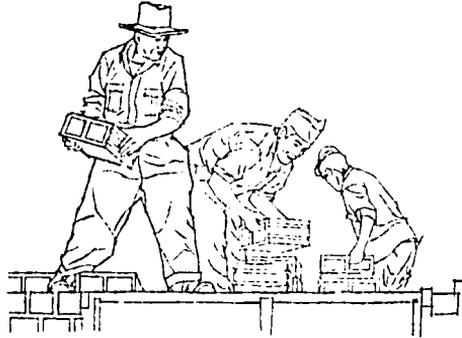
From crowded slums to clean new homes like these is a long step forward . . . made possible through self-help and the Alliance.

nearly all had been committed by spring of 1963. Loans require a two-thirds vote by the board of directors. The United States represents 41 percent of the voting strength.

### **The World Bank**

The International Bank for Reconstruction and Development (World Bank) and its affiliates—the International Finance Corporation (IFC) and International Development Association (IDA)—are deeply involved in Latin American development and are major instruments to draw capital from other industrialized countries into Latin America. Since its founding in 1944, the World Bank has invested more than \$1.7 billion in Latin America, mostly in the urgently needed fields of electric power and transportation. These are areas that attract little private investment because of the high costs and low returns.

The IDA, organized by the World Bank in 1960 to meet special financing needs of developing nations, has extended credits totaling more than \$70 million to eight Latin American countries. The IFC, formed in 1956 for the purpose of promoting industrial development through private enterprises, has committed two-thirds of its investment in Latin America.



## THE FIRST TWO YEARS

“. . . The Alianza para el Progreso has taken a giant leap forward. In terms of where it has to go, it has taken only a short, faltering step.”

This summation by United States Senator Hubert Humphrey of Minnesota in his 1963 Report on the Alliance for Progress reflects the surge of the first two years, challenged by the basic obstacles still to be hurdled.

A few examples bear this out: An impressive start on the housing problem has been made under the Alliance, with 140,000 houses built in the first two years. But the estimated need is 12 to 14 million.

Education programs under the Alliance have built 8,200 more classrooms, trained 20,000 more teachers, produced four million more textbooks. Nearly 200,000 more pupils are attending elementary school in Colombia since the Alliance began; 8,000 more are in high school and 7,000 more studying in colleges in universities. Panama has 22,000 more pupils in elementary and high schools; Venezuela, 30,000 more. Ecuador has boosted its enrollment 94,000 in elementary schools, 21,000 in secondary schools, and 3,000 in college. The number of persons who can read and write in Latin America is greater than ever—but 45 percent of the population is still illiterate.

Latin American economic integration, once just a dream, is beginning to become a reality, led by the Central American Free Trade Area

(CAFTA), the Central American common market. Trade barriers have been eliminated for more than half the commerce of the five Central American countries and tariffs have been standardized on 80 percent of imports. Nine nations are banded together in the Latin American Free Trade Association (LAFTA) designed to end the age-old economic isolationism that has hampered development of markets. LAFTA's intraregional trade has risen 20 percent.

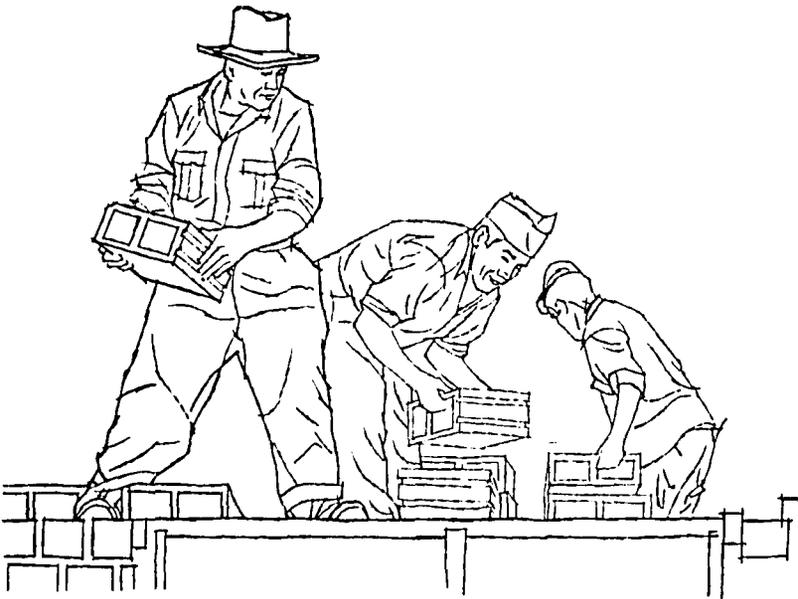
The minimum economic goal of the Alliance is a net increase in gross national product of 2.5 percent annually. Because the annual population growth is 2.8 percent, the region must show a total yearly growth of 5.3 percent in gross national product to meet the goal. Several countries have indicated the probability of achieving this rate, but it is clear that its attainment region-wide will not be easy.

Experience to date has led the Inter-American Economic and Social Council of the OAS to conclude that lifting the standards of living of more than 200 million people "is not the work of one year or even a few."

After the first two years, however, there is a growing realization throughout the hemisphere that the Alliance has begun to lay solid foundations for progress. Latin Americans are becoming increasingly aware of what the Alliance means as they build and own homes, send their children to new schools, receive previously unattainable medical attention, farm their own fields, gain jobs in new industries, travel over new roads, and join unions, credit institutions and cooperatives that aim to serve instead of exploit.

The people of the United States are realizing that helping the progress of their neighbors to the south is in the interest of peace—that a hemisphere of independent, secure and freedom-loving peoples is not only desirable, but possible.

The Alliance for Progress in sum is, as President Kennedy declared, "The construction of a new community of American nations in which all our citizens can live not only free from fear but full of hope."



AUGUST 1963