

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLIANCE FOR PROGRESS

PROGRAM AND PROJECT DATA

PRESENTATION TO THE CONGRESS — FY 1968

BEST AVAILABLE

UNCLASSIFIED

LATIN AMERICA

THIS DOCUMENT CONTAINS INFORMATION
AFFECTING THE NATIONAL DEFENSE OF
THE UNITED STATES WITHIN THE MEANING
OF THE ESPIONAGE LAWS, TITLE 18, U.S.C.,
SECTIONS 793 AND 794, THE TRANSMISSION
OR THE REVELATION OF WHICH IN ANY
MANNER TO AN UNAUTHORIZED PERSON IS
PROHIBITED BY LAW.

GROUP 4

DOWNGRADED AT 3-YEAR INTERVALS.
DECLASSIFIED 12 YEARS AFTER
DATE OF ORIGIN.

NOT RELEASABLE TO FOREIGN NATIONALS

April 14, 1967
Revised

6
1973

FOREWORD

The Regional volumes provide additional program and project data relating to the FY 1968 Congressional Presentation of the Agency for International Development.

Country Data - The following narratives and tables have been included for each country as applicable:

- Narrative and Fiscal Summary of Country Program -- Narrative to provide a framework for the current A.I.D. program in the country; Program Summary table by funding category for FY's 1966-1968
- Table II - Summary by Function -- project and program assistance for FY's 1966-1968, by major cost component and method of financing; related personnel and participant data. This table is prepared for selected countries.
- Table III - Project Data -- Status of individual projects: for each project (a) for which FY 1968 obligations are proposed, (b) with a pipeline of \$1 million or more on June 30, 1966, or (c) not previously presented to the Congress and for which FY 1967 obligations are planned. This table is prepared for selected countries.
- Table IV - Status of Development Loans -- loan status of individual, authorized Development Loans and Alliance for Progress Loans which had not been fully disbursed as of December 31, 1966; descriptive narrative focusing on implementation, with specific emphasis on measurements of progress related thereto. This table is prepared for selected countries.
- Table V - This table is new this year and is used for countries other than selected countries. It summarizes for each country the fiscal data on individual Technical Assistance (TA) and Supporting Assistance (SA) (grant or loan) projects.
- Table Va - This table is new this year and is used to provide a brief description of projects footnoted on Table V as new in FY 1968.
- Table VI - This table is new this year and used for countries other than selected countries. It summarizes for each country the fiscal data on individual Development Loans and Alliance for Progress Loans which had not been fully disbursed as of 12/31/66.

Regional Data - The following two tables provide data at the regional level:

- a. Table II - Summary of Program by Function
- b. Summary of Status of Development Loans

World-Wide Data - A separate volume with the sub-title "World-Wide Summaries and Program Support Activities" contains a world-wide section in which entries on the Regional Summaries are summarized on a world-wide basis. This volume also contains other world-wide data, program support and interregional activities information, and the Section 634(d) report for FY 1967.

CLASSIFICATION OF VOLUMES

Security classified portions of the narrative and amounts are ~~shaded~~. All other material is unclassified.

ALLIANCE FOR PROGRESS

TABLE OF CONTENTS

	<u>Page No.</u>		<u>Page No.</u>
REGIONAL SUMMARY:		CENTRAL AMERICAN ECONOMIC COMMUNITY:	
Alliance for Progress Regional Summary.....	1-9	Summary of Program.....	209-210
Regional Summary of Program by Function.....	10	ROCAP:	
Regional Summary of Status of Development Loans.....	11	Summary of Program.....	211
BRAZIL:		Project Data Summary.....	212
Summary of Country Program.....	13-16	Description of New FY 1968 Projects.....	213
Summary of Program by Function.....	17	Status of Development Loans Summary.....	214
Project Data.....	18-37	COSTA RICA:	
Status of Development Loans.....	38-70	Summary of Country Program.....	215
CHILE:		Project Data Summary.....	216
Summary of Country Program.....	71-75	Description of New FY 1968 Projects.....	217
Summary of Program by Function.....	76	Status of Development Loans Summary.....	218
Project Data.....	77-96	EL SALVADOR:	
Status of Development Loans.....	97-108	Summary of Country Program.....	219
COLOMBIA:		Project Data Summary.....	220
Summary of Country Program.....	109-112	Status of Development Loans Summary.....	221
Summary of Program by Function.....	113	GUATEMALA:	
Project Data.....	114-130	Summary of Country Program.....	223
Status of Development Loans.....	131-144	Project Data Summary.....	224
DOMINICAN REPUBLIC:		Description of New FY 1968 Projects.....	225
Summary of Country Program.....	145-146	Status of Development Loans Summary.....	226
Summary of Program by Function.....	147	HONDURAS:	
Project Data.....	148-162	Summary of Country Program.....	227
Status of Development Loans.....	163-167	Project Data Summary.....	228
PERU:		Status of Development Loans Summary.....	229
Summary of Country Program.....	169-172	NI CARAGUA:	
Summary of Program by Function.....	173	Summary of Country Program.....	231
Project Data.....	174-186	Project Data Summary.....	232
Status of Development Loans.....	187-199	Description of New FY 1968 Projects.....	233-234
ARGENTINA:		Status of Development Loans Summary.....	235
Summary of Country Program.....	201	ECUADOR:	
Project Data Summary.....	202	Summary of Country Program.....	237-238
Status of Development Loans Summary.....	203	Project Data Summary.....	239
BOLIVIA:		Description of New FY 1968 Projects.....	240
Summary of Country Program.....	205-206	Status of Development Loans Summary.....	241
Project Data Summary.....	207		
Status of Development Loans Summary.....	208		

ALLIANCE FOR PROGRESS

TABLE OF CONTENTS

	<u>Page No.</u>		<u>Page No.</u>
GUYANA:			
Summary of Country Program.....	243-244	PARAGUAY:	
Project Data Summary.....	245	Summary of Country Program.....	263-264
Status of Development Loans Summary.....	246	Project Data Summary.....	265
HAITI:			
Summary of Country Program.....	247	Description of New FY 1968 Projects.....	266
Project Data Summary.....	248	Status of Development Loans Summary.....	267
JAMAICA:			
Summary of Country Program.....	249-250	URUGUAY:	
Project Data Summary.....	251	Summary of Country Program.....	269
Status of Development Loans Summary.....	252	Project Data Summary.....	270
MEXICO:			
Summary of Country Program.....	253	Status of Development Loans Summary.....	271
Project Data Summary.....	254	VENEZUELA:	
Status of Development Loans Summary.....	255	Summary of Country Program.....	273
PANAMA:			
Summary of Country Program.....	257-259	Project Data Summary.....	274
Project Data Summary.....	260	Status of Development Loans Summary.....	275
Status of Development Loans Summary.....	261	EAST CARIBBEAN REGIONAL PROGRAM:	
REGIONAL PROGRAMS:			
		Summary of Country Program.....	277
		Project Data Summary.....	278
		Description of New FY 1968 Projects.....	279
		Summary of Regional Program.....	281-282
		Summary of Program by Function.....	283
		Project Data.....	284-304

ALLIANCE FOR PROGRESS REGIONAL SUMMARY

[redacted] areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

FY 1968 PROGRAM *				
(Thousands of Dollars)				
Country	Type of Assistance			
	Total	Alliance for Progress		Supporting Assistance
		Loans	Technical Assistance	
LATIN AMERICA				
TOTAL	\$723,625	\$583,125	\$110,000	\$30,500
Argentina	1,500	--	1,500	--
Bolivia	18,100	14,000	4,100	--
Brazil	241,000	225,000	16,000	--
CENTRAL AMERICAN ECONOMIC COMMUNITY:				
ROCAP	29,500	25,000	4,500	--
Costa Rica	7,000	5,000	2,000	--
El Salvador	6,900	5,000	1,900	--
Guatemala	17,800	15,000	2,800	--
Honduras	7,400	5,000	2,400	--
Nicaragua	5,800	3,500	2,300	--
Chile	63,500	60,000	3,500	--
Colombia	88,000	82,000	6,000	--
Dominican Republic	40,500	15,000	5,500	20,000
Ecuador	8,800	5,000	3,800	--
Guyana	8,400	7,000	1,400	--
Haiti	1,500	--	--	1,500
Mexico	200	--	200	--
Panama	32,800	20,000	3,800	9,000
Paraguay	10,200	8,000	2,200	--
Peru	76,000	70,000	6,000	--
Uruguay	15,800	14,000	1,800	--
Venezuela	1,200	--	1,200	--
Jamaica	5,600	4,500	1,100	--
East Caribbean Regional Programs	500	--	300	--
Regional	20,700	--	20,700	--
Program Support & Inter-regional Activities	15,125	125	15,000	--

*Includes \$100 million for additional programs in connection with the Latin American Summit Conference.

"... To all the hemisphere we say: Let the pace be quickened. Time is not our ally..."

President Johnson
August 17, 1966

A new era in inter-American economic and social development -- based upon the dignity of the individual -- was launched at Bogota in 1960. United States support for this collective effort, initiated under President Eisenhower, was greatly broadened by President Kennedy's bold new plan for the implementation of a social and economic Revolution in Latin America, leading to the Charter of Punta del Este in 1961. The Alliance for Progress has moved into the phase of sustained forward action with strong support from President Johnson. The voice of the people of this hemisphere is beginning to be heard.

A New Generation of Leaders

The governments elected in Latin America in recent years are dedicated to the objectives of the Alliance, representing competent leadership for the economic and social betterment of their peoples. In Venezuela, popular support for the regime has enabled the government to continue the social and economic reforms started under the previous administration. The Chilean government, which in 1964 received the largest mandate in recent decades, is carrying forward a program of "Revolution in Freedom". In Peru, the government is creating organizations and providing funds to help the long-neglected Indian population. In Guatemala, an elected, reform-oriented government has succeeded a military government. In Ecuador, a period of rule by a military junta gave way to the election of a constituent assembly which in turn elected a provisional president.

Just one year ago, Uruguay was facing very serious political and economic crises. The economic crisis was overcome and a peaceful election was held, preceded by a constitutional reform to abandon the system of nine presidents and to return to a single presidency. Colombia elected a new president during the last year.

In all these countries and elsewhere, there are opposition political forces which impede full acceptance of governmental programs. However, it is significant that so many reform programs are under consideration by legislators in Latin America along the lines called for in the Charter of Punta del Este: tax reforms, administrative reforms, agrarian reforms, education reforms, and others. These programs are designed to give the

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

ALLIANCE FOR PROGRESS REGIONAL SUMMARY

people a greater stake in the fruits and benefits of their toil. Other efforts could be mentioned in Central America, and, of course Mexico, which has long since achieved political stability on a popular base and is moving at a rapid pace toward making the objectives of the Alliance for Progress a reality.

Following the upward trend in economic growth in Latin America beginning in 1963, there has been a significant decline in political unrest and in the number of unscheduled changes of government. Virtually all of those countries which experienced unscheduled changes of government in the early years of the Alliance have since reconstituted new governments through constitutional processes or made major steps forward in doing so. Such has been the case in Bolivia, Brazil, Ecuador, Peru, Guatemala, Honduras and the Dominican Republic.

During 1966 there was one military coup in Latin America and that took place in Argentina, a country which was experiencing a frustrating period of economic stagnation. In 1965 there was only one serious political crisis -- in the Dominican Republic -- which was eventually resolved by a popular election of a President and a Legislature.

In Brazil the government has introduced a great number of economic and administrative reforms which it is believed will facilitate return to governments elected under full democratic processes, with a greater likelihood of stability. There was a direct Congressional election in Brazil last November. And, while the new constitution clearly adds to the executive authority in relation to the Congress as compared to the 1946 constitution, it is not wholly accurate to characterize it as "totalitarian" or "undemocratic".

While there is no guarantee that the kinds of administrative and economic reforms now taking place in Latin America will result inevitably in advances for democracy, many of the reforms are creating a base that will enhance social and economic development which, in turn, should lead to political development. The inclusion by the Congress of Title IX in last year's Foreign Assistance Act gives A.I.D. a clear mandate to encourage an interaction between economic, social and political reforms by encouraging democratic private and local governmental institutions.

In support of Title IX, A.I.D. has been reviewing existing programs to assess the extent of popular participation in development and to devise ways of increasing participation. A number of well-established programs directly contribute to the

objectives of Title IX -- for example, credit unions, the savings and loan associations, the National Water Fund in Brazil, community development programs in the Dominican Republic, Venezuela, Panama, Peru and others, credit for small businessmen and artisans in a number of countries, and vocational training in Venezuela, Colombia, and Brazil.

Support of these programs will be continued and expanded.

A.I.D. recognizes that much more needs to be done if development is to be brought within reach of more or less all of the people. We are proposing to expand community development and local government programs in the Dominican Republic and Guatemala, marketing by farmers and farmers' groups in Brazil and Bolivia, in urban development programs a greater emphasis on self-help housing and community improvements and less on government-built and operated low-cost housing projects, and supervised agricultural credit programs.

The Challenge Continues

As reforms take place in Latin America, Latin Americans are beginning to help themselves obtain a better life. Multilateral efforts toward development are expanding. President Johnson said, on the fifth anniversary of the founding of the Alliance for Progress:

"The beginning of the beginning is behind us. Now we must look to what lies ahead. We have only begun to meet the needs of today, and these are but a fraction of those of tomorrow..."

One fact that deeply affects the problem of development in Latin America is the world's highest rate of population growth -- nearly 3% per year. If present trends continue, the population of the Alliance countries will double every twenty-four years and reach 625 million by the year 2000. Over 40% of Latin America's population is now below the age of 15. This means vastly expanded needs for food, housing, water, power, schools, and jobs -- to consider only the minimum requirements.

Whatever may be done to reduce the rate of population growth, the staggering challenge to the Latin American countries is only partially indicated by the following:

-- Farm production should increase by 6% every year. This is double the present rate.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

ALLIANCE FOR PROGRESS REGIONAL SUMMARY

- At least 140 million new jobs must be created during the remainder of the twentieth century.
- Over a million new homes should be built each year merely to keep up with population growth.
- More than 200,000 physicians will be needed by 1980 just to maintain the present -- wholly inadequate -- ratio of doctors to people.
- Hundreds of thousands of new classrooms are needed just to meet minimum education standards by 1970.
- If the Latin American economies are to meet these staggering needs and provide jobs for the growing population, annual per capita growth rates should increase to the range of 3.5% to 4% rather than the 2.5% originally set as the Alliance target.

An especially serious aspect of the problem is the need to create new jobs, particularly because the growing population is concentrating more and more in the cities, where the rate of population growth is 5%-6% per year. Increasing numbers of unemployed or underemployed urban slum dwellers pose a danger of political crisis which preoccupies Latin American statesmen and economists. The chances for stability and reform within a democratic framework will be slight if economic growth rates cannot provide the jobs which are the foundation of a better way of life for all.

Another problem which impedes development efforts in many Latin American countries is hyper-inflation. Inflation impedes faster economic development by discouraging the more productive forms of private investment; it also reduces the real value of the funds available for the governments' own investment programs. Because of the difficulties it poses for the coordination of national financial policies, inflation works against the economic integration of the area. Most important, inflation thwarts the attainment of greater social justice, as it hits hardest at the poor.

For these reasons, in many of the countries where inflation has been worst, governments have accorded stabilization top priority in their economic policies. In Chile the rate of price increase has been reduced from 39% in 1964 to 17% in 1966; in Brazil, the peak 1964 rate of 140% increase in prices was reduced to about 40% in 1966; the Uruguayan Government cut its runaway rate of 95% in 1965 by one-half in 1966; and Peru cut a 1965 rate of 16% to 10% in 1966.

Self-Help

In addition to a new generation of political leaders, there is a growing middle class in Latin America which recognizes that it has a role to play in the development processes of their countries. A new generation of technicians is moving into positions of importance in national life and in the many new institutions created under the Alliance for Progress to help increase agricultural productivity, stimulate the growth of cooperatives, create new opportunities for small and medium industry, improve marketing, extend the benefits of education, build the needed systems of power, transportation and communications, provide potable water to small communities which now have none, extend the benefits of public health programs, and cope with the enormous job of providing adequate housing. As these technicians increase in number and importance, they improve the capital absorptive capacity of their countries and make it possible for increasing sums of external assistance to be used effectively in support of sound development plans, programs and projects. External assistance can do no more than support Latin American efforts to overcome basic structural deficiencies such as are deeply rooted in the agricultural and educational systems. The Latin Americans must also take the initiative to attack the problems of economic integration, inflation, multinational development and the related issue of increasing the region's capacity to earn vital foreign exchange. They have begun to show that they are able to make the hard decisions required for rapid development in a competitive world.

Preliminary estimates indicate that in 1966 a majority -- ten out of nineteen -- of the Alliance countries met or exceeded the target growth rate of a 2.5% increase in per capita Gross National Product established in the Charter of Punta del Este. Seven of the nineteen have averaged better than 2.5% for the Alliance period as a whole. A decline in agricultural production due to bad weather and the otherwise salutary coffee reduction program in Brazil and a recession in Argentina, two major economies, held the growth of the nineteen Republics combined to some 1.1% per capita in 1966. Excluding Brazil and Argentina, the rest of the region attained an overall growth of 2.5% per capita in 1966, and has averaged almost exactly 2.5% annually for the period since 1961 as a whole. Attainment of this per capita rate requires an overall rate of economic expansion about that of the United States in recent years, for with population growing at almost 3% annually, a country must achieve a 5½% growth in total GNP to maintain a rate of 2½% on a per capita basis. Although the 1966 rate is a reminder that the desired acceleration is not yet insured, the fact that growth since 1963 has averaged about 2.3% per capita, (and

Revised

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

ALLIANCE FOR PROGRESS REGIONAL SUMMARY

some 2.8%, excluding Brazil and Argentina) suggests that the target of Punta del Este is not far out of reach. If Brazil and Argentina can begin to achieve their potential growth and if the other countries maintain their recent rates of expansion, then the 2.5% per capita growth target will be met for almost all of the peoples of the Americas. The next steps will be to bring up the performance of those who have lagged behind and set the necessary higher targets for all.

In 1966 gross investment in Latin America reached an estimated total, in 1965 prices, of almost \$15.5 billion equivalent, up from some \$13.5 billion equivalent in 1961. The investment level actually dropped slightly during the first two years of the Alliance, but has risen some 20% since. As a share of total GNP, investment has returned to a 17% level and has actually increased more than GNP in the past three years. By comparison, commitments of U.S. bilateral development assistance to the nineteen Republics have averaged some \$1 billion annually, and reached some \$1.15 billion in FY 1966, of which A.I.D. commitments have averaged over \$550 million and reached some \$670 million in FY 1966. The proposed FY 1968 A.I.D. program for the region (including non-Alliance countries) of under \$625 million is less than a tenth of a per cent of U.S. Gross National Product in 1966.

There is growing recognition in Latin America that development is primarily their own responsibility and that political and administrative leaders, joined with the private sector in common efforts, must find inventive ways to solve national and regional problems. These increasing relationships provide the warp and woof of a democratic society and make it more likely that voluntary efforts on the part of private citizens will contribute to the orderly development of the country.

Toward a Multilateral Alliance

In the five years of the Alliance few developments have excited as much interest as has the growth of a genuine spirit of multilateralism. No other group of nations in the world has advanced as far as Latin America in taking the steps necessary to ban the proliferation of nuclear weapons. In so doing, the Latin American nations have taken a further step in demonstrating their interest in resolving hemisphere problems on a multilateral basis. The spirit of multilateralism, originally embodied in the Pan American Union and the Organization of American States (OAS), was further manifested in the charter establishing the Inter-American Development Bank (IDB) (1959) and then, in 1963, in the creation of the Inter-American Committee on the Alliance for Progress (CIAP). CIAP has infused a distinctly new feeling of

shared responsibility for the effectiveness of the development process throughout the hemisphere. It has given renewed vitality to the OAS and promises to be a most effective means for stimulating further country efforts at self-help, reform and development.

It has not been easy to break down, even partially, the barriers of nationalism and intra-regional rivalry which have traditionally impeded the search for collective solutions to common problems. The passage by the U.S. Congress in 1966 of the "CIAP Amendment", requiring that all Alliance loan funds be utilized in programs which are consonant with those approved by CIAP in its annual country review process, evoked a clearly favorable response in Latin America and has further increased the effectiveness of CIAP. A.I.D. regards the amendment as a highly constructive step forward and is steadily increasing its reliance on CIAP to encourage more far-reaching self-help measures in the Latin American countries. The doubts once felt by the Latin Americans concerning the sincerity of the U.S. commitment to multilateralism are beginning to give way.

The Inter-American Development Bank, "the Bank of the Alliance", has steadily matured as a multilateral financial institution and is a leader in encouraging multinational projects which cement the bonds of regional integration. Total lending by the Bank is now approaching \$2 billion. The bank has established a pre-investment fund of \$16.5 million for multinational project studies, and recently sponsored the "Lilienthal Report" on Multinational Investment Programs and Latin American Integration.

A.I.D. has made vigorous efforts toward involving non-hemispheric donors in the multilateral efforts of the Alliance. A few examples of this effort include the German Bolivian-U.S.-COMIBOL effort which provided \$7 million in capital assistance to rehabilitate the mining industry in Bolivia; Canadian arrangements with the IDB by which the Bank administers up to \$10 million in Canadian dollars to finance projects in Latin America; and Anglo-Canadian-U.S. support for development in the Caribbean and newly-independent Guyana.

One useful device has been the formation of consultative groups to reach common judgments among donors and recipients as to appropriate policies. Such groups have been organized for Peru and Colombia. The possibility of organizing one under the World Bank leadership for Central America as a unit is being studied. Brazil, Ecuador and Chile are additional possible candidates. Discussions of the Brazilian economic situation were held in Paris under World Bank auspices in July 1966.

Redacted areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

ALLIANCE FOR PROGRESS REGIONAL SUMMARY

The Central American Bank for Economic Integration (CABEI), while receiving the bulk of its funds to date from the United States and IDB, has also negotiated credits from Mexico, England, Spain and Switzerland. The Germans have expressed interest in this Bank but to date no agreement has been reached.

The concept of multilateralism also promises to improve the climate for one of the greatest and most difficult tasks facing the Alliance -- that of Latin American economic integration. The importance of this movement and the U.S. commitment to it were underlined recently by President Johnson:

"...Some areas of special concern are now emerging. First among these is the economic integration of Latin America....To my fellow Presidents, I pledge: Move boldly along this path and the United States will be at your side..."

Today Latin America is still characterized by small national markets, unrealistically high protective tariffs and many inefficient, costly industries. Unless Latin America can dramatically increase exports, it cannot hope to earn the foreign exchange necessary for the purchase of capital equipment vital to economic modernization. Without growing exports, Latin American countries will also find themselves unable to service the large external debt which is required for the development process. Economic integration could bring expanded markets, higher industrial productivity and lower costs, a more rational allocation of industries among various countries, a significantly increased element of competitive opportunity and an improved climate for private enterprise, as well as a lessening of the excessive reliance on one or two primary commodities as virtually the sole source of foreign exchange. For these reasons, the goal of a Latin American Common Market has been accepted by many Latin governments.

Two major regional integration organizations have been formed. The Central American Common Market (CACM) has stimulated new industries in the region, increased trade among members by two and one-half times over the period 1961-1965, and set the stage for expanded economic and political cooperation in Central America. Trade among the five members of CACM is completely free for about 95% of the articles involved. A.I.D. has materially supported this progress through the Regional Office for Central America and Panama (ROCAP) and through its contributions to the CABEI, which has made 107 loans for industrial expansion totaling more than \$36 million.

The Latin American Free Trade Area (LAFTA), including Mexico and ten South American countries as members, has not progressed as rapidly as has CACM. Tariff reductions on a wide variety of items have been negotiated, but the more difficult and meaningful phase of across-the-board reductions has yet to begin.

Proposed Meeting of Hemisphere Presidents

The U.S. commitment to the Alliance for Progress will be reinforced by President Johnson's support for, and participation in, the Meeting of Hemisphere Presidents expected to take place in the spring of this year. President Johnson hinted at what he hoped would be accomplished by the meeting when, in his State of the Union message, he said,

"...We must now move to strike down the barriers to full cooperation among the American nations and to free the energies and the resources of two great continents on the behalf of all our citizens."

Realization of these goals would require that the principal topics on the meeting's agenda be:

- The need to take the steps required to increase the economic per capita growth rates to the range of 3.5-4.0%;
- the need to accelerate progress in the two critical sectors of agriculture and education; and
- new policies and new actions including multinational projects to accelerate regional economic integration.

United States action will be predicated on the Latin American nations' willingness to increase and accelerate self-help measures, including the attainment of higher levels of domestic savings, greater incentives to exports and improved environment for private investment. The United States is also intent on working with the Latin American nations to remove existing barriers to economic integration.

FY 1968 Program

To help its Alliance partners work toward their goals, A.I.D. proposes a program of \$623.625 million in FY 1968. This figure is based on new obligational authority (NOA) requests of \$443 million in Alliance loans and \$100 million in technical assistance and is exactly the same as the total amount requested in FY 1967

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

ALLIANCE FOR PROGRESS REGIONAL SUMMARY

in loans and grants. The \$488.125 million programmed for development loans (includes NOA plus carry overs and recoveries) will be used for program, sector and project lending; \$105 million programmed for technical assistance includes \$15 million for A.I.D.'s inter-regional activities such as research and international training programs and world-wide technical assistance. In addition, \$30.5 million will be used in Supporting Assistance.

During the years of the Alliance, A.I.D. requests have remained fairly stable. This is the case despite the region's growing absorptive capacity and increasing commitment to self-help. Available funds have, as a result, been spread ever more thinly in relation to well justified program and project needs. Given the growing urgency and magnitude of the development crisis in Latin America, this request of \$543 million in NOA for FY 1968 is indeed the minimum to fulfill U.S. responsibilities as an Alliance partner.

Program loans are planned in Brazil and Colombia, two major Latin American countries which have shown a particular ability to move ahead with reform, stabilization and development. This program assistance will enable Brazil and Colombia to import from the United States the goods necessary for the growth of their private sectors and will also assist in the improvement of the public investment programs. By conditioning quarterly tranches upon the adoption of self-help measures promised to CIAP, the A.I.D. program loan technique has stimulated greater country performance.

Program objectives have included measures to promote monetary stability, tax reform, improved tax administration, trade liberalization, export promotion, improved educational facilities, increased agricultural productivity, better national economic planning, and expanded government investment in needed infrastructure and social progress.

An example of the success of these loans has occurred in Chile where A.I.D. program loans have enabled the government to inaugurate a much-needed expansion of investment while, at the same time, reducing by nearly one-half the rate of inflation. Total revenues are up from 16% of GNP in 1964 to 20.4% in 1966—an increase of 27.5% above and beyond the improvement of GNP in real terms during President Frei's two years in office.

Program loans were extended to Chile in FY 1965 and 1966 and one was originally contemplated for FY 1967. In view of the unusually high world market prices for copper, however, the Chilean Government has decided that it can carry out its

development needs this year without such assistance. Indeed, they felt that the availability of program loan assistance might lessen their capacity to enforce wage and price discipline and lead to an excessive level of public investment which could not be maintained with more normal copper prices in the future. As long as copper prices remain high, we do not expect to provide general program loan assistance to Chile.

In FY 1967 A.I.D. is introducing the concept of the sector loan as a new tool to encourage further self-help and improved country performance. This type of loan, related to specified policy changes and improvements in institutional practices in a given sector (for example, agriculture, education or industry), will finance needed commodity imports and the local currency thus generated will then be programmed as additional resources into priority programs in the sector. This will permit A.I.D. to focus its leverage more precisely on the policies and practices which are required to boost the growth of critical sectors.

In addition, approximately \$250 million for project lending is proposed for such important fields as private development banks, urban development, industrial credit, a private investment fund and continued support for the CAREI.

Sector loans at a level of \$30 million will be authorized in FY 1967 for Chile. For example, an agricultural sector loan will provide an increase in the level of imports of agricultural inputs (such as fertilizer, seeds, etc.) over and above historic levels and will thus provide a rapid expansion in the productive capacity of that sector. In FY 1968, A.I.D. is proposing to expand sector loans to a level of \$100 million in Brazil, Chile, Colombia, and Peru.

New Initiatives in Education, Agriculture and Health

The annual reviews of the Alliance by the Inter-American Economic and Social Council and the work of CIAP have shown the necessity for the Alliance to take new initiatives in the areas of education, agriculture, and health. The ultimate meaning of the Alliance lies in its ability to improve the quality of life for the individual in Latin America.

No nation in modern times has achieved adequate rates of economic growth without a major expansion and reform of its educational system. The opening of opportunity to talent also has profound social and political effects in creating a basis for meaningful popular participation in public life, in expanding the middle-class, and in encouraging social mobility.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

ALLIANCE FOR PROGRESS REGIONAL SUMMARY

The Alliance countries have made genuine progress in improving the quality and quantity of education in Latin America. Educational planning offices have been established in eleven countries with A.I.D. assistance. From the inception of the Alliance for Progress to June 30, 1966, with A.I.D. assistance 24,500 classrooms were built, 26,000 new teachers trained and over 100,000 teachers given refresher courses, and 12.5 million textbooks were distributed. Since 1961, primary school enrollments have increased by 23%, secondary school enrollment by 50%, and university enrollment by 39%. Most countries have increased their budgets for universities by 150 to 200%.

These accomplishments are important. They pale, however, when measured against Latin America's overwhelming educational deficit, regardless of how it is measured -- by numbers of school age youth not enrolled in primary schools (50%), primary school dropout rates (75%), secondary school dropout rates (often 80%), or number of adult illiterates (50 million). This deficit is staggering and is growing daily because of the population explosion.

The interest and commitment of the Latin American countries to a modern system of education is growing. Progress to date has been encouraging, but the needs of the future are far greater. A.I.D. proposes that \$100 million be utilized in FY 1968 for programs aimed at reducing the Latin American educational deficit. Primary emphasis in this program will be on improving education and manpower planning, improving university faculties and curricula, expanding the use of the educational television, and developing greater university to university relationships (in both training and assistance) between the United States and Latin America, improving educational organization and administration, and developing low-cost techniques to educate the burgeoning number of students. The successful program of textbook translation and distribution will be expanded and a broader program of vocational education will be undertaken in FY 1968.

Half of Latin America's people live in rural areas, yet they do not produce enough food to supply the population at adequate nutritional levels. With a relatively favorable land-population ratio, and serious shortages of foreign exchange, Latin America should not have to import food stuffs as it now does, at the rate of \$600 million per year. At least 60% to 70% of present imports of food items could be produced within the region and food exports to help meet the growing world shortage could be greatly expanded.

Despite the low over-all population density, rural unemployment and underemployment are increasing because of pressures on readily accessible land and the mechanization of commercial farming operations. At the same time, food production barely

keeps pace with the population increase and the potential for near term gains in food supplies (through both expansion of the cultivated area and increased yields) are not realized because of weaknesses in the effective internal and external demand for agricultural products, and in the institutions, both public and private, which must address these problems. Low productivity and inadequate investment capital, coupled with inefficient marketing practices, high farm-to-market transportation costs, and unwise or inadequate agricultural policies all conspire against adequate incentives to the farmer for increased agricultural production. These factors also lead to high food costs in the urban areas, thus inhibiting effective demand even while the need increases.

Some progress has been made during the past six years. Sixteen countries now have legislation dealing directly with land reform. With U.S. assistance, 1.1 million acres of land have been irrigated and 106,000 acres reclaimed. More than 700,000 agricultural loans have benefitted three and one-half million people. 15,000 miles of road have been built or improved, many of which are farm-to-market access roads.

Latin America's capacity for self-help will be severely tested in the struggle to improve the quality of rural life and enhance agricultural productivity. The task will require a coordinated approach to the rural sector, dealing with national policies affecting agriculture, the transportation and marketing of agricultural products and the technical improvement of farming methods, as well as a major effort to modernize rural life. A.I.D. proposes to support Latin American self-help efforts in agriculture with \$18 million of technical assistance funds and \$185 million of development loan funds in FY 1968. Areas of primary concern will include improvements in national policies affecting agriculture; better marketing and pricing systems; the refinement, expansion and application of agricultural research, education, extension and credit institutions; construction and improvement of farm-to-market roads, commodity storage facilities and irrigation systems. Fertilizers and other agricultural chemicals and farm equipment will be made available on an expanded scale, and progress in the agricultural sector will be further enhanced by Alliance efforts in the organization of cooperatives, community development, local government improvement, agro-industry, and the development of power systems, trunk highways and port facilities.

Progress under the Alliance in establishing health facilities and health programs has been constantly improving, but the explosive rate of population growth will require greatly accelerated efforts if the goals established by the Charter of Punta del Este are to be realized.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

ALLIANCE FOR PROGRESS REGIONAL SUMMARY

In 1960 there were 8,200 hospitals with 684,600 beds (a ratio of 3.2 beds per 1,000 population). Although the number of hospitals increased to approximately 9,900 with 764,000 beds, by 1964 the ratio remained 3.2 beds per 1,000 population.

The number of physicians increased from 90,800 in 1957 to 120,600 in 1964. Yet this represents an increase of only 0.4 (from 5.0 to 5.4) in the ratio of physicians to 10,000 population. Extending projections to 1980, 183,500 physicians will be needed just to maintain the ratio of 5.4 per 10,000 population.

Programs to eradicate communicable diseases have reduced the number of deaths due to malaria in ten countries from 10,810 in 1960-62 to 2,280 in 1964. In 11 countries there were 3,220 reported cases of smallpox in 1964 compared with 8,990 in 1961. Programs to improve environmental health have also made progress. Sixty-nine percent of the urban population in Latin America now has piped water compared to 61% in 1960.

Government officials are becoming more aware of the difficulty of improving economic and social well-being in countries with excessive rates of population increase--often more than 3%. Six Latin American countries now have national family planning programs, and many others have substantial non-official family planning organizations and activities. Regional institutions and approaches have an important role in development of family planning research, training, and program action in Latin America. Therefore, support for regional-level activities is being extended through A.I.D.'s Regional Office for Central America and Panama (ROCAP), the Pan American Health Organization (PAHO), the regional office of the World Health Organization, and other organizations. In addition, A.I.D. has supported the efforts of organizations such as the Latin American Demographic Center (CELADE), Institute for Economic and Social Development of Central America (IDESAC) and Organization of Central American States (ODECA), to establish demographic research and training programs throughout Latin America.

It must be emphasized that while policies of population control are desirable, they can have no impact on the size of the labor force in the next decade and more. To prevent a further increase in underemployment and under-utilization of human resources, annual per capita growth rates must be increased to the range of 3.5% to 4%. This will necessitate coordination of efforts made toward population control with other social and economic programs designed to enhance the quality of human life in Latin America.

In order to continue the trend of a modest expansion in greatly needed health programs including those dealing with family

planning, A.I.D. proposes an increase of \$10 million for FY 1968 over the \$25 million that was utilized in 1967.

Technical Assistance

Technical assistance funds totaling \$100 million are requested for FY 1968. This compares with a request in FY 1967 of \$87.7 million. The increase results primarily from expanded assistance to proposed programs in health, education and agriculture.

A.I.D. relies heavily on the contract expertise of U.S. universities, business firms and non-profit organizations to provide assistance in specialized fields for building viable development institutions in Latin America. As of September 1966, over 360 A.I.D. contracts were operating in Latin America totalling over \$90 million. Of this number, 57 were contracts with American universities totalling \$39 million.

The Partners of the Alliance program provides a wide spectrum of private sector expertise that is being utilized to achieve ~~over-all~~ Alliance objectives. At present there are private sector groups from 30 states which are working with counterpart groups in 15 Latin American countries in the fields of commercial investment activities, transportation problems, education needs, and development of civic organizations.

The U.S. Department of Agriculture and A.I.D. are working jointly in 15 countries throughout the hemisphere helping the ministries to reorganize administration, revamp price policies, and develop the institutions necessary for training, demonstration and research related to increased production and improved land use.

Approximately \$20 million is proposed for education. American universities are building counterpart centers of learning in 12 countries.

The American Institute for Free Labor Development (AIFLD) is helping to develop democratic trade union movements in 20 countries of the region. In addition to worker education seminars, and training AIFLD is also sponsoring a variety of social projects, such as workers' banks, low-cost housing, and community action activities. A.I.D.'s support of these programs in FY 1968 will total over \$5 million.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

ALLIANCE FOR PROGRESS REGIONAL SUMMARY

The Internal Revenue Service is assisting some 18 countries in improving tax administration and collection. As a result of the program, which has enlisted about 70 U.S. tax experts, some countries have instituted income tax systems and for the first time tax evaders are being prosecuted. Through the assistance of the Department of Labor, country-by-country analyses of manpower requirements are being made which provide a base for developing appropriate training and education programs in Latin America. In addition to the above programs, over 10 other government agencies are assisting in the Alliance effort.

Supporting Assistance funds of \$30.5 million are requested for FY 1968, largely to promote political and economic stability in two countries with special needs, Panama and the Dominican Republic. Continued support for public sector investment activities designed to increase employment and thus preclude aggravation of potentially violent political tensions in these countries will be necessary.

Military Assistance to Latin America

Military assistance for Latin America in FY 1968 is programmed at \$32.5 million for grants, excluding training, and \$52.5 million for sales. This conforms with the \$85 million ceiling on sales and grants of defense articles and services to Latin America which was established by Congress in 1966. Training, which is not subject to the ceiling, is programmed in FY 1968 at \$13 million.

The major objective of our military assistance policy in Latin America is to assist in the development of armed forces capable of maintaining internal security. Subversive elements are active today in Guatemala, Colombia, and Venezuela. Recent experience in other countries (e.g. Dominican Republic and Peru) and the stepped-up subversive intentions proclaimed at the Tri-Continental Conference at Havana a year ago are clear indications that Communist-sponsored internal disorders are likely to continue to be a cause for concern in Latin America for the foreseeable future. Aside from the threat they pose to political institutions, these disruptive forces undermine our efforts to stimulate Latin American social and economic development, which can only prosper under adequate conditions of domestic security and stability. The 7% of our total assistance to Latin America used to help the military and the police thus lays the groundwork for effective use of the remaining 93% that goes for development.

Our policy objectives have involved a major reorientation of the Latin American military away from their traditional concern over external defense and toward internal security and development.

Some prominent statesmen in the hemisphere are promoting the development of a common policy on arms, under which the principal Latin American countries would agree to refrain from purchases or use of certain types of prestige arms which are costly and not related to either internal or external defense needs; e.g. heavy tanks, ships larger than destroyers, supersonic aircraft, and the like. The United States actively supports these efforts and hopes that the first steps toward such an agreement will be taken at the forthcoming meeting of Latin American presidents.

SUMMARY OF PROGRAM BY FUNCTION
(Dollar Amounts in Thousands)

Shaded areas are SECURITY CLASSIFIED and
must not be divulged to unauthorized indi-
viduals. All other material is unclassified.

Region: LATIN AMERICA

TABLE II

Category	Actual FY 1966				Estimate FY 1967				Proposed FY 1968		
	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.
Development Loan Program	505,533	XXX	XXX	XXX	469,765	XXX	XXX	XXX	583,125	XXX	XXX
Programs Other than Devel. Loan											
Project Assistance											
U.S. Technicians	45,858	45,577	96	185	47,627	44,764	78	2,785	52,256	52,154	102
Participants	8,453	8,453	-	-	9,909	9,889	-	20	9,055	9,055	-
Commodities	10,731	7,831	75	2,825	7,137	6,259	75	803	6,156	6,047	109
Other Costs	20,384	16,675	1,844	1,865	24,052	21,038	1,247	1,767	24,033	22,744	1,289
Total Project Assistance	85,426	78,536	2,015	4,875	88,725	81,950	1,400	5,375	91,500	90,000	1,500
Method of Financing											
Project Assistance											
Direct A.I.D.	44,052	37,928	1,415	4,709	42,328	37,745	1,400	3,183	41,007	39,607	1,400
Other Agency	8,033	8,033	-	-	9,204	9,186	-	18	8,824	8,824	-
Contract	33,341	32,575	600	166	37,193	35,019	-	2,174	41,669	41,569	100
Program Assistance	103,241	9,977 ^{a/}	42,741	50,523	50,850	13,000 ^{a/}	30,450	7,400	44,000	15,000 ^{a/}	29,000
Total Other than Devel. Loan .	188,667	88,513	44,756	55,398	139,575	94,950	31,850	12,775	140,500 ^{b/}	110,000 ^{b/}	30,500
Total Assistance	694,200	XXX	XXX	XXX	609,340	XXX	XXX	XXX	723,625	XXX	XXX

a/ Alliance for Progress share of non-regional expenses.

b/ This total includes an amount of \$5 million which is reserved for Summit-related grant projects. These projects are still in the planning stage and it is not possible at this point to distribute this amount by category, i.e. U.S. technicians, participants, etc.

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	600	667	700
Participating agency	309	402	414
Contractor technicians	829	999	1,035
Total	1,738	2,068	2,149

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	2,653	2,952	3,063
Contract	675	1,163	1,433
Total	3,328	4,115	4,496

SUMMARY OF STATUS OF DEVELOPMENT LOANS
(In Thousands of Dollars and Equivalent)

REGION: LATIN AMERICA

COUNTRY	Cumulative Through FY 1966				FY 1967 Through December 31, 1966			
	Authorized	Obligated	Disbursed	Repaid	Authorized	Obligated	Disbursed	Repaid
<u>Development Loans</u>								
Argentina	109,580	109,580	59,821	11,622	-	-	2,745	2,497
Bolivia	92,035	82,535	28,221	194	(79)	9,421	2,279	20
Brazil	674,175	615,375	250,433	-	14,800	73,200	133,375	229
Guyana	9,500	9,500	96	-	600	600	234	-
C.A. Economic Community								
Costa Rica	33,700	33,200	19,565	213	(400)	100	2,309	50
El Salvador	30,035	28,400	17,817	264	-	1,635	2,549	53
Guatemala	17,149	15,599	8,545	1,049	758	2,308	242	271
Honduras	25,170	22,170	12,249	1,083	-	3,000	838	126
Nicaragua	41,755	29,555	12,030	294	-	8,500	3,201	209
ROCAP	62,500	62,500	10,895	30	-	-	4,034	10
Chile	348,991	348,991	222,926	216	(808)	(808)	24,304	35
Colombia	253,648	245,648	162,355	500	-	8,000	43,558	110
Dominican Republic	24,100	14,600	2,178	-	-	9,500	2,168	-
Ecuador	50,681	48,681	19,506	2,157	-	-	1,946	319
Haiti	4,788	4,788	4,788	171	-	-	-	22
Mexico	66,500	63,500	33,800	-	-	3,000	11,340	-
Panama	33,800	27,700	14,063	360	6,256	5,200	4,489	80
Paraguay	26,554	17,174	14,117	1,922	-	-	495	1,858
Peru	79,448	66,748	36,228	706	-	11,100	5,429	246
Uruguay	22,800	17,800	14,349	493	-	5,000	-	223
Venezuela	55,000	55,000	37,405	170	-	-	3,720	55
Jamaica	6,600	6,600	-	-	-	-	294	-
TOTALS	2,068,509	1,925,644	981,387	21,444	21,127	139,756	249,549	6,413
<u>IAPSP Loans</u>								
Ecuador	1,600	1,600	960	16	-	-	119	8
Guatemala	700	700	700	2	-	-	-	1
Honduras	1,650	1,650	970	31	-	-	179	8
Jamaica	5,000	5,000	1,973	93	-	-	642	47
Nicaragua	539	539	539	63	-	-	-	14
TOTALS	9,489	9,489	5,142	205	-	-	940	78
Total	2,077,998	1,935,133	986,529	21,649	21,127	139,756	250,489	6,491

Parenthesis denotes deauthorizations/deobligations.

Brazil



BASIC DATA

Population (<i>millions – mid-1966</i>).....	84.0
Annual Growth Rate (<i>percent</i>).....	3.0
Area (<i>1000 square miles</i>).....	3,280
Population Density Per Square Mile.....	26
Agricultural Land as % of Total Area	15
Percent of Labor Force in Agriculture.....	52

Per Capita GNP (<i>dollars</i>).....	271*
Life Expectancy (<i>years</i>).....	55
People Per Doctor	2,500
Literacy Rate (<i>percent</i>)	61
Pupils as Percent of Population.....	13
<i>(Primary and Secondary)</i>	

* 1966 in 1965 prices

PREVIOUS PAGE BLANK

These areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	228.7	190.0	225.0
Technical Assistance	14.4	15.8	16.0
Total A.I.D. Assistance	243.1	205.8	241.0

Objectives of U.S. Assistance

As the most important country of Latin America with one-half the population of South America, Brazil is one of the world's potentially great powers. Its military, political, and economic stability is crucial to the hemisphere, and without major accomplishments in Brazil the Alliance for Progress cannot succeed.

The United States has the following basic foreign policy objectives in Brazil:

1. Maximum possible stability, effectiveness and democratic orientation of the Brazilian Government and political system.
2. A modern economy characterized by relative price stability, rapid and balanced growth and steady improvement in social justice and equitable income distribution.
3. Continuance and strengthening of the present constructive and responsible Brazilian foreign policy, including support for the United States on major international issues.

To promote these objectives, the A.I.D. programs require rigorous Brazilian self-help in achieving economic stabilization, in reforming and modernizing the agricultural sector including more just and efficient land tenure, improving government administration, reforming the antiquated educational system, and promoting constructive measures in health, housing, and labor policy. A.I.D. assists in financing a transfer of resources essential to permit Brazil to take such vigorous measures to realize the investment and growth objectives of the Alliance for Progress.

On March 15, 1967, President Castello Branco was succeeded by Arthur da Costa e Silva, the former Minister of War who was recently elected by the Brazilian Congress, and who has pledged to continue the main lines of the stabilization program. Since the Government felt that the need for ensuring continuity precluded direct Presidential elections, the new President was chosen by the Congress where the pro-administration ARENA party enjoyed a two-thirds majority. Nevertheless, direct, popular, and contested Congressional elections were held on November 15, 1966, and slightly increased the Government's margin. A new constitution came into effect on March 15, 1967, when the new President took office, and the previous extra-constitutional powers expired. The way was thus paved for the continuation of the reform program within a wholly constitutional framework.

U.S. assistance will provide a means for influencing Costa e Silva while his priorities and programs are still in a formative stage, will help ensure that such constructive measures will succeed, and will permit a broadening of the political base of the Government so that the goals of the Brazilian Revolution may more likely be achieved without authoritarian measures. On the other hand, if the Brazilian political situation should deteriorate, the assistance programs can be curtailed to the extent appropriate.

Key Obstacles to the Achievement of Objectives

Capital Mobilization. Brazil's economy has not done well in terms of over-all indicators over the last two years. Given a population growth of about 3% per year, vast housing and education inadequacies, rapid urbanization which overwhelms the ability of the cities to meet social and economic overhead requirements, and technological backwardness outside the modern agricultural and industrial centers of the center-south, Brazil's growth in national income should be about 8% annually just to maintain the present rate of employment. It is estimated that GNP in 1967 will increase by about 6%. To reach an 8% target by 1971, it is estimated that Brazil must increase its investment ratio which is now calculated at about 15% of GNP to over 23% of GNP.

Planning and Management of Investment Programs. Development is being seriously retarded by managerial and administrative inadequacies in the public sector. All too frequently sound policies and reform measures have been soundly conceived but then greatly reduced in effectiveness through poor implementation.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

Manpower. Brazil's tradition-bound educational system is wholly inadequate for the needs of a modern society. Only 60% of the elementary school age children are in school. 800 of every 1,000 children leave before the fourth grade, all but 30 drop out before finishing high school, and only 1 completes a university course. An estimated 39% of the population is illiterate.

Agriculture. Low farm prices, high costs of seeds, fertilizers, etc., inadequate research and lack of extension, storage, and marketing facilities have held the increase in non-coffee agricultural production to an inadequate level to meet the requirements of the growing population. The lagging rural sector, in addition to retarding over-all growth rates, skews investment toward capital-intensive fields, accelerates population movement to the cities, and retards development of a national domestic market.

Recent Country Performance

As conditions to U.S. assistance, the Brazilian Government over the past two years has undertaken key stabilization, reform and investment actions. These include measures to increase tax revenues, reduce government deficits, improve credit and foreign exchange policies, and institute basic reforms in agriculture, public enterprise, land tenure, and housing.

Among the more significant results of the Brazilian program during 1966 are the following:

Fiscal effort. With increased tax collections, the cash deficit of the government budget for 1966 was reduced to 11% of expenditures, as compared with 22% for 1965 and 46% for 1964. It is estimated that the 1967 deficit will be only 4% of total budget expenditures.

Money and Credit. During 1966, the increase in total money supply was held to 20%, one fourth of the increase during the prior year, while bank credit to the private sector rose by 30%, a little more than half of the 1965 increase.

Foreign Trade. A significant shift in Brazil's trade policies is reflected in a partial import liberalization program which has reduced tariffs and financial charges on imports and has liberalized legislation designed to provide special protection for domestic manufacturers. In addition, the Brazilian Government has actively begun to promote exports, most exports having been freed from all licensing and from virtually all administrative requirements.

Land Reform. A cadastral survey of all private lands covering over three million properties has been completed as an important initial step in carrying out the Government's program for the redistribution of unused or poorly used farm lands.

There have also been some failures and disappointments. Inflation has proved more stubborn than predicted, with total price rises in 1966 amounting to about 41%, as contrasted with about 45% in the previous year. The economic hardships of the stabilization program and government insensitivity to domestic public opinion have eroded its popularity since the 1964 Revolution. The strict wage policy and severe monetary controls have led to a decline in real income particularly for low-income groups and to reduced business activity. Administrative and education reforms are being implemented but much more slowly than hoped.

U.S. Strategy

U.S. strategy is to encourage the continuation of the stabilization and reform programs already begun as well as to press for the adoption of new measures to encourage private investment, improve social justice and more equitable income distribution, reform the educational system, and improve the efficiency of the public services. As explained above achievement of the growth rate objective set forth in the Charter of Punta del Este (2.5% per capita per year) is not sufficient to achieve such objectives.

To implement this strategy program loans and P.L. 480 sales will continue to finance a transfer of resources essential for investment and growth objectives, while at the same time providing leverage toward achieving stabilization and social progress goals. Sector loans in agriculture, education, and health are contemplated to bring about basic policy changes in those areas, with local currencies thus generated helping to finance the implementation of such reforms. Project loans will continue to help finance the development of infrastructure and private enterprise, and technical assistance, closely related to the aims of the program and project loans, will be provided.

FY 1968 Program

A.I.D. funds programmed for FY 1968 consist of \$225 million for development loans and \$16 million for technical assistance grants. The \$225 million for development loans includes an amount on the order of magnitude of \$75 million for a program loan, but the exact amount will be governed by Brazil's balance-of-payments requirements.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

All A.I.D. development loans are tied to procurement in the United States. Local costs of project loans are financed by the counterpart resulting from imports from the United States. Available information clearly indicates that, due to the source requirements and special incentives to the importing public for using A.I.D. dollars, the U.S. share of the Brazilian import market has increased markedly from 1964 to the present.

New loan authorizations approximating \$110 million are expected from the International Bank for Reconstruction and Development (IBRD) and around \$100 million from the Inter-American Development Bank (IDB) with an estimated additional \$40 million in the loans from other non-U.S. sources. Lending activity by the Export-Import Bank should reach \$70 million. International Monetary Fund (IMF) standby agreements are expected both in FY 1967 and 1968.

Economic Stabilization. Brazil has maintained its solid commitment to stabilization. Tax collections are up, subsidies to government enterprises are down. Budget deficits are no longer major engines of inflationary pressures. Bank credit and wages have been held under close restraint. Nevertheless, due to a rapid expansion of money supply in the last quarter of 1965, prices during 1966 have continued to rise almost as fast as during the preceding year. These rises have resulted in a decline in labor's real wages.

A basic target of the A.I.D. programs continues to be a sharp reduction in the annual rate of inflation to not more than 10%. In consideration of the program loan for \$100 million to be negotiated during FY 1967 Brazil will be expected, among other things, to extend its policy of import liberalization; implement a far-reaching program of administrative reform; maintain a non-inflationary federal budget; continue its policy of credit and wage restraints, but at the same time seek to avoid economic dislocation, unemployment, and a further deterioration in real wages; maintain a realistic foreign exchange rate; and further rationalize its coffee policy. These, as well as other commitments relating to reforms in agriculture, education, health, and housing will be set forth in a letter from Brazil to CIAP.

The conditions which govern the FY 1967 assistance program apply to problems which will require sustained attention for several years. Exact conditions to be negotiated during FY 1968 will to a large degree depend upon results obtained during the current fiscal year. In any event, appropriate fiscal and monetary measures will be expected from the Brazilian Government in 1968 to assure that hard-won stabilization achievements will not be

undermined. In addition, the Brazilians will be expected to show an accelerated rate of progress in achieving specific goals in education, agriculture, health, administrative reform, and transportation and communications.

U.S. agreements with Brazil have been carefully monitored, with disbursements under the program loans made quarterly following reviews of Brazil's performance. In general, this performance has been satisfactory; in specific instances where performance has been poor the United States exerted the pressures necessary to improve results.

Accelerating Economic Growth. To encourage industrial sector growth, Brazil, under the Castello Branco administration, has directed economic policy away from the statism of preceding administrations in favor of encouraging both domestic and foreign private investment. Comprehensive capital markets legislation has been enacted aimed at modernizing procedures for marshalling private capital into industrial enterprises. Minerals and petrochemicals have been opened to private development; the regulations governing the remittance of profits on foreign private capital have been liberalized to encourage capital inflow; and Investment Guaranty Agreement with the United States is being implemented. Income tax incentives are producing good results in stimulating private industrial investment in the backward Northeast region.

Most of the imports financed under the program loans, imports which must come from the United States, are destined for Brazil's private sector and are instrumental in keeping the wheels of privately owned factories turning. In addition, substantial portions of the program loans have been earmarked for financing the importation of capital equipment under procedures which provide intermediate term financing for the private importers of this equipment. The counterpart of the program loans has in large measure been used to establish a total of seven intermediate credit institutions, which have now made approximately 7,000 loans to Brazilian business firms, thus creating a badly needed source of working capital and intermediate terms loans.

For 1968, in addition to a program loan, capital loans are contemplated in agriculture, education and specific industries such as steel and chemicals, and for supporting infrastructure where power, transportation, port and telecommunications facilities will be expanded.

Agriculture. Food production is being modernized by replacing the former system of agricultural price controls with a system of price supports at the farm level. A national program of applied

Country: BRAZIL

~~CONFIDENTIAL~~

agricultural research has been undertaken, agricultural credit has been expanded, and extension services, agricultural education facilities, and marketing facilities are being improved. Coffee production is being diversified, and incentives have been created for greater investment in food production by a policy which reduces the real return to the coffee sector.

In FY 1967, A.I.D. is providing capital assistance for fertilizer production and agricultural diversification, and technical assistance for Brazil's research and credit programs. In addition, essential skills are provided to help improve marketing facilities and cooperatives, to carry out rural resettlement programs, and to upgrade the level of instruction and administration of four of Brazil's leading agricultural universities.

In FY 1968, A.I.D.'s programs in agriculture, including a proposed sector loan, will seek to encourage additional investment funds needed to increase food production, with specific projects contemplated in cooperatives, agricultural credit, and improving marketing and distribution systems.

Education. Brazil's goals include a far-reaching series of reforms in education, which in addition to greatly expanding primary education and teacher training facilities, include doubling secondary and higher education enrollment by 1970, and administrative and structural reform in higher education. In addition, there has been planned a nation-wide textbook program designed to make available over a three-year period adequate textbooks to students at all educational levels.

A.I.D.'s program is centered on strengthening the institutional base which will make these reforms possible. Key to A.I.D.'s activities in this field are three joint educational Planning Teams, organized at the elementary, secondary and higher education levels, to provide a plan of broad education reform.

FY 1968 sector loans have been planned to assist in the financing of the construction of additional secondary education and teacher training facilities, and textbook and adult literacy programs. The sector loans will be conditioned upon greatly expanded level of Brazilian support for these activities.

Health. Brazil has placed a major emphasis on the eradication or control of endemic diseases in the rural areas. It is estimated that during 1966 an area comprising a population of five million inhabitants will be reclaimed where malaria and chagas disease will have been eradicated. During 1966, 28 water supply systems will be installed in cities and small towns. Since 1964, 55 such systems have been established, as compared to only 26 during the eight preceding years.

A.I.D.'s efforts in health have been expanded significantly. In FY 1967 and 1968 they are concentrated on the development of key public health institutions, such as the National Water Fund, to assist with the construction of self-supporting water and sewer installations.

A.I.D. will also seek to improve Brazilian national and state coordination of health programs, for the eradication of malaria, and control of certain of the more common gastro-enteric disease which affect as much as 85% of the population.

The Northeast. Brazil has attacked development problems in the backward Northeast by the establishment of a regional development authority, SUDENE, which sponsors a wide variety of assistance programs in the social and economic field. It has also used a program of tax incentives which, since the Revolution of April 1964, have resulted in the construction or approval of 240 new privately-owned factories in the Northeast, representing an investment of the equivalent of about \$190 million. However, the low level of technical and managerial skills continues to delay progress.

The A.I.D. programs, which are closely coordinated with those of SUDENE, are aimed at improving manpower, by means of literacy, vocational, and managerial training; at mitigating human misery, by means of improved health facilities, disease control, water and sanitation facilities, housing and feeding of the needy; and helping to finance such capital projects as highway construction and maintenance, power generation and transmission, and new industry. During FY 1967 and FY 1968 special attention will be given to a program to facilitate the modernization of the sugar industry and the improvement of general social and economic conditions in the Northeast sugar zone, where some of the most severe social and economic problems in this area are to be found.

SUMMARY OF PROGRAM BY FUNCTION
(Dollar Amounts in Thousands)

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

TABLE II

Category	Actual FY 1966				Estimate FY 1967				Proposed FY 1968		
	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.
Development Loan Program	228,700	XXX	XXX	XXX	190,000	XXX	XXX	XXX	225,000	XXX	XXX
Programs Other than Devel. Loan											
Project Assistance											
U.S. Technicians	9,132	9,132			9,655	9,655			10,049	10,049	
Participants	1,805	1,805			2,566	2,566			2,342	2,342	
Commodities	816	816			996	996			935	935	
Other Costs	2,627	2,627			2,600	2,600			2,674	2,674	
Total Project Assistance	14,380	14,380			15,817	15,817			16,000	16,000	
Method of Financing											
Project Assistance											
Direct A.I.D.	9,709	9,709			7,642	7,642			6,895	6,895	
Other Agency	1,155	1,155			2,415	2,415			1,897	1,897	
Contract	3,516	3,516			5,760	5,760			7,208	7,208	
Program Assistance	-	-			-	-			-	-	
Total Other than Devel. Loan .	14,380	14,380			15,817	15,817			16,000	16,000	
Total Assistance	243,080	XXX	XXX	XXX	205,817	XXX	XXX	XXX	241,000	XXX	XXX

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	138	137	140
Participating agency	80	86	87
Contractor technicians	197	192	196
Total	415	415	423

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	678	821	835
Contract	52	135	118
Total	730	956	953

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Agrarian Reform		ACTIVITY AGRICULTURE AND NATURAL RESOURCES		FUNDS TA	
PROJECT NUMBER 512-15-120-249		PRIOR REFERENCE p. 52 of FY '67 LA P.D.B.		INITIAL OBLIGATION FY: 1963	
				SCHEDULED FINAL OBLIGATION FY: 1972	

Project Target and Course of Action: To evaluate land resources, ownership, and socio-economic factors related to land settlement to provide the base for a large-scale homesteading program. Technical assistance will be provided in land utilization, classification and management, soil and cartographic surveys and determination of migration and settlement patterns. In addition, U. S. assistance is designed to support the GERAN program of modernization, diversification and reform of the depressed sugar area in Northeast Brazil. This program includes modernization of the sugar industry, distribution of land to landless farmers, retraining of surplus labor, and agricultural diversification of the sugar mono-economy of the area.

Progress to Date: Following the revolution of 1964, two new agrarian reform agencies were established; the Brazilian Institute of Agrarian Report (IBRA) and the Institute for Agrarian Development (INDA). USAID has been providing continuing guidance as requested by these agencies in delineating priority areas and has furnished specialist help in the establishment of a soil analysis laboratory, the training of soil scientists, and the preparation of a national soils map. A National Cadastral Survey completed by IBRA has established a land tax base on 3.5 million farms. This land tax is progressive with size of farm and regressive with intensity of use and is designed to penalize large holdings of under-used arable lands. In addition, one U. S. Bureau of Land Management advisor has assisted IBRA, primarily in a priority area

in the State of Rio, relative to modern systems of land titling, registrations, and records. A limited amount of direct assistance to colonies has been provided through Food for Peace and by a settlement advisor stationed in Recife.

An initial study relative to the modernization of the Northeast sugar industry and agricultural diversification potential of the sugar zone was completed by an AID-Hawaiian Agronomics, Inc. contract and provided information for the preparation of the GERAN Plan. GERAN is an interagency executive group established to carry out this plan which was prepared over a period of several months with consultation provided by U. S. technicians.

FY 1968 Program: Assistance to the GOB will be provided to carry out comprehensive, integrated land resource and land use surveys. Support to GERAN will include contract funding in FY 68 of \$352,000 to provide assistance in program development and implementation, vocational training, and natural resource and agricultural diversification studies, and accounts for increase in total cost and change in scheduled final obligation date from 1970 to 1972.

U. S. Technicians: 3 (from USDA and USDI) for Frontier Resources Survey; 11 contract technicians; and 3 USDI technicians to assist with the GERAN plan; and 4 direct-hire to plan, coordinate, and supervise project activities.

Participants: 17 principally long-term for the GERAN program, in regional planning, cooperatives, sugar technology, soil classification, and vocational education.

Other Costs: Local travel, supplies and personnel.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES					
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	684	406	278								Inter-American Geodetic Survey and US Bureau of Land Management (USDI) US Department of Agriculture Hawaiian Agronomics International
Estimated FY 67	747	546									
Estimated through 6/30/67	1,431	952	479	U.S. Technicians	114	466	580	82	386	468	
				Participants . . .	25	-	25	59	-	59	
				Commodities . . .	-	-	-	-	-	-	
				Other Costs . . .	21	121	142	9	112	121	
Proposed FY 68	648	2,640	4,719	Total Obligations	160	587	747	150	498	648	

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country:

PROJECT DATA

TABLE III

PROJECT TITLE Natural Resources Survey	ACTIVITY AGRICULTURE AND NATURAL RESOURCES	FUNDS TA	
PROJECT NUMBER 512-11-120-252	PRIOR REFERENCE p. 53 of FY'67 LA P.D.B.	INITIAL OBLIGATION FY: 1963	SCHEDULED FINAL OBLIGATION FY: 1968

Project Target and Course of Action: To strengthen GOB agencies concerned with natural resources identification and data collection, especially in mineral surveys; the collection, compilation and dissemination of hydrological and meteorological data; river basis surveys, well rehabilitation and irrigation. Specifically this will involve assistance in expediting geologic mapping and mineral resources appraisal on 355,000 sq. km.; completing ground water studies of a structural basis in central Bahia; improving hydrologic data collection by increasing stream gauging stations from 1100 to 1500, and rainfall stations from 1500 to 3000; achieving a production rate of 50,000 sq. km. per year of large scale photogrametric mapping; developing an institutional capability of placing at least 40,000 hectares annually under sound irrigation practices.

Progress to Date: Assistance to the National Geographic Council in developing a basic topographic compilation and publication capability has been successfully completed. Likewise, assistance to the National Department of Minerals Production (DNPM) in mapping and evaluating the vast iron and manganese deposits in Minas Gerais has been concluded. This has resulted in successful mining operations which not only provided these basic minerals for Brazilian industry but also for exports of approximately \$110 million in 1966. Similar surveys are now underway of copper, tin and other base metals in Bahia.

A land and water resources reconnaissance study of the huge Sao Francisco Valley, where excellent potential for

land and water resources development has been found, will be completed by June 1967. Assistance to hydrology and ground water agencies has resulted in the greater utilization of collected data, the expansion of data collection systems, and improvement in the reliability of data

(Note: The figures for obligations and expenditures through 6/30/66, shown with asterisks* below, include funds for a previously terminated activity - Mineral and Water Resources Identification - not included in the FY 1967 LA P.D.B.)

FY 1968 Program: The GOB has requested loan assistance from AID for the continuance of the Bahia minerals activity the hydrology and ground water programs, and for the second phase (feasibility studies and pilot projects) of the Sao Francisco Valley Program.

As a result of these and related resource survey loans, grant-funded participating agency technicians will be reduced from 24 to one funded in FY 68. Completion of arrangements for converting the remaining few elements of this project to loan-funding requires extension of the scheduled final obligation date into FY 1968. The funds requested, \$130,000, provided for the reduced complement of grant-funded technicians and participants during the brief transition period.

Technicians: 3 direct-hire technicians to monitor engineering phases of USAID projects and one PASA from the U.S. Weather Bureau to assist the BSM.

Participants: 12 short-term in irrigation methods.

Other Costs: Local salary and local travel costs.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated							
				Estimated FY 1967			Proposed FY 1968			
Through 6/30/66	5,738*	5,469*	269	Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	U.S. Weather Bureau U.S. Geological Survey U.S. Bureau of Reclamation Interamerican Geodetic Survey
Estimated FY 67	1,161	1,059		223	541	764	63	22	85	
Estimated through 6/30/67	6,899	6,528	371	105	-	105	30	-	30	
		Future Year Obligations	Estimated Total Cost	5	22	27	-	-	-	
				62	203	265	15	-	15	
Proposed FY 68	130	-	7,029	395	766	1,161	108	22	130	
				Total Obligations						

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Agricultural Production	ACTIVITY AGRICULTURE AND NATURAL RESOURCES	FUNDS TA	
PROJECT NUMBER 512-13-130-247	PRIOR REFERENCE p. 54 of FY'67 IA P.D.B.	INITIAL OBLIGATION FY: 1963	SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: To develop within the Ministry of Agriculture (MA) and the State agencies increased institutional capabilities for planning and implementing agricultural research and extension programs aimed at efficiently increasing livestock, food and fiber crop production. An important related target is to systematize coordination and cooperation between the MA, State Secretariats, and agricultural universities.

This project supports increased self-help efforts by the MA which increased the proportion of its budget allocated to production research from 11.9% in 1965 to 14.2% in 1966. The research budget for 1966 was the equivalent of \$10 million.

Progress to Date: Contract technicians of the IRI Research Institute, Inc., have assisted over 350 Brazilian research and extension personnel on improving methods of planning and conducting applied agricultural research and on disseminating the results of research to farmers. One result of this program of major significance was the introduction of a superior pasture grass which doubles the live weight gain on beef cattle and more than triples milk output of cows pastured on it. Another research project on soil fertility has resulted in the development of an area of 50,000 acres of land previously considered agriculturally worthless which produced \$4 million equivalent in corn, peanuts and soybeans in 1966. Some 144 other cooperative research projects are currently underway.

Research to increase the amount and quality of protein in Brazilian corn was started in late FY 67 under a Purdue University contract.

The extension service (ABCAR) has expanded to 476 offices in 17 states, an increase of 255 offices since 1961. Financed totally by Brazil since 1966, federal and state funding for extension services is estimated in excess of \$5 million equivalent annually.

Two advisors from the U. S. Bureau of Commercial Fisheries (BCF) are assisting agencies in the Northeast (NE) in fish production. Initial fish productivity and intensive culture studies have indicated the possibility of greatly expanding fish production with improved reservoir management. The pipeline, representing mostly funds obligated for contract services, was reduced over 60% in the year which ended June 30, 1966. Increase in FY 67 estimated obligation represents funding for Purdue high protein corn and IRI contracts.

FY 1968 Program: Assistance by IRI to the MA in improving research planning and operations will continue as will that provided to NE fishery agencies by BCF, and by Purdue to the high protein corn program. FY 68 funding for IRI amounts to \$1,255,000 and for Purdue \$80,000.

U. S. Technicians: 27 IRI and one Purdue contract; one BCF PASA specialist; and 4 direct-hire technicians to coordinate and supervise.

Participants: 46 direct-funded short-term and 30 contract long-term participants in animal, plant, soil, fisheries, and livestock sciences.

Commodities: Laboratory and field equipment and supplies not available in Brazil.

Other Costs: Local personnel and travel.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/ AGENCIES
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/ Other Agency	Total	Direct AID	Contract/ Other Agency	Total	
Through 6/30/66	5,993	4,739	1,254	U.S. Technicians	78	800	878	82	843	925	IRI Research Institute Department of Interior Bureau of Commercial Fisheries (BCF) Purdue University
Estimated FY 67	1,685	1,787			70	221	291	70	125	195	
Estimated through 6/30/67	7,678	6,526	1,152		27	162	189	30	132	162	
		Future Year Obligations	Estimated Total Cost	Other Costs ...	20	307	327	14	312	326	
Proposed FY 68	1,608	3,060	12,346	Total Obligations	195	1,490	1,685	196	1,412	1,608	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Agricultural Marketing	ACTIVITY AGRICULTURAL AND NATURAL RESOURCES	FUNDS TA	
PROJECT NUMBER 512-15-150-248	PRIOR REFERENCE p. 55 of FY '67 LA P.D.B.	INITIAL OBLIGATION FY: 1963	SCHEDULED FINAL OBLIGATION FY: 1971

Project Target and Course of Action: To assist Brazil to meet the growing need of its farmers for improved marketing, storage and credit facilities in developing agricultural cooperatives and in increasing production and distribution of seeds and fertilizers; likewise in the development of an effective commodity supply and price stabilization program designed to provide the farmer with an incentive to produce and market more farm products at reasonable prices.

It is expected that fertilizer use will triple and that Brazil will produce all its annual nitrogenous fertilizer requirements by 1970.

Progress to Date: The National Rural Credit Fund, created with AID assistance in 1964, increased its loans to farmers from 32,500 in 1965 to over 80,000 in 1966. The National Bank for Cooperatives, reorganized with AID assistance, made more than twice as many loans in the first half of 1966 as in all of 1964. Technical guidance has been given over 100 cooperatives in 15 states; also to the Institute for Agrarian Development (INDA) in establishing 4 regional cooperative training centers. A national center for the training of 200 farm service center managers and operators each year was inaugurated in 1966. An effective minimum price program, involving an estimated GOB investment of about \$270 million equivalent in 1967, has been established. USAID assistance to that activity is being phased down from 4 U. S. advisors to one.

Two AID loans totaling \$35 million are financing

fertilizer imports through 1968 and another loan is partially financing a large fertilizer plant.

A market news service was started in 1966 in Belo Horizonte, Rio de Janeiro, and Sao Paulo.

Training has been provided 500 Brazilian technicians in seed testing, processing, and quality control.

Technical assistance will be required through FY 71, necessitating a revised estimate of the total cost to complete the project.

FY 1968 Program: Technical assistance and additional counterpart funds will be provided towards the further improvement and expansion of rural credit facilities, for expansion of the market news service, as well as in developing effective training programs at the four regional cooperative training centers both for GOB specialists and leaders in cooperatives. Technical assistance to the Ministry of Agriculture to improve its overall planning, crop forecasting, and seed technology will continue. \$288,000 will be required in FY 68 to fund the Mississippi contract. **U. S. Technicians:** 17 USDA, 5 university contract, 5 direct-hire to plan, coordinate and supervise.

Participants: 62 direct-funded participants in agricultural economics, cooperatives, rural credit; 14 contract-funded for seed improvement training; all principally for short-term training.

Commodities: Demonstration seed testing and drying equipment and other training aids not available in Brazil to be provided under the Mississippi State contract.

Other Costs: Local travel and local salaries.

U. S. DOLLAR COSTS (In Thousands)				OBLIGATIONS							PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968				
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total		
Through 6/30/66	2,534	2,137	397							U. S. Department of Agriculture Mississippi State University	
Estimated FY 67	803	920									
Estimated through 6/30/67	3,337	3,057	280								
		Future Year Obligations	Estimated Total Cost								
Proposed FY 68	943	3,140	7,420								
Cost Components											
U.S. Technicians				163	313	476	121	481	602		
Participants . . .				163	25	188	165	30	195		
Commodities . . .				-	40	40	-	35	35		
Other Costs . . .				43	56	99	22	89	111		
Total Obligations				369	434	803	308	635	943		

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Power	ACTIVITY INDUSTRY AND MINING	FUNDS TA .	
PROJECT NUMBER 512-15-220-228	PRIOR REFERENCE p. 56 of FY '67 LA P.D.B.	INITIAL OBLIGATION FY: 1962	SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: To assist Brazil in its plan for more than doubling, by 1970, the 1963 power generating capacity of approximately six million KW. Corresponding increases in transmission and distribution facilities are also planned. This project complements the AID capital lending program in the power sector by providing technical assistance to Brazilian power companies and power agencies in developing criteria for operations and maintenance, in planning the integration of major power systems and in carrying out rural and community electrification programs. In addition, this project finances essential support services in the form of electrical engineers to assist in the formulation and review of loan applications and in monitoring loan implementation. Wherever possible, technical assistance and training related to this project has been put on a loan basis and this will continue to be the practice.

Progress to Date: Dollar and cruzeiro loans authorized since FY 63 are now assisting in financing 766,000 KW of generating capacity plus related transmission and distribution facilities.

Over 80 Brazilian power engineers and executives have received training in the U. S. and Puerto Rico under this project, two-thirds of whom were financed with loan funds. In the Northeast, where a specialist from the National Rural Electrification Cooperative Association is providing assistance in establishing rural and community electrification systems, fifteen electrification cooperatives have been formed.

The pipeline for this project as of the end of FY 66 represented principally forward funding for the NRECA contract and for a power engineering advisor to the Regional Development Agency Northeast (SUDENE). Contract funds were programmed but not obligated in FY 67 for two personal services contracts and for new NRECA activity. FY 1968 Program: Grant funds will be required for extension of the NRECA contract to mid-FY 1969 and for selected participant training in power and telecommunications engineering and management.

U. S. Technicians: One rural electrification advisor in the Northeast, one general power engineering advisor to SUDENE, and three direct-hire technicians to coordinate and supervise the project and to support loan activities. Participants: Ten participants in rural electrification techniques and management and nineteen power and telecommunications officials and engineers will receive training in the U. S. and Puerto Rico.

Other Costs: Local travel and personnel.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	497	325	172								
Estimated FY 67	129	167			80	-	80	68	55	123	National Rural Electric Cooperative Association (NRECA)
Estimated through 6/30/67	626	492	134		30	-	30	43	-	43	
		Future Year Obligations	Estimated Total Cost		-	-	-	-	-	-	
				U.S. Technicians	19	-	19	13	10	23	
Proposed FY 68	189	603	1,418	Participants . . .	129	-	129	124	65	189	
				Commodities . . .							
				Other Costs . . .							
				Total Obligations							

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Development Banks	ACTIVITY PRIVATE ENTERPRISE	FUNDS TA	
PROJECT NUMBER 512-15-920-226	PRIOR REFERENCE P. 57 of FY '67 IA P.D.B.	INITIAL OBLIGATION FY: 1964	SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: To assist federal, regional, and state authorities in the development and operation of institutions specialized in providing working capital and medium and long-term financing for Brazilian private enterprise. Technical assistance is being directed primarily toward increasing the capability of key personnel in these institutions to establish lending priorities and procedures and efficiently analyze project applications. Efforts are also being made, through use of U.S. technicians and participant training, to establish a sound credit union movement in Brazil.

Progress to Date: The Development Bank project has made significant progress in the creation of financing facilities for Brazil's private sector with A.I.D. technical and financial assistance. Brazil has used the equivalent of \$116 million in counterpart funds for intermediate credit agencies such as CREAM, FUNDECE, and FINAME. As a department of the Bank of Brazil, CREAM makes development loans; FUNDECE makes working capital loans to firms which have agreed to increase public participation in their ownership and stress exports; FINAME provides financing to permit the purchase of equipment by small and medium manufacturers. Two additional private enterprise funds were established during 1966. A fund for Improving Productivity (FUNDEPRO) has been established in the National Development Bank (BNDE). Its initial capitalization includes the equivalent of approximately \$900,000 from counterpart funds. P.L. 480 funds have been loaned to 25 private enterprises through the BNDE, which has also used P.L. 480 funds to help establish the

Regional Bank of the Far South and the Development Bank of Minas Gerais.

23 new credit unions are being processed for registry by the Central Bank, bringing the total of these organizations in Brazil to about 110. Another 17 applications are presently being processed by the Bank. Credit unions' savings doubled during FY 66. Loan volume jumped from Cr\$ 1.2 billion to over Cr\$ 3.3 billion in the same period.

A 9-month course on capital market operations and financial analysis for 19 officials from public and private financial organizations has been successfully completed and plans are being made to continue that activity in 1967.

FY 1968 Program: The final obligation date for this project has been extended in response to Brazil's interest in insuring that effective institutions in capital market and credit union operations are established before technical assistance is terminated. Technical assistance will continue to be provided to improve the operations of financial institutions, and to train key staff personnel in capital market operations, financial analysis, and credit union promotion. Contract funding in FY '68 includes \$110,000 for N.Y.U.; \$35,000 for Benjamin Spiro, \$25,000 for Credit Union Nat'l Assoc. U.S. Technicians: Four contract advisors in capital market operations and credit union development.

Participants: Six credit union and 20 capital market officials, will receive U.S. training, principally short-term.

Other Costs: Local salaries, supplies, and local travel.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	294	177	117								New York University Benjamin Spiro Association Credit Union National Association
Estimated FY 67	238	190									
Estimated through 6/30/67	532	367	165	U.S. Technicians	-	115	115	-	89	89	
				Participants . . .	10	70	80	10	46	56	
				Commodities . . .	-	-	-	-	-	-	
				Other Costs . . .	4	39	43	7	30	37	
Proposed FY 68	182	290	1,004	Total Obligations	14	224	238	17	165	182	

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Transportation	ACTIVITY TRANSPORTATION	FUNDS TA	
PROJECT NUMBER 512-15-380-229	PRIOR REFERENCE p. 58 of FY '67 IA P.D.B.	INITIAL OBLIGATION FY: 1963	SCHEDULED FINAL OBLIGATION FY: 1971

Project Traget and Course of Action: To accelerate the development within Brazil of transportation facilities, particularly highways. This project complements related loans for highway construction and maintenance equipment. It provides technical assistance to improve the Brazilian capability in highway engineering, especially the organization and administration of federal and state highway departments and the training of key highway officials. In addition, this project finances essential U. S. services in reviewing loan applications and monitoring loan implementation. The Brazilian Government has since 1965 annually allocated approximately 12% of its investment budget to road construction and maintenance.

Progress to Date: Local currency funds (principally Brazilian-owned) have been provided for the expansion and improvement of the main highway between the cities of Rio de Janeiro and Sao Paulo and for highways in the northern states of Rio Grande do Sul (North Production Road and feeder roads), Parana (Coffee Road), and the central and northeastern states of Minas Gerais, Goias and Ceara. In addition, AID has loaned the GOB \$18.4 million for the construction of segments of state highways in five Northeast states. Feasibility studies of portions of three federal highways in the Northeast, financed by an AID grant, will be completed by the end of FY 67.

AID emphasis since 1965 in the highway field has been on improving the highway maintenance capabilities of state highway departments. \$55 million has been loaned to the GOB for the purchase of highway maintenance equip-

ment and related technical assistance covering state highways in all Northeast states and Minas Gerais and for federal and state highways in Sao Paulo. Thirteen Bureau of Public Roads engineers, financed by the Northeast loan, are assisting Northeast state highway departments to improve their capabilities to operate and maintain the equipment provided and thus improve highway maintenance operation. More than 300 operators and mechanics have been trained there to date.

The pipeline as of June 30, 1966, represented principally the then undisbursed balances of funds relating to the Northeast Civic Action program and the Northeast highway feasibility study, both of which have been drawn down in FY 67.

FY 1968 Program: Technical assistance to agencies will be provided to strengthen their capability to construct and maintain highways. U. S. monitoring of AID loan financed projects will continue.

U. S. Technicians: Nine BPR specialists to provide technical assistance to federal and state highway agencies and to perform engineering staff services for the USAID, and one direct-hire technician for coordination.

Participants: Thirty-two Brazilian engineers for short-term training in the U. S.

Other Costs: Local travel, local personnel, training aids and technical publications not available in Brazil.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES			
	Obligations	Expenditures	Unliquidated	OBLIGATIONS						
	Through 6/30/66	2,909	2,094	815	Estimated FY 1967			Proposed FY 1968		
					Direct AID	Costs/Other Agency		Total	Direct AID	Costs/Other Agency
Estimated FY 67	411	1,169		61	232	293	35	182	217	U. S. Bureau of Public Roads
Estimated through 6/30/67	3,320	3,263	57	30	-	30	50	-	50	
		Future Year Obligations	Estimated Total Cost	-	10	10	8	-	8	
				49	29	78	29	28	57	
Proposed FY 68	332	1,010	4,662	140	271	411	122	210	332	
				Total Obligations						

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Labor	ACTIVITY LABOR	FUNDS TA
PROJECT NUMBER 512-11-410-028	PRIOR REFERENCE p. 59 of FY '67 P.D.B.	SCHEDULED FINAL OBLIGATION FY: 1972
	INITIAL OBLIGATION FY: 1956	

Project Target and Course of Action: To strengthen the free democratic trade union movement in Brazil and assist the Ministry of Labor in improving and expanding its services in order to increase worker participation in social and economic development under the Alliance for Progress. The technical assistance program includes a union-to-union leadership exchange, U.S. and third-country training for specialists from trade unions and the Ministry of Labor, short-term U.S. advisors in the expansion and improvement of Labor Ministry services, and assistance from the American Institute for Free Labor Development (AIFLD) on urban and rural social projects and workers education.

Progress to Date: Under the union-to-union program 170 Brazilian labor leaders have visited counterpart AFL-CIO affiliates in the past two years and hosted three AFL-CIO return delegations. Labor Ministry officials have studied in the U.S. with Dept. of Labor specialists in reorganizational planning, industrial health and safety, and price statistics. U.S. Dept. of Labor experts have visited the Brazilian Labor Ministry for consultations in these same areas.

AIFLD assisted in completing, during 1966, three rural social service centers offering trade union education, sewing and carpentry classes, literacy training and cooperative training. With AIFLD assistance under a workers education program, the Instituto Cultural do Trabalho (ICT) has trained over 4,000 Brazilian union leaders through intensive, short courses. A substantial PL-480, Title I grant for construction and equipment was recently made to

a Metal Workers vocational school in Porto Alegre.

The pipeline at the end of FY 66 consisted chiefly of advanced contract funding of AIFLD technical services. By shortening period of forward funding for AIFLD contracts, FY 67 obligations were reduced considerably from previous estimates. Brazilian interest and increased requests for assistance in this field accounts for the revised estimates of time and total cost to complete this project.

FY 1968 Program: Union-to-union leadership exchange and participant programs for union specialists will continue and Ministry-to-Ministry contacts will be somewhat increased. AIFLD workers education programs will be continued and AIFLD rural social activities somewhat expanded. AIFLD contract activities will require FY 68 forward funding of \$570,000.

U.S. Technicians: Twelve AIFLD contract technicians for urban and rural social projects and workers education. One long-term and two short-term Dept. of Labor advisors and one U.S. Department of Interior rural labor specialist.

Participants: Approximately 84 participants, primarily trade union leaders and Ministry of Labor officials, will receive short-term training in the U.S. under programs arranged by the Dept. of Labor. Eighteen AFL-CIO representatives are programmed for exchange visits to Brazil.

Other Costs: Local operating expenses of labor training programs in Brazil, including local personnel.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
	Through 6/30/66	2,318	1,611		707	Estimated FY 1967			Proposed FY 1968		
						Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total
Estimated FY 67	355	803			9	145	154	5	469	474	Department of Labor American Institute for Free Labor Development Department of Interior
Estimated through 6/30/67	2,673	2,414	259	U.S. Technicians	114	-	114	84	-	84	
		Future Year Obligations	Estimated Total Cost	Participants ...	-	-	-	-	-	-	
				Commodities ...	56	31	87	43	175	218	
				Other Costs ...							
Proposed FY 68	776	4,640	8,089	Total Obligations	179	176	355	132	644	776	

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE National Water and Sewerage	ACTIVITY HEALTH AND SANITATION		FUNDS TA
PROJECT NUMBER 512-11-520-062	PRIOR REFERENCE p. 60 of FY '67 LA P.D.B.	INITIAL OBLIGATION FY: 1961	SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: This project supports plans of two Brazilian Ministries to provide adequate and safe water supplies for 70% of the urban population in the ten-year interval 1964 to 1973, double sewer capacity to these areas by 1970, and provide adequate water to meet growing commercial and industrial needs. To meet these objectives, USAID activities are divided into two major sectors: (1) improvement of water and sewer systems management through training and technical assistance, and (2) execution of major physical improvements through a revolving loan fund program. A concomitant objective is to shift responsibility for providing water and sewerage services from the federal and state governments to municipalities.

Direct Brazilian Federal budgetary contributions to the loan fund program during FY 1967 are expected to exceed \$2 million equivalent plus \$8 million equivalent from GOB-owned counterpart. In addition, municipal and state matching contributions to Water Fund loans will be an estimated \$6 million equivalent.

Progress to Date: The National Water Fund, established in April, 1965 on a revolving, self-sustaining basis permits Brazilian municipalities for the first time to obtain long-term loans for water supply construction projects. By December 1966, 17 such loans had been made benefiting 1.5 million people (compared with three benefiting 1/4 million people by December 1965); 45 more were in planning stages. Projects must meet high technical standards and be self-sustaining. Cities must demonstrate capacity to manage facilities and repay full value of loans. As of January 1,

1967, over 650 water works personnel had been trained in five centers established with USAID assistance (compared with 300 trained a year ago). Another 530 will complete training in FY 1967. Training abroad has been provided to about 150 engineers. Through the Brazilian Institute of Municipal Administration (IBAM), the U.S. provided technical assistance in municipal utility administration to 21 cities in FY 1966. The National Health Agency (FSESP) has completed water systems studies of 35 cities to provide a basis for municipal negotiations for loans.

FY 1968 Program: AID will continue to assist cities to prepare loan applications, carry on construction and put expanded systems into operation. Emphasis will be on development of state water funds, similar to that established in Parana in 1966, whereby initial capitalization of state funds is shared between the National Fund and the participating state, greatly increasing available resources as well as local participation and responsibility. Approximately 950 water operational personnel will receive training. Short courses will train managers of large city waterworks. USPHS funding will require \$16,9,000 in FY 68.

U.S. Technicians: Two direct-hire technicians to supervise project activities and seven long and three short-term PASA advisors to help set up water supply and sewage training programs and advise on water system financing.

Participants: Short-term training for 36 Brazilians in the U.S. and third countries in administration, design and management of water supply systems.

Other Costs: Local travel and personnel.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES U.S. Public Health Service Hazen and Sawyer Pitometer Associates
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	2,649	2,251	398							
Estimated FY 67	321	598								
Estimated through 6/30/67	2,970	2,849	121							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	312	940	4,222	168	153	321	143	169	312	
				Cost Components						
				U.S. Technicians	81	132	213	58	146	204
				Participants . . .	55	-	55	55	-	55
				Commodities . . .	-	-	-	-	-	-
				Other Costs . . .	32	21	53	30	23	53
				Total Obligations	168	153	321	143	169	312

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Agricultural Education	ACTIVITY Agriculture and Natural Resources	FUNDS TA
PROJECT NUMBER 512-11-110-094	PRIOR REFERENCE p. 61 of FY '67 LA P.D.B.	SCHEDULED FINAL OBLIGATION FY: 1971
	INITIAL OBLIGATION FY: 1957	

Project Target and Course of Action: To expand the capacities of Brazilian secondary and university level institutions to train the agricultural technicians required for more rapid development of the country's agricultural resources. Specifically, the goal at the university level is to double by 1970, the 1963 undergraduate enrollment; to increase graduate level training over the same period by tenfold; and to integrate teaching, research, and extension. At the secondary level, the goal is to triple by 1970 the 1962 enrollment in agricultural technical schools and substantially increase agricultural vocational training in public high schools. The attainment of these goals requires advisory services of U. S. technicians to support faculty and teacher training, the establishment of graduate programs, and university administrative improvements.

Progress to Date: Staffs provided under major contracts with Purdue University, the University of Wisconsin, the University of Arizona and Ohio State University are assisting respectively the Rural University of Minas Gerais (UREMG) and the Universities of Rio Grande do Sul, Ceara, and Sao Paulo. UREMG has developed from a minor school of 300 students in 1958 to a leader among Latin American universities with over 1,000 undergraduate and 100 graduate students. It was officially reorganized in 1965, creating within the University careers in research and extension equal to teaching and establishing an integrated graduate program under a full time director. Graduate programs have also been established at Rio

Grande do Sul and Sao Paulo.

Coordinators of research, teaching and extension have been appointed at Ceara where enrollment increased by 20% in 1966 over the previous year.

Enrollment at the Ministry of Agriculture's secondary agricultural schools has doubled since 1962. Over 12,700 young and adult farmers attended short courses at secondary schools during FY 66. The estimated final obligation date for this project has been extended into FY 71 requiring a slight increase in the estimated total cost for completion.

FY 1968 Program: Emphasis in FY 68 will continue on the strengthening of graduate programs and on the integration of teaching, research and extension. Additional funds will be required in FY 68 for one year's forward funding of the contract with Purdue (\$667,000), Wisconsin (\$416,000), Arizona (\$376,000), and Ohio (\$263,000).

U. S. Technicians: 7 direct-hire technicians to supervise secondary and higher agricultural education activities and 42 contract advisors.

Participants: 30 long-term contract and 16 short-term AID participants for U.S. training in such fields as agricultural economics, animal and plant sciences, and soils and rural sociology.

Commodities: Teaching aids and excess property for secondary schools; laboratory equipment and library materials funded in contracts.

Other Costs: Travel in Brazil and local expenses.

U.S. DOLLAR COSTS (in Thousands)				PRINCIPAL CONTRACTORS/AGENCIES						
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS					
					Estimated FY 1967			Proposed FY 1968		
					Direct AID	Contract/GRANT/EXCESS	Total	Direct AID	Contract/GRANT/EXCESS	Total
Through 6/30/66	9,946	8,066	1,880							
Estimated FY 67	1,207	1,826								
Estimated through 6/30/67	11,153	9,892	1,261	U.S. Technicians	142	607	749	145	1,106	1,251
				Participants ...	30	123	153	40	170	210
				Commodities ...	15	100	115	15	126	141
				Other Costs ...	16	174	190	13	320	333
Proposed FY 68	1,935	5,030	18,118	Total Obligations	203	1,004	1,207	213	1,722	1,935

University of Arizona
University of Wisconsin
Purdue University
Ohio State University

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Elementary Education		ACTIVITY EDUCATION		FYNDS TA	
PROJECT NUMBER 512-11-640-037		PRIOR REFERENCE p. 62 of FY '67 LA P.D.B.		INITIAL OBLIGATION FY: 1956	
				SCHEDULED FINAL OBLIGATION FY: 1970	

Project Target and Course of Action: This project supports Brazil's program to provide by 1970 adequate training for 80% of its elementary school teachers; an opportunity for all children to get at least a fourth-grade education; and literacy training for one million adults. Activities include school construction, teacher-training, and development of educational research and instruction centers. Emphasis in the Northeast is being shifted from school construction to teacher-training and establishment of supervisory centers. For Brazil as a whole, primary emphasis will be focused on helping the Ministry of Education solve grade repetition and dropout problems in order to increase the flow of students through the elementary school system.

Progress to Date: School construction projects in the States of Guanabara and Para were successfully completed. The contract team from the Research Foundation of the State University of New York is working with selected states in the Ministry of Education's program to overcome the major problems of grade repetition and dropouts. Under the PL 480 education loan in the NE, because of unsatisfactory performance by several states, additional school construction has been discontinued. Moreover, the loan has been frozen pending outcome of negotiations with both the NE regional GOB agency (SUDENE) and the states regarding correction of deficiencies and reorientation of the program. The successful teacher-training programs are continuing, with in-service education programs on a state-wide basis being conducted in nearly 80 Regional

Supervisory Centers. Pilot adult literacy programs have been started in the States of Sergipe, Pernambuco, and Paraiba. Approximately 150,000 adults received training in 1966. Extension of one contract (Daly) plus expansion of participant training and adult literacy programs has increased estimated costs to complete this project. Pipeline items as of 6/30/66 consisted mainly of contract services for the planning team and participant training. FY 1968 Program: Planning advisors from the State University of New York and their Brazilian counterparts will continue to provide assistance, requiring \$270,000 of FY 68 funding. AID will also continue to use services of Leo Daly Co. (\$55,000 FY 68 funds) to supervise completion of school construction in the NE if current loan renegotiations are satisfactorily concluded. With CR\$ 4 billion provided by the GOB from counterpart funds, the literacy program in the NE will be expanded. Assistance will be given the GOB in its program for instructing teachers in textbook utilization in support of its National Textbook Program.

U. S. Technicians: 4 direct-hire technicians; one contract adult education methods and curriculum advisor for the NE; 9 elementary education advisors under the State University of New York contract. Services of Leo Daly Co. may be required for approximately six months in FY 68.

Participants: 31 long-term and 13 short-term participants for U. S. and third-country training in curriculum development, administration and school construction.

Other Costs: Local travel, copyrights, and local services.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
	Through 6/30/66	4,576	3,530		1,046	Estimated FY 1967			Proposed FY 1968		
						Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total
Estimated FY 67	518	965		U.S. Technicians	109	122	231	103	250	353	Research Foundation of the State University of New York Leo Daly Company
Estimated through 6/30/67	5,094	4,495	599	Participants . . .	150	-	150	135	-	135	
		Future Year Obligations	Estimated Total Cost	Commodities . . .	6	-	6	21	-	21	
				Other Costs . . .	66	65	131	64	75	139	
Proposed FY 68	648	1,155	6,897	Total Obligations	331	187	518	323	325	648	

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: Brazil

PROJECT DATA

TABLE III

PROJECT TITLE Higher Education	ACTIVITY EDUCATION	FUNDS TA	
PROJECT NUMBER 512-11-660-263	PRIOR REFERENCE p. 63 of FY '67 LA P.D.B.	INITIAL OBLIGATION FY: 1959	SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: To develop within the Ministry of Education and Culture (MEC) an effective higher education planning system and staff capable of carrying out by 1970 major improvements in the quality of Brazilian institutions of higher learning, particularly in the fields of economics, engineering and manpower planning. The Mid-West Universities Consortium and University of Houston are providing the major portion of U. S. technical assistance to the MEC in its planning development and university reform programs. Houston is also working with the University of Brazil and Catholic University to develop a national postgraduate engineering center in Rio de Janeiro. Through Vanderbilt University, AID is assisting in development of graduate level economics institutions at the University of Sao Paulo and the Getulio Vargas Foundation in Rio de Janeiro. The Ministry of Planning and other selected Brazilian institutions will be provided an advisor in the broad area of manpower projections and program development through the U. S. Department of Labor.

Progress to Date: AID has helped establish schools in public administration at the Universities of Rio Grande do Sul and Bahia and the Getulio Vargas Foundation in Rio de Janeiro. In August of 1966 Michigan State University terminated contract activities in Brazil after helping these same institutions establish schools of business administration. In recognition, representatives of 12 Brazilian business schools, meeting at the first Brazilian Congress of Schools of Business Administration

at Sao Paulo in April 1966, signed a "motion of gratitude" for the "outstanding role" played by MSU. These two activities in public and business administration, omitted from last year's presentation as terminating activities, have been consolidated under Higher Education and account for increased expenditures and total cost to complete this activity. Through a University of Michigan contract terminating in FY 67, AID helped the Instituto Technologico Aeronautica (ITA) develop a graduate school of mechanical engineering which awarded its first Masters Degree in December 1965.

FY 1968 Program: Contractual activities of Vanderbilt (requiring \$90,000 FY 68 funds), University of Houston (requiring \$240,000), and Mid-West Consortium (prior-year funded) will continue, with major emphasis on efforts to help the GOB institutional educational planning capability. A new activity is planned in Developmental Science and Technical Research, based on collaboration between the National Academy of Sciences and the National Research Council of Brazil to study jointly development and research needs in selected fields (\$125,000 FY 68 funds).

U.S. Technicians: One USDL manpower advisor, three direct-hire technicians, 16 contract professors and short-term consultants as needed.

Participants: Sixty short-term and 33 long-term (including six contract) participants in economics, engineering, planning, manpower, and other specialized fields.

Other Costs: Copyrights and local travel.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	9,476	7,864	1,612							Vanderbilt University University of Houston University of Michigan Department of Labor Mid-West Universities Consortium for International Activities National Academy of Sciences
Estimated FY 67	681	1,193								
Estimated through 6/30/67	10,157	9,057	1,100	80	228	308	68	315	383	
		Future Year Obligations	Estimated Total Cost	265	30	295	280	35	315	
				7	18	25	9	5	14	
				23	30	53	22	127	149	
Proposed FY 68	861	2,220	13,238	375	306	681	379	482	861	
				Total Obligations						

areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Secondary and Industrial Education		ACTIVITY EDUCATION		FUNDS TA	
PROJECT NUMBER 512-11-610-042		PRIOR REFERENCE p. 64 of FY '67 IA P.D.B.	INITIAL OBLIGATION FY: 1946	SCHEDULED FINAL OBLIGATION FY: 1970	

Project Target and Course of Action: The project will assist Brazil to develop an institutional capability for training annually 10,000 technicians, 6,000 supervisors, 40,000 skilled workers, and 100,000 semi-skilled workers. Vocational training specialists will work primarily in Area Training Centers under the general supervision of the Ministry of Education and Culture. Brazil's domestic program calls for increasing, by 1970, the number of students completing secondary school from the present level of 5% to 30%. Secondary education technicians will assist state secretaries and councils of education to develop and implement plans for expansion and improvement of secondary education, concurrently training personnel and institutionalizing the planning function.

Progress to Date: The National Apprenticeship Service (SENAI), sponsored by the National Confederation of Industries, now operates 114 industrial schools in 20 states. With AID technical assistance extended through a Department of Labor PASA team, SENAI will be training over 80,000 workers a year by 1968. In addition, with AID technical assistance, three Area Technical Training Centers are successfully operating.

Under a contract with the San Diego State College Foundation, four secondary education planning specialists and an equal number of Brazilian counterparts are working with MEC and six selected Brazilian states to expand and improve secondary education and to train a corps of Brazilian educational planners to give continuous guidance to all states in their planning efforts. AID participa-

tion in this project is being extended to 1970 in view of Brazil's interest and interim efforts in the key secondary education sector; estimated cost to complete the project has been revised accordingly. The FY 1967 pipeline reflects funds in the San Diego contract; a substantial participant training program; and personal service contracts.

FY 1968 Program: Emphasis will be placed on continuity of planning, speeding implementation, and training (in both Brazil and the U. S.) of planners and directors of schools. In this connection, \$209,000 FY 1968 funds will be required for the San Diego contract. A feasibility study, a basis for a proposed loan project for secondary education facilities and teacher training, is scheduled for completion.

U. S. Technicians: Five direct-hire technicians, including an advisor in the Northeast. A contract team of four advisors from the San Diego State College Foundation to work with MEC and the State Secretaries of Education; two individual contractors to work in the field of industrial vocational training; a PASA team of five U. S. Department of Labor technicians to work with SENAI and one contractor for secondary school teacher-training.

Participants: In FY 1968, six participants for long-term training in secondary education planning; another 20 educators for a year's training in school administration and in teacher-training; 24 more will receive short-term training.

Commodities: Training equipment not available in Brazil.
Other Costs: Local travel and technical literature.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	2,691	2,157	534								San Diego State College Foundation (a member of California System of State Colleges)
Estimated FY 67	843	430			132	271	403	144	394	538	
Estimated through 6/30/67	3,534	2,587	947	U.S. Technicians Participants ...	284	-	284	206	-	206	Department of Labor
		Future Year Obligations	Estimated Total Cost	Commodities ...	45	-	45	30	-	30	
				Other Costs ...	27	84	111	20	122	142	
Proposed FY 68	916	1,699	6,149	Total Obligations	488	355	843	400	516	916	

areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Technical & Scientific Publications	ACTIVITY EDUCATION	FUNDS TA
PROJECT NUMBER 512-11-690-127	PRIOR REFERENCE p. 65 of FY '67 LA P.D.B.	INITIAL OBLIGATION FY: 1963
		SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: To assist educational authorities and publishers in carrying out the Brazilian Government's nation-wide textbook program which is designed to make available, over a three-year period, an adequate supply of textbooks for students at all levels, and develop the capacity to produce needed textbooks. This project also includes assistance in development of school libraries and training of teachers in maximum use of textbooks.

Brazil's new program provides that all elementary and secondary school students will have use of books on a loan basis, and university students will purchase their textbooks at low cost. The production of 50 million textbooks is envisaged as being made available with the assistance of the Ministry of Education and Culture to schools and universities throughout Brazil. At the university level, multiple copies of English language materials will be furnished university libraries.

This program is being financed primarily through Brazilian-owned counterpart funds derived from the 1966 program loan. These funds are being made available to the Ministry (MEC) for partially underwriting the elementary and secondary school textbook programs and for the initial financing of the university book program.

Progress to Date: By special decree of October 4, 1966 the President of Brazil created within the MEC a special textbook and Technical Book Commission (COLTED) with the responsibility of coordinating the activities of this pro-

gram. Through an agreement signed January 5, 1967 by the GOB, USAID, and the Brazilian Publishers Association provisions were made to continue AID technical assistance and fund the initial phase of the program with Cr\$15 billion counterpart funds. COLTED has developed implementation plans for the selection, purchase and distribution of books, and contracts are now being prepared. AID has coordinated the translation and publication of 211 technical book publications, over 1,200,000 copies of which were made available to libraries, teachers, students and institutions. Another 106 titles are in process.

FY 1968 Program: COLTED plans to purchase and begin distribution of books in time for the 1967 school-year beginning in March. In conjunction with COLTED's activities, the USAID will provide technical assistance in such fields as book design, textbook writing and illustration, editing, printing and binding. The first teacher work-shops for use of textbooks in classrooms are to be held in FY 1968.

U.S. Technicians: Two direct-hire technicians and short-term consultants in various aspects of textbook publishing and writing.

Participants: Approximately eight short-term participants in the field of book publication.

Commodities: Scientific books in English for distribution to university libraries and research centers throughout Brazil.

Other Costs: Purchase of copyrights and local travel.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	474	383	91								
Estimated FY 67	146	108									
Estimated through 6/30/67	620	491	129								
		Future Year Obligations	Estimated Total Cost								
Proposed FY 68	111	505	1,236	Total Obligations	138	8	146	111		111	

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Public Safety	ACTIVITY PUBLIC ADMINISTRATION AND PUBLIC SAFETY	FUNDS TA	
PROJECT NUMBER 512-11-710-070	PRIOR REFERENCE P. 66 of FY 67 LA P.D.B.	INITIAL OBLIGATION FY: 1959	SCHEDULED FINAL OBLIGATION FY: 1969

Project Target and Course of Action: To improve nationwide capability of Brazil to maintain law and order by strengthening state police agencies and by advising central federal law enforcement agencies including the Federal Security Agency, the National Identification and Records Bureau, the National Institute of Criminalistics, and the National Policy Academy.

Brazilian contributions to date total \$14.2 million equivalent, primarily for physical facilities and training materials.

Progress to Date: U.S. Public Safety advisors are assisting police organizations in ten states and the Federal District; programs are scheduled to begin in five additional states in FY 67. U.S. assistance emphasizes upgrading of police training and preparedness for crowd control, riots and disaster relief; improvement of management; planning and installations of communications systems; and improvement of operational effectiveness in investigations, records and identification, patrol, physical security, and public relations.

From 1959 through November 1966, a total of 40,788 police, including 261 trained in the U.S., received technical training in criminalistics, patrol, civil police leadership riot control, communications, administration, and counter-insurgency. The National Institute of Criminalistics in Brasilia is now fully operational, providing support for the Federal Police and training for state police organizations. Four states are installing statewide communications systems; similar systems are being prepared for an addi-

tional four states. A nationwide Federal communications system is being implemented. All cooperating states have adopted administrative reforms to improve operational efficiency of police forces, apply modern techniques of police science, and institutionalize democratic concepts of law enforcement. These states now have operating radio and mobile control systems; several have "Tactical Force" companies trained and equipped to provide emergency assistance in any area of the state.

FY 1968 Program: Public Safety objectives in five states are nearing completion. Resident advisory assistance may not be necessary in these states after early FY 69. Continued technical and other assistance will place particular emphasis on the Federal District and new programs in the five Northeast States.

U.S. Technicians: Eighteen direct-hire.

Participants: Fifty-eight Brazilian Public Safety officials for U.S. training from one month for Senior Officer observation program to 10 months for selected specialists.

Commodities: Communications, investigative and training equipment not available in Brazil.

Other Costs: Travel within Brazil and local services.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	5,367	5,142	225								
Estimated FY 67	772	722	-								
Estimated through 6/30/67	6,139	5,864	275								
		Future Year Obligations	Estimated Total Cost								
Proposed FY 68	711	502	7,352	Total Obligations	772		772	711		711	

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Development Planning & Administration	ACTIVITY PUBLIC ADMINISTRATION & PUBLIC SAFETY	FUNDS TA
PROJECT NUMBER 512-11-790-122	PRIOR REFERENCE p. 67 of FY '67 LA P.D.B.	INITIAL OBLIGATION FY: 1962
		SCHEDULED FINAL OBLIGATION FY: 1971

Project Target and Course of Action: The objective of this project is the further improvement of development planning and administration in Brazil, within national, state and local organizations, to upgrade the quality of the planning and administrative processes and to develop a more rational allocation of public and private resources necessary for economic and social development.

Progress to Date: The Ministry of Planning, working with a team of U. S. contract advisors from the University of California, Berkeley, has completed a series of studies of various sectors of the economy as part of a 10-year development plan. With the assistance of advisors from the U. S. Internal Revenue Service, the Ministry of Finance has initiated programs in taxpayer compliance measurement, taxpayer relations, training, collections, audit and fraud investigation. As the first step in a series of budget and fiscal management reforms, in 1966, the Ministry of Planning developed a program budget system; suggested changes in budget and fiscal management are directed to improved program planning, better control of budgetary expenditures and accurate and current financial reporting. A pilot test of a new household survey statistics program is underway and full implementation of the program will begin in the latter half of FY 67 with the assistance of U. S. Bureau of Census advisors. A comprehensive Administrative Reform Bill is expected to become law before the end of FY 67. It includes measures in government executive personnel development, a field in which AID assistance has been requested.

The pipeline reflects participant training funding and contracts with the University of California at Berkeley, the Public Administration Service, a private consulting firm, and personal service contracts scheduled for expenditure by 1968. The increased amounts applied to the project in FY 67 and the revised estimate of its total cost respond to Brazilian requests for expanding the scope of the project, so as to include particularly assistance in executive personnel development and project management to support the administrative reform measures, and assistance in municipal and state administration.

FY 1968 Program: During FY 68, USAID will continue assistance to the Ministries of Planning and Finance, the Brazilian Institute of Municipal Administration and GOB organizations charged with implementing the administrative reform measures. FY 68 contract funding includes \$503,000 for University of California; \$62,000, Public Administration Services; \$51,000, personal services contracts, \$83,000, Griffenhagen and Kroeger; \$36,000, University of Pittsburgh, and \$125,000 for contractor, to be selected for Capital Project Formulation.

U.S. Technicians: 25 contract technicians, 22 long and short term participating agency experts and 7 direct-hire technicians.

Participants: 146 participants will receive long and short-term training in development planning and public administration.

Commodities: Training materials not procurably locally.

Other Costs: Local technical supplies, services and travel.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES University of Pittsburgh University of California, Berkeley Public Administration Services Griffenhagen and Kroeger, Inc. Internal Revenue Service Bureau of Census	
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968				
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total		
Through 6/30/66	2,760	1,298	1,462								
Estimated FY 67	1,456	1,205		181	817	998	191	946	1,137		
Estimated through 6/30/67	4,216	2,503	1,713	296	16	312	362	10	372		
		Future Year Obligations	Estimated Total Cost	9	4	13	9	7	16		
Proposed FY 68	1,847	4,725	10,788	27	106	133	20	302	322		
				513	943	1,456	582	1,265	1,847		
				Total Obligations							

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Urban Development	ACTIVITY COMMUNITY DEVELOPMENT, SOCIAL WELFARE AND HOUSING	FUNDS TA
PROJECT NUMBER 512-11-810-125	PRIOR REFERENCE p. 68 of FY '67 IA P.D.B.	INITIAL OBLIGATION FY: 1963
		SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: To strengthen Brazilian institutions, particularly in the housing field, responsible for coping with the social and economic urban problems. Capital and technical assistance is provided for the National Housing Bank (BNH) and to housing agencies in the Northeast, for the development of savings and loan-type institutional credit systems, as well as for self-help low-cost municipal housing programs. Assistance is also provided to develop ways to improve favela (slums) areas and strengthen urban and metropolitan planning agencies. Brazil is establishing financial systems for capital accumulation to relieve housing shortages.

Project Progress: In its second year of operation, the National Housing Bank has devised programs for construction and financing of housing in eight regions of the country. Through November 30, 1966, public housing agencies in 15 states committed an equivalent of \$84 million to construction. Nearly 45,000 low-cost units have been contracted. The CY 1967 goal projects 169,000 housing starts in the public and cooperative programs, for which the GOB expects to disburse the equivalent of \$285 million from special funds, internal BNH resources, and foreign loans. Under the national program of housing cooperatives, 20 cooperatives have been established in 7 states. The BNH is drafting procedures and making arrangements with existing banks to start action under the November 1966 law which authorized establishment of saving and loan operations. The FY 1967 pipeline reflects a lag in implementation of assistance to the BNH owing to management changes in that agency.

FY 1968 Program: The U.S. will continue to provide technical advice to the BNH's new training center and to state public and cooperative housing agencies, and to the Guanabara development and planning agency which coordinates the new favela rehabilitation project. The latter activity, commenced in FY 1967, will extend the project termination date to FY 1970 and increase the cost of the overall project as indicated. Assistance to self-help housing projects will continue to be concentrated in the Northeast.

U.S. Technicians: Five direct-hire technicians (one chief of USAID's new office of Housing and Urban Development, one self-help advisor, one housing advisor, an urban planner and a housing financial advisor in Rio), 2 PASA housing advisors plus four short-term contract advisors will work directly with the cooperating GOB agencies. FY 1968 contract funding provides \$85,000 for the Foundation for Cooperative Housing and for personal services contracts.

Participants: 62 Brazilians to be trained for savings and loan operations, cooperative housing, urban planning and development, and aspects of self-help housing and community development, principally through intensive short-term courses.

Other Costs: Local staff, local travel and supplies.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	650	429	221							Department of Housing and Urban Development Foundation for Cooperative Housing
Estimated FY 67	334	255								
Estimated through 6/30/67	984	684	300	106	109	215	113	85	198	
				91	-	91	75	-	75	
				-	-	-	-	-	-	
		Future Year Obligations	Estimated Total Cost	23	5	28	14	-	14	
Proposed FY 68	287	904	2,175	220	114	334	202	85	287	
				Total Obligations						

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Industry and Commerce	ACTIVITY PRIVATE ENTERPRISE	FUNDS TA	
PROJECT NUMBER 512-15-950-227	PRIOR REFERENCE p. 69 of FY '67 LA P.D.B.	INITIAL OBLIGATION FY: 1960	SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: To stimulate private industry through technical assistance, including specifically (a) advisory assistance on the regulation and operation of stock exchange operations; (b) industrial productivity improvement; (c) promoting community organization for industrial development; (d) establishing and assisting locally owned rural industries; (e) development through Brazilian universities of the techniques of rural industrial promotion and management support; (f) assisting the flow of private investment capital into Brazil's Northeast; and (g) assistance to the Economic Development Commission of two states in the Northeast in formulating and implementing industrialization programs.

Progress to Date: Twenty-five projects with an investment value of \$120 million have been approved by the Central Bank under the Investment Guarantee Agreement signed with the U. S. in 1965. An additional \$150 million in potential investments is pending. USAID advisors have assisted the Central Bank in devising and installing regulations and training programs to implement 1965 legislation which authorizes Securities and Exchange Commission type of regulation of security markets. Nine short-term productivity experts were provided to private industries in 1966. Two of these contracts were later extended at the request and expense of the participating companies. Productivity rose as much as 30% in individual cases. More than 5,000 middle and top level private enterprise managers have been provided business and factory administration training at national and state productivity

centers with the assistance of AID advisors.

Through rural industrial technical assistance (RITA), 38 industrial possibilities have been identified, and for 15 of these, companies have been formed; it is anticipated that RITA activities will be self-sustaining by the end of FY 68. FUNDINOR, a private investment promotion company established in 1965 with USAID assistance, is now effectively promoting investment in the Northeast through conferences and publication of investment brochures, aimed particularly at those firms located in Southern Brazil which have funds on deposit under special tax legislation. Under the legislation, funds may be invested in the Northeast and the Amazon Basin for tax credit; funds on deposit presently total the equivalent of approximately \$225,000,000. The FY 67 pipeline reflects funding needs of the several contracts.

FY 1968 Program: Emphasis will continue to be placed on improvement of capital markets and industrial productivity and in assisting SUDENE and FUNDINOR to attract investments in the Northeast. \$285,000 is required for up to one-year extensions of university contracts for RITA activities, and \$141,000 for three industrial consultant contracts.

U. S. Technicians: 23 contract advisors, mostly short-term (13 RITA, 4 productivity, 4 SUDENE and state development commissions, and 2 community development stimulation); one PASA; and five direct-hire to plan, supervise, and coordinate.

Participants: 16 for short-term training in industry.

Other Costs: Local travel and local supplies.

U.S. DOLLAR COSTS (in Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES U. S. Sec. and Exc. Comm. Conway Research Inc. H. B. Maynard Council for Int. Progress in Management University Contracts: Brooklyn Polytechnic Inst. Colorado State Los Angeles State San Francisco State Utah State
	Obligations	Expenditures	Unliquidated	Cost Components						
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	3,335	2,356	979							
Estimated FY 67	963	1,108								
Estimated through 6/30/67	4,298	3,464	834							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	596	484	5,378	224	739	963	153	443	596	

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Health (includes Malaria Eradication)	ACTIVITY HEALTH AND SANITATION	FUNDS TA
PROJECT NUMBER 512-11-590-265	PRIOR REFERENCE p. 70 of FY '67 LA P.D.B.	SCHEDULED FINAL OBLIGATION FY: 1971
	INITIAL OBLIGATION FY: 1958	

Project Target and Course of Action: To assist in improving planning and administration of the Ministry of Health (MH), SUDENE and selected Northeast (NE) health departments so they can make more effective use of local statistical, demographic and other resources in alleviating Brazil's health problems; additionally to provide assistance and loan funds to enable the MH and other Brazilian institutions to eradicate malaria from Brazil by 1975.

Progress to Date: The principal phases of this project other than malaria, were initiated in FY 1966 in response to Brazilian requests. A Planning Evaluation, Research and Special Projects Unit (PERSP) has recently been established in the MH. It is preparing a National Health Plan in collaboration with the Ministry of Planning; will prepare regional and special plans, surveys and studies; evaluate on-going projects and new proposals; coordinate public health planning; stimulate better health program administration; and promote expanded and improved health training and activities in nutrition and improved implementation of specific health programs. PERSP has already stimulated expanded research and eradication programs for plague, Chagas' disease, smallpox, and schistosomiasis - and is also planning training programs in preventive medicine and malaria eradication.

In the NE a similar activity is underway in conjunction with SUDENE and the health departments of NE states to upgrade the administrative capabilities of these institutions to improve long-range planning, research, and operations. USAID advisors are being assigned to assist in

this effort. During the latter half of FY 67 a USAID advisor will assist in the establishment of a university based demographic center capable of providing reliable information about Brazil's population characteristics, migration habits, and vital statistics and will emphasize the training of researchers and teachers in these fields.

Since 1964, the malaria eradication project has been loan-funded. Five advisors and essential commodities are now provided under the loan. One grant-funded advisor serves as the USAID project coordinator. There has been a substantial reduction in the incidence of malaria and operations and management have improved. The pipeline reflects a slower pace of implementation of the newer planning elements of the project.

FY 1968 Program: Continuation of planning and administrative assistance to the Ministry of Health, SUDENE and state health departments and of loan funded malaria eradication programs; establishment of a demographic research center. Increased assistance to PERSP and to the new demographic center necessitates an increase in the cost to completion and in duration from 1970 to 1971.

U.S. Technicians: 8 Public Health Service PASA, (one demographic research, one malaria, and 6 public health advisors) and 2 direct-hire to supervise projects.

Participants: 42 principally short-term participants, for U.S. and third country training in public health, demography, and malaria eradication.

Commodities: Public Health materials not available in Brazil.
Other Costs: Locally funded travel, supplies and services.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES U. S. Public Health Service
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Request/Other Agency	Total	Direct AID	Request/Other Agency	Total	
Through 6/30/66	14,073	14,022	51								
Estimated FY 67	392	179									
Estimated through 6/30/67	14,465	14,201	264	U.S. Technicians	55	169	224	60	206	266	
		Future Year Obligations	Estimated Total Cost	Participants ...	113	-	113	116	-	116	
				Commodities ...	14	-	14	24	-	24	
				Other Costs ...	23	18	41	14	20	34	
Proposed FY 68	440	1,900	16,805	Total Obligations	205	187	392	214	226	440	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BRAZIL

PROJECT DATA

TABLE III

PROJECT TITLE Technical Support	ACTIVITY TECHNICAL SUPPORT	FUNDS TA
PROJECT NUMBER 512-11-990-000	PRIOR REFERENCE p. 71 of FY '67 LA P.D.B.	SCHEDULED FINAL OBLIGATION FY: Continuing
	INITIAL OBLIGATION FY: 1952	

Project Target and Course of Action: This project provides general support for all program operations necessary for the effective accomplishment of the goals of the AID program in Brazil. Direct-hire positions represent the corps of generalists required for direction and coordination of the program, including the personnel support costs of the Food for Peace and Partners of the Alliance programs. Also included under this project are participant processing and follow-up costs, communications media services, rents, utilities, office and household furniture and other general programming costs of the Mission at Rio de Janeiro and its area office in Recife.

Progress to Date: During 1966, the consolidation of USAID staff offices in Rio de Janeiro in one building was completed. Previously the staffs had been located in six widely scattered buildings throughout Rio. The move has improved operational efficiency and program coordination. Advance rental for the new quarters is the main pipeline item.

Over 760 participants were processed by the USAID in FY 66, including arrangements for language training and international travel. An improved follow-up program among the 4,352 participants who have completed training and have returned to Brazil was initiated in 1966.

The Food for Peace program supports child feeding, school lunch, food for work, and feed grain programs. Nearly 9 million Brazilians now directly benefit from the program, a fivefold increase in five years. Voluntary Agency programs are increasingly being converted from a normal charity donation program to one which provides food

through community improvement programs.

Partners of the Alliance activities are now underway in 10 Brazilian states plus the Federal District, involving partnership arrangements with Colorado, Connecticut, Illinois, Indiana, Maryland, New Jersey, Pennsylvania, Wyoming, Missouri, and Washington, D. C.

FY 1968 Program: Technical Support dollar requirements for FY 68 have been reduced by 40% as a result of the GOB's agreement to contribute Brazilian-owned counterpart funds to defray local operational costs of the Mission, including a portion of the salaries of local hire USAID employees, housing and educational allowances of U. S. employees, rents, local travel, etc. The Food for Peace program will continue to supply advice and training to Brazilian entities implementing FFP projects. Partners of the Alliance relationships are expected to be completed with most of the 22 Brazilian states if sufficient U. S. Partners can be arranged.

U. S. Technicians: 73 U. S. direct-hire and 9 U. S. contract technicians responsible for programming, supervision, training, and other support activities not chargeable to specific projects plus short-term contract advisors to assist in sector evaluation and studies.

Participants: Approximately 10 participants will receive short-term training under the FFP School Lunch Program.

Commodities: Office and household furniture for U. S. technicians, language training equipment, office vehicles and supplies not available in Brazil.

Other Costs: Local rents, utilities, and local supplies.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			Personal services contracts
					Direct AID	Contract/Grant/Agency	Total	Direct AID	Contract/Grant/Agency	Total	
Through 6/30/66	18,579	16,733	1,846								
Estimated FY 67	2,655	2,910									
Estimated through 6/30/67	21,234	19,643	1,591	U.S. Technicians	1,529	231	1,760	1,523	221	1,744	
		Future Year Obligations	Estimated Total Cost	Participants . . .	12	-	12	12	-	12	
				Commodities . . .	355	-	355	359	-	359	
				Other Costs . . .	528	-	528	413	-	413	
Proposed FY 68	2,528	Continuing		Total Obligations	2,424	231	2,655	2,307	221	2,528	

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Companhia Pernambucana de Borracha (COPERBO)

Funds: AFP Loan

Title and Number of Loan: Brazil Synthetic Rubber Plant		512-L-007	
Date Authorized: 9/17/62		Date Signed: 9/24/62	
Loan Status as of 12/31/64		Loan Terms	
(In thousands of dollars and equivalent)			
Authorized	3,400	Duration	10 yrs.
		Two-Step	40 yrs.
Disbursed	2,982	Grace Period	4 yrs.
		Two-Step	10 yrs.
Repayments	229	Interest Rate	5-3/4%
		Two Step 1% GP	2 1/2% thereafter
Interest Collected	101	Currency of Repayment	U.S. Dollars

Financial Status: The AID loan covered somewhat less than 20% of total foreign exchange requirements for the project. The balance was provided by IDB (\$3.6 million), French bank credit (\$5.9 million), credits from US suppliers (Firestone, Rohm and Haas, and Union Carbide) (\$2.3 million), and COPERBO (\$2.1 million) for a total of \$17.3 million. AID also extended two PL-480 cruzeiro loans totalling Cr\$ 4 billion.

Host Country Role and Procurement Source: In addition to the \$2.1 million shown above as contributed by COPERBO, Brazilian sources (including BNDE and the state of Pernambuco) made available local currency for construction, local procurement and working capital needs.

Purpose of Loan: The loan provided part of the foreign exchange required for construction and equipping a polybutadiene rubber plant in Pernambuco. This plant is the largest industrial undertaking in northeast Brazil. It has a capacity of 25,000 metric tons annually.

The AID dollar loan was limited to U.S. procurement. In addition a substantial portion of the purchases financed through other loans were made in the U.S.

Physical Status: Plant started production in September, 1965. No major technical difficulties encountered in first year of production. Plant now only producing at an over-all rate of 25% of capacity because of low demand for COPERBO's polybutadiene. This low demand has been caused mainly by the high cost of alcohol, a major raw material. The resulting high selling price in relation to the price for other rubber available in Brazil plus the lack of an effective sales organization to promote the use of COPERBO rubber have been their principal problem. Some recent developments including a reduction in the price of alcohol and an increase in the selling price of other rubber in Brazil should improve the COPERBO market position. In addition, Brazil's President appointed a work group composed of government and company officials to study COPERBO's problems. The group recommendations are now being reviewed by the President, and the GOB is forwarding a copy of the Commission's Report to the U.S. AID Mission.

Two-Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 1% during the grace period.

Comments on Implementation: Implementation has been completed.

The undisbursed balance of approximately \$400,000 is being held on the books pending a determination of the amount of interest which will be capitalized and added to the loan principal.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Credito e Financiamento S.A. COPEG

Funds: AFP Loan

Title and Number of Loan: COPEG Development Bank 512-L-008	
Date Authorized: 9/17/62	Date Signed: 3/6/63
Loan Status as of 12/31/66	Loan Terms
(In thousands of dollars and equivalent)	
Authorized 4,000	Duration 20 yrs. Two Step 40 yrs.
Disbursed 3,635	Grace Period 5 yrs. Two Step 10 yrs.
Repayments -	Interest Rate 4% Two Step 3/4%
Interest Collected 25	Currency of Repayment . . U.S. Dollars

All goods and services financed in whole or in part with dollars made available under the loan agreement must originate in and be procured from the U.S. Dollars are made available for conversion to cruzeiros for local currency sub-loans through special letter of credit procedure which ties the dollars to imports from the U.S.

Comments on Implementation: Loan utilization is moving at a satisfactory rate. Subloans made with AID resources are in accordance with AID objectives and requirements.

Purpose of Loan: To promote the development of private enterprise in the State of Guanabara by providing funds to the state-owned development bank, COPEG. The bank makes these funds available to small and medium industries in the form of loans, in exchange for equity participation, or combination of both.

Financial Status: COPEG, as of December 1966, had approved 129 sub-loans equivalent to a total of \$3.27 million.

Two Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period at 3/4 %.

Host Country Contribution-Procurement Sources: The loan agreement provides that COPEG must match AID resources to a minimum ratio of 1 to 3. In general, COPEG has played an active role in stimulating industrial growth in Guanabara including the development of new industrial parks. It is also helping to mobilize private savings by marketing bonds with inflation correcting indexes.

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Companhia de Carbonos Coloidais S.A. (CCC)

Funds: AFP Loan

Title and Number of Loan: Carbon Black Plant - CCC 512-L-009	
Date Authorized: 1/3/63	Date Signed: 3/11/63
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 8 yrs.
Authorized 2,000	Two Step 40 yrs.
Disbursed 1,175	Grace Period 3½ yrs.
Repayments -	Two Step 10 yrs.
Interest Collected -	Interest Rate 5 3/4%
	Two Step 1% G.P. 2½% there- after
	Currency of Repayment: U.S. Dollars

Host Country Contribution-Procurement Sources: All local currency needs of the project (estimated at the equivalent of \$4.2 million) are being provided through capital subscriptions by the stockholders. AID funds are used exclusively for procurement from the United States.

Two Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10 year grace period, with annual interest at 1% during the grace period.

Purpose of Loan: To finance the dollar costs of construction of a privately-owned carbon black plant in Candeias, Bahia, Brazil. The plant, adjacent to the Petrobras oil refinery from which raw materials will be obtained, will have a capacity of 15,000 metric tons per year. Plans for the project are based upon an agreement of 1960 with Phillips Petroleum under which Phillips granted necessary licenses and agreed to provide technical information and services.

Comments on Implementation: Due to lack of cement in Salvador construction will be completed in mid-May instead of March as planned. This problem has been resolved. Engineering and procurement are progressing satisfactorily. Total tonnage of goods shipped on U.S. flag commercial vessels which was 16.7% in June 1966 reached 44.3% by December 31, 1966.

Physical Status: The project is behind schedule because of local financing difficulties. This problem has now been resolved. Activities have resumed at a satisfactory pace with Phillips Petroleum Company acquiring control of CCC, and a revised implementation plan indicates completion of the work by mid-1967. All orders for loan funded equipment were placed between June and September, 1965, and most of the equipment was delivered to the construction site between June and November 1966. The local currency portion of the project is advancing rapidly: 70% of the detailed engineering work, which is being done by a Brazilian firm, has been completed, and almost 90% of the local purchases have been made.

Financial Status: Letters of commitment for procurement of goods and services have been issued for the entire amount of the loan.

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Eletrobras

Funds: AFP Loan

Title and Number of Loan:	
Santa Cruz Thermal Plant (ELETROBRAS) 512-L-011	
Date Authorized: 4/20/63	Date Signed: 9/10/63
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 20 yrs.
Authorized 15,500	Two Step.....40 yrs.
Disbursed 11,176	Grace Period 3 yrs.
Repayments -	Two Step.....10 yrs.
Interest Collected -	Interest Rate 5 3/4%
	Two Step..... 1% G.P.
	2 2/3% thereafter
	Currency of Repayment... U. S.
	Dollars

Two-Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 1% during the grace period.

Host Country Contribution-Procurement Sources: Brazilian sources are supplying the equivalent of \$16.8 million in local currency. The equivalent of \$8.4 million of this amount is being made available from the borrower's own funds, and the balance of the local currency acquired through additional capital subscriptions and domestic borrowing from the National Bank for Economic Development. ELETROBRAS, the major stockholder, has funds available from a special surtax on electric energy consumption.

Source of procurement of goods and services financed from the AID loan is the United States.

Comments on Implementation: The project is now progressing satisfactorily. The management has improved especially since having been taken over by the Federal Power Agency, Electricas.

Purpose of Loan: This loan provides foreign exchange necessary for construction of a 160,000 KW thermal electric power plant, with associated facilities, at Santa Cruz, State of Guanabara.

The Santa Cruz plant will feed additional power to the system supplying the Rio de Janeiro area. It will provide a thermal source of power to obviate the need for rationing in dry years, for most of the existing capacity is hydro-electric. For the longer term, AID is helping meet the need for increased power facilities by loans for (1) the Peixoto power plant; (2) the Furnas transmission lines; and (3) the Rio Light distribution lines.

Physical Status: Although there were some delays in initial stages of implementation, construction is now progressing satisfactorily with firing of the first boiler scheduled for the first quarter of 1967. The project was estimated to be 65% complete as of September 30, 1966.

Financial Status: As of December 31, 1966, letters of commitment for procurement of goods and services under this loan totaled \$13,875,000.

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL Borrower: Centrais Eletricas de Minas Gerais S.A. (CEMIG) Funds: AFP Loan

Title and Number of Loan: CEMIG Power Expansion Program 512-L-014	
Date Authorized: 7/26/63	Date Signed: 10/16/63
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 20 yrs. Two Step 40 yrs.
Authorized \$5,300	Grace Period 3 yrs. Two Step 10 yrs.
Disbursed 2,713	Interest Rate 5 3/4% Two Step 1% GP 2 1/2% thereafter
Repayments -	Currency of Repayment.. U.S. Dollars
Interest Collected 79	

Host Country Role and Procurement Source: The total estimated cost of this project was foreseen at \$19.6 million. All needed funds other than those provided by the two AID loans (one dollar, one cruzeiro) are being provided from Brazilian sources.

The dollars provided under this loan are to be used for procurement of goods and services of United States origin.

Comments on Implementation: A major problem impeding work on this project has been CEMIG's difficulty in finding the local currency resources needed. The PL-480 loan of Cr\$4 billion cruzeiros contributed toward easing this difficulty. ELETROBRAS (Brazilian federal power agency) is also making funds available from the proceeds of the surtax on energy consumption. The project is now progressing satisfactorily.

Purpose of Loan: To assist in financing selected portions of the CEMIG power expansion program in the state of Minas Gerais. CEMIG is a mixed capital corporation, the greater part of whose capital is held by the state of Minas Gerais. CEMIG started operations in 1952 and has previously obtained financing from the World Bank, Inter-American Development Bank, and Export-Import Bank. AID loan funds are providing foreign exchange for equipment, materials, and services to increase the transmission, generation and distribution capabilities of the existing CEMIG system. The project covers transmission line construction to redirect power to new load centers and to connect isolated sub-systems, and includes a rural electrification program. The project will result in additional power generation capacity of 69,000 kilowatts and 1,100 kilometers of trunk and secondary transmission lines. AID has also loaned CEMIG 4 billion PL-480 cruzeiros for local currency costs of the transmission line construction.

Two-Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 1% during the grace period.

Physical Status: The project is well under way. Procurement problems, now resolved, have delayed expected completion until the fourth quarter of 1967.

Financial Status: Letters of commitment for procurement of goods and services under this loan totalled \$4.3 million as of the end of December 1966.

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Government of Brazil

Funds: AFP Loan

Title and Number of Loan: SUDENE - Combined Highway Project 512-L-015	
Date Authorized: 6/28/63, 2/18/64 6/06/64	
Date Signed: 6/06/64, 12/02/64	
Loan Status as of 12/31/66	Loan Terms
(In thousands of dollars and equivalent)	Duration 40 yrs.
Authorized 18,400	Grace Period 10 yrs.
Disbursed 612	Interest Rate 3/4% 2% thereafter *
Repayments -	Currency of Repayment . . U.S. Dollars
Interest Collected -	

The consulting engineer's contract expires in September 1967. Additional consulting engineering services for road construction will be needed after this date. These services will probably cost about \$1,000,000. It is expected that the GOB will request an increase in the loan to cover these additional expenses.

Host Country Role and Procurement Source: About 3% of the loan is being used for payment for U.S. consulting engineering service. The balance is being made available to Brazil through special letter of credit tied to procurement in the U.S. with cruzeiros generated used for local currency expenditures in Brazil. The respective states will pay any excess of costs over the amounts provided in this loan. In addition Brazilian sources have been making a substantial contribution to the expansion and improvement of roads in the Northeast. The road network is estimated to have increased 20% in the period 1960-65.

Comments on Implementation: The delay in getting contracts awarded has been caused by the slowness of state highway departments in completing necessary engineering designs and plans. The issues causing the delay have been resolved. There are no major construction problems on the two roads which are now underway.

***Note:** Interest rate at 3/4% on \$11 million of loan. For rest of the loan interest is raised to 2% after the grace period.

Purpose of Loan: The loan finances construction of nine state highways totalling 291 miles in six states of Northeastern Brazil. This loan is considered part of the U.S. contribution under a two-year Northeast Agreement of April 13, 1962, in which the U.S. agreed to provide assistance valued up to \$131 million in dollars and cruzeiros and Brazil agreed to provide assistance valued at Cr\$45.5 billion for the distressed Northeast area.

Physical Status: The delay between the original authorization and signature of the loan and the fact that the authorization was issued in 3 stages resulted from political problems concerning the inclusion of the state of Pernambuco in the program. The problems were finally resolved after the revolution in 1964. The signing of the loan was also delayed by the necessity of accommodating AID requirements with usual highway construction practices in Brazil.

Financial Status: One letter of commitment totalling \$612,000 has been issued for AID-financed procurement of engineering services. Total disbursement authorizations issued by December 31, 1966 under the loan amounted to \$848,000.

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Companhia Siderurgica Nacional

Funds: AFP Loan

Title and Number of Loan: Volta Redonda Steel Mill 512-L-018	
Date Authorized: 2/28/64	Date Signed: 5/22/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 12 yrs.
Authorized 5,500	Two Step 40 yrs.
Disbursed 4,624	Grace Period 2 yrs.
Repayments -	Two Step 10 yrs.
Interest Collected 13	Interest Rate 5 $\frac{1}{2}$ %
	Two Step 3/4% G.P.
	2% thereafter
	Currency of Repayment . . U.S. Dollars

operation in August or September, whenever the production schedule allows shutdown of the mill for installation.

Financial Status: Letters of commitment for AID-financed procurement had been issued for the entire \$5.5 million as of the end of December 1966.

Two Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10 year grace period, with annual interest at 3/4 of 1% during the grace period.

Purpose of Loan: This loan to Brazil's National Steel Company is assisting in financing the costs of machinery, equipment and services required to modernize and expand the borrower's steel mill in Volta Redonda. The National Steel Company was formed in 1940 with U.S. technical and financial assistance, including loans from the Export-Import Bank. The company is a "mixed" corporation with the federal government holding controlling interest and with minority participation of private shareholders. The present project consists of improving the use of existing units in the plant, the expansion of the blooming mill and soaking pits, modernization of the number one cold strip mill, and the installation of a new electrolytic tinning plant. These improvements will increase production by 200,000 tons yearly to 1,400,000 tons, including 150,000 tons of electrolytic tin plate. The increased production should result in foreign exchange savings estimated at \$35 million per year.

Host Country Contribution-Procurement Sources: Total cost of project is estimated at \$21.3 million. Borrower will finance foreign exchange needs of \$3.2 million and local costs equivalent to \$11.1 million. U.S. Supplier's credits will finance the remaining \$1.5 million.

All import requirements (\$10.2 million) will be met from the United States.

Physical Status: Orders have been placed for all equipment financed under the loan agreement. Some items are already at the construction site, and others are being shipped immediately. Several items, including cranes and locomotives, blast hole drill and automatic teeming equipment are already in use. The new tinning line is expected to be in operation in March, 1967. An addition of a fifth stand to the cold strip mill No. 1 and modifications to the blooming and slabbing mill will be completed and put into

Comments on Implementation: Work is progressing very satisfactorily in all of the phases; engineering, procurement, installations and project management. Overall percent completion on the project increased from 40% to 60.7% during the last quarter of 1966. The tinning line is undergoing final testing with trial runs to begin as scheduled. There are no problems foreseen in implementing the activity under this loan.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Government of Brazil

Funds: AFP Loan

Title and Number of Loan:	
Highway Maintenance Equipment (Northeast) 512-L-019	
Date Authorized: 6/30/64	Date Signed: 11/18/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 20,000	Grace Period 10 yrs.
Disbursed 8,992	Interest Rate 3/4 %
Repayments -	G.P. 2% thereafter
Interest Collected -	Currency of Repayment. U. S. Dollars

agreed to provide assistance valued up to \$131 million in dollars and cruzeiros, and Brazil agreed to provide assistance valued at Cr\$ 45.45 billion, for the distressed Northeast are of the country.

The loan proceeds are used only for procurement in the United States. In part this represents direct procurement of equipment for use under this program, but up to \$11.2 million of the loan may be used for Brazilian-made equipment. In this case, dollars converted to cruzeiros for local procurement will be used for general imports from the United States under the Special Letter of Credit procedure.

Provision for local procurement was included in the loan in order not to deny a normal domestic market for the road maintenance equipment industry of Brazil. If locally manufactured equipment costs more than 120% of the price of similar items of United States manufacture, SUDENE will bear the difference. It should be noted that Brazilian subsidiaries of United States firms are among the suppliers of this equipment.

All indirect costs of the project are financed by the nine northeastern states, including expansion and improvement of highway maintenance organizations and programs, the labor and technical help required for these programs, and the maintenance of all equipment.

Comments on Implementation: Procedural problems in obtaining the required import licenses have been resolved through an AID prompted reorganization of the respective Brazilian Government office (CACEX). These efforts, however, took several months during which shipments from the USA suffered delays. The project is now proceeding satisfactorily under the supervision of the U. S. Bureau of Public Roads.

Purpose of Loan: This loan is helping establish effective highway maintenance departments in nine northeastern states. Loan proceeds are financing foreign exchange and local costs of highway maintenance equipment and accessories; retain American highway maintenance engineering advisors for each of the nine states; and train in Brazil an adequate number of mechanics and equipment operators for each state.

Improved maintenance of state highways will have a major effect upon the economic growth of these nine states and of northeast Brazil in general. The state highway departments also help maintain the federal highway system in their respective areas.

The loan was made to SUDENE, the Government of Brazil regional development agency for the Northeast, and it in turn is distributing to the nine states the equipment and services obtained.

This dollar loan has been supplemented by an additional loan of CR\$ 4.5 billion from PL 480 generated funds.

Financial Status: Commitment authorizations for AID-financed procurement under this loan has been issued for over \$11.5 million and CR\$ 4.5 billion local currency were disbursed as of end of December 1966.

Host Country Role and Procurement Source: This loan is considered part of the U. S. contribution under a two-year, Northeast Agreement of April 13, 1962, in which the U. S.

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Companhia Metalurgica Barbara

Funds: AFP Loan

Title and Number of Loan: Barbara Cast Iron Pipe 512-L-020	
Date Authorized: 2/18/64	Date Signed: 6/10/65
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 7 yrs. Two Step 40 yrs.
Authorized \$1,100	Grace Period 2 yrs. Two Step 10 yrs.
Disbursed 235	Interest Rate 5½%
Repayments -	Two Step 1% GP 2½% thereafter
Interest Collected -	Currency of Repayment . . U.S. Dollars

reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 1% during the grace period.

Host Country Contribution-Procurement Sources: The total cost of the project was originally estimated at \$2.6 million. The AID loan will be used exclusively for procurement of goods and services in the United States. Other costs of the project will be covered by funds provided by the borrower.

Comments on Implementation: This loan is progressing satisfactorily and will be completed in 1968.

Purpose of Loan: This loan is assisting in financing foreign exchange costs of equipment, materials and services required to expand cast iron pipe production by 15,000 metric tons per year (from 50,000 to 65,000 tons) of this private industry located in Barra Mansa, 65 kms from the city of Rio de Janeiro. This firm obtained Export-Import Bank loans totalling \$2,172,709 in 1953-55 to expand pipe production. The AID loan will result in estimated annual foreign exchange earnings of \$20 million. Pipe consumption has grown nearly 10% each year, and will be further increased by a number of water and sewerage projects now underway.

Physical Status: Project is well under way although progress has been behind schedule because of delays in registration of the loan with Brazilian monetary authorities and in obtaining import licenses. Approximately 75% of the orders for loan-funded equipment have been placed and is scheduled to be delivered by June, 1967; the remaining 25% will be ordered before end of February 1967.

Financial Status: Letters of commitment for procurement of goods and services have been issued for the entire amount of the loan.

Two Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Government of Brazil

Funds: AFP Loan

Title and Number of Loan: Malaria Eradication 512-L-021	
Date Authorized: 3/5/64	Date Signed: 5/11/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	
Authorized 6,500	Duration 40 yrs.
Disbursed 1,080	Grace Period 10 yrs.
Repayments -	Interest Rate 3/4% G.P. 2% thereafter
Interest Collected 10	Currency of Repayment . . U.S. Dollars

Financial Status: Disbursement authorizations issued as of December 31, 1966 for procurement financed by this loan totalled \$4.5 million, compared to \$1.4 million as of December 31, 1965. To cover a portion of the costs of replacing vehicles and outboard motors for the transportation service, an AID local currency loans of Cr\$2.8 billion was signed at the time the dollar loan was extended. At the time of replacement, the need for standardization of equipment, spare parts availability and maintenance indicated the desirability of purchasing Brazilian units.

Host Country Contribution-Procurement Sources: The dollar loan is restricted to commodity imports from the United States. During 1964, 1965 and 1966 Brazil has paid operating and other local costs which were the equivalent of \$30 million. The planned Brazilian contribution to the eradication program for 1967 and 1968 should total the equivalent of another \$30 million.

Purpose of Loan: This loan was made to finance the foreign exchange costs of U.S. equipment, materials, and supplies required for Brazil's nation-wide malaria eradication campaign. In previous years the United States had granted equipment, materials and advisory services valued at \$13.8 million for this campaign. In August 1963 the United States informed the Brazilian Government that commodity assistance for this program would be made available only on a loan basis. An extension of the original AID loan was signed in April 1966. The loan is now extended to cover commodity requirements through December 31, 1968. In addition, the loan was amended to include the cost of the services of up to five U.S. technicians to assist the implementation of the program. A total of 12-man-years of advisory assistance from the U.S. Public Health Service for a total of \$400,000 will be provided under the loan.

Comments on Implementation: The malaria eradication program has been revised early in 1966, in cooperation with the U.S. Public Health Service and the Pan American Health Organization. The improved program is now implemented under this loan.

Physical Status: 36 million people out of Brazil's total population of approximately 80 million live in areas exposed to malaria. As of the end of CY 1966, 12.8 million people were under active protection by spraying; 5.8 million were living in areas where transmission of malaria has been interrupted and protection consolidated; 7 million were living in maintenance area where eradication had already been achieved, and 16.7 were living in areas scheduled for coverage over the next three years. Delay occurred in implementation during the amended loan negotiation.

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Centrais Eletricas Matogrossenses, S.A. (CEMAT)

Funds: AFP Loan

Title and Number of Loan: CEMAT Power Expansion, Mato Grosso State 512-L-022	
Date Authorized: 5/7/64	Date Signed: 6/5/64
Loan Status as of 12/31/66	Loan Terms
(In thousands of dollars and equivalent)	
Authorized 4,300	Duration 25 yrs. Two Step 40 yrs.
Disbursed 2,411	Grace Period 3 yrs. Two Step 10 yrs.
Repayments -	Interest Rate 5 1/2% Two Step 3/4% G.P. 2% there- after
Interest Collected -	Currency of Repayment . . U.S. Dollars

reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 3/4 of 1% during the grace period.

Host Country Contribution-Procurement Sources: The AID dollar loan will pay only for U.S. equipment, technical services and advanced training for CEMAT engineers in the U.S. Local costs, over and above those financed by AID PL 480 funds, must be covered from Brazilian sources, in particular the state of Mato Grosso and ELETROBRAS, the Brazilian federal power agency. The state's participation is derived from the State Electrification Fund which is financed by a special sales tax. ELETROBRAS receives the proceeds of a special supplemental tax on electricity consumption.

Purpose of Loan: This loan, supplemented by PL 480 local currency loans of Cr\$7.7 billion, is helping the state-owned utility corporation, CEMAT, finance its program of expanding electricity generation, transmission, and distribution in the large and rapidly developing frontier state of Mato Grosso, with its large potential, particularly for agricultural development and colonization. Power available in 1963 was only 32 million KWH but requirements have been projected at 220 million KWH by 1970.

Comments on Implementation: This is a multi-facet project and will aid in opening up Brazil's far west. The earlier local currency problem is now resolved. Progress is proceeding at a normal pace.

Physical Status: Construction is underway and the project is scheduled for completion in 1967. 90% of the authorized ceiling for engineering expenses in cruzeiros has been attained, and the engineer (Hidroservice) has requested from the borrower an increased authorization.

Financial Status: As of December 31, 1966, letters of commitment for AID-financed procurement and services totalled \$3,024,416. A new loan of Cr\$4.5 billion was made to CEMAT in the course of 1966. The project is now proceeding at normal pace. At the end of January 1967 AID commitments totalled \$3,583,000.

Two Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Central Electrica de Furnas S.A.

Funds: AFP Loan

Title and Number of Loan: FURNAS Power Transmission Lines 512-L-023		Two Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 3/4 of 1% during the grace period.
Date Authorized: 5/18/64	Date Signed: 10/2/64	
Loan Status as of 12/31/66	Loan Terms	Host Country Contribution-Procurement Sources: All dollars disbursed under this loan are to be used for the purchase of U.S. goods and services. U.S. suppliers include Westinghouse Electric, IGE, Allis Chalmers, Peterson Engineering (Sunnydale, California), Sherman and Reilly (Chattanooga), Alcoa Aluminum Limited Sales, Preformed Line Products, ITT, American Chain & Cable, Yale and Towne (Philadelphia), General Electric, Philips Corporation (New York), Bethlehem Steel, and U.S. Steel. Local currency financing estimated at the equivalent of \$19.9 million is being supplied by Eletrobras (the Brazilian federal power commission) from the Central Electrification Fund, derived from a surtax on energy consumption.
(In thousands of dollars and equivalent)	Duration 25 yrs. Two Step 40 yrs.	
Authorized 16,700	Grace Period 3 yrs. Two Step 10 yrs.	
Disbursed 7,478	Interest Rate . . G.P. . . 5 1/2%	
Repayments -	Two Step 3 1/4% GP 2% thereafter	
Interest Collected -	Currency of Repayment . . U.S. Dollars	

Purpose of Loan: This loan provides the foreign exchange necessary for construction of 480 miles of transmission lines linking two hydroelectric power plants on the Rio Grande, in the state of Minas Gerais, with the Rio de Janeiro and Sao Paulo areas, the largest two centers of population and industry in Brazil with almost 8 million inhabitants. It complements IBRD and AID PL 480 investments in the Furnas Hydroelectric Plant and an AID dollar loan of \$20.4 million for generators for the Peixoto hydro plant; both will serve the Rio and Sao Paulo areas.

The present AID loan is helping finance the 279 mile 345 KV transmission line from the Furnas dam to Sao Paulo; a 114 mile extension to bring Furnas power to Rio; and an 87 mile line linking the Furnas dam and Peixoto. The increased power brought to the metropolitan areas will help meet the rapidly increasing needs of these areas which have been experiencing shortages, at times severe.

Physical Status: Construction is underway and, as of September 30, 1966, was estimated to be 57% complete.

Financial Status: At the end of December 1966, letters of commitment for AID-financed procurement totalled \$12.5 million. Disbursements totalled \$8,214,000 at the end of January, 1967.

Comments on Implementation: Construction work is proceeding at a normal pace. The stretch of transmission line between Itutinga and Barra do Perai is ready to be energized. No implementation problems in procurement have been experienced. Local currency has been made available by the host government on a timely basis; this has allowed implementation to proceed at the planned rate.

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Olinkraft Celulose e Papel, Ltda.

Funds: AFP Loan

Title and Number of Loan: Olinkraft Paper Mill Expansion 512-L-025	
Date Authorized: 6/26/64 Date Signed: 12/23/64	
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	
Authorized 800	Duration 5 yrs. Two Step.. 40 yrs.
Disbursed 98	Grace Period 2 yrs. Two Step.. 10 yrs.
Repayments -	Interest Rate 5 1/2% Two Step 3/4% G.P. and 2% thereafter
Interest Collected -	Currency of Repayment.. U.S. Dollars

Host Country Contribution-Procurement Sources: Local currency costs will be met by the borrower, with the aid of the new cash investment by the parent company. Goods and services financed with AID funds are to be procured in the United States.

Two-Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 3/4 of 1% during the grace period.

Purpose of Loan: To enable a privately-owned paper mill near Lajes in the state of Santa Catarina to reduce substantially the production cost of kraft paper products. The borrower is a subsidiary of Olin Mathieson, the U.S. chemical corporation. AID loan funds are financing U.S. equipment and services needed to install a chemical recovery system that will reduce Olinkraft's operating costs by 35%. Production costs will drop from \$232 to \$135 per ton. At the same time, the elimination of the need to import caustic soda for the plant will save Brazil an estimated \$500,000 annually in foreign exchange.

Comments on Implementation: The project is proceeding as planned and no current problems exist. The issue involving the availability of AID specific risk guaranty protection has been resolved with the recent guarantee agreement between the U.S. and Brazil.

Physical Status: All of the design work has been completed. Completion of the mechanical and structural design was scheduled for December, 1966. Orders for equipment have been placed, and some of the equipment has been delivered. Erection of the receiving system is scheduled to be completed by June 31, 1967, and start-ups are scheduled for July. The project should be completed in December, 1967.

Financial Status: AID has issued a specific risk guaranty covering a cash investment of \$1.5 million which Olin Mathieson is making in its subsidiary, supplementing the AID loan and providing funds for local expenditures. All conditions precedent have now been satisfied and the letters of commitment totalled \$800,000 by the end of December, 1966.

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Brazilian Federal Electric Power Agency (ELETROBRAS) Funds: AFP Loan

Title and Number of Loan:	
Peixoto Power Plant Expansion 512-L-026	
Date Authorized: 6/27/64	Date Signed: 11/27/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 20 yrs.
Authorized 20,400	Two Step..40 yrs.
Disbursed 7,965	Grace Period 3 yrs.
Repayments -	Two Step..10 yrs.
Interest Collected 25	Interest Rate 5 1/2%
	Two Step..3 1/4% G.P.
	2% thereafter
	Currency of Repayment U. S. Dollars

are for dollar conversion to cruzeiros to finance a part of the local costs of the project, including an estimated \$1,250,000 for imported components used by Brazilian manufacturers. All dollar financing of local costs will be provided through the Special Letter of Credit procedure which will tie these dollars to imports from the U. S.

Two-Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 3/4 of 1% during the grace period.

Purpose of Loan: This loan is helping to finance construction and installation of six additional generators at the Peixoto hydroelectric plant on the Rio Grande in the State of Minas Gerais. When added to the four generators already installed, these will raise the capacity of the plant from 180,000 KW to 480,000 KW. An additional 1.1 billion KWH per year will be available for consumers in the Rio de Janeiro-Niteroi area, where power demand has been increasing at the rate of 12% per annum and frequent shortages threaten to limit industrial growth. The Peixoto project has top priority in the Brazilian national power plan. Total cost of the project is estimated at \$30.2 million.

Comments on Implementation: The project is proceeding as scheduled. Procurement under this loan is expected to be completed by the end of 1967.

Physical Status: The construction contract for civil works (which is being financed by the borrower) has been awarded, and the major equipment has been ordered and partly delivered.

Financial Status: At the end of December 1966, letters of commitment for procurement of goods and services for this project totaled over \$14.1 million.

Host Country Role and Procurement Source: The borrower is providing the equivalent of \$9.8 million for civil works, construction materials and other local currency costs. Of the \$20.4 million AID loan, \$13 million will finance direct procurement in the U. S. for project costs. \$7.4 million

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Companhia Hidro Electrica do Sao Francisco (CHESF) Funds: AFP Loan

Title and Number of Loan: CHESF Power Transmission (Northeast) 512-L-027	
Date Authorized: 6/27/64	Date Signed: 10/9/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	
Authorized 7,000	Duration 25 yrs. Two Step 40 yrs.
Disbursed 2,649	Grace Period 10 yrs. Two Step 10 yrs.
Repayments -	Interest Rate 3 1/4% G.P. 3 1/2% Two Step 2% thereafter
Interest Collected -	Currency of Repayment U.S. Dollars

Financial Status: Disbursement authorizations issued at the end of 1966 for procurement under this loan totalled \$4,774,260.

Host Country Role and Procurement Source: The estimated total cost of the project is \$18.5 million, including local costs equivalent to \$15.3 million. Of the estimated total costs of the project, \$11.5 million are being financed from Brazilian sources.

U.S. equipment and material financed from the loan will cost \$3.2 million. The balance, \$3.8 million, will finance local costs under a Special Letter of Credit arrangement ensuring that the loan dollars are spent in the U.S. The Government of Brazil is guarantying the loan.

Purpose of Loan: To help finance provision of transmission facilities and sub-stations between the Paulo Afonso hydro-electric power plant on the Rio Sao Francisco and the City of Fortaleza, in the Northeastern State of Ceara.

The project is part of Brazil's program for spurring the economic growth of the under-developed Northeast. Fortaleza, with its 600,000 population was hampered in its development by a chronic lack of power. The shortage has been temporarily relieved, by electricity produced from portable diesels, with a total capacity of 18,000 KW, financed by AID loan 512-L-016 which is fully disbursed and completed. To meet the longer-run need for an economical source of power the tie-up with the Paulo Afonso Hydro plant was constructed.

CHESF is a mixed enterprise with most of its shares held by the Brazilian Government. Its service area in Northeast Brazil includes seven states and the major cities of Recife, Salvador, Fortaleza and Natal.

Physical Status: The transmission line is presently operating at 138 KV. Elevation of voltage to the ultimate level of 230 KV awaits the installation of switches and protective gear in the sub-stations. Completion of sub-stations, originally scheduled for the second half of 1966 is now scheduled for the end of 1967. The postponement was caused by delays encountered in procurement.

Two Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 3/4 of 1% during the grace period.

Comments on Implementation: Factors which caused some delay in procurement have been resolved. The continued inspections by USAID engineers disclose satisfactory progress, and implementation is in line with current projected work plans.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Government of Brazil

Funds: AFP Loan

Title and Number of Loan: Fertilizer Import Financing for Food Crop Expansion		512-L-028
Date Authorized: 6/29/64		Date Signed: 8/21/64
Loan Status as of 12/31/66		Loan Terms
(In thousands of dollars and equivalent)		
Authorized	15,000	Duration 40 yrs.
Disbursed	13,414	Grace Period 10 yrs.
Repayments	-	Interest Rate 3/4% G.P. 2% thereafter
Interest Collected	109	Currency of Repayment .. U.S. Dollars

Host Country Contribution-Procurement Sources: This loan has been instrumental in the establishment of a new rural credit institution, the National Committee for Rural Credit (CNCR), which has now been incorporated into the new Central Bank as FUNAGRI. The cruzeiros generated by sale of loan dollars to Brazilian importers are deposited in a special fund operated by FUNAGRI. FUNAGRI in turn has made these funds available to farmers or cooperatives for the purchase of fertilizer in Brazil. Over 1,600 private and state banks are participating in the program.

All procurement under this loan is from the United States. The local currency fund will continue as a revolving fund in FUNAGRI for use by GEICRI in making loans to farmers to finance the purchase of fertilizer, as provided in the loan agreement.

Purpose of Loan: To finance imports of fertilizer from the United States over and above the \$22 million import level of 1963. Local currency derived from sale of the fertilizer is used in a selective agricultural credit program designed to channel fertilizer into basic foodstuff production.

Increased imports of fertilizers are a short-term measure to increase the productivity of Brazil's farms and provide more food for its growing population. For the longer run AID is encouraging indigenous production of fertilizer through a loan to an integrated fertilizer plant (512-L-063) in cooperation with American private enterprise (Philipps) and the International Finance Corporation.

Comments on Implementation: Fertilizer imports were initially handicapped by numerous financial and transportation problems which made it impossible to meet the original termination date of 12/31/65. Appropriate measures were instituted to resolve these difficulties and at the end of November 1966, shipments of fertilizers totalled 337,072 tons. The dollar financing part of this project is complete. In light of the achieved results, additional AID funds were authorized in 1966 (loan 512-L-061).

Physical Status: The domestic credit side of the program has been highly successful. Field checks show that the program has been well administered and, through the cooperatives, has reached family farms producing basic foodstuffs. Producers of coffee and cotton are not eligible for benefits under this loan.

Financial Status: As of December 31, 1966, loan disbursements amounted to \$13.4 million. The balance of the loan was covered by irrevocable letters of credit for contracted shipments during early 1967.

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: The Government of Brazil

Funds: AFP Loan

Title and Number of Loan:	
Air Navigation Aids 512-H-029	
Date Authorized: 6/30/64	Date Signed: 9/4/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 2,700	Grace Period 10 yrs.
Disbursed 50	Interest Rate 3/4%
Repayments -	G.P. 2% thereafter
Interest Collected -	Currency of Repayment.. U. S. Dollars

Physical Status: A participating agency service agreement funded from this loan has been entered into with FAA, whose technicians are now working in Brazil on this AID project.

Financial Status: Commitment documents have been issued for the entire amount of the loan. Disbursements will gradually accelerate during 1967/68. By January 1967 they totaled \$200,000.

Host Country Contribution-Procurement Sources: The Government of Brazil is providing the equivalent of \$2 million for local currency expenditures for buildings, roads, power lines, cables, communications equipment, vehicles, and personnel costs.

The AID loan is being used solely for procurement of U. S. goods and services.

Purpose of Loan: To assist Brazil's Air Ministry to procure equipment for air navigational aids and air traffic control for selected airports in Brazil, in accordance with international standards as determined by the International Civil Aviation Organization (ICAO).

The proposed project will result in the provision of standardized and recommended air navigation aids at the major jet airports of Brazil. In two cases (Porto Alegre and Brasilia), the requested equipment will complete the terminal aids already installed. In three other cases (Campinas, Belem, and Recife) no modern terminal aids were in existence.

Previously civil aviation assistance was provided to Brazil by AID and its predecessor agencies from 1955 to 1963 through a grant program based upon a request from the Air Ministry to the U. S. Ambassador in 1954. During this period, a demonstration program utilizing the standard air navigation aids introduced this equipment to Brazil, and a nucleus of trained Brazilian specialists was established.

The equipment financed by this loan (Instrument Landing Systems, Approach Lighting Systems, and Airport Surveillance Radars) is essentially custom-built to U. S. Federal Aviation Agency specifications. The Government of Brazil, aware of the complexity of this equipment, has requested FAA technical assistance with the procurement, factory inspection, site selection and testing, installation and technical back-stopping required for satisfactory end performance.

Comments on Implementation: Procurement is on schedule, but, in view of the long-lead nature of much of the equipment involved, delivery will extend over a period of several years. All equipment is scheduled to be installed and in operation by the end of 1968.

areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL Borrower: Departamento Nacional de Estradas de Rodagem Funds: AFP Loan

Title and Number of Loan: DNER Highway Engineering Services 512-L-032	
Date Authorized: 12/21/1964	Date Signed: 3/26/1965
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 900	Grace Period 10 yrs.
Disbursed 583	Interest Rate 1% G.P.
Repayments -	2 1/2% thereafter
Interest Collected -	Currency of Repayment . . U.S. Dollars

Physical Status: A loan contract for \$900,000 was signed March 26, 1965. The DNER has submitted an official request for additional consultant services which will utilize the balance of \$100,000 authorized but not included in the original loan contract. The amended loan agreement for engineering services has been signed and is expected to be presented to the DNER Executive Council very shortly.

Financial Status: At the end of December, 1966 letters of commitment for AID-financed procurement totalled \$823,000.

Host Country Contribution-Procurement Sources: The AID dollar loan will be used solely for procurement of engineering services in the U.S.

Purpose of Loan: To assist in financing the dollar costs of consulting engineering services on two road construction projects involving sizeable U.S. local currency loans; the enlarging of the Rio de Janeiro-Sao Paulo Highway (BR-2) and completion of the Rio Grande do Sul North Production Road (Kennedy Highway RS-13). The loan was made to the National highway department (DNER) which has contracted U.S. engineers to consult and help supervise construction on these two projects.

Comments on Implementation: The work on both roads has been progressing satisfactorily. However, the exceptionally heavy floods in late December and early January have caused massive landslides on the Sao Paulo-Rio highway. Debris clearance and repair work is now taking place.

AID has loaned the Government of Brazil 14.1 billion cruzeiros from PL-480 funds to assist construction of an additional two lanes to the present BR-2 highway running between Rio and Sao Paulo. Total cost has been estimated at the equivalent of \$35.5 million. This road is considered the most important in Brazil, linking the nation's largest two cities.

RS-13, the Kennedy Highway, is opening up an area in the northern part of the State of Rio Grande do Sul which has considerable development potential. An AID local currency loan of Cr\$10 billion is helping construct the 254 km highway, with completion scheduled for early in 1967. Total cost of construction has been estimated at the equivalent of \$40 million in cruzeiros.

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Companhia de Cimento Vale do Paraiba (TUPI)

Funds: AFP Loan

Title and Number of Loan: Companhia de Cimento Vale do Paraiba 512-L-033	
Date Authorized: 3/27/65	Date Signed: 8/3/65
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	
Authorized 800	Duration 7 yrs. Two Step 40 yrs. Grace Period 2 yrs.
Disbursed -	Two Step 10 yrs. Interest Rate 5 1/2%
Repayments -	Two Step 1% G.P. 1/2% there- Currency of Repayment: after
Interest Collected -	U.S. Dollars

Two-Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 1% during the grace period.

Host Country Contribution-Procurement Sources: The borrower will spend the equivalent of about \$500,000 from its own resources for locally procured machinery and equipment, civil construction, and other cruzeiro expenses. AID funds will be used only for procurement of goods and services in the United States.

Purpose of Loan: The loan is assisting in the engineering, selection, procurement, and installation of equipment, and ancillary construction, to increase the portland cement production capacity of the applicant from a nominal 200,000 to 420,000 tons per year at its existing plant at Volta Redonda, state of Rio de Janeiro. Total cost of the project was estimated at \$1,300,000. TUPI sells cement in an area accounting for over 70% of all cement consumed in Brazil. Forecasts indicate a need for an expansion of 35% (or about 2.1 million tons) in manufacturing capacity to meet increasing needs by 1968, and this project will contribute toward meeting this goal.

Comments on Implementation: The schedule for completion is being adhered to and no implementation problems have manifested themselves.

Physical Status: Project is under construction. All items financed by the loan are on order and delivery to the site is promised by April 1967. Installation of equipment will be completed by December, 1967.

Financial Status: The AID-Government of Brazil guaranty agreement has been registered with the Tribunal de Contas, and is now a valid obligation under existing legislation. All other conditions precedent have been met. Letters of commitment have been issued and disbursements will accelerate with the expected increase in procurement.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL Borrower: Eucatex S/A Industria e Comercio Funds: AFP Loan

Title and Number of Loan: Fiber Board Plant Expansion		512-L-038	
Date Authorized: 4/3/65		Date Signed: 5/12/65	
Loan Status as of 12/31/66		Loan Terms	
(In thousands of dollars and equivalent)		Duration	8 yrs.
Authorized	1960	Two-Step	40 yrs.
Disbursed	251	Grace Period	3 yrs.
Repayments	-	Two-Step	10 yrs.
Interest Collected	-	Interest Rate	5-1/2%
		Two-Step	1% during Grace-Period, 2 1/2% thereafter
		Currency of Repayment	U.S. Dollars

Financial Status: All the funds have been committed and disbursements are expected to accelerate in 1967 as the equipment is shipped and received in Brazil. By January 31, 1967, disbursements totaled \$698,000.

Two-Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 1% during the grace period.

Host Country Contribution-Procurement Sources: The borrower is providing cruzeiros estimated at the equivalent of \$2.5 million for other costs of the expansion program, including domestic machinery and equipment, vehicles, and reforestation involving 6 million trees. All goods and services financed by AID will be procured in the United States.

Comments on Implementation: This project is being implemented at a very satisfactory pace. No special problems are foreseen, and 19.88% of overall completion was reached by the end of December. The rate of progress is ahead of the implementation plan.

Purpose of Loan: This loan is providing the foreign exchange needed for purchase of machinery and equipment, plus technical assistance and engineering services, for completion of a program designed to increase the borrower's capacity for production of hardboard from 120-130 tons per day to 220-230. Total cost of the project is estimated at \$4.4 million. The domestic market for hardwood products will grow, according to conservative estimates, at 10 to 15% per year; during the five-year period 1957-1961, the rate actually averaged 20%. Fiberboard is used increasingly in construction and many other industrial and commercial applications in Brazil.

Physical Status: Project is under construction. All AID-financed equipment is on order.

Machinery foundations and building construction are ahead of schedule. The project should be complete by mid-1968.

Some items have already arrived at the plant site and the balance is scheduled to arrive before the end of March, 1967. Orders for equipment purchased locally from company funds have all been placed; some have already been received and the balance is scheduled to be delivered by May, 1967.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Companhia Paranaense de Energia Eletrica (COPEL)

Funds: AFP Loan

Title and Number of Loan: COPEL Electric System		512-L-041	
Date Authorized: 3/27/65		Date Signed: 6/9/65	
Loan Status as of 12/31/66		Loan Terms	
(In Thousands of Dollars and Equivalent)		Duration 25 yrs. Two Step 40 yrs.	
Authorized	11,400	Grace Period 5 yrs. Two Step 10 yrs.	
Disbursed	2,486	Interest Rate 5 1/2% Two Step 1% G.P. 2% thereafter	
Repayments	-	Currency of Repayment . . U. S. Dollars	
Interest Collected	-		

capacity in the western part of the state, where development potential is great but present markets are small and isolated. AID has also extended to COPEL a local currency loan of 4 billion cruzeiros from PL 480 (Title I)-generated funds.

Physical Status: Construction is underway and, as of September 30, 1966, was estimated to be 25% complete.

Financial Status: Letters of commitment for AID-financed procurement under the dollar loan as of November 30, 1966 totalled \$11,352,000.

Two-Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 1% during the grace period.

Host Country Contribution-Procurement Sources: Brazilian sources are providing local currency financing estimated at approximately \$12 million in support of this project. The AID dollar loan will finance goods and services procured in the U.S.

Comments on Implementation: Implementation is proceeding on schedule and contracts have been awarded for the diesel generators, transmission lines and substations equipment. According to schedule, the AID-financed segments will be completed in 1969.

Purpose of Loan: The loan will assist in financing foreign exchange costs of electrical equipment and materials, engineering services, and technical assistance and training to expand production and transmission of power in the state of Parana. The loan will also assist in establishing a training program in utility operations and maintenance, and in improving cost control and accounting procedures. Total cost of the project is estimated at \$25.2 million.

Parana is one of the fastest growing states in Brazil; between 1950 and 1960 its population increased 102%, compared with a national average of 37%, and all indications are that this trend is continuing. Industrially it is growing in importance, but lack of power and other infrastructure have been serious impediments in the way of the state's reaching its potential. COPEL is a mixed capital corporation with majority government participation, which produces, distributes, and sells power in Parana. Its five year program for expansion and modernization includes projects to increase generating capacity from 134,000 KW to 400,000 KW. International lending agencies are providing part of the financing viz. IDB is lending \$5.5 million for the CAPIVARI-CACHOEIRA hydro plant, and the World Bank is providing \$22.5 million to the XAVANTES hydro plant. The AID loan is assisting construction of transmission lines, and development of diesel generating

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: State Highway Department of Minas Gerais

Funds: AFP Loan

Title and Number of Loan:	
Minas Gerais Highway Maintenance Equipment 512-L-047	
Date Authorized: 5/23/65	Date Signed: 7/22/65
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 20 yrs.
Authorized 15,000	Two Step.. 40 yrs.
Disbursed 2,192	Grace Period 3 yrs.
Repayments -	Two Step.. 10 yrs.
Interest Collected -	Interest Rate 3 1/2%
	Two Step.. 1% G.P.
	2 1/2% thereafter
	Currency of Repayment.. U. S.
	Dollars

Host Country Contribution-Procurement Sources: The state is providing local currency estimated at \$21.4 million for Brazilian-made equipment. With the assistance of the consulting engineering firm whose services are financed under this loan, the state is also reorganizing its maintenance service and developing in-service training.

Half of the AID loan will be used to buy U. S. equipment and services for the project. The balance will finance purchase of Brazilian equipment. Dollar financing of local costs will be financed through Special Letter of Credit procedures tying these dollars to U. S. imports. It should also be noted that locally procured equipment, although made in Brazil, will include components imported from the U. S.

Purpose of Loan: This loan will finance purchase of equipment and technical services to develop, within the Minas Gerais state highway department, an organization capable of maintaining the state highway network.

Minas Gerais, with a 1960 population of 9.8 million inhabitants, is, along with Guanabara and Sao Paulo, one of the most important three states of Brazil in terms of economic activities and political power. It has an active program of economic development and major projects are underway, notably in power and highways. Adequate maintenance facilities are a necessary complement to new highway construction, and this AID loan will help the state both to acquire new equipment and to improve its organization for highway maintenance.

Physical Status: All conditions precedent to disbursement of funds have been met by borrower and U. S. procurement is underway. The highway maintenance training program is now in operation with new equipment arriving from all parts of the U. S. First group is being trained as instructors for the school in order to perpetuate the program after the consultants leave.

Financial Status: Commitment documents have been issued for \$9.2 million by December 31, 1966. AID has also loaned the state nine billion cruzeiros from PL 480 (Title I) generated funds for procurement of Brazilian-made highway maintenance equipment.

Two Step Process: To help ease Brazil's foreign debt service problem in the next few years, an agreement has been reached under which the Government of Brazil will receive loan payments from the borrower in local currency. The GOB will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 1% during the grace period.

Comments on Implementation: The project was 70% completed as of December 31, 1966. Field training is being enlarged and will include three types of maintenance work: (1) betterment; (2) routine maintenance of gravel and dirt roads; and (3) patching and repairing asphalt surfaces. The first equipment from the U. S. under this loan, bulldozers and front-end loaders have been shipped already.

█ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Rio Light S.A.

Funds: AFP Loan

Title and Number of Loan: Rio Electric Distribution 512-L-050	
Date Authorized: 6/23/1965	Date Signed: 10/11/1965
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 18 yrs. Two Step 40 yrs.
Authorized \$25,000	Grace Period 3 yrs. Two Step 10 yrs.
Disbursed 5,053	Interest Rate $5\frac{1}{2}\%$
Repayments -	Two Step 1% GP $2\frac{1}{2}\%$ thereafter
Interest Collected -	Currency of Repayment . . U.S. Dollars

from the United States.

Two Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 1% during the grace period.

Comments on Implementation: Implementation is proceeding satisfactorily. Management has, in recent months, been almost entirely devoted to the problems introduced by the recent floods and power rationing.

Purpose of Loan: This loan will help finance the expansion and modernization of the electrical distribution system in the city of Rio de Janeiro and vicinity. Rio Light S.A., subsidiary of Canadian-based Brazilian Traction Company, serves Brazil's second largest city and an important industrial and commercial center. Substantial investment in the distribution system is needed to complement the development of new generating and transmission facilities, which are making power available to this area with its rapidly growing needs and recurrent power shortages.

Physical Status: The project is scheduled for completion by December 31, 1968.

Financial Status: First Letter of Commitment issued July 21, 1966. Total Letters of Commitment issued as of January 31, 1967 were \$14,620,000.

Host Country Role and Procurement Source: During the four year period 1965-68 the borrower will invest the equivalent of \$62.5 million in this project. Of the total AID loan of \$25 million, \$17.5 million will be used for direct dollar procurement of project items within the United States. The remaining \$7.5 million will finance a part of the local costs of the project, representing principally the cost of equipment manufactured in Brazil with components imported

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Sao Paulo Light S.A.

Funds: AFP Loan

Title and Number of Loan: Sao Paulo Electric Distribution 512-L-051	
Date Authorized: 6/23/65	Date Signed: 10/11/65
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	
Authorized 15,000	Duration 18 yrs. Two step 40 yrs.
Disbursed 3,739	Grace Period 3 yrs. Two step 10 yrs.
Repayments -	Interest Rate 5 1/2% Two step 1% G.P. 2 1/2% thereafter
Interest Collected -	Currency of Repayment: U.S. Dollars

Host Country role and procurement source: During a four year period 1965-68, the borrower will invest the equivalent of \$77.8 million in this project.

Of the total AID loan of \$15 million, \$11.6 million will be used for direct dollar procurement of project items within the United States. The remaining \$3.4 million will finance a part of the local costs of the project, representing principally the cost of equipment manufactured in Brazil with components imported from the United States.

Comments on Implementation: Implementation is proceeding satisfactorily, although at the end of the year top level management personnel have devoted almost all their time to the flood damage and rationing of power.

Purpose of Loan: This loan is helping to finance the expansion and modernization of the electrical distribution system in the city of Sao Paulo and vicinity. Sao Paulo Light S.A., subsidiary of Canadian-based Brazilian Traction Company, serves Brazil's most important center of industry and population. Substantial investment in the distribution system is needed to complement the development of new generating and transmission facilities, which are making power available to this area with its rapidly growing needs and recurrent power shortages.

Physical Status: The project is scheduled for completion on December 31, 1968.

Financial Status: First Letter of Commitment issued July 21, 1966. Total Letters of Commitment issued as of January 31, 1967 were \$12.9 million.

Two Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10 year grace period, with annual interest at 1% during the grace period.

areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Cia Hidroeletrica da Boa Esperanca (COHEBE)

Funds: AFP Loan

Title and Number of Loan:	
COHEBE - Boa Esperanca Hydroelectric 512-L-053	
Date Authorized: 10/20/65	Date Signed: 12/1/65
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	
Authorized 8,900	Duration 25 yrs. Two Step 40 yrs.
Disbursed 636	Grace Period 6 yrs. Two Step 10 yrs.
Repayments -	Interest Rate 3 1/2% Two Step 1% G.P. 2 1/2%
Interest Collected -	Currency of Repayment U. S. Dollars

will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 1% during the grace period and 2 1/2% thereafter.

Host Country Role and Procurement Source: The Government of Brazil is now committed to provide the equivalent of approximately \$66.2 million for construction, materials, and equipment. The increase in their commitment was necessitated by an increase in project costs which, in turn, was a result of inflation of prices within the country. Of the AID loan (a) \$7.2 million covers direct-dollar costs of items procured in U. S.; (b) \$2 million covers dollar costs of identified components procured in U. S. by Brazilian manufacturers; and (c) \$1.5 million is for the purchase of Brazilian equipment. Brazilian-financed local procurement will, however, involve importation of U. S. components considerably in excess of \$1.5 million of U. S.-financed local procurement.

Local currency outlays under this loan will be paid with cruzeiros generated through Special Letters of Credit.

Purpose of Loan: The loan assists in financing a hydroelectric project with an initial capacity of 108 MW at Boa Esperanca on the Parnaiba River in Northeastern Brazil. The AID loan finances (a) engineering services; (b) goods and services for power house and transmission line; (c) maintenance equipment; and (d) training.

Physical Status: The dam has been under construction since August 1964. Construction is now back on schedule after a delay early in the year caused by problems in the bulk plant. Completion of the dam is still scheduled for November 1967. Two U. S. engineering firms, Kaiser and International Engineering, are providing services for power house and transmission line engineering.

Comments on Implementation: Completion of the power house, originally scheduled for June 1968, will be delayed a month due to a delay in awarding the turbine and generator contracts. This delay resulted from USAID's withholding funds until COHEBE received satisfactory financial commitments to the project from their Brazilian financing agencies. Two U.S. engineering firms, Kaiser and International Engineering are providing services for power house and transmission line engineering.

Financial Status: Total disbursement authorizations issued by the end of 1966 for procurement under the loan total \$3,040,343. The \$8.9 million loan is insufficient to cover all items originally scheduled for procurement. As a result, COHEBE has requested an additional \$1.8 million for U. S. direct-dollar project costs. This request is now undergoing USAID review.

Two-Step Process: To help ease Brazil's foreign debt service problem in the new few years, an agreement has been reached under which the Government of Brazil will receive loan payments from the borrower in local currency. The GOB

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Government of Brazil

Funds: AFP Loan

Title and Number of Loan: Feasibility and Resources Study 512-L-054	
Date Authorized: 10/28/1965	Date Signed: 6/3/1966
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized \$11,000	Grace Period 10 yrs.
Disbursed -	Interest Rate 1% G.P.
Repayments -	2½% thereafter
Interest Collected -	Currency of Repayment . . U.S. Dollars

Coordinating Board. FINEP provides the mechanism for review and approval of applications for surveys financed under this loan.

Administration of project and program studies is carried out through FINEP's financial agents, including BNDE (the National Bank for Economic Development) and other development banks. The financial agents receive applications from public or private groups seeking financing for a study; evaluate them especially with regard to their prospects of repayment; approve (or disapprove) project studies involving less than the equivalent of \$14,000 of FINEP funds; and submit larger requests to FINEP for its review and approval. Requests for amounts over \$100,000 require USAID approval as well. Approved studies will be carried out by American, Brazilian, or joint venture consulting firm.

Natural resource surveys will be carried out in conjunction with Brazilian agencies responsible for natural resource development.

Local contributions to feasibility studies will be composed of contributions of the financial agents, 5 to 20% of each study; and of the sub-borrowers, 10 to 40% of each study. Should the survey eventually lead to an AID project loan, the Borrower will be required to repay the feasibility loan immediately from resources other than the project loan funds. Local contributions to natural resource projects will be negotiated on a case-by-case basis.

Procurement will be in the United States or Brazil. Local currency outlays under this loan will be made with cruzeiros generated through Special Letters of Credit.

Comments on Implementation: Initial difficulties such as the tax status of U.S. engineering firms have been resolved and the project is expected to progress satisfactorily during the current year.

Purpose of Loan: This loan is financing studies of the feasibility of specific proposed capital projects; program studies of areas of sectors of the Brazilian economy; and natural resource surveys of a technical assistance nature. It will also provide technical assistance to the Brazilian agency coordinating this feasibility study program, FINEP.

Physical Status: FINEP was able to initiate the feasibility study program with the assistance of a grant of one billion cruzeiros from PL-480 funds, pending the signing of the loan agreement. Cr\$920 million of the grant have been committed and several applications are being processed for the Cr\$80 million balance.

FINEP has been moving forward in renewing scopes of work and approving contractors, and has submitted a project list of seven major studies in various stages of preparation amounting to more than \$7.5 million. Consideration is currently being given to the use of an additional \$1.5 million to finance the master plan for transportation and \$2.2 million in technical assistance for a meteorological survey.

Financial Status: No funds have been disbursed to date.

Host Country Contribution-Procurement Sources: Brazil has set up the Fund for Financing Project and Program Studies (FINEP), with the Minister of Planning as Chairman of its

STATUS OF DEVELOPMENT LOANS

[Redacted] areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

TABLE IV

Country: BRAZIL

Borrower: Government of Brazil

Funds: AFP Loan

Title and Number of Loan:	
Brazil - Development Program Loan - 1966 512-L-055	
Date Authorized: 1/19/66	Date Signed: 2/10/66
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	
Authorized 150,000	Duration 40 yrs.
Disbursed 72,240	Grace Period 10 yrs.
Repayments -	2 1/2% thereafter
Interest Collected -	Interest Rate 1% G.P.
	2 1/2% thereafter
	Currency of Repayment . U.S.
	Dollars

explainable and justifiable. In view of the previous levels for these items the 1966 figures represent notable progress. Correcting for definitional changes the GOB's budgetary revenues have been in excess of target levels and the GOB has more than fulfilled its commitments regarding tax policy. Numerous tax and voluntary control measures have been introduced to guide the private sector into moderating price increases.

All procurement is exclusively from the U.S.

Comments on Implementation: The increased imports from the United States have had a beneficial influence on the U.S. trade balance and in combating domestic inflation in Brazil.

Purpose of Loan: To assist in providing effective support for the Government of Brazil's program of stabilization, development and reform by financing essential imports from the U.S. The Brazilian development program, endorsed by the Inter-American Committee for the Alliance for Progress and the U.S. Government, forms the basis for the U.S. assistance program.

Financial Status: The Government of Brazil has issued exchange contracts committing all funds under the general import portion and has closed applications for use of the Capital Goods Fund.

Host Country Contribution-Procurement Sources: The loan was conditioned upon a series of quantitative and qualitative tests of self-help measures taken by the GOB, with provision for quarterly reviews before release of successive tranches. The reviews to date have indicated satisfactory performance and the first three tranches of the loan have been released.

Brazil has made a strong effort in pursuit of its stabilization goal and has gone a long way towards eliminating the sources of inflation. Although the GOB has not been able to meet all the quantitative performance criteria such as those involving the levels of the cash deficit and the current account surplus and current transfers to the transport entities, the difficulties are fairly readily

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Sanitation Department of State of Guanabara (SURSAN) Funds: AFP Loan

Title and Number of Loan:	
Sewerage Maintenance Equipment Loan 512-L-057	
Date Authorized: 6/13/66	Date Signed: 9/13/66
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	
Authorized 2,500	Duration 20 yrs. Two Step 40 yrs.
Disbursed -	Grace Period 3 yrs. Two Step 10 yrs.
Repayments -	Interest Rate 5 1/2% Two Step 1% G.P. 2 3/4% thereafter
Interest Collected -	Currency of Repayment U. S. Dollars

Comments on Implementation: The initial steps have been successfully implemented. The active phase will take place during the current year.

Two-Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at 1% during the grace period.

Purpose of Loan: The loan will assist SURSAN in carrying out its 1962 master plan to provide sewer service throughout the State of Guanabara, which includes the city of Rio de Janeiro. The AID loan will provide highly specialized maintenance equipment to complement SURSAN's extensive construction and expansion program. In addition to equipment to clear sewer lines, AID funds will finance the purchase of mosquito control equipment, a digital computer to expedite billing for sewer services, telecommunications and laboratory equipment. AID will also finance the services of an American consultant and a program for training Brazilian sewerage technicians in the U. S.

Physical Status: Conditions precedent to AID's first disbursement have been fulfilled, the borrower has selected the firm of Engineering-Sciences, Inc. of Arcadia, California, through its Brazilian affiliate, to provide consulting services.

Financial Status: No funds have been disbursed.

Host Country Contribution-Procurement Sources: The borrower will provide the local currency equivalent of \$750,000 for locally manufactured equipment and for installation and training costs.

AID dollar funds will be used exclusively for goods and services of U. S. source and origin.

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Guanabara Water Company (CEDAG)

Funds: AFP Loan

Title and Number of Loan: Water System Maintenance Equipment 512-L-058	
Date Authorized: 6/13/66 Date Signed: 8/18/66	
Loan Status as of 12/31/66	Loan Terms
(In thousands of dollars and equivalent)	Duration 20 yrs.
Authorized \$2,600	Two-Step 40 yrs.
Disbursed -	Grace Period 3 yrs.
Repayments -	Two-Step 10 yrs.
Interest Collected -	Interest Rate 5-1/2%
	Two-Step 1% 10 yrs. thereafter
	Currency of Repayment U.S. Dollars

1% during the grace period.

Host Country Contribution - Procurement Sources: The borrower will provide the local currency equivalent of \$1,250,000 for locally manufactured maintenance equipment, installation, training costs and for spare parts.

The AID loan will be disbursed for goods and services of U.S. source and origin.

Comments on Implementation: It is expected that the conditions precedent will be met by March 15th. All documents have been accepted, save the final copy of the engineering contract.

Purpose of Loan: AID's loan will finance the purchase of specialized maintenance equipment for the repair of water-mains in the State of Guanabara which includes the city of Rio de Janeiro. It will assist the CEDAG company in completing its 1962 program for increasing the quality and coverage of water service in the area. The loan will also finance a fluid network analyzer, a telemetering and telecommunication system, flow measuring equipment, and the services of a consulting firm to revise CEDAG's master plan for water distribution.

Physical Status: Conditions precedent to AID's first disbursement have not yet been fulfilled but the borrower has selected the firm of Engineering-Sciences, Inc. of Arcadia, California, through its Brazilian affiliate, to provide consulting services.

Financial Status: No funds have been disbursed to date.

Two-Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10-year grace period, with annual interest at

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Highway Maintenance Department of Sao Paulo

Funds: AFP Loan

Title and Number of Loan: Sao Paulo Highway Maintenance 512-L-059	
Date Authorized: 8/16/1966	Date Signed: 8/18/1966
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 18 yrs. Two Step 40
Authorized \$20,000	Grace Period 3 yrs. Two Step 10
Disbursed -	Interest Rate 3½% Two Step 1% GP 2½% thereafter
Repayments -	Currency of Repayment . . U.S. Dollars
Interest Collected -	

Host Country Contribution-Procurement Sources: Of the \$20 million authorized to this loan, \$19 million will be used to purchase highway maintenance equipment. The remaining \$1.0 million will be used to hire a U.S. consulting firm to administer and implement the subject loan. The State of Sao Paulo will contribute the equivalent of \$20 million in cruzeiro equivalent to cover the cost of purchasing locally manufactured highway maintenance equipment and other local cost to complete the project.

Comments on Implementation: The project has been slightly delayed due to questions in coordinating the reorganization plans of the World Bank and the GOB. It is expected that this issue will be resolved shortly.

Purpose of Loan: The purpose of this loan is to provide the Sao Paulo State Highway Department with the equipment needed to maintain adequately the road network of the State. In addition, the loan will finance technical assistance to accomplish a reorganization of the State's highway maintenance organization and to establish higher maintenance standards and systems in coordination with a national highway development program now being undertaken by the Brazilian Government and the World Bank.

Two-Step Process: To help relieve Brazil's foreign debt service burden in the next few years, agreement has been reached under which the Brazilian Government will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10 year grace period, with annual interest at 1% during the grace period.

Physical Status: A.I.D.'s conditions precedent to first disbursement have been satisfied except for the hiring of a consultant to assist in implementing the loan. This has been delayed because the consultant who will implement the reorganization of the Sao Paulo Highway Maintenance organization will also be asked to develop a master plan for highways for the three states of Sao Paulo, Goias and Mato Grosso. The consultant will be hired as soon as the scope of work for the master planning segment is concluded by the GOB and the World Bank, this is expected before the end of FY 1967. In the meantime, the Sao Paulo State Highway Department is reviewing qualifications of prospective consulting firms.

Financial Status: To date no funds have been disbursed under this loan.

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Government of Brazil

Funds: AFP Loan

Title and Number of Loan: Second Food Production Loan 512-L-061	
Date Authorized: 6/29/66	Date Signed: 9/29/66
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 20,000	Grace Period 10 yrs.
Disbursed -	Interest Rate 1% G.P.
Repayments -	2½% thereafter
Interest Collected -	Currency of Repayment . . U.S. Dollars

In addition to an accelerated expansion of fertilizer use, this loan has assisted in reducing fertilizer costs to the end-users through a substantial reduction of the import duty on selected fertilizer imports.

All procurement under this loan is from the United States.

Financial Status: The issuance of Letters of Credit under this loan awaits complete disbursement of Fertilizer Imports Loan No. 028 funds.

Comments on Implementation: The 50/50 shipping questions applicable to fertilizer are being resolved, and it is expected that all documentations covering conditions precedent will be received by March 30, 1967.

Purpose of Loan: To provide a source of agricultural credit needed for the rapid expansion of fertilizer use for basic food crops; to develop a credit program to extend fertilizer credit to small landholder and tenant farmers; and to obtain additionality of U.S. exports of fertilizer. The cruzeiro source of credit to finance the sale of fertilizer to be used in the production of basic foodstuffs.

Furthermore, the loan complements the recently approved AID-IFC-Phillips Petroleum Company project to establish a large-scale nitrogen complex in Brazil. It is expected that this project, designed to substantially reduce fertilizer costs to Brazilian farmers, will require a rapid expansion of the Brazilian fertilizer market.

Host Country Role and Procurement Source: Following the signing of the first fertilizer loan agreement, the Government of Brazil created a new institution, located in the Central Bank to administer the rural credit program. The cruzeiros generated by sales of loan dollars will be matched by a Brazilian cruzeiro contribution in a ratio of 1:2 and deposited in a special fund operated by FUNDAGRI. FUNDAGRI in turn will use these funds to provide interest free credit to farmers for the purchase of fertilizer. It is expected that more than 1600 private and State banks will again participate in the program.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Companhia Central Brasileira de Forca Eletrica (CCBFE) Funds: AFP Loan

Title and Number of Loan: Mascarenhas Hydroelectric and Distribution Expansion Program 512-L-062	
Date Authorized: 6/29/66	Date Signed: 8/18/66
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 13,300	Grace Period 10 yrs.
Disbursed -	Interest Rate 1% G.P.
Repayments -	2½% thereafter
Interest Collected -	Currency of Repayment.. U. S. Dollars

Financial Status: There has been no disbursement under the loan.

Comments on Implementation: All conditions precedent to initial disbursement were met on February 3, 1967. This includes all issues and questions concerning the engineering contract.

Purpose of Loan: The AID Loan will supplement ELETROBRAS and CCBFE funds in the financing of the Mascarenhas project. Specifically, AID funds in the amount of \$13.3 million will be utilized to finance the cost of (i) two 38.5 MW units manufactured in the United States, (ii) associated U. S. electrical equipment, (iii) U. S. goods and equipment for the U. S. consulting engineering services.

The Mascarenhas site is on the Doce River in the State of Espirito Santo. The generating capacity of the plant will be 115 MW by 1973. Total cost of the project including the CEMIG (State of Minas Gerais power utility) inter-connection is estimated at \$49.0 million.

No part of the AID Loan will be used to finance local costs.

Host Country Role and Procurement Source: The Borrower is providing the equivalent of \$35.7 million for civil works, construction materials, and other local currency costs associated with the distribution system, CEMIG inter-connection, and frequency conversion.

Physical Status: Fulfillment of Section 3.01 Conditions Precedent have been delayed by the negotiating of the consulting engineering contract. However, the consultant began work on a letter of intent basis.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: BRAZIL

Borrower: Ultrafertil S.A.

Funds: AFP Loan

Title and Number of Loan: Ultrafertil Fertilizer Plant 512-L-063	
Date Authorized: 10/12/1966	Date Signed: 11/21/1966
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized \$14,800	Grace Period 10 yrs.
Disbursed -	Interest Rate 1% G.P.
Repayments -	2 1/2% thereafter
Interest Collected -	Currency of Repayment.. U.S. Dollars

Comments on Implementation: This loan was signed at the close of 1966, and implementation is proceeding satisfactorily.

Purpose of Loan: The A.I.D. loan will assist in financing the construction of an integrated fertilizer plant to produce anhydrous ammonia, ammonia nitrate solution and prills, diammonium phosphate and potash. A.I.D. is issuing an Extended Risk Guaranty to cover 75% of a \$21,518,000 private loan extended by U.S. insurance companies. Phillips Petroleum Company of the U.S. is investing 60% of the equity investment funds in the project. In addition to lending \$7.6 million, the International Finance Corporation is providing 10% of the equity funds with the Brazilian Ultra group investing the remaining 30% of the equity.

Physical Status: Site preparation is underway. Selection of the general contractor is in process and will be completed soon. The borrower is preparing to meet A.I.D. conditions precedent to first disbursement.

Financial Status: No disbursements have been made.

Host Country Contribution-Procurement Sources: The equity investors are contributing \$25.8 million, representing 37% of the cost of the project. All of the A.I.D. loan funds will be used for goods and services of U.S. source and origin as will the 75% of the private loan funds which are covered by A.I.D.'s extended risk guaranty.

Chile



BASIC DATA

Population (<i>millions – mid-1966</i>).....	9.0	Per Capita GNP (<i>dollars</i>).....	501*
Annual Growth Rate (<i>percent</i>).....	2.4	Life Expectancy (<i>years</i>).....	59
Area (<i>1000 square miles</i>).....	286	People Per Doctor	1,770
Population Density Per Square Mile.....	30	Literacy Rate (<i>percent</i>)	84
Agricultural Land as % of Total Area	17	Pupils as Percent of Population.....	20
Percent of Labor Force in Agriculture.....	28		(<i>Primary and Secondary</i>)

* 1966 in 1965 prices

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	90.0	45.0	60.0
Technical Assistance	3.3	3.2	3.5
Total A.I.D. Assistance	93.3	48.2	63.5

Objectives of U.S. Assistance

A major U.S. interest in Chile lies in the pivotal role Chile can play in demonstrating to Latin America and to the world that economic development and social justice can be achieved in a democratic framework. Chile's influence in Latin America is out of proportion to its size and material strength because of its political maturity and its long tradition of political stability, and because in Chile to a greater extent than in any other country, the voter's choice has narrowed down to two political forces: the Marxists or the Democratic Left.

President Frei's impressive electoral triumphs over the Communist-Socialist coalition (FRAP) have focused world attention on the Christian Democratic movement as a uniquely suitable vehicle for democratic reform and development in Latin America. In the 1964 elections, President Frei's Christian Democrats won 56% of the vote, the FRAP 39%. If Frei fails to achieve meaningful economic and social progress during his six-year term, the voters may well be left with no alternative but to turn to the Marxists in 1970.

United States objectives in Chile are (1) the success of the Frei administration's reform, development and stabilization program, and (2) close and harmonious relations between Chile and the United States in order to obtain Chilean support for major U.S. policy objectives in Latin America and elsewhere.

The A.I.D. program supports these objectives by attempting to influence, accelerate and assist Chile's broad program of reform and development which the Christian Democrats call the "Revolution in Liberty". The content and level of the program are designed to enable Chile:

--to effect reforms in the economic structure without cutbacks in employment which might jeopardize the political structure;

--to make major investments which will enlarge Chile's permanent productivity; and

--to provide policy, organizational and administrative advice where such advice can materially influence and promote growth.

The target is to eliminate the need for concessional assistance early in the 1970's.

Key Obstacles to Achievement of Objectives

Chile has a long tradition of constitutional democracy. However, the fruits of that democracy have so far been largely for the few, with much of the population living in ignorance and poverty and with little hope of improvement. The new administration inherited an economy inordinately dependent on large government expenditures and foreign assistance, a monopolistic private sector producing limited quantities of products at high prices, an educational system which worked to deny opportunity to a majority of the people, and a stagnant agricultural sector. It also inherited serious and chronic inflation which exacerbates social tensions and reduces incentives to save and invest productively.

Frei, elected with a mandate for change, has faced, and continues to face, enormous problems. Although Frei's popularity is extremely high, his government's program of stabilization, reform and development is resisted by the traditional ruling groups who seek to preserve what they can of their former privileges, and by a very active, strong, and always vocal far left which supports Marxist solutions and seeks -- sometimes successfully -- to frustrate Frei's more moderate approach.

Recent Country Performance

With one third of its life behind it the over-all assessment of this first Christian Democratic regime in Latin America must be that it is a definite success in terms of the objectives of the Alliance for Progress. The Frei administration came to power just over two years ago committed to a broad program of economic and social reform that reaches into nearly every facet of Chilean life. Considering the comprehensive nature of the proposed reforms, the first two years, of necessity, have been taken up to a considerable extent with planning and preparation. Nevertheless, the concrete results so far are impressive, and there

Country: CHILE

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

is every indication that they will be more impressive in the future. The achievements assume even greater significance since they were made in strict accord with Chile's constitutional democratic tradition and against strong and determined opposition from the extreme left and the extreme right.

As a result of higher than expected copper revenues and budget economies, Chile has been able to forego U.S. program lending and a proposed International Monetary Fund (IMF) standby credit in 1967. This reflects the determination of the Frei Government to stand on its own feet, to use its extra revenue wisely and to push ahead vigorously with its stabilization and development programs.

Economic Growth. The Chilean GNP rose by 5.8% in 1965, compared with an average annual rate of growth for the previous ten years of 4.2%. Preliminary estimates for 1966 indicate that the increase will reach 6%. Within this context of more rapid over-all growth, the greatest percentage income increases have gone to the lowest income groups, both urban and rural.

Stabilization. Elimination of the chronic price inflation that has plagued Chile for a century is a crucial objective of the Frei Government which involves far more than the simple arresting of price increases; it involves basic changes in the structure of the economy so that the spiral will not start again. In 1964, the year before the election of the Frei administration, prices rose 39%. The strategy of the new government is to reduce the rate of inflation over several years along with other related reforms. In 1965 the rate was held to 26% and in 1966 to 17%. The Chilean Government has set the goal for 1967 at 12%.

Copper. Copper is of fundamental importance to the Chilean economy, accounting for more than two-thirds of the country's foreign exchange earnings. Thus, a key element of the Frei program has been the expansion of copper production and increased Chilean participation in the ownership and management of the mines. This "Chileanization" program is being achieved only after difficult negotiations with the U.S. copper companies on the one hand and political attacks from the nationalization-minded left wing political parties on the other. Nevertheless the package of agreements and legislation which will result in new and improved relationships with the U.S. companies and the initiation of the \$500 million expansion program designed to double Chile's copper output by the early 1970's (from 600,000 to 1,200,000 tons a year) is now substantially completed and large new investments will begin in 1967.

Public Finance. Although much remains to be accomplished, Chile's public finance has improved substantially in the past two years. Revenues have increased dramatically in response to improved tax administration and other measures. In 1965 revenues rose by 25% in real terms and the 1966 increase was about 12%. At the same time government expenditures, particularly public investment, rose rapidly as the administration began to put its new program into effect. New investment has been particularly heavy in education, housing, roads and other infrastructure. Beginning in 1967 it is expected that the recent rapid increases in both revenues and expenditures will be replaced by a slower growth. The improvement in budget planning and formulation and in fiscal control has been particularly important.

Agriculture. One of the main obstacles to increased agricultural production has been the archaic land tenure system, under which vast areas of the best land are concentrated in the hands of a relatively few owners and much of the land is not used productively. The Christian Democratic party came to power committed to enact and carry out a vigorous program of agrarian reform and much of the energy of the regime has been directed to securing the passage of a workable agrarian reform law. This has proven extremely difficult against the combined opposition of the landowners and the Socialist-Communist coalition which has sought to obstruct reform in order to embarrass the Frei Government. After almost two years of political maneuvering enactment of a workable law is expected within a short time. This will permit an acceleration of the resettlement program which during 1966 established about 6,000 new families on their own farms under already-existing legislation.

In spite of the preoccupation with agrarian reform, other agricultural policies have also improved somewhat. Prices farmers receive have increased, although the terms of trade for agriculture need to be improved further. Agricultural input prices were reduced 15% to 20% for all major items during 1965, and the substantial reductions in import charges for agricultural capital equipment during 1966 should further reduce the cost of essential imported inputs for agricultural production. As a result, the use of fertilizer, insecticides and modern machinery has increased during the past year and imports of agricultural inputs have gone up by about 7% during this period. Agricultural credit in real terms rose over 25% in 1965 and by about the same amount in 1966. In spite of these improvements, agricultural production remains far below its potential and greater emphasis must be given to this problem in 1967 and 1968.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

Education. The Government of Chile is committed to educational reform as a major vehicle for social mobility and as a cornerstone of long-range economic development. In its first two years the Frei government concentrated on expanding the educational system at the primary and secondary levels. In 1965, 6,038 new classrooms in 1,535 new school buildings were constructed, or ten times the annual average rate of classroom construction for the previous five years. By August 1966, 4,645 additional classrooms had been built. The bulk of this building program has been in rural areas heretofore only sparsely served with educational facilities.

Primary school enrollment expanded by 175,000 students in 1965 compared with an average annual increase of 40,000 in prior years, while secondary enrollment increased by 30% in 1965 over 1964. In 1966, primary school enrollment increased by an additional 80,000 while the number of secondary students went up an additional 5,000. Teacher training efforts have been intensified -- 5,000 new primary school teachers were trained in 1965 and an additional 2,000 in the first part of 1966. Another important step was the inauguration of six new regional colleges under the University of Chile in 1966.

In 1967 and future years, while continued expansion of the system will be important, increasing attention must be given to administrative efficiency, to reforming curricula to meet the social needs of the country, and to the quality of instruction. The establishment of a vocational educational system appropriate to Chile's requirements will be particularly important.

U.S. Strategy

The long-range U.S. assistance strategy for Chile aims at eliminating the need for concessional assistance by the early 1970's through a broadly based program of financial assistance geared to Chilean reform commitments and self-help performance. The performance targets and conditions of assistance are established each year in negotiations with the Chilean Government. Disbursements of assistance are conditioned on periodic reviews of performance under these commitments. The long-range strategy projects a high but declining level of financial assistance over the next five to six years as the Chilean development program gains momentum.

The key elements of this strategy are:

- Stabilization and the closely related reforms of public finance and the monetary system;

--Improvement in the institutional context of Chilean economic life through reform and elimination of the maze of restrictions and interferences which hamper economic activity;

--A major expansion and improvement in education to provide the manpower basis for accelerated long-range economic and social developments; and

--Rapid and substantial increases in output from all productive sectors of the economy, which must involve a concentrated effort in the agriculture sector, a major redirection and improvement in the quality of public investment and a revitalization of private investment.

A necessary condition of the whole strategy is stabilization. Without the elimination of the chronic inflation, which has sapped the vitality of Chilean society for generations, there is little prospect of achieving self-sustaining economic growth or meaningful progress in other areas.

In terms of both U.S. long-range assistance strategy and the Frei administration's "Revolution in Liberty", FY 1968 will be a critical period. By the end of 1967 the struggle for stabilization should be in its final phase and emphasis shifting to other elements of the strategy. This shift began with the FY 1967 program with the introduction of sector loans in agriculture and education and will continue in FY 1968.

FY 1968 Program

The recommended FY 1968 A.I.D. program for Chile is \$63.5 million. This consists of sector loans of \$35.0 million, project loans of \$25 million and \$3.5 million in technical assistance grants. In addition \$20 million for a P. L. 480 dollar sales program and \$7.7 million for a P.L. 480 donations program are recommended.

The FY 1967 A.I.D. program for Chile consists of sector loans of \$30 million, project loans of \$15 million and technical assistance of \$3.2 million for a total of \$48.2 million. In FY 1967 Food for Freedom programming, because of reduced availabilities, was far below the level recommended for FY 1968 -- dollar sales were about \$5 million and donation programs about \$8.3 million.

In FY 1967 initial U.S. assistance planning included a program loan to support the Chilean stabilization effort. However, as a

Country: CHILE

result of budget economies and better than expected copper revenues, the Chilean Government is covering its budget and foreign exchange requirements in 1967 without the need of U.S. program loan assistance. This is being done without any slackening of Chilean stabilization and development programs. Provision of U.S. sector and project assistance is being related to continuing Chilean progress and policy commitments on important elements of the stabilization program. For the balance of FY 1967 and for FY 1968 the Chilean Government should be able to do without further U.S. program loans for budget support if relatively favorable copper prices continue. Should a drastic fall in prices occur it might be necessary to provide additional program loan assistance.

In 1967 and 1968 Chile will continue to receive substantial technical and capital assistance from a variety of sources other than A.I.D. Of particular significance will be the influx of private U.S. capital for the copper expansion program, estimated at around \$100 million each year. Chile will receive substantial project loans from the Inter-American Development Bank (IDB) and the International Bank for Reconstruction and Development (IBRD). Loan programs are not yet formulated for FY 1968, but in 1966 the IDB made loans to Chile totaling about \$40 million. In 1967 the IDB will be considering projects amounting to about an additional \$40 million for projects in petro-chemicals, irrigation, telecommunications, small-industry promotion, animal health and education. The IBRD made a loan of \$60 million in 1966 for electric power development and during 1967 will be considering further loan possibilities mainly in the areas of highway maintenance equipment and construction. It is probable that Chile will continue to receive credits from various European countries and Japan for specific industrial projects. Chile receives substantial technical assistance across a broad spectrum of activities from a wide variety of donors including the UN and its various specialized agencies, the Ford and Rockefeller Foundations, West Germany and the U.K.

Stabilization. The Frei government has made good progress in the struggle to eliminate chronic inflation and the factors which cause it. Support of this effort is a high priority U.S. program activity. Important progress has also been made in reforming basic institutional factors which have contributed to the inflationary process in the past. Of particular importance have been the dramatic improvements in tax administration cited above, improvements in the efficiency of state agencies, better budget formulation, and more disciplined control of expenditures. These efforts will be intensified during 1967 and it is expected that during 1968 substantial price stability will be achieved.

In the past, the main instrument of U.S. assistance directed at the stabilization objective has been the program loan. It is not expected that program lending will be required for Chile in FY 1968. Nevertheless the over-all U.S. program of sector and project loans will be conditioned on continued Chilean progress in the stabilization program. This program will be along the same general lines as in prior years; the specifics will depend on developments during 1967. As price stability improves the objectives will focus more directly on specific institutional reforms rather than on over-all fiscal and monetary policies. Technical assistance of \$711,000 in support of the stabilization objective in FY 1968 will include tax modernization, customs administration, transportation development, water resources, and housing administration. In FY 1967 technical assistance in this area is \$429,000.

Agricultural Development. Accelerated agricultural development is the highest priority in FY 1967 and FY 1968. The program proposed for agriculture in FY 1968 includes a sector loan of ~~\$20 million~~ and technical assistance in the amount of \$327,000. In FY 1967 the program includes a sector loan of \$20 million and technical assistance projects of \$219,000.

Once a net exporter of agricultural products, Chile's balance of trade in agricultural commodities has shown an increasing deficit since 1950, with exports continuing at an annual rate of \$35 to \$40 million while food imports have grown from under \$40 million to as high as \$170 million annually. In the past decade, agricultural output has barely kept up with population growth; improved consumption levels have been at the expense of growing balance-of-payments deficits. Social, political and economic programs aimed at the revitalization of the agricultural sector have been given high priority by the Frei administration. By 1971 agricultural output should be growing at an annual rate of about 6%. Livestock and dairy output should grow more rapidly; crop production may be at a slightly lower rate. Exports of agricultural products should triple in the coming five years. The need to import large quantities of wheat, meat and milk should be eliminated in years of normal agricultural production.

Accelerated A.I.D. emphasis on agriculture started with the \$20.0 million agriculture sector loan in FY 1967. The rationale of this sector loan is to induce greater emphasis on agriculture by tying the loan to the import of agricultural inputs and to agreement on specific conditions designed to improve agricultural policies. The specifics of the proposed \$22.5 million FY 1968 agricultural sector loan will depend on developments during 1967. However, the conditions will be along the lines of those proposed for negotiation in FY 1967 which include increased investment in

~~These~~ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

agriculture, land reform, administrative reorganization, planning and project preparation, price policies, input policies, credit policies, market policies, research and extension services, and agricultural manpower development. Technical assistance in agriculture will continue to be provided in the areas of agricultural marketing and campesino development. Additional activities may also be considered for the development of temperate zone fruits and vegetables.

Education. In FY 1968 as in FY 1967, the U.S. assistance program will give heavy emphasis to education in the form of a ~~\$12.5 million~~ educational sector loan and more than ~~\$600,000~~ in related technical assistance projects. This compares with the FY 1967 program of a ~~\$10 million~~ sector loan and technical assistance of \$472,000.

Beginning in FY 1967 the sector loan technique was used to increase leverage and accelerate the pace of improvement. The specific conditions for the FY 1968 ~~\$12.5 million~~ loan will depend upon results obtained with the ~~\$10 million~~ FY 1967 sector loan; however, the thrust of the FY 1968 loan will be essentially the same. A condition precedent to the loan will be the allocation of additional Chilean resources to the education sector. With the addition of the sector loan this will result in a large increase in resources flowing to the education sector and should permit a much more rapid achievement of objectives. The conditions for negotiating the FY 1968 loan will be similar to those proposed for negotiation in 1967, and will include increased budget allocations, educational planning, structural and administrative reform, improvement of instruction and evaluation, and educational improvement in marginal areas. Technical assistance projects will provide expert advisory services

to assist in formulating new program policies and will provide in-country and U.S. training opportunities for Chilean officials.

Industry. The accelerated development of Chilean industry, in particular the private industrial sector, remains an important objective. It is expected that before the end of FY 1967 about ~~\$15 million~~ in loans for various industrial projects will have been concluded. In addition technical assistance to improve planning, promote small industries and foster private initiative in the amount of about \$247,000 is being provided in FY 1967. In FY 1968 it is expected that about ~~\$25 million~~ in project loans will be made in the industrial sector. About ~~\$10 million~~ of this is planned as a loan to provide medium term credit to Chilean entrepreneurs for the import of capital goods from the United States. In addition project loans are being considered for port equipment, agricultural equipment and regional vocational training centers. Technical assistance in the amount of ~~\$151,000~~ is planned for the industry sector.

Other Sectors. Although stabilization, agriculture, education and industry are the top priorities for FY 1967 and FY 1968, and will receive the bulk of A.I.D. assistance, other areas are important and will receive considerable attention. As the Frei administration's program develops, some of these other areas may be proposed for sector or project lending if promising programs can be developed. Other technical assistance projects for FY 1968 include health ~~\$115,000~~ (FY 1967 - \$162,000), and labor ~~\$220,000~~ (FY 1967 - \$220,000).

SUMMARY OF PROGRAM BY FUNCTION
(Dollar Amounts in Thousands)

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

TABLE II

Category	Actual FY 1966				Estimate FY 1967				Proposed FY 1968		
	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.
Development Loan Program	90,000	XXX	XXX	XXX	45,000	XXX	XXX	XXX	60,000	XXX	XXX
Programs Other than Devel. Loan											
Project Assistance											
U.S. Technicians	1,471	1,471	-	-	1,637	1,637	-	-	1,785	1,785	-
Participants	351	351	-	-	332	332	-	-	428	428	-
Commodities	475	475	-	-	194	194	-	-	259	259	-
Other Costs	953	953	-	-	1,060	1,060	-	-	1,028	1,028	-
Total Project Assistance	3,250	3,250	-	-	3,223	3,223	-	-	3,500	3,500	-
Method of Financing											
Project Assistance											
Direct A.I.D.	1,862	1,862	-	-	1,746	1,746	-	-	1,854	1,854	-
Other Agency	230	230	-	-	195	195	-	-	200	200	-
Contract	1,158	1,158	-	-	1,282	1,282	-	-	1,446	1,446	-
Program Assistance	-	-	-	-	-	-	-	-	-	-	-
Total Other than Devel. Loan	3,250	3,250	-	-	3,223	3,223	-	-	3,500	3,500	-
Total Assistance	93,250	XXX	XXX	XXX	48,223	XXX	XXX	XXX	63,500	XXX	XXX

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	23	24	24
Participating agency	9	8	6
Contractor technicians	23	43	48
Total	55	75	78

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	70	74	72
Contract	10	5	21
Total	80	79	93

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Agricultural Development	ACTIVITY Agriculture and Natural Resources	FUNDS Technical Cooperation
PROJECT NUMBER 513-11-150-194	PRIOR REFERENCE p. 228, FY 67 LA P.D.B.	INITIAL OBLIGATION FY: 1965
		SCHEDULED FINAL OBLIGATION FY: 1969

Project Target and Course of Action: To assist the GOC in achieving a 5.5% annual increase in agricultural production by 1970.

Specific aims are (1) to set up a permanent system of price regulations for agricultural, forestry, and fishing products and inputs to provide incentives for increased production; (2) to improve marketing conditions for agricultural products through the improvement of storage, transportation, processing facilities, grading and standards, marketing organizations including cooperatives, market news, and crop and livestock reporting; (3) to expand and refine the national fruit development plan; and (4) to develop the staff and procedures needed for improving the preparation and evaluation of action programs and investment projects in the agricultural sector.

The GOC contribution estimated at \$930,000 through FY 1969 covers salaries of Chilean personnel, office space and equipment, international travel costs for participants and local travel expenses for the Chilean staff and U.S. advisors.

Greater emphasis on increased food production and an expansion of the scope of the project to include project evaluation has caused the project to be extended to FY 1969.

Progress to Date: As a result of studies carried out during late 1963 and 1964, the Chilean Government requested a major effort in this sector with emphasis on the marketing aspects of agricultural development. Negotiations were

completed in May 1965 for an initial group of eight long-term advisors. The first advisor, in the field of agricultural price policy, arrived in June 1965. The remaining seven arrived in FY 1966. In addition, two project evaluation advisors, a marketing facilities requirements advisor and a crop and livestock reporting advisor provided under PASA, are to arrive in FY 1967.

Eight participants will have been trained in the U.S. by the end of FY 1967.

The University of California is managing the project and providing most of the advisors.

The pipeline at June 30, 1966 as well as the lower estimated FY 1967 obligation level are explained by delays in staffing which were resolved in late 1966.

FY 1968 Program: A contract (\$218,000) with the State of California will be extended through September 30, 1969. A PASA (\$24,000) with the Department of Agriculture will be extended through June 30, 1968.

U.S. Technicians: 8 long-term contract agricultural advisors are funded for a total of five man-years of service; 1 long-term advisor under PASA is funded for a year.

Participants: 6 participants to receive up to six months U.S. training each in agricultural marketing.

Other Costs: Publications and miscellaneous local costs.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	507	130	377								State of California (FY 1965 through FY 1969)
Estimated FY 67	97	220									Department of Agriculture (FY 1966 through FY 1968)
Estimated through 6/30/67	604	350	254								
		Future Year Obligations	Estimated Total Cost								
Proposed FY 68	242	32	878	Total Obligations	1	96	97	-	242	242	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Water Resources Planning	ACTIVITY Public Administration and Public Safety		FUNDS Technical Cooperation
	PRIOR REFERENCE p. 229, FY 67 LA P.D.B.	INITIAL OBLIGATION FY: 1964	SCHEDULED FINAL OBLIGATION FY: 1969
PROJECT NUMBER 513-11-750-152			

Project Target and Course of Action: To establish by the end of CY 1969 a national water resources planning coordination process together with improved project development and planning in the water resources field. This will include the establishment of priorities and allocation of funds among the various projects and the development of institutional capability within the agencies responsible for planning, programming, and project preparation.

Under the original project a regional development plan for the Maule River basin was to be completed in two phases by December 1967. During phase I, completed in late FY 1965, it became apparent to GOC officials, California advisors and AID that water resources planning should be approached on a broader basis, given the lack of a national water development policy, a deficient water resources planning process, implications for future capital investments keyed to water resources, and the relation of water resources to other sectoral and regional development plans. In addition, the incoming Frei administration assigned lower priority to the Maule River watershed than had the previous administration. The project was thus restructured to concentrate on water resources planning.

The Chilean contribution to the project estimated at \$720,000 covers salaries of Chilean personnel, office space and equipment, international travel costs for participants and local travel expenses.

Progress to Date: Phase I of the Maule project covered the feasibility and procedures for preparing a comprehensive multi-sector regional plan. The analysis and recommendations of the first phase report emphasized (1) the need for national water resources planning, and (2) the preparation and implementation of a multi-purpose water development project based on the proposed Colbun Dam in the Maule River valley.

The GOC is creating a national water authority under the Ministry of Public Works and has set up an inter-agency Colbun Dam coordinating committee.

A contract (\$192,000) with the State of California will be extended through June 30, 1969.

FY 1968 Program: The U.S. advisors will work with officials of the Chilean coordinating group in developing a planning process and institutional capacity for planning, programming and project preparation in water resources development.

U.S. Technicians: 3 long-term contract technicians for two years each to advise on the economic and engineering aspects of water resources planning and utilization.

Participants: 1 participant to receive one year U.S. training; 3 participants to receive six to nine months U.S. training each in water resources planning.

Other Costs: Publications and miscellaneous local costs.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES State of California (FY 1964 through FY 1969)
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	231	198	33							
Estimated FY 67	-	12								
Estimated through 6/30/67	231	210	21							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	192	50	473							
				Cost Components						
				U.S. Technicians						
				Participants . . .						
				Commodities . . .						
				Other Costs . . .						
				Total Obligations						

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Health Services Administration	ACTIVITY Public Administration and Public Safety	FUNDS Technical Cooperation
PROJECT NUMBER 513-11-740-208	PRIOR REFERENCE p. 230, FY 67 LA P.D.B.	SCHEDULED FINAL OBLIGATION FY: 1967 FY: 1969

Project Activity and Course of Action: To improve the operating efficiency and productivity of the National Health Service (SNS) in administration, manpower and facilities utilization, financing, facility construction, and family planning services.

There is growing concern in Chile that the country cannot support the rapidly expanding social development program. The SNS comprehensive system of health care is absorbing a large proportion of national income (over 2% in 1965) and of central government revenues (10% in 1965). Despite large fiscal subsidies, the SNS has an inadequate and relatively fixed income in the face of a rapidly rising demand for health services. In addition, GOC budget authorities have indicated that public sector health expenditures will be held to a growth rate not exceeding that of the entire economy. The SNS therefore intends to improve and expand its services principally by increasing productivity of existing resources.

Following completion in late FY 1966 of an AID survey of Chilean technical assistance needs in public health, the GOC requested U.S. technical assistance as follows:

(1) Health Manpower - Qualitative and quantitative shortages of certain categories of health manpower are a major obstacle to improving the productivity of the health system. The shortage of trained nurses is critical; the ratio of doctors to nurses is 3:1, the reverse of the accepted norm. (2) Health Facilities - The need for an improved and expanded physical plant for the SNS is evident. Inadequately constructed and equipped facilities in

many communities seriously restrict the quality of services rendered, in other communities no facilities are available. (3) Fiscal Management - The SNS is expected to provide broader coverage and more comprehensive service than can be reasonably expected with existing funds. Annual per capita expenditure for health care by the SNS (\$16 in 1965) must pay construction, equipment, supply, drug, and transportation costs roughly equal to those in developed countries, and personnel costs that are at least one-half as great. The SNS is thus trying to provide beneficiaries with a level of health care that approaches what is being provided in more developed countries but at several times the cost. This is a new project in FY 1967. The present FY 1967 obligation level was determined as a result of the preliminary survey of the health team.

FY 1968 Program: U.S. advisors will assist SNS officials in increasing the supply of trained manpower, providing better health facilities and improving the quality of expenditures for health services.

U.S. Technicians: 4 short-term advisors for two months each to assist SNS officials in health services administration.

Participants: 2 participants to receive one year each of training in the U.S.; 3 participants to receive six months each of U.S. training.

U.S. DOLLAR COSTS (In Thousands)				PRINCIPAL CONTRACTORS/AGENCIES							
Through 6/30/66	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS			Personal Services Contract (FY 1967-68-69)			
	Estimated FY 67	54	9		-	Estimated FY 1967			Proposed FY 1968		
						Direct AID	Contract/ Other Agency		Total	Direct AID	Contract/ Other Agency
Estimated through 6/30/67	54	9	45	U.S. Technicians	-	49	49	-	28	28	
				Participants . . .	-	-	-	22	-	22	
				Commodities . . .	-	-	-	-	-	-	
		Future Year Obligations	Estimated Total Cost	Other Costs . . .	-	5	5	-	-	-	
Proposed FY 68	50	43	147	Total Obligations	-	54	54	22	28	50	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Housing Administration	ACTIVITY Public Administration and Public Safety	FUNDS Technical Cooperation
PROJECT NUMBER 513-11-740-214	PRIOR REFERENCE -	SCHEDULED FINAL OBLIGATION FY: 1969
	INITIAL OBLIGATION FY: 1967	

Project Target and Course of Action: To assist the GOC in planning, administration and organization in the government agencies responsible for constructing 360,000 new dwelling units between 1965 and 1972.

About three quarters of all residential construction is now financed by the government. The housing budget is the largest single item in the public sector capital budget. Lower cost construction and urbanization are needed to reduce GOC investment budget for housing construction and to free fiscal savings for more productive expenditures. This will require more efficient program and project planning, greater standardization of housing designs and materials, better inspection and quality control techniques, an improved contracting system, increased use of prefabrication and other mass production methods, and a rationalization of public housing financing.

The Chilean contribution, estimated at \$200,000 during 1967-1969, consists of local personnel, office space and equipment, travel costs for the Chilean and U.S. staff and international travel costs of participants.

Progress to Date: The GOC has established a Ministry of Housing and Urbanization to coordinate work previously done by the independent housing agencies. In early FY 1967 the Ministry requested AID advisory assistance in (1) housing management and administration with special emphasis on selection of occupants for GOC housing projects and

(2) quality controls and standards for construction and construction materials, including assistance in upgrading the Ministry's inspection services. In response to this request, AID is providing a 2-man survey team for one month to review the Ministry's needs for technical assistance in administration, management, contracting procedures and quality control and inspection, and to recommend longer term assistance in these areas. Funding for the survey team is included in the FY 1967 Technical Support budget.

Depending on the survey team's recommendations, AID anticipates that two advisors will be contacted in late FY 1967 for two years each to advise the Ministry of Housing in the areas outlined above. Depending upon requirements as the project progresses, a third long-term advisor may be contracted for a year in FY 1968 in addition to short-term consultants.

FY 1968 Program: U.S. advisors will work with Ministry of Housing officials in improving the quality of public investment in housing.

U.S. Technicians: 1 long-term housing advisor for a year; 3 short-term advisors for one to two months each.

Participants: 5 participants for three to four months U.S. training each in housing administration.

Other Costs: Publications and miscellaneous local costs.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS			Personal Services Contracts (FY 1967-68-69)		
					Estimated FY 1967		Proposed FY 1968			
Through 6/30/66					Direct AID	Contract/ BANK AGENCY	Total	Direct ID	Contract/ OTHER AGENCY	Total
Estimated FY 67	112	10		U.S. Technicians	-	112	112	-	44	44
Estimated through 6/30/67	112	10	102	Participants ...	-	-	-	15	-	15
		Future Year Obligations	Estimated Total Cost	Commodities ...	-	-	-	-	-	-
Proposed FY 68	64	57	233	Other Costs ...	-	-	-	5	-	5
				Total Obligations	-	112	112	20	44	64

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Campesino Development	ACTIVITY Labor		FUNDS Technical Cooperation	
	PRIOR REFERENCE	INITIAL OBLIGATION FY: 1966	SCHEDULED FINAL OBLIGATION FY: 1968	
PROJECT NUMBER 513-13-410-209	-			

Project Target and Course of Action: To provide union leadership training and institutional orientation for the leaders of the major rural population groups in Chile. Specific targets during the first year of the project are (1) to upgrade the training of existing union leadership, including organizers and 450 selected officers; (2) to train 600 newly elected officers; and (3) to provide orientation training for 50,000 prospective members. The targets will be accomplished through the development of curriculum and material, selection and training of a corps of instructors, and establishment of four regional institutes.

The three major independent democratic campesino unions have formed the National Campesino Confederation (CNC) for pooling resources in legal and other services and education programs, and to serve as a channel for funds to support both the combined and separate programs of the three unions. AID is providing funds and commodities to support these programs.

U.S. funds are being channeled to the CNC and the unions through the International Development Foundation (IDF), which provides project direction and financial management of the U.S. contribution. In addition, the IDF is providing funds from its own resources to support the CNC and its member unions.

Funds for this project were obligated in late FY 1966 because immediate support of the unions was considered necessary to assure the continuation of democratic practices and outlook.

Progress to Date: Training plans have been prepared, instructors selected and trained, and course materials written. A six-member national team and four three-man regional teams have been trained. A total of 135 union members, 220 elected union officials, and 100 leaders of small land holders, settlers and Indians representing 30,000 people have been trained to date in FY 1967 in a variety of subjects including union organization and management, legal education, and cooperativism. An additional 60 local union leaders have received special advanced training to enable them to provide advisory assistance to other local unions on union organization, management, legal questions and related matters.

FY 1968 Program:

Other Costs: Miscellaneous training costs such as publications and local travel incurred by the IDF in implementing the program.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Agency	Total	Direct AID	Contract/Agency	Total	
Through 6/30/66	80	14	66		-	-	-	-	-	-	International Development Foundation (FY 1966-67-68)
Estimated FY 67	120	75			-	-	-	-	-	-	
Estimated through 6/30/67	200	89	111	U.S. Technicians	-	-	-	-	-	-	
		Future Year Obligations	Estimated Total Cost	Participants ...	-	-	-	-	-	-	
				Commodities ...	-	20	20	-	-	-	
				Other Costs ...	-	100	100	-	55	55	
Proposed FY 68	55	-	255	Total Obligations	-	120	120	-	55	55	

These areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Labor	ACTIVITY Labor	FUNDS Technical Cooperation	
PROJECT NUMBER 513-15-410-032	PRIOR REFERENCE p. 231, FY 67 LA P.D.B.	INITIAL OBLIGATION FY: 1958	SCHEDULED FINAL OBLIGATION FY: 1969

Project Target and Course of Action: To (1) train Chilean trade union leaders in union leadership and management, cooperative administration and industrial engineering, and (2) assist Chilean unions in developing a variety of social projects including worker housing.

The training is designed to strengthen and develop a trade union leadership capable of organizing a democratic labor movement in Chile which can participate in and contribute to national development. U.S. financial support of the American Institute for Free Labor Development (AIFLD) labor education programs and participant training is designed to emphasize the role of unions in the development process, and promote trade union cooperation within the Alliance for Progress and acceptance of its principles.

No reasonably accurate dollar estimate can be made of the Chilean contribution to this project. However, the Chilean trade unions and associations contribute facilities for the seminar activities and business groups have cooperated by granting leave with pay for labor participants. The GOC pays the round-trip Santiago-Miami portion of the international travel costs for participants associated with government agencies.

This project is extended to FY 1969 because of its continued contribution to the development of a democratic labor movement in Chile. The revised estimated cost to completion reflects the continuation of the project through FY 1969.

The increase in other costs for FY 1967 over last year's estimate is due to an expansion of the local seminar training program.

Progress to Date: From 1959 to 1965 the U.S. provided technical and commodity assistance under a contract with Cornell University to assist the University of Chile in establishing a Department of Labor Relations. The Department has been organized, twelve participants trained, a library established, and original and translated materials published. This contract terminated in FY 1965 and no further assistance is required. Since the labor participant training program began in 1958, about 350 participants have been trained, many of whom have returned to assume the leadership of Chilean unions. From 1963 to 1966 the AIFLD trained through local seminars 2,253 labor leaders from several Chilean labor organizations. In FY 1967 nearly 1,000 Chileans are being trained in 46 seminars. The social projects officer monitors the AIFLD housing guaranty projects which cover the construction of 650 housing units.

FY 1968 Program: The AIFLD will train approximately 800 Chileans in the local seminar program and send another 14 participants to the U.S. for union leadership training.

U.S. Technicians: 1 Assistant Labor Attache.

Participants: 2 teams of six labor leaders each for six weeks observation training in the U.S.; 2 labor leaders for two months third-country training.

Other Costs: AIFLD contract seminar training and social projects programs conducted during FY 1968.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES American Institute for Free Labor Development (FY 1964 through FY 1969)
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Grant/AGENCY	Total	Direct AID	Contract/Grant/AGENCY	Total	
Through 6/30/66	1,212	1,175	37								
Estimated FY 67	250	200									
Estimated through 6/30/67	1,462	1,375	87	U.S. Technicians	22	-	22	24	-	24	
				Participants . . .	27	-	27	32	-	32	
				Commodities . . .	-	-	-	-	-	-	
		Future Year Obligations	Estimated Total Cost	Other Costs . . .	11	190	201	15	109	124	
Proposed FY 68	180	200	1,842	Total Obligations	60	190	250	71	109	180	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Small and Medium Industry Development	ACTIVITY Industry and Mining	FUNDS Technical Cooperation
PROJECT NUMBER 513-13-290-210	PRIOR REFERENCE -	INITIAL OBLIGATION FY: 1966
		SCHEDULED FINAL OBLIGATION FY: 1969

Project Target and Course of Action: To establish during the first two years of the program 20 new industries in two geographic areas, the lake region and the four northern provinces. The long-range objective is to establish an institutional framework and process for promoting the development of small and medium sized industries in four non-metropolitan regions of Chile.

The State of California through the Chile/California program is to provide the services of three long-term advisors plus consultants to assist the Technical Cooperation Service (SCT), a branch of the Chilean Development Corporation (CORFO), in carrying out the following activities: (1) developing procedures and training CORFO personnel in the identification, selection, description and feasibility study preparation of small industries; (2) identifying local investors; and (3) providing credit, marketing services and other technical and managerial assistance for establishing new small industries.

Activities under this project are expected to help stimulate the Chilean private sector.

Following a GOC request made in late FY 1966 for technical assistance in this area, funds were obligated for short-term technical services and implementation began in early FY 1967. The pipeline at June 30, 1966 is explained by the fact that implementation of the project began early this year.

The \$150,000 GOC contribution during the first two years of the project covers salaries of Chilean personnel, office space and equipment, international travel costs for participants, and local travel expenses for the Chilean staff and U.S. advisors.

Progress to Date: Following preliminary studies carried out in December 1964 and June 1965, the proposal for this project was developed and the GOC requested technical assistance.

Two long-term advisors funded for two years in FY 1967 are scheduled to arrive in Chile by April 1967. An additional advisor will be provided in FY 1968. Six participants have been programmed for training in FY 1967.

FY 1968 Program: The U.S. advisors will work with GOC officials in establishing a minimum of 10 new small industries in the southern lake region and the four northern provinces. A contract (\$36,000) with the State of California will be extended through March 31, 1969.

U.S. Technicians: 1 long-term contract industrial promotion advisor for a year.

Other Costs: Publications and miscellaneous local costs.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	41	-	41								State of California (FY 1966 through FY 1969)
Estimated FY 67	134	26		U.S. Technicians	-	119	119	-	30	30	
Estimated through 6/30/67	175	26	149	Participants ...	-	15	15	-	-	-	
				Commodities ...	-	-	-	-	-	-	
		Future Year Obligations	Estimated Total Cost	Other Costs ...	-	-	-	-	6	6	
Proposed FY 68	36	43	254	Total Obligations	-	134	134	-	36	36	

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Industrial Training	ACTIVITY Education		FUNDS Technical Cooperation	
	PRIOR REFERENCE p. 232, FY 67 LA P.D.B.	INITIAL OBLIGATION FY: 1958	SCHEDULED FINAL OBLIGATION FY: 1968	
PROJECT NUMBER 513-15-440-031				

Project Target and Course of Action: To complete by the end of FY 1968 a four-year program of qualitative improvement and expansion of the graduate level programs in electrical, chemical, and mechanical engineering at the Federico Santa Maria University in Valparaiso.

Specific targets of this activity are (1) to strengthen the chemical and electrical engineering departments and to develop four doctorates in each department; (2) to strengthen the general engineering program at both the graduate and undergraduate level by training doctorates in mathematics and physics; and (3) to expand and improve the quality of the mechanical engineering program.

The Chilean contribution estimated at \$915,000 consists of university expenditures directly chargeable to the graduate engineering, undergraduate physics and mathematics programs.

Participants funded from FY 1968 funds are expected to finish their doctoral studies in September 1969, resulting in 15 months extension in the estimated actual completion date for the project. These training programs will be funded to termination with FY 1968 funds. The project is presently funded through FY 1967.

Progress to Date: The graduate school of chemical engineering is fully operative, and the electrical engineering school will be fully operative upon termination of services of the resident Pittsburgh staff at the end of FY 1968.

The chairman of the chemical engineering department holds the first doctorate in engineering awarded by Santa Maria University, which is also the first engineering doctorate ever awarded in South America. The establishment of a graduate school of mechanical engineering is almost complete and student recruitment is underway. Graduate school enrollment had increased from 6 to 38 students as of June 1966.

The existence of a first-rate graduate school at Santa Maria has indirectly raised standards in its undergraduate schools related to engineering, where curricula have been revised to meet more exacting requirements for graduate study. Twenty-two Chileans have received U.S. training.

A contract (\$98,000) with the University of Pittsburgh will be extended through September 30, 1969.

FY 1968 Program: U.S. technicians will provide final advisory assistance to the engineering faculties, and five participants will be programmed for training.

U.S. Technicians: 2 contract University of Pittsburgh chemical engineering professors, one for a year and one for six months, to advise and instruct the Federico Santa Maria Technical University.

Participants: 5 engineering students for a full year of study toward doctorate degrees in engineering.

Other Costs: Publications, miscellaneous local costs, office space and equipment.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES University of Pittsburgh (FY 1958 through FY 1968)
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	1,022	847	175					40	40	
Estimated FY 67	-	75						38	38	
Estimated through 6/30/67	1,022	922	100					-	-	
		Future Year Obligations	Estimated Total Cost					20	20	
Proposed FY 68	98	-	1,120					98	98	
			Total Obligations							

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Technical-Vocational Training	ACTIVITY Education	FUNDS Technical Cooperation
PROJECT NUMBER 513-11-690-148	PRIOR REFERENCE p. 233, FY 67 LA P.D.B.	SCHEDULED FINAL OBLIGATION FY: 1964 FY: 1969

Project Target and Course of Action: To provide by 1970 technical-vocational training opportunities for 84,000 students who would otherwise terminate their schooling for lack of further educational opportunity. The long range objective is to produce a manpower supply with the necessary education and training to meet economic and social development requirements. The original principal objective of this project was to establish by the end of 1967 the institutional base for manpower planning, a component of which was skill training programs for high priority areas. As a result, however, of the GOC decision to assign highest priority to expansion and improvement of middle level technical-vocational education, the project emphasis is to shift accordingly.

The project will continue through FY 1969 in order to meet the new objective. The FY 1967 obligation level is lower than estimated last year because of the change in the project. The Chilean contribution estimated at \$250,000 during 1964-69 consists of local personnel, office space and equipment, travel costs of Chilean staff and U.S. technicians and international air travel for participants. Progress to Date: A team of short-term consultants in mid-1964 evaluated human resource planning activities and recommended the procedures, approaches and organizations needed to strengthen the human resource planning and development base. The methodology for analyzing human resource needs outlined by this group is now being applied in human resource studies going on in the GOC. A team of agricultural manpower specialists worked from March to May

1965 in outlining training and educational needs in the agricultural sector. On the basis of their recommendations, AID agreed to provide a long-term rural manpower planner to (1) assist the Chilean Commission on Agricultural Education and Training in determining manpower implications of agricultural development, and (2) prepare an agricultural education improvement program as part of the overall plan for modernizing the middle level vocational school system. In August 1966 the U.S. provided a 3-man vocational education team which spent 6 weeks with Chilean planners refining the long-term technical-vocational education plan. The team also made recommendations with regard to establishing a vocational education program adequate for Chile's skilled manpower requirements in an economy which expects to maintain a growth rate of 5-6% annually through 1970. AID technical assistance is to complement capital assistance to be provided under the proposed education sector loan.

FY 1968 Program: U.S. advisors in organization and administration, curriculum and instructional materials development and vocational teacher training will advise the GOC on improvement and expansion of middle-level technical-vocational education. A contract (\$123,000) with the State of California is extended through June 30, 1969.

U.S. Technicians: 3 long-term contract vocational education advisors for one year; 3 short-term consultants for approximately three months each.

Other Costs: Publications and miscellaneous local costs.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES State of California (FY 1964 through FY 1969)
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	81	65	16							
Estimated FY 67	93	60								
Estimated through 6/30/67	174	125	49		84	84		112	112	
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	123	97	394		93	93		123	123	
				Cost Components						
				U.S. Technicians						
				Participants . . .						
				Commodities . . .						
				Other Costs . . .		9	9		11	11
				Total Obligations		93	93		123	123

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Training for Development		ACTIVITY Education		FUNDS	
PROJECT NUMBER 513-11-690-172		PRIOR REFERENCE p. 234, FY 67 LA P.D.B.		INITIAL OBLIGATION FY: 1964	
				SCHEDULED FINAL OBLIGATION FY: 1968	

Project Target and Course of Action: To provide during FY 1964-1968 graduate level training in the U.S. for 105 well-qualified Chilean university graduates in the fields of economics and related social sciences important to the development process. These individuals are being trained to enter key positions in the university departments, public agencies, and other institutions concerned with Chile's development.

This project in prior years included funds for financing special studies by leading Chilean educational and research institutions to provide information needed for achieving solutions to social and economic development problems. The completed studies have been authoritative surveys of the field involved and have been reviewed by interested government agencies and universities in Chile and elsewhere. This year the research element is phased out of this project and funds set aside under Technical Support to finance a limited number of studies in specialized fields. The studies required by AID to supplement its own research into Chilean development are in fields in which AID has neither the expertise nor manpower to conduct such basic research.

The Chilean contribution, estimated at \$225,000 during FY 1964-68, consists of international air travel for participants serving in government institutions and salaries of participants while they are in their training programs.

Progress to Date: Twenty participants were sent to U.S. universities for graduate study under this program in FYs 1964-65 in programs lasting from 8 to 24 months. Seven of these have completed training and returned to Chile. All but one earned M.A. or M.S. degrees. Thirteen participants programmed for doctoral studies during these two years are still in training in the U.S. They will complete their training programs during the next twelve months.

In FY 1966 thirty participants were programmed for training, 20 for long-term academic programs leading to graduate degrees and 10 for short-term specialized programs. Six FY 1966 participants have completed their training programs, and 24 are currently in training. Thirty participants are to be programmed in FY 1967 for periods of study up to 24 months. This project has also financed 17 studies by two Chilean universities and the Agrarian Reform Research and Training Institute.

FY 1968 Program: Participants are to be sent to the U.S. for study programs in economics and related social sciences.

Participants: 25 participants to study in U.S. universities for periods of 8 to 24 months, or a total of 32 man-years.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES			
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS					
					Estimated FY 1967			Proposed FY 1968		
					Direct AID	Contract/Other Agency		Total	Direct AID	Contract/Other Agency
Through 6/30/66	388	146	242							
Estimated FY 67	199	105								
Estimated through 6/30/67	587	251	336	U.S. Technicians	-	-	-	-	-	
				Participants . . .	199	-	199	179	-	179
				Commodities . . .	-	-	-	-	-	-
				Other Costs . . .	-	-	-	-	-	-
Proposed FY 68	179	-	766	Total Obligations	199	-	199	179	-	179

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Education Administration	ACTIVITY Education	FUNDS Technical Cooperation
PROJECT NUMBER 513-11-680-216	PRIOR REFERENCE -	INITIAL OBLIGATION FY: 1967
		SCHEDULED FINAL OBLIGATION FY: 1968

Project Target and Course of Action: To assist in the GOC's major educational reform program by providing technical assistance on utilization of manpower and facilities, expanded use of teaching materials, and organizational, administrative and financial management reforms.

The Chilean Government in 1965 instituted a major educational reform program. Its basic features include expansion of primary school enrollment, augmented school construction, teacher training and upgrading activities, curriculum reform, and the addition of 7th and 8th grades in the primary school system.

These reforms have placed new and increasing demands on the Chilean educational plant and on the limited available financial administrative and human resources at a time when reform programs in other sectors such as agriculture compete with education for scarce fiscal resources. While fiscal transfers to education have increased substantially in recent years, available resources are still inadequate to finance the ambitious reform efforts. Therefore, the Ministry of Education and the GOC fiscal authorities are determined to finance expansion to a maximum degree out of improved productivity of educational expenditures.

The Chilean contribution estimated at \$100,000 during the life of the project consists of local personnel, office space and equipment, travel costs of the Chilean staff and U.S. technicians and international travel costs for participants.

Progress to Date: In response to a request from the GOC Ministry of Education, AID is providing this year the services of a short-term survey team of two experts. One will specialize in the organizational, administrative, manpower and facilities utilization areas, and the other in educational economics with emphasis on financial management, budgeting and the financing of an expanded educational effort. These advisors will not only define existing weaknesses and recommend corrective actions, but also define long-term technical assistance needs. Funding for the survey team is provided in the Technical Support budget.

Although a specific definition of long-term U.S. assistance depends to a great extent on the survey team's recommendations, AID estimates that it will provide in late FY 1967 two long-term contract advisors for two years each to advise the Ministry of Education in the areas outlined above.

FY 1968 Program: The U.S. advisors will provide technical assistance to the Ministry of Education in improving the quality of education sector expenditures.

Participants: 6 participants to receive up to six months training each in the U.S. in educational administration.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES Personal Services Contracts (FY 1967-68)				
Through 6/30/66	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
	Estimated FY 67	107	6		-	Estimated FY 1967		Proposed FY 1968			
						Direct AID		Contract OTHER AGENCY	Total	Direct AID	Contract OTHER AGENCY
Estimated through 6/30/67	107	6	101	U.S. Technicians	-	105	105	-	-	-	
				Participants ...	-	-	-	20	-	20	
				Commodities ...	-	-	-	-	-	-	
				Other Costs ...	-	2	2	-	-	-	
Proposed FY 68	20	-	127	Total Obligations	-	107	107	20	-	20	

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Industrial Sector Planning	ACTIVITY Public Administration and Public Safety		FUNDS Technical Cooperation
	PRIOR REFERENCE -	INITIAL OBLIGATION FY: 1967	SCHEDULED FINAL OBLIGATION FY: 1969
PROJECT NUMBER 513-11-950-211			

Project Target and Course of Action: To assist the GOC in formulating industrial development policies, establishing priorities and programs, and improving the institutional capacity for industrial sector planning as an integral part of the national planning process.

A high-level interagency committee has been established in the Chilean Development Agency (CORFO) to give industrial development policy guidance and to oversee the activities of the newly-formed Industrial Sector Planning Office in CORFO. An integrated industrial sector planning capability is essential to development in this area, and of highest priority within the framework of the Chilean development effort.

Preliminary work is being carried out in FY 1967 in preparation for formally initiating the project in 1968.

The Chilean contribution estimated at \$200,000 during 1967-1969 consists of local personnel, office space and equipment, international travel costs of participants and local travel for the Chilean staff and U.S. technicians.

Progress to Date: CORFO has requested that the U.S. provide a team of experts for a short-term assignment to evaluate technical assistance needs in industrial sector planning and to recommend a longer term assistance program.

The team is to consist of an economist planner, a project engineer, and an information systems advisor who are to spend up to two months in Chile during 1967 on this assignment. The costs of these advisors are included in the Technical Support budget.

Although a specific definition of long-term U.S. assistance depends to a great extent on the survey team's recommendations, AID estimates that it will provide three long-term advisors for two to three years each to advise CORFO in improved industrial sector planning. Short-term consulting services may also be provided. FY 1967 funds are to be obligated for two long-term advisors for a year and short-term consultants for services totaling three to four man-months.

FY 1968 Program: U.S. advisors are to assist CORFO in preparing its industrial sector plan and in strengthening its institutional capacity for sectoral planning.

U.S. Technicians: 2 long-term contract advisors for an additional year each; one long-term contract advisor for two years; 3 short-term advisors for up to eight months of services.

Participants: 2 participants to receive 6 to 9 months U.S. training in industrial sector planning.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES Personal Services Contracts (FY 1967-68-69)				
Through 6/30/66	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS					
	Estimated FY 67	85	-		85		Estimated FY 1967		Proposed FY 1968	
							Estimated through 6/30/67	85	-	85
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	149	33	267	Total Obligations	-	85	85	8	141	149

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Tax Modernization	ACTIVITY Public Administration and Public Safety	FUNDS Technical Cooperation
PROJECT NUMBER 513-11-750-109	PRIOR REFERENCE p. 235, FY 67 LA P.D.B.	SCHEDULED FINAL OBLIGATION FY: 1962 FY: 1969

Project Target and Course of Action: To (1) generate revenue to finance national development programs, and (2) make the tax system a better instrument of national policies for obtaining growth, distributing the tax burden more equitably and redistributing national income.

The U.S. has provided assistance in tax administration since 1962. In 1965 the GOC began a long-term program of reform of tax policies and legislation, including reforms in tax incentive laws, sales and income taxes, and research on the introduction of pay-as-you-go income tax. The GOC requested U.S. assistance in policy planning, research and drafting.

The U.S. is now providing advisory services and participant training in tax administration and the substantive reform of tax policies and legislation. Tax administration assistance is provided by the U.S. Internal Revenue Service. Assistance in tax policy reform is provided by Harvard University under contract. As the tax policy reform program progresses, technical assistance in administration is to be reduced to the minimal level necessary to support the tax policy effort. With the addition of the tax policy program the project is extended to FY 1969.

The revised estimated cost to completion reflects a higher FY 1967 obligation than stated last year as well as the addition of the tax policy program. Chile's contribution will approximate \$4.0 million in personnel, travel costs, office space and equipment.

Progress to Date: Total tax revenues in 1966 increased 2% in real terms over 1965. Income tax revenues increased

even more. The Internal Tax Service is prosecuting tax evaders for the first time. Two have received jail sentences, and 78 cases are under investigation. Audit techniques have been modernized, an auditor's manual published, and auditing centralized and programmed annually. Audit yield in 1965 was up 118% over 1964 and more than 600% over 1962, when U.S. auditors introduced audit statistical accounting. Delinquent tax collections were increased to a point where collections almost equal new delinquent accounts. Delinquent tax collections for the first half of 1966 nearly doubled those for the same period in 1965. A 1964 reassessment at current market values of 1,175 parcels of real property resulted in an average increase of 300% in assessments. Substantive tax law reforms, such as new or revised stamp, income, capital gains and sales taxes, have been passed. A new capital levy was introduced in 1965. Tax incentive legislation is ready for submission to Congress.

FY 1968 Program: A PASA (\$67,000) with the Internal Revenue Service is extended through June 30, 1968. A contract (\$70,000) with Harvard University is extended through June 30, 1969.

U.S. Technicians: 2 long-term contract tax advisors for a year; 3 PASA tax advisors, 2 for a full year and 1 for six months. Participants: 3 participants for three to six months each in the U.S.

Other Costs: Travel and consultation costs for director of Harvard tax program; publications, other local costs.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	1,480	1,164	316								Internal Revenue Service (FY 1962 through FY 1969)
Estimated FY 67	227	310									Harvard University (FY 1966-67-68-69)
Estimated through 6/30/67	1,707	1,474	233	U.S. Technicians	-	163	163	-	122	122	
				Participants ...	25	-	25	8	-	8	
				Commodities ...	-	-	-	-	-	-	
		Future Year Obligations	Estimated Total Cost	Other Costs ...	13	26	39	-	15	15	
Proposed FY 68	145	146	1,998	Total Obligations	38	189	227	8	137	145	

These areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Public Safety	ACTIVITY Public Administration and Public Safety	FUNDS Technical Cooperation	
PROJECT NUMBER 513-11-710-138	PRIOR REFERENCE p. 236, FY 67 LA P.D.B.	INITIAL OBLIGATION FY: 1963	SCHEDULED FINAL OBLIGATION FY: 1968

Project Targets and Course of Action: To improve police telecommunications, police capability to control emergency situations, and vehicle maintenance and repair operations, The long-range objective is to assist the Chilean national police force, the "Carabineros of Chile", in developing their capability to provide more effective civil law enforcement based on democratic civil police concepts, and to perform their internal security responsibilities.

The GOC is contributing \$2.7 million during 1963-1968. The change in estimated cost to completion is due to a slight increase in the FY 1967 obligation level above last year's estimate.

Progress to Date:

(1) Improvement in Police Telecommunications - The border patrol network, comprising 8 base stations and 36 portable units, is in operation from Arica to Punta Arenas. The Santiago-Concepcion and Santiago-Valparaiso teletype circuits are operating, and the Santiago-Antofagasta teletype circuit is undergoing tests. Remote radio site installations are in process in the Santiago area. The administrative network is to be installed by April 1967.

A detailed study of Carabineros telecommunications requirements country wide has been completed. Local training has been completed by 40 technicians in electronics, four technicians in teletype maintenance, and six technicians in antenna construction. Ten officers have completed participant training in communications in the U.S. Five

participants are being trained in communications and telecommunications management during FY 1967.

(2) Emergency Situations - The emergency units have been effectively employed in every public demonstration and natural emergency since mid-1964. Radios furnished under this project have been used to establish or augment mobile police patrols in 16 cities.

(3) Vehicle Maintenance and Repairs - The report on which this new activity is based has helped patrol operations and vehicle repair and maintenance through the adoption by the Carabineros of many of its recommendations.

FY 1968 Program: U.S. technicians are to provide terminal advisory services in completing the police telecommunication and vehicle maintenance and repair programs. The last group of participants under this project are to be sent to the U.S. for training, and the final shipment of commodities is planned.

U.S. Technicians: 1 direct-hire public safety advisor.

Participants: 6 participants to receive 6 months U.S. training each in police radio communications; 3 participants for 12 weeks vehicle maintenance training each in the U.S.; 3 senior officers to attend the International Police Academy.

Commodities: Telecommunications and limited police demonstration training equipment.

Other Costs: Local travel, translation and miscellaneous local costs.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES			
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS					
					Estimated FY 1967			Proposed FY 1968		
Through 6/30/66	1,296	1,086	210		Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total
Estimated FY 67	255	200		U.S. Technicians	29	89	118	29	-	29
Estimated through 6/30/67	1,551	1,286	265	Participants ...	30	-	30	36	-	36
		Future Year Obligations	Estimated Total Cost	Commodities ...	99	-	99	150	-	150
Proposed FY 68	225	-	1,776	Other Costs ...	8	-	8	10	-	10
				Total Obligations	166	89	255	225	-	225

Personal Services Contracts

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Customs Administration		ACTIVITY Public Administration and Public Safety		FUNDS Technical Cooperation	
PROJECT NUMBER 513-11-750-139		PRIOR REFERENCE p. 237, FY 67 LA P.D.B.		INITIAL OBLIGATION FY: 1963	
				SCHEDULED FINAL OBLIGATION FY: 1968	

Project Target and Course of Action: To establish an efficient, modern customs service capable of expanding public sector savings through improved administration. Specific targets include: (1) a major decrease in evasion of foreign exchange controls applied by the Customs Service; (2) a sharp reduction from 12 to 2 days in handling time of the 250,000 customs transactions each year; (3) a minimum 10% reduction in the \$2.5 million losses suffered each year by improper reception and handling of cargo by the Chilean Ports Company; (4) a quicker and more accurate compilation of trade and financial statistics; (5) a reduction in contraband and internal customs irregularities; and (6) improved manpower utilization within the 1,300 man Customs Service.

At the request of the GOC the project is extended another year to allow U.S. advisors to fully complete their work in data processing, auditing and establishing new procedures for effectively controlling imports. The estimated cost to completion reflects this additional year of advisory services. The \$200,000 Chilean contribution consists of personnel, local travel, office space, equipment and supplies, and international travel costs for participants.

Progress to Date: Two internal control units have been established. Violations have been uncovered by the internal audit unit resulting in the indictment of five people. The data processing center has completed the design and programming of a system of accounting of movement of imported merchandise.

A system for determining and controlling valuation of merchandise has been approved and is being installed. In August 1966 agreement was reached with the GOC to provide assistance to the Chilean Ports Company in setting up new procedures to reduce loss and damage to merchandise passing through its custody. The Customs Department of Guards and Police, established in February 1963 and activated in 1966, brought 20 charges of contraband against 24 people and had seized merchandise valued at \$35,000 during its first month of operation. Two laws have been passed providing for revised customs auction procedures, the assignment of more funds for the Customs Service, the provision of overtime pay and delegation of authority to the President to decree a new tariff law utilizing the Brussels tariff nomenclature. Systems for internal reports, control of diplomatic imports, inventory of customs property and administration of Customs Tribunals were installed in 1966. A draft of the new basic customs law is nearly complete. Nine participants have completed training in the U.S.

FY 1968 Program: U.S. technicians will provide advisory services to GOC officials directed toward successfully completing programs begun previously.

U.S. Technicians: 1 direct-hire Chief Customs Advisor for six months; 2 PASA customs advisors for six months.

Other Costs: Miscellaneous local costs.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Other Agency	Total	Direct AID	Other Agency	Total	U.S. Customs Service (FY 1965 through FY 1968)
Through 6/30/66	153	148	5								
Estimated FY 67	105	90									
Estimated through 6/30/67	258	238	20	U.S. Technicians	37	40	77	16	30	46	
		Future Year Obligations	Estimated Total Cost	Participants ...	27	-	27	-	-	-	
				Commodities ...	-	-	-	-	-	-	
Proposed FY 68	47	-	305	Other Costs ...	1	-	1	1	-	1	
				Total Obligations	65	40	105	17	30	47	

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Transportation Planning	ACTIVITY Public Administration and Public Safety	FUNDS Technical Cooperation
PROJECT NUMBER 513-11-750-144	PRIOR REFERENCE p. 238, FY 67 LA P.D.B.	SCHEDULED FINAL OBLIGATION FY: 1969
	INITIAL OBLIGATION FY: 1964	

Project Target and Course of Action: (1) To assist the GOC in establishing a national transportation planning process with the trained personnel and established procedures for preparing transportation plans, and (2) to improve urban bus service in Santiago, Valparaiso, Vina del Mar and Concepcion, and reduce the large fiscal transfers to cover the current operating deficits of the state-owned urban transport company (ETCE). Assistance to ETCE is part of the GOC program to improve operations of decentralized agencies burdened with large deficits, thereby contributing to the stabilization program.

The project is extended through FY 1969 to provide adequate time for implementing the urban bus transport activity which was added to the project in late FY 1966. The slight increase in estimated cost to completion also reflects the addition of this activity within the project. Delays in staffing and the obligation of funds in late FY 1966 account for the pipeline at June 30, 1966.

The \$360,000 Chilean contribution during the life of the project covers the Chilean staff, office space, equipment and supplies, local travel, and international travel costs of participants.

Progress to Date: Three of the five long-term planning advisors and one of the three U.S. advisors on urban bus operations are in Chile. The remaining advisors will arrive the first half of CY 1967.

The principal recent contribution is the continuing

advice given to the Minister of Economy and other GOC officials on preparing legislation which would establish a national transportation agency and outline the formulation and adoption of a national transportation policy. Both are basic to improving the institutional framework for the transport sector and the transportation planning process.

The Chilean transportation group (CAP) formed in 1964 is responsible for reviewing budgets and longer range plans of the public transport entities. As a result, the quality of proposed projects and agency level planning capabilities have improved. Recent accomplishments of a technical nature include: (1) an engineering reconnaissance survey of northern Aysen province; (2) an origin and destination survey of urban passenger movement in Santiago; (3) a study of transport requirements in the Arica region, including recommendations for the improvement of the Arica-La Paz railroad; and (4) participation in the first of a series of 12 seminars on transport planning organized by the University of Chile.

FY 1968 Program: U.S. technicians are to advise GOC officials on transportation planning and urban bus operations and management.

U.S. Technicians: 8 advisors are to be funded through September 30, 1968 for periods ranging from three to nine months.

Participants: 3 participants for 12 months U.S. training each; 3 participants for up to four months U.S. training each.

Other Costs: Publications and miscellaneous local costs.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES State of California (FY 1964 through FY 1969)
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	497	107	390								
Estimated FY 67	-	120									
Estimated through 6/30/67	497	227	270								
		Future Year Obligations	Estimated Total Cost								
Proposed FY 68	130	31	658								
				Total Obligations							

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Social Security Advisory Services	ACTIVITY Community Development, Social Welfare and Housing	FUNDS Technical Cooperation
PROJECT NUMBER 513-11-820-212	PRIOR REFERENCE -	INITIAL OBLIGATION FY: 1968
		SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: To assist the GOC in creating a more efficient social security system which will provide more benefits to more people in a more equitable manner, and at the same time reduce the social security drain on the national budget.

Social security reform is critically important to the attainment of stabilization objectives. Chile, the first country in Latin America to institute a social security system, has one of the most ambitious systems in the world. Eleven to 13% of the GNP has gone into social security in recent years, with government transfers to the system providing about one-third of its revenues. However, there is wide disparity in benefits it provides to participants, and considerable segments of the employed population have little or no protection. Social security legislation has grown on a piecemeal basis, with some 400 social security laws now on the books. The GOC is undertaking a program of social security reform and has requested U.S. assistance in this effort. Preliminary work is being carried out in FY 1967 in preparation for formally initiating the project next year.

The GOC contribution estimated at \$200,000 during the life of the project consists of personnel, office space, equipment and supplies, and international travel costs for participants.

This is a new project in FY 1968.

Progress to Date: At the request of the Minister of Labor and Social Security, an AID social security team funded from Technical Support spent six weeks in Chile (1) reviewing draft reform legislation and evaluating both its administrative and economic aspects; (2) analyzing prospects for increasing social security system contributions to the National Health Service (SNS); and (3) making recommendations with respect to the long-term technical assistance needed to improve the system.

As recommended by the team, the GOC has appointed a coordinator to organize and direct the preparation of social security legislation prior to submission to Congress. The Chilean Undersecretary of Labor for Social Security is to review U.S. social security policy, programs, and organization and management with top-ranking Social Security officials in Washington in 1967.

FY 1968 Program: Following the passage of social security legislation, probably within the year, the U.S. will provide long-term technical assistance to assist in the reorganization and administrative changes that will result from a fundamental restructuring of the system.

U.S. Technicians - 2 long-term PASA technicians for one year each to advise GOC officials on the organizational and financial aspects of social security reform.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES Social Security Administration (FY 1968-69-70)
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66										
Estimated FY 67										
Estimated through 6/30/67										
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	54	112	166				-	54	54	
				Cost Components						
				U.S. Technicians				-	54	54
				Participants . . .				-	-	-
				Commodities . . .				-	-	-
				Other Costs . . .				-	-	-
				Total Obligations				-	54	54

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Special Development Activities	ACTIVITY General and Miscellaneous	FUNDS Technical Cooperation	
PROJECT NUMBER 513-11-990-187	PRIOR REFERENCE p. 239, FY 67 LA P.D.B.	INITIAL OBLIGATION FY: 1964	SCHEDULED FINAL OBLIGATION FY: Continuing

Project Target and Course of Action: To provide financing for low-cost, self-help community projects in order to demonstrate U.S. interest in the welfare of the Chilean people and stimulate greater community self-help efforts.

Five guidelines which emphasize productivity, self-help, community action, wealth producing skills, and support for new institutions are the criteria for selecting projects to be supported. A four member committee composed of Embassy, USIS, Peace Corps, and AID representatives reviews project proposals, makes recommendations to the AID Mission Director regarding the selection of projects, and monitors projects during implementation. AID handles the processing and details. Each participating entity signs an agreement with AID pledging that the project will be carried out as originally described, that a report will be made on its completion, and that AID has the right of inspection at any time.

The Chilean investment in each of the projects generally equals or exceeds the amount of the U.S. donation.

Progress to Date: In FY 1966 some 45 projects were approved and funded. During the first half of FY 1967, 13 projects had been approved and funded including:

(1) a \$300 grant to a local unit of the National Workers Confederation to purchase three sewing machines for use by the 70-member Mother's Club of the union.

(2) a \$200 grant to pay customs clearance, repacking and local transportation costs of eight drilling machines

acquired for eight industrial schools through excess property sources.

(3) a \$480 grant to a 1,300-member self-help society in La Calera to purchase cement for self-help reconstruction and expansion of the society's hall.

(4) a \$1,100 donation to a group in Talca to purchase tools for a cooperative carpentry and furniture shop to be set up by ten unemployed carpenters who agreed to pool their own tools worth 10,000 escudos.

(5) a \$480 grant to the housing cooperative in a marginal district of Nueva Palena to construct a pilot brick-making machine.

(6) a \$720 grant to a village in Antofagasta province to purchase 300 bags of cement for the self-help construction of a village medical center, which will also serve other villages in the area.

(7) a grant of 480 pick mattocks, acquired from excess property for \$185, to the summer work program of Chilean University students.

(8) a donation of 3,000 escudos to the privately supported technical school in Penalolen, a marginal district of Santiago.

(9) a donation of 160 escudos to the Centro de Madres of the Colina district to pay tuition for instruction courses for two mothers who will teach in a nursery school started in the district.

FY 1968 Program: To finance activities similar to those cited above.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES	
	Obligations	Expenditures	Unliquidated	OBLIGATIONS			
				Estimated FY 1967			Proposed FY 1968
				Direct AID	Contract/Other Agency		Total
Through 6/30/66	101	100	1				
Estimated FY 67	60	61					
Estimated through 6/30/67	161	161	-				
		Future Year Obligations	Estimated Total Cost				
Proposed FY 68	100	Continuing					
				Cost Components			
				Direct AID	Contract/Other Agency	Total	
				-	-	-	
				-	-	-	
				10	-	10	
				50	-	50	
				60	-	60	
				60	-	60	
				100	-	100	
				Total Obligations			

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Program Support Chile/California Program	ACTIVITY General and Miscellaneous		FUNDS Technical Cooperation	
	PRIOR REFERENCE p. 241, FY 67 LA P.D.B.	INITIAL OBLIGATION FY: 1964	SCHEDULED FINAL OBLIGATION FY: 1969	
PROJECT NUMBER 513-15-990-175				

Project Target and Course of Action: To develop, manage, and support the individual technical assistance activities under the Chile-California Program.

The headquarters office is in Santiago. The four-member staff consists of a U.S. director, a Chilean administrative assistant, a secretary, and a messenger. This office provides the full range of management, coordination, and support services needed to monitor the technical assistance projects. Its functions include the following: (1) coordinating the work of California advisors and consultants working in Chile; (2) maintaining necessary coordination with the GOC and with representatives of the U.S. Mission in Chile; (3) arranging for the training of Chileans in California; and (4) encouraging and promoting in Chile private institutional and cultural exchanges, joint business ventures, and people-to-people activities.

The California office is in Sacramento. The three member staff consists of a deputy director, an administrative assistant, and a secretary. This office provides administrative support in California for the program. Its functions include the following: (1) recruiting experts and consultants for work in Chile; (2) maintaining appropriate fiscal, accounting and other records as may be necessary; (3) arranging and supervising observation and training programs in California for Chileans; and (4) encouraging and promoting in California private and institutional and cultural exchanges, joint business ventures,

and people-to-people activities.

The program support activity will continue throughout the duration of the Chile/California program.

The extension of the project for two years at no increase in the estimated cost to completion is due largely to (1) a planned reduction in the number of administrative personnel funded under the project, and (2) plans to place in regular substantive projects certain activities presently funded in program support.

FY 1968 Program:

U.S. Technicians: Funds are to be obligated in early April 1967 to fund the project another year through March 30, 1968. Three California employees and one in Santiago are to be funded for an additional 15 months through June 30, 1969 from FY 1968 funds.

Other Costs: Local salaries, travel, office space, equipment and supplies, and other direct operating costs for the two offices.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES					
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
	Through 6/30/66	542	369		173	Estimated FY 1967			Proposed FY 1968		
						Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total
Estimated FY 67	136	140		U.S. Technicians	-	77	77	-	110	110	State of California (FY 1964 through FY 1969)
Estimated through 6/30/67	678	509	169	Participants . . .	-	-	-	-	-	-	
		Future Year Obligations	Estimated Total Cost	Commodities . . .	-	-	-	-	-	-	
				Other Costs . . .	-	59	59	-	78	78	
Proposed FY 68	188	124	990	Total Obligations	-	136	136	-	188	188	

These areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: CHILE

PROJECT DATA

TABLE III

PROJECT TITLE Technical Support	ACTIVITY General and Miscellaneous	FUNDS Technical Cooperation
PROJECT NUMBER 513-15-990-000	PRIOR REFERENCE p. 240, FY 67 LA P.D.B.	SCHEDULED FINAL OBLIGATION FY: Continuing
	INITIAL OBLIGATION FY: 1956	

Project Target and Course of Action: To provide support for all program operations necessary for the effective accomplishment of those goals of the AID program in Chile which are not strictly identified with one particular project. Direct-hire positions under this general category represent a corps of generalists required for direction and coordination of projects implemented largely by contract and participating agency personnel.

Also included are short-term advisory and consultant services to advise the GOC on key development problems and develop technical assistance requirements and programs with AID and the GOC; Chilean employees assigned to support a variety of projects; rents; utilities; motor pool transportation; services; office and household furniture and appliances; supplies; and limited research studies.

FY 1968 Program: Technical Support is to continue at about the same level as in FY 1967. The number of U.S. positions is expected to remain the same as this year. One Chilean employee position is deleted, reducing the number from 71 last year to 70 this year. Anticipated step increases are included for U.S. personnel and for Chilean employees who are subject to automatic salary adjustments required by Chilean law. In addition, a small amount is set aside for short-term consultants, and approximately 10% has been added to all services and supplies to offset anticipated price increases and a

greater demand for supplies and services. Although general support for research projects under the Training for Development project was terminated last year, \$25,000 is set aside in the Technical Support budget for a limited number of required studies in fields in which AID has neither the manpower nor expertise to perform the research.

U.S. Technicians: 22 direct-hire long-term technicians to provide assistance in development planning, programming, economic advisory services, development loan implementation, projects control and monitoring Food for Peace activities, supply and procurement, engineering services and secretarial support; 8 short-term advisors in a variety of areas as required for periods up to 3 months.

Participants: To fund Mission expenses for English language training and medical examinations for participants.

Commodities: To fund costs of office supplies, equipment and furniture, vehicle replacement, and the rehabilitation and transport costs of U.S. excess property being provided to public and private educational and social welfare organizations for small projects with limited commodity requirements.

Other Costs: To fund salaries of 70 local employees, rentals and maintenance, communications, Spanish language training, printing, local travel and other operating expenses.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES Chilean-North American Institute - Participant English Language Training (FY 1963 through FY 1970)				
Through 6/30/66	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
	4,613	4,520	93		Estimated FY 1967			Proposed FY 1968			
	Estimated FY 67	1,189	910		Direct AID	Contract/Other Agency		Total	Direct AID	Contract/Other Agency	Total
Estimated through 6/30/67	5,802	5,430	372	U.S. Technicians	505	32	537	520	39	559	
		Future Year Obligations	Estimated Total Cost	Participants . . .	8	-	8	5	-	5	
				Commodities . . .	65	-	65	69	-	69	
				Other Costs . . .	579	-	579	590	-	590	
Proposed FY 68	1,223	Continuing		Total Obligations	1,157	32	1,189	1,184	39	1,223	

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: CHILE

Borrower: Government of Chile

Funds: DLF

Title and Number of Loan: Airport Construction - Pudahuel	
DLF-134	513-A-006
Date Authorized: 6/29/60	Date Signed: 7/19/60
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 20 yrs.
Authorized 8,569	Grace Period 1 yr.
Disbursed 4,955	Interest Rate 3½%
Repayments 60	Currency of Repayment.. Escudos w/MOV
Interest Collected 200	

Auxiliary Building - The terminal and all auxiliary buildings are completed. Work continues on painting, electrical hook-ups and furniture installation. The facility will be completed early in CY 1967. Water Supply and Sewerage Disposal - Facilities were provisionally accepted by the Ministry of Public Works. The contract is 100% complete. Communications and Navigational Aids - All equipment from I.T.&T. has been ordered and all major pieces have arrived in Chile. The contract is 85% complete. Aviation Fuel Supply System - This contract was completed in FY 1966. Airport Lighting and Power - Runway, parking apron and ramp lighting have been installed. Approach lighting will be installed just prior to inauguration. The contract is 80% complete. The power substation has been completed, and the contract is 95% complete.

Purpose of Loan: To finance the construction of a commercial jet airport at Pudahuel, about nine miles northwest of Santiago. The present airport, Los Cerrillos, is inadequate and cannot be reasonably expanded for modern air traffic because of terrain obstructions, poor visibility and encroaching urban developments. The \$14.7 million project includes landfill and drainage of the airport site, a 10,500 foot bi-directional runway, taxiways, lighting and marking systems, navigational aids, a terminal and hanger buildings.

Financial Status: The loan is 57% disbursed, compared with about 31% at the end of CY 1965. Payments to contractors are made by the GOC, which is later reimbursed from the loan for approved costs. The loan should be fully disbursed in CY 1967.

Physical Status: Although implementation of the project was delayed earlier, the airport is in the final stage of construction. The inauguration ceremony, marking completion of construction and initiation of air traffic operations, is scheduled for early 1967. The last of the air navigational and lighting equipment will be installed during CY 1967. The overall project is estimated to be 95% complete.

The loan agreement for this project, signed in 1961, specified that local currency generated under PL 480, Title I, could be used to pay local costs that would otherwise accrue to the dollar loan, with the amount of the dollar loan to be reduced accordingly. Title I Section 104(g) escudos became available for the first time in 1966. AID estimates that the escudo equivalent of \$4.5 million in project costs can be met with Title I local currency over the remaining life of the project. To date, the original \$10.5 million loan has been reduced by \$1.9 million.

Supervisory engineers are Radar Associates of Chicago; construction work is being carried out by various Chilean firms under six separate contracts. The airport will have the most modern telecommunications equipment in all of South America, manufactured by I.T.&T.

Host Country Role & Procurement Source: The GOC is contributing local currency equivalent of \$4.2 million to the project. All goods and related services financed by this loan are procured from the U.S. or Chile.

Progress under the six contracts is as follows:
Grading, Drainage, and Paving - All work has been completed. Both runways and their related taxiways have been completed. The contract is 100% complete. Terminal and

Comments on Implementation: No further problems are anticipated in completing this project.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: CHILE

Borrower: Government of Chile

Funds: DLF

Title and Number of Loan: Airport Construction - Concepcion DLF 188 - 513-A-010	
Date Authorized: 4/17/61	Date Signed: 6/21/61
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 20 yrs.
Authorized 3,200	Grace Period 1/2 yr.
Disbursed 975	Interest Rate 3 1/2%
Repayments -	Currency of Repayment . . 1/2 Escudos
Interest Collected -	w/MOV - 1/2 U.S. \$

Financial Status: The loan is 31% disbursed, compared to no disbursements at the same time a year ago. Payments to contractors are made by the GOC, which is later reimbursed from the loan for approved costs. Disbursements are expected to increase substantially during 1967.

Host Country Role & Procurement Source: The GOC contribution, estimated at \$1.5 million, includes costs of land purchase, engineering staff, and all construction costs over and above those funded by AID. All goods and related services financed by the loan are procured from the U.S. or Chile.

Comments on Implementation: Although the project is now nearing completion, earlier problems delayed implementation. Construction plans and specifications were not approved until October 1962. Lengthy contract negotiations further delayed construction activity until January 1965. Disagreements concerning additional costs between contractors and Borrower slowed construction work during 1965.

In 1966, after considerable grading and sub-base work had been done, it was noted that (1) the Borrower was directing the contractor to construct the runway with DC-8 capacity, as opposed to agreed upon DC-6 capacity, (2) Ministry of Public Works (MOP) supervisory teams had not properly inspected the work and specifications, and (3) the AID-financed supervisory engineer was without adequate equipment and was not certifying disbursement requests. The MOP concurrently hired a new U.S. supervisory engineer, Rader & Associates, and conducted its own investigation of the project. After this review, the MOP and AID agreed that the U.S. engineering firm would prepare a report outlining the steps necessary to once more bring the project back to its original scope. Rader is also to check all vouchers previously issued by MOP without appropriate approval.

This project is now moving ahead, and no further major problems are expected prior to completion.

Purpose of Loan: To assist in financing a fully equipped airport at Concepcion, including 6,600 feet of bi-directional runway, a terminal building, access roads, parking facilities, and airfield marking, lighting, and navigational aids. This airport will provide facilities needed for the rapidly industrializing Concepcion area, and will provide an alternate emergency airport for Santiago which is 250 miles to the north and 1,500 feet higher than Concepcion.

Physical Status: AID financing of the project covers the costs of grading, drainage, and paving of the runway, parking apron and terminal areas, a concrete tunnel for a high tension power cable, construction of a terminal building, sewerage and sanitation construction, and the costs of the U.S. supervisory engineer.

Construction began in 1965. The runway is 70% completed. The Borrower has requested permission to extend the north end of the runway to permit jet operations, and AID is requesting economic and financial data justifying such an extension. Meanwhile, grading and compaction continue on the south end of the main runway and parking apron. Asphalt paving was resumed in January 1967 and will continue until completion in April. The terminal building is 47% completed, water and sewerage installation is 77% complete and proceeding on schedule. Installation of navigational aids, lighting, and power supply, now 10% complete, is also proceeding on schedule.

areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: CHILE Borrower: Government of Chile Funds: AFP

Title and Number of Loan: Feasibility Studies 513-L-019	
Date Authorized: 8/8/63	Date Signed: 3/16/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 3,000	Grace Period 10 yrs.
Disbursed 443	Interest Rate 3/4%
Repayments -	Currency of Repayment . . \$ U.S.
Interest Collected -	

Physical Status: Contracts totaling \$884,000 for eleven studies under the public sector portion of the loan have been signed. Another six studies totaling \$618,000 have been approved by the USAID. One new project for \$270,000 is being considered. The balance of the public sector portion will soon be committed. Five studies totaling \$139,000 have been approved under the private sector portion of the loan. It is expected that these studies when completed will significantly expand the number of well formulated priority projects suitable for financing.

Financial Status: The loan is 15% disbursed, compared to 3% at the end of CY 1965. Disbursements are expected to accelerate significantly in CY 1967.

Purpose of Loan: (1) To assist the GOC and the Chilean private sector in preparing well formulated feasibility studies leading to the development of priority projects acceptable for international financing; (2) to assist in financing the costs of general surveys and pre-feasibility studies to assist in the identification, appraisal, and formulation of priority development projects; and (3) to provide technical assistance to Chilean public and private agencies to improve their project planning and preparation capabilities.

Of the total \$3.0 million, \$2.250 million is available for feasibility studies. Up to \$750,000 is to be used to finance studies for private sector investments. An equal amount is to be used for general surveys and pre-feasibility studies to assist in the identification, appraisal, and formulation of priority development projects, and the costs of technical assistance to the planning department of the GOC budget office. Studies to be financed are chiefly in the areas of agriculture, port and airport development, land reclamation, transportation, and industrial development.

Host Country Role and Procurement Source: The Government of Chile is contributing personnel, time, office space, and other support as may be required to complete each study.

Equipment, materials, and services financed under the loan are being procured from the U.S. or Chile. U.S. dollars used to finance local currency costs will be used to finance goods and related services procured from the U.S.

Comments on Implementation: Despite difficulties encountered in implementing the loan in its early stages, there has been increasing demand in the past year for feasibility study financing throughout the public sector resulting from improvement in GOC programming and utilization of the loan. This is due in part to major improvements made by the Frei administration in the planning and programming process at both the national and sectoral levels, and to increased emphasis within the GOC on project preparation and evaluation at the agency level in the various sectoral planning offices.

These areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: CHILE

Borrower: Empresa Portuaria de Chile

Funds: AFP

Title and Number of Loan: San Vicente Port Construction 513-L-020	
Date Authorized: 10/28/63	Date Signed: 5/11/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 20 yrs. Two-Step 40 yrs.
Authorized 7,000	Grace Period 5 yrs. Two-Step 10 yrs.
Disbursed 141	Interest Rate 3½% Two-Step 3/4% GP; 3/4% After
Repayments -	Currency of Repayment . . \$ U.S.
Interest Collected -	

The MOP is completing bid and contract documents. Five Chilean firms, one U.S. firm and one joint U.S./Chilean firm have been pre-qualified as eligible to receive bidding documents. Selection of the contractor is scheduled for early 1967. Construction should begin by mid-1967.

Financial Status: The loan is 2% disbursed. Disbursements to date reflect only payments to the consulting engineer. The bulk of the disbursements are to be made during the three year construction period starting in 1967.

Host Country Role and Procurement Source: Up to \$3.5 million will cover the foreign exchange costs of U.S. engineering fees for the preparation of the plans and specifications, fees for a U.S. construction company, and imported equipment for the port site. The remainder of the loan will finance local construction costs. The Government of Chile is providing the escudo equivalent of \$3.5 million to finance all other project costs.

Comments on Implementation: Implementation of the loan is expected to proceed satisfactorily.

Purpose of Loan: To finance part of the construction costs of a \$10.5 million deep-water port to service the provinces of Concepcion, Bio-Bio, and Malleco. This area comprising the second largest industrial enterprise in Chile is chiefly concerned with metallurgy, textiles, and non-metallic extraction; it also contains the country's largest coal deposits. With the construction of a 1,842 foot long wharf, a cargo handling area of 60 acres, three warehouses, railroad sidings, and the purchase of necessary cargo-handling equipment, the port of San Vicente will develop seacoast industries geared to the export market.

Agreement has been reached under which the Government of Chile will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10 year grace period, with annual interest at 3/4% during the grace period and thereafter.

Physical Status: The basic field survey was completed by the U.S. consulting engineer (McCreary & Koretsky) in May 1965. AID is reviewing the final plans and cost estimates and will approve them following approval by the Ministry of Public Works (MOP).

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: CHILE

Borrower: Government of Chile

Funds: AFP

Title and Number of Loan: School Construction 513-L-021	
Date Authorized: 1/24/64	Date Signed: 6/22/64
Loan Status as of 12/31/66:	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration40 yrs.
Authorized 2,100	Grace Period10 yrs.
Disbursed 1,663	Interest Rate3/4% GP 2% After
Repayments -	Currency of Repayment ..\$ U.S.
Interest Collected 4	

Financial Status: The loan is 79% disbursed. Full disbursement will be made in CY 1967. As a result of savings in construction costs, the loan amount will be reduced by \$402,000.

Host Country Role and Procurement Source: The GOC provided \$534,000 toward the \$2.6 million costs of the AID-financed schools and, in addition, constructed eight additional schools under the program at a cost of \$1.1 million.

Equipment, materials, and services financed under the loan are procured from the U.S. or Chile. U.S. dollars used to finance local currency costs are used to finance goods and related services procured from the U.S.

Purpose of Loan: To expand Chile's educational facilities through construction of 23 primary schools serving the low income communities in the four principal urban areas of Chile -- Santiago, Valparaiso, Antofagasta, and Concepción. The construction program involves direct AID financing (\$2.1 million) of 15 schools for 10,000 children and GOC financing (\$1.1 million) of eight schools serving an additional 5,000 children. The GOC will contribute an additional \$.5 million to the AID-financed program. The schools will operate daily on a two-shift basis and will also serve as evening community centers for adult education, literacy programs, and cooperative and community action programs.

Comments on Implementation: The project is in the final stage of completion. No problems are anticipated.

Physical Status: The 15 AID-financed schools are completed. Five of the eight GOC-financed schools are completed, two others are 90% completed, and the one remaining school is expected to be finished in CY 1967.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: CHILE

Borrower: Central Savings and Loan Bank

Funds: AFP

Title and Number of Loan: Central Savings and Loan Bank 513-L-022	
Date Authorized: 2/27/64	Date Signed: 3/18/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 20 yrs. Two-Step 40 yrs.
Authorized 8,700	Grace Period 5 yrs. Two-Step 10 yrs.
Disbursed 6,768	Interest Rate 4% Two-Step 3/4% GP; 2% After
Repayments -	Currency of Repayment . . \$ U.S.
Interest Collected 38	

Physical Status: The Bank, together with its 24 savings and loan associations, has 182,000 depositors. By June 1966, the savings and loan system had generated \$65 million in local savings and had financed 26,460 homes. It plans to finance about 8,000 new homes annually.

Financial Status: The loan is 77% disbursed. A reimbursement request for an additional \$1.6 million is being held pending completion of a study of the savings and loan system by two U.S. consultants. The loan is expected to be fully disbursed in CY 1967.

Host Government Role and Procurement Source: The Government of Chile is to match the AID contribution by providing the escudo equivalent of \$8.7 million to the Central Savings and Loan Bank over the disbursement period of the loan.

U.S. dollars made available under this loan are used to finance goods and related services from the U.S.

Purpose of Loan: To assist Chile's national housing program by supporting the rapidly growing savings and loan system. Through its national system of 24 savings and loan associations, the Central Savings and Loan Bank will extend mortgage loans with a term from 8 to 25 years at a 7% interest rate. A technical assistance component of up to \$250,000 has been provided to assist in directing the expansion of the savings and loan system.

The loan complements DLF Loan 199 which was extended to the Bank in 1961 for housing construction and for development of the savings and loan system. Other assistance has been provided by the IDB in the form of two loans, each of \$5 million, for the promotion of cooperative housing. AID also made a \$5 million grant as part of the \$20 million Reconstruction and Rehabilitation Grant and made a \$1.3 million loan under P.L. 480, Title I.

Agreement has been reached under which the Government of Chile will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10 year grace period, with annual interest at 3/4% during the grade period, and 2% thereafter.

Comments on Implementation: The issue with regard to the creation of a secondary mortgage market as a condition to disbursement has been resolved.

In October 1965, the Caja Central contracted the services of a U.S. advisor to analyze the status of the system's development and the ability of the secondary mortgage market to assume its role in increasing the liquidity and volume of the Bank's portfolio. The advisor recommended that loan disbursements no longer be tied to the level of sales in this market since the original purpose of this procedure had been met, in that the system no longer needed a stimulus and was promoting secondary market operations on its own. It was subsequently decided that disbursement under this loan would be more effective in attracting additional funds were it tied to GOC contributions to the system.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: CHILE Borrower: Corporation de Fomento (CORFO) Funds: AFP

Title and Number of Loan: Rural Electric Cooperatives 513-L-024	
Date Authorized: 9/22/64	Date Signed: 3/5/65
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 3,300	Grace Period 10 yrs.
Disbursed 582	Interest Rate 3/4% GP 2% After
Repayments -	Currency of Repayment . . \$ U.S.
Interest Collected 1	

The last condition precedent to disbursement was satisfied in October 1965 with the signing of the NRECA contract for technical assistance to the cooperatives. To date, nearly half of the 14 cooperatives have projects that are completed or underway. A total of 34 projects are completed, 125 are under construction and 11 remain to be started.

Financial Status: The loan is 18% disbursed. Disbursements will continue regularly in CY 1967.

Host Government Role and Procurement Source: Of the total \$6.9 million project costs, the \$3.3 million AID loan will finance all foreign exchange costs and about \$2.5 million of the local costs. The Borrower will contribute the equivalent of \$3.6 million for local costs.

Equipment, materials, and services financed under the loan are procured from the U.S. or Chile. U.S. dollars used to generate currency for local costs will be used to finance goods and related services from the U.S.

Comments on Implementation: Implementation of the loan is proceeding satisfactorily and no problems are anticipated.

Purpose of Loan: To assist in the financing, through sub-loans to 14 rural electric cooperatives, of (1) new construction, (2) improvement of existing electric power transmission and distribution systems, and (3) maintenance tools and equipment. The loan also provides the technical assistance and training needed to expand rural electric cooperatives. The loan will add 1,451 miles of distribution lines and will make electric power available to 75,000 previously unserved people. The availability of electric power will promote increased agricultural and industrial production through the use of electric irrigation and pumping equipment and the relocation of manufacturing and processing industries near the source of supply. Up to \$100,000 of the loan is to be used for providing technical assistance to the cooperatives.

The project is based upon a study prepared in 1963 under an AID-financed contract with the National Rural Electric Cooperatives Association (NRECA).

Physical Status: The borrower and 14 sub-borrowers are existing institutions. The latter have 2,252 miles of distribution lines in operation and serve an area with a population of 236,000

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: CHILE Borrower: Government of Chile Funds: AFP

Title and Number of Loan: Program Assistance 513-L-025	
Date Authorized: 12/4/64	Date Signed: 1/15/65
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 80,000	Grace Period 10 yrs.
Disbursed 75,650	Interest Rate 1% GP 2½% After
Repayments -	Currency of Repayment .. \$ U.S.
Interest Collected 587	

Financial Status: All tranches of the loan have been released. The loan is fully committed and 95% disbursed. Final disbursement is scheduled in early 1967.

Procurement Sources: Goods and related services financed by the loan proceeds are procured from the U.S.

Comments on Implementation: The loan is almost fully disbursed, and no problems are anticipated.

Purpose of Loan: To support the GOC's economic stabilization and development program by (1) assisting dollar cost financing of essential private sector imports from the U.S., and (2) supporting priority projects in the Government's investment program with local currency generated by the loan.

This loan was part of a total package of \$116 million (AID \$80 million program loan and \$20 million PL 480 sales agreement, and a \$16 million U.S. Treasury agreement) negotiated with the new Frei Administration in conjunction with the \$34 million stand-by agreement signed by the IMF and the GOC in January 1965.

Physical Status: Disbursements under the loan were conditioned on the borrower's continued implementation of fiscal and monetary measures satisfactory to AID and in accord with the IMF standby agreement. These conditions were met successfully. Local currency generated by this loan is used to finance a variety of projects in the public sector budget including schools, roads, housing, agricultural marketing and research facilities and power facilities.

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: CHILE

Borrower: Instituto de Financiamiento Cooperativo

Funds: AFP

Title and Number of Loan: Cooperative Development Bank 513-L-026	
Date Authorized: 6/26/65	Date Signed: 4/14/66
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 25 yrs. Two-Step 40 yrs.
Authorized 3,650	Grace Period 10 yrs. Two-Step 10 yrs.
Disbursed 296	Interest Rate 1% GP; 2½% After Two-Step 1% GP; 2½% After
Repayments -	Currency of Repayment . . \$ U.S.
Interest Collected -	

Financial Status: The loan is 8% disbursed. Disbursements are expected to continue at a regular pace during CY 1967. The loan is guaranteed by the GOC.

Host Government Role and Procurement Source: The Chilean contribution totals \$430,000, including \$150,000 of paid-in capital to be contributed by member cooperatives during the first two years of the Bank's operations. Equipment, materials, and services financed under the loan are procured from the U.S. or Chile. Local currency outlays under this loan are to be made with local currency generated through special letters of credit.

Comments on Implementation: The major hurdle to implementation was overcome with the passage in April 1966 of the necessary legislation to authorize the GOC to guarantee the loan. No further problems are expected.

Purpose of Loan: To provide seed capital for the creation and initial financing of a Cooperative Development Bank (IFICOOP) and to provide credit facilities and technical and managerial services to Chilean cooperatives. The project will make available credit for groups otherwise unable to obtain financing and will unify and strengthen the cooperative movement in Chile, thus bringing about a more rational distribution of resources between the urban and rural areas.

Agreement has been reached under which the Government of Chile will receive loan payments from the borrower in local currency. It will reimburse AID in dollars within 40 years, including a 10 year grace period, with annual interest at 1% during the grace period and 2½% thereafter.

Physical Status: The Bank began operations with its own funds in the first half of 1966 and obtained short-term local bank credit to expand this activity. Additional funding became available with the signing of the AID loan agreement in April 1966. Through November 1966, IFICOOP had made loans totaling nearly two million escudos to consumer, agricultural, small farmer, housing and services cooperatives. Chile has contracted for technical assistance through the International Cooperative Development Association.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: CHILE

Borrower: Government of Chile

Funds: AFP

Title and Number of Loan: Fertilizer Import Loan 513-L-028	
Date Authorized: 6/28/65	Date Signed: 1/11/66
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 3,600	Grace Period 10 yrs.
Disbursed 1,800	Interest Rate 1% GP 2½% After
Repayments -	Currency of Repayment . . \$ U.S.
Interest Collected 8	

Host Government Role and Procurement Source: All fertilizer financed under the loan will be procured in the U.S. This purchase is in addition to regular Government of Chile purchases of U.S. fertilizer, which amounted to \$6.3 million during 1966.

Comments on Implementation: Implementation of the project is expected to be completed on schedule.

Purpose of Loan: To finance imports of up to 44,000 tons of triple superphosphate fertilizer during FY 1966 as an addition to Chile's regular fertilizer import levels. This loan is an important part of Chile's overall program to increase agricultural production, which includes more favorable agricultural pricing policies, agrarian reform, improved farm credit and marketing systems, and encouragement of agricultural cooperatives.

The fertilizer is being imported by the Empresa de Comercio Agricola (ECA) of the GOC for sale to individual farmers and farm cooperatives. Credit facilities, ranging up to the full value of fertilizer, will be available to cooperative members through the Cooperative Development Bank (IFICOOP) and to farmers through the State Bank. Some 10,000 farmers are benefitting from this program.

Physical Status: ECA has sold all but 1,016 tons of the first delivery (24,000 tons) of the fertilizer financed under the loan. The remaining 20,000 tons which arrived in Chile in December 1966, is expected to be sold before the beginning of the planting season in April.

Financial Status: The loan is 50% disbursed. The balance will be disbursed in 1967.

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: CHILE

Borrower: Government of Chile

Funds: AFP

Title and Number of Loan: Program Assistance 513-L-030	
Date Authorized: 1/27/66	Date Signed: 2/15/66
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 80,000	Grace Period 10 yrs.
Disbursed 19,081	Interest Rate 1% GP 2 1/2% After
Repayments -	Currency of Repayment . . \$ U.S.
Interest Collected 35	

The GOC has complied with the major targets established under the loan for CY 1966. Domestic price increases were held to 17%, the lowest since the start of the Alliance. Fiscal receipts rose almost 24% over 1965 levels. Exchange rate depreciation during 1966 exceeded consumer price increases by 3%. Fiscal sector current account transfers decreased from 24% in real terms in 1965 to 15% in 1966. Public sector savings and capital income rose by 23% in 1966. During 1966 fiscal sector and decentralized agency savings are estimated to have exceeded the loan target by 17%. The Chileans made progress in other key reform areas including tax collections and customs administration, budgetary controls, wage policies, and agricultural marketing and pricing policies.

Purpose of Loan: To (1) support the Chilean development program by assisting in the financing of its investment program and the essential imports needed to maintain an adequate investment level, (2) induce and enable the GOC to adopt and carry out necessary economic development policies and programs and introduce legislation appropriate to development, and (3) establish the institutions and services needed for development.

This loan was part of a total assistance package which included an International Monetary Fund (IMF) standby agreement permitting Chile to roll over \$70 million debt amortization in 1966; an agreement by creditor countries resulting from the Paris Club meeting of February 1965 to refinance approximately \$50 million of Chile's 1966 debt amortization due to these countries; and Export-Import Bank proposals to finance \$200 million in investment to be made by U.S. copper companies and the GOC to expand copper production from 1966 through 1970.

Physical Status: The third and fourth (final) tranches of the loan were released in December 1966 following satisfactory completion of the review of GOC performance for the third and fourth quarters of 1966. The first two tranches of the loan were released similarly, following detailed quarterly reviews on Chilean performance under the economic program outlined by the GOC's 1966 Letter of Intent to CIAP.

Financial Status: The loan was 24% disbursed as of December 1966. An additional \$40 million was committed as of the same date through letters of commitment or other disbursement authorizations, raising the total amount of disbursed and committed funds to \$70 million or nearly 90% of the loan.

Host Government Role and Procurement Source: All goods and related services financed by the loan are to be procured from the U.S.

Comments on Implementation: No disbursement problems are anticipated. The procedure for Chilean public agency placement of orders in the U.S. under loan commitments has resulted in slower disbursement of this portion of the loan than the private sector portion.

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: CHILE

Borrower: Central Bank of Chile

Funds: AFP

Title and Number of Loan: Private Sector Imports 513-L-031	
Date Authorized: 3/18/66	Date Signed: 6/2/66
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 10,000	Grace Period 10 yrs.
Disbursed -	Interest Rate 1% GP 2½% After
Repayments -	Currency of Repayment . . \$ U.S.
Interest Collected -	

Physical Status: Conditions precedent to disbursement have been met. The Central Bank has made 35 subloans totaling \$4.9 million. Twenty-five of the subloans are general private sector loans, nine are agriculture loans and the remaining one is a loan to a small mining operation.

Financial Status: Although no disbursements have been formally made by AID, the full \$10 million is committed through a letter of commitment with the Central Bank of Chile. First disbursements will be made in early 1967 and the loan should be fully disbursed by the end of the year.

Host Government Role and Procurement Source: U.S. dollars made available under this loan are to be used to finance goods from the United States.

Purpose of Loan: To finance the procurement in the United States of capital goods on medium credit terms.

At the time the 1965 program loan was negotiated, no need was anticipated for financing capital equipment imports on repayment terms such as those proposed in the present loan. It was expected that additional suppliers' credits of the traditional kind would be sufficient to meet the expected needs. However, in the Paris debt renegotiation of February 1965, the GOC agreed to restrict the use of traditional suppliers' credits in view of the high burden of short and medium-term debt on the balance of payments. Under the Paris agreement, there was to be no net increase in suppliers' credits (defined as having a term of eight years or less) during 1965 and 1966. As a result, the Central Bank tightly rationed the use of suppliers' credits within this ceiling and there has been a large unsatisfied demand for financing of capital equipment imports. The loan is to help fill this demand in a way that will be consistent with the Paris agreements on debt renegotiation.

Comments on Implementation: No disbursement problems are anticipated.

Colombia



BASIC DATA

Population (<i>millions – mid-1966</i>).....	18.5
Annual Growth Rate (<i>percent</i>).....	3.0
Area (<i>1000 square miles</i>).....	440
Population Density Per Square Mile.....	40
Agricultural Land as % of Total Area	17
Percent of Labor Force in Agriculture.....	52

Per Capita GNP (<i>dollars</i>).....	292*
Life Expectancy (<i>years</i>).....	55
People Per Doctor	2,280
Literacy Rate (<i>percent</i>)	62
Pupils as Percent of Population.....	14
<i>(Primary and Secondary)</i>	

* 1966 in 1965 prices

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	81.5	100.0	82.0
Technical Assistance	4.0	4.5	6.0
Contingency Fund	1.5	xxx	xxx
Total A.I.D. Assistance	87.0	104.5	88.0

Objectives of U.S. Assistance

The principal long-term U.S. objective in Colombia is an accelerated rate of economic and social progress, which is achieved within the framework of a strengthened democratic, private enterprise system, and which will permit Colombia to arrive at a strong and self-sustaining open economy. The United States seeks to promote this objective in close cooperation with the Consultative Group, which is led by the International Bank for Reconstruction and Development (IBRD) and includes the International Monetary Fund (IMF), Inter-American Development Bank (IDB), the United States and ten other developed countries. In FY 1968 U.S. assistance will be particularly addressed to Colombia's efforts to overcome its fundamental balance-of-payments problem and the closely related need for agricultural development.

Supporting economic development, the United States seeks to strengthen the Colombian Government's ability to deal with challenges to it and to hemispheric security from anti-democratic forces, including pro-Communist rural guerrilla groups. Colombia's longstanding violence problem, which has been a drain on national resources, has changed from the mainly political party strife of years ago to banditry and insurgency. Colombia was named a prime target at the Tri-Continental Congress in Havana in January 1966, which has encouraged extremist elements.

Along with Colombia's economic development, the United States wishes to expand present mutually-beneficial trade relations and increase as well as protect U.S. investment of more than one-half billion dollars in Colombia.

Key Obstacles to Achievement of Objectives

Colombia's foreign exchange earnings and private capital inflow are inadequate to support the increasing level of imports required to sustain an acceptable rate of growth for its expanding

population. This shortage of earnings and capital limits the development capabilities of both the public sector and Colombia's dynamic private sector.

Colombia is overly dependent--65 to 70%--on the relatively inelastic demand of the international coffee market for its foreign exchange earnings. Plans for agricultural diversification in coffee areas have moved slowly and are complicated by the large number of small growers involved and by the lack of adequate technical and financial resources. In general, the development of the agricultural sector has lagged behind the rate of growth of other sectors and behind population growth of about 3% annually. Consequently, per capita food production has slipped to a substandard level with inadequate protein content.

Colombia needs to increase its domestic revenues for operational and developmental expenditures through more taxes and better collection. Concomitantly, its planning capacity needs to be strengthened. Colombia's long-term development plan is out of date, and is being revised by the development-minded Lleras Administration, inaugurated on August 7, 1966.

Social obstacles to Colombian development are enormous. The inadequate education system, for example, presently reaches only 17% of the 12 to 18-year-old group, leaving a critical bottleneck at the level of potential technicians or university entrants. The resulting majority are unskilled or semi-skilled and suffer severe unemployment or underemployment, especially in rural areas. Rural poverty and the persistent violence problem have accelerated the drift from farm to city, aggravating the acute housing deficit and need for coordinated urban development.

Another basic obstacle to Colombia's development is the country's cumbersome National Front system, which requires division of all elective and appointive posts equally between the dominant Liberal and Conservative Parties; alternation of the four-year presidency until 1974; and a two-thirds majority to pass legislation. The built-in hazards and rigidities of the system require exceptionally strong political leadership--which was lacking under the last administration. Fortunately, the two-thirds requirement was temporarily modified in December 1966, when Congress passed a law allowing most types of important legislation to be passed by a simple majority, which Lleras' National Transformation Front has in both houses.

Recent Country Performance

Colombia made significant financial progress in 1966, and economic growth was impressive, given the restraints noted above. The

Country: COLOMBIA

country's resources were increasingly devoted to economic and social development. Recent plans and programs of the new Lleras administration indicate a concentration of effort on development, particularly financial stability, agriculture, and education, which the United States also views as key problems.

A series of economic reforms initiated in September 1965 produced a good measure of monetary stability and economic revival. During the October 1965-September 1966 period, the FY 1966 program loan year, Colombia demonstrated generally good performance and compliance with the main requirements of the IBRD (as head of the Consultative Group, the IMF, and U.S.A.I.D.). These requirements related principally to the management of foreign exchange and domestic credit and the achievement of a substantial budgetary surplus on current account to finance investments and the initiation of new self-help measures. The exchange rate for merchandise imports was devalued from 9 pesos to 13.50 pesos per dollar and about 70% of imports were progressively placed on the free list. Banking regulations were tightened. The new taxes which were levied were expected to yield over one billion pesos (about \$75.0 million) in 1966. Revenues were up 38% in real terms during the first eight months of 1966 over the same period of 1965. In December 1966, the government decreed new gasoline taxes which were expected to yield some \$600 million during 1967. In addition, income taxes were put on a pay-as-you-go basis as of January 1, 1967.

Colombia's balance-of-payments situation, however, became critical in late 1966, in large part because of lower coffee prices and a slowdown in coffee shipments in September and October. The Government of Colombia instituted emergency foreign exchange and import controls on November 29, 1966, indicating that these measures were temporary. At present, the Colombian Government is developing plans for handling its external financial problems; these plans should serve as a basis for further discussions with international financial and lending institutions.

The government now spends 15% of its budget for education and intends to raise this to 20% in 1967. It has presented to the Congress a new plan to modernize education at all levels and make it more responsive to local development needs. The government's allocation of counterpart pesos for 1967 includes 40 million pesos for primary school construction and 60 million pesos for improvement and expansion of secondary education. Administrative reforms in the National University system over the past two years won recent approval of an IDB loan.

In an effort to counter the key problem of agricultural production Colombian Government investment in the agricultural sector was doubled in 1966 and will be tripled in 1967 over the 1965 level, emphasizing supervised agricultural credit, land reform, and livestock production. A new bill before the Congress requests tripling the annual 100 million pesos (US \$7.4 million) appropriation for the Land Reform Institute (INCORA) and authorization of an additional 100 million pesos in bonds to finance expropriation; previous bond issues have totalled some US \$90 million during INCORA's four years of operation. Lleras' bill also requested the Congress to authorize new procedures to cut red tape and provide more effective tools for land distribution. The government has earmarked for INCORA the largest share, 236.1 million pesos, of the 462.2 million counterpart pesos allocated for 1967.

INCORA has provided training in supervised credit to more than 530 employees. Colombian private as well as government capital has gone into the A.I.D.-assisted Livestock Bank, which is making progress toward the target of increasing non-coffee exports--meat exports totalled US \$11.2 million in 1965 and US \$6.5 million during January-July 1966, compared with US \$2.2 million during 1964. In little over two years, more than 9,100 Colombian farmers have received financial assistance totalling more than 137.6 million pesos. Farmers participating in the supervised agriculture program have raised their per capita income from an estimated 1,440 pesos in 1962-63 to 3,080 pesos in 1964, an increase of 114% in annual income.

The Colombian Government's program and centers for vocational education (SENA) are so effective that businessmen do not complain about paying a 2% payroll tax to support them. Approximately 46,720 individual enterprises contribute to the SENNA system, which today includes 51 centers operating through 18 regional offices and covering 140 occupations. Expansion plans call for 92 centers by 1969, covering 350 occupational specialities. As of mid-1966, SENNA had provided occupational training and improvement courses to 164,217 Colombians, including 25,691 apprentices and approximately 10,000 supervisors. Employers also provide paid leaves of absence to all participants in the American Institute for Free Labor Development (AIFLD) "in country" training programs.

The Government of Colombia allocated the equivalent of US \$1.2 million in counterpart pesos to pay for labor for co-op housing in FY 1966 as part of its low cost housing program, which has built 120,000 low cost urban units and has another 14,000 under

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

construction. The Government of Colombia allocates about US \$7 million annually to the National Housing Institute, in addition to arranging special loans for housing.

Implementation of the National Water Supply and Sewerage plan of 1962 has resulted in 200 water supply and sewerage systems benefitting some 167,000 rural families. Further benefitting public health are 820 Colombian health centers, 15 hospitals, and about 80 clinics, as well as field dispensaries and well-drilling squads operating under the civic action program in violence areas. The Government of Colombia continues to make impressive gains in reducing violence areas and is allocating 8% of its annual budget to develop an effective civilian National Police Institution, thus reducing dependence on military forces.

U.S. Strategy

U.S. strategy seeks, both through bilateral assistance and as part of the multilateral Consultative Group on Colombia, to strengthen key Colombian institutions and capabilities essential to economic development, social stability, and financial balance. A US \$100 million program loan to finance minimum essential imports, tied to U.S. sources, is under negotiation. The loan will be conditioned on Colombian commitments to undertake specific improvements, particularly in agriculture, education, export promotion, development planning, and monetary and price policies—areas of critical need for Colombian development. Disbursements under the loan will be subject to quarterly review.

Similarly, Colombian allocation of pesos generated by the program loan, dollar project lending, or P.L. 480 sales, although owned by the Government, will be subject to U.S. approval, thus providing double leverage in seeking effective implementation of the Colombian development program. A.I.D. will continue to coordinate its assistance with the Consultative Group on Colombia, which was organized in January 1963. It is expected that during the remaining months of FY 1967, agreement will be reached between the Government of Colombia and the IBRD, on the content and priorities of a 3-5 year development investment plan for Colombia. The Colombian Government plans to present this plan to a Consultative Group meeting early in FY 1968, and members will be encouraged to support the plan with substantial commitments towards the \$600 million in external resources, which may be required by the initial portions of the investment program.

FY 1968 Program

The A.I.D. level proposed for FY 1968 is \$88.0 million, comprised of \$82 million in development loans (program, sector and project)

and \$6.0 million for technical assistance grant program. A.I.D. assistance will be coordinated with that from other Consultative Group donors whose projected assistance is likely to far exceed that of the United States.

Financial Stability. Continued external and internal financial balance is fundamental to the achievement of adequate economic and social progress. In this regard, program loans of \$100 million in FY 1967 and \$63 million in FY 1968 are proposed, with quarterly disbursements conditioned upon specific improvements particularly in the areas of monetary and price policy, agriculture, export promotion, education, and development planning. These loans will help Colombia finance the high priority private sector imports from the United States, which are essential to maintain the present economic momentum as well as to permit expansion of export production and import-substitution programs.

The government is giving high priority to increasing Colombia's foreign exchange earnings. As part of an intensified effort to expand minor exports (all exports other than coffee and petroleum), A.I.D. will provide technical assistance to the Export Development Fund which is being established within the Bank of the Republic in cooperation with a private exporters' association and financed by a tax on imports. Assistance in the formulation of a national industrial development plan as well as in the identification of regional industrial development opportunities will also be continued.

Technical assistance in tax and customs administration will be continued, and a loan to assist in property tax and land evaluation, a potentially rich source of new revenue, is under consideration.

Agriculture. Although the Government of Colombia is increasing its support and budgetary allocations to the programs of the Institute for Agrarian Reform (INCORA) and the Livestock Bank, it lacks a comprehensive plan for the development of the agriculture sector and agriculture lags behind the rest of the economy. At the request of the Ministry of Agriculture, A.I.D. proposed to send a team of Department of Agriculture specialists to assist in the preparation of such a plan, to include pricing and credit structure, land reform, colonization, and storage and marketing facilities. A sector loan of \$5 million is proposed to be conditioned on adequate Self-Help performance in these areas. In addition, A.I.D. will extend a \$1 million loan for the preparation of a prefeasibility study of the Magdalena Valley. This area contains more than half of the better agricultural lands in Colombia and also exhibits a great potential for hydroelectric power.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

In 1965, the Ministry of Agriculture, the National University and the Colombian Agriculture and Livestock Institute initiated a new program to establish a nationwide system of agricultural education, extension, and research, which has attracted the coordinated support of the IDB, IBRD, UN, and three private foundations. A.I.D.'s participation includes a project to expand and upgrade the agriculture and veterinary medicine faculties on three campuses of Colombia's National University. In FY 1968, under the leadership of and a contract with the University of Nebraska, 30 professors from the Mid-American State Universities Association will advise and assist Colombian faculties in the modernization of existing curriculum and in improvement of the quality and use of research laboratories and extension services. The private foundations are assisting in research and extension and providing funds for scholarships.

In order to assure an adequate supply of beef for domestic consumption and for export A.I.D. proposes to expand its program of Livestock Development by providing a \$3 million loan to the Livestock Bank for slaughterhouse construction and improvement. Technical assistance will also be provided in the fields of supervised agricultural credit and marketing cooperatives.

Education. An intensive two year study of Colombian education under a joint A.I.D.-UNESCO project formed the basis for a comprehensive education plan which the Government presented to the Congress in mid-1966. This study showed, for example, that deficiencies in the quality and size of the secondary education system represent the major obstacle to long-range educational needs. Accordingly, in FY 1968, A.I.D. will begin a program to provide technical assistance to 17 consolidated high schools to be constructed under a proposed \$12 million IBRD loan, and to five teacher training colleges. A.I.D. will continue to provide assistance in national education planning with emphasis being placed on the completion of a higher education survey by the Colombian Association of National Universities. A \$5 million sector loan is also being considered to be conditioned on demonstrated efforts to carry out the specific reforms recommended by the plan, and on revision of the education sector financing system.

Social Stability. The continued migration of a large number of people from the rural areas into the major urban centers is placing increasing pressure on urban services and existing housing, both of which are already inadequate. The Government has announced that it will give high priority to housing construction with a goal of 60,000 units per year both as a means of filling the urban housing gap, presently estimated at about 400,000 units, and in order to tackle the unemployment problem. However, the Government alone cannot hope to meet this goal; private financing both domestic and foreign, is essential. A.I.D. will continue to assist the Colombian Housing Institute and the Bank of the Republic in the development of a system of variable mortgage payments which is essential if private capital is to be attracted into housing. A.I.D. is proposing a \$10 million loan to provide seed capital for the establishment of a national savings and loan institution, conditioned upon the development and implementation of a valid system for the maintenance of value of savings deposits. Technical assistance will also be provided in the field of Urban Development Planning to assist the Government to develop a defined policy on the problem of Urban Development, including adequate provision for urban infrastructure and slum improvement.

Assistance to the Government's civic action and public safety programs, which are essential to improved internal security, will continue to include expansion of a police communications net, modernizing firearms, and improved police training and administration.

~~CONFIDENTIAL~~

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

SUMMARY OF PROGRAM BY FUNCTION
(Dollar Amounts in Thousands)

TABLE II

Country: COLOMBIA

Category	Actual FY 1966				Estimate FY 1967				Proposed FY 1968		
	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.
Development Loan Program	81,500	XXX	XXX	XXX	100,000	XXX	XXX	XXX	82,000	XXX	XXX
Programs Other than Devel. Loan											
Project Assistance											
U.S. Technicians	2,907	2,907	-	-	2,513	2,513	-	-	3,928	3,928	-
Participants	324	324	-	-	529	529	-	-	581	581	-
Commodities	1,969	494	-	1,475	800	800	-	-	585	585	-
Other Costs	310	310	-	-	623	623	-	-	906	906	-
Total Project Assistance	5,510	4,035	-	1,475	4,465	4,465	-	-	6,000	6,000	-
Method of Financing											
Project Assistance											
Direct A.I.D.	3,762	2,287	-	1,475	2,741	2,741	-	-	2,643	2,643	-
Other Agency	238	238	-	-	500	500	-	-	898	898	-
Contract	1,510	1,510	-	-	1,224	1,224	-	-	2,459	2,459	-
Program Assistance	-	-	-	-	-	-	-	-	-	-	-
Total Other than Devel. Loan .	5,510	4,035	-	1,475	4,465	4,465	-	-	6,000	6,000	-
Total Assistance	87,010	XXX	XXX	XXX	104,465	XXX	XXX	XXX	88,000	XXX	XXX

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	49	48	49
Participating agency	21	25	33
Contractor technicians	29	37	70
Total	99	110	152

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	172	190	164
Contract	4	30	62
Total	176	220	226

~~CONFIDENTIAL~~

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE National Agricultural Planning	ACTIVITY Agricultural and Natural Resources	FUNDS TC	
PROJECT NUMBER 514-11-190-097	PRIOR REFERENCE Pg. 258 of FY '67 C.P.	INITIAL OBLIGATION FY: 1961	SCHEDULED FINAL OBLIGATION FY: 1972

Project Target and Course of Action: (1) To improve the program and implementation capability of the Colombian Ministry of Agriculture and (2) to develop the institutional capacity required to evaluate, analyze, and plan for the future development and uses of Colombia's basic resources.

National Agricultural Planning: Assistance is directed primarily at improving the organization and staffing of the National Agriculture Planning Office which assists the Minister of Agriculture in formulating, coordinating, and executing Colombia's agriculture policy. Beginning in 1967 U.S. Department of Agriculture technicians will assist the Ministry of Agriculture in developing an agriculture plan. The proposed plan will fix priorities, recommend legislative, fiscal, and budgetary measures, and establish the framework for coordinating the efforts of all Colombian agencies engaged in agricultural activities.

Basic Resources Survey: Inter-American Geodetic Survey technicians are assisting the Colombian Geographic Institute in increasing its capacity to 1) collect data on soils forestry, and hydrologic problems. 2) backstop other planning agencies, and 3) help coordinate other basic resource projects in Colombia. Bureau of Reclamation technicians will also begin in FY 1967 to help five Colombian agencies prepare a loan application for a pre-feasibility study of the Magdalena Valley, an area which exhibits great potential for industrial and agricultural development.

Progress to Date:

(1) National Agricultural Planning: In November 1966, the Minister of Agriculture requested assistance to develop

a nation-wide agriculture plan, and in January 1967 a USDA team visited Colombia briefly to discuss future development of such a plan.

(2) Basic Resources Survey: Assistance to photography and mapping activities under this project in CY 1964 and 1965 resulted in photographing 335,000 sq. kilometers and mapping data on 146,000 sq. kilometers. Also completed were soils studies covering 2,330,000 hectares, an ecology study of 787,400 hectares, a forestry inventory study for 200,000 hectares of forest lands, and an irrigation study encompassing 114,700 hectares; and 50 hydrologic stations and 421 climatological stations were established. This project will be continued past the scheduled completion date in order to assist the Colombian Government in developing a national agriculture plan and to assist in the development of a loan for a pre-feasibility study of the Magdalena Valley. The increase in the estimated cost to completion also reflects these changes.

FY 1968 Program:

U.S. Technicians: Direct-hire: 1 Chief RDO, 1 Deputy Chief RDO and 1 Basic Resources Advisor.

PASA: 3 IAGS (\$80,000) for 1 year, 5 Bureau or Reclamation (\$116,000) for about 9 to 12 months each, 8 USDA (\$300,000) for 1 year and 5 short-term consultants.

Participants: Training for 11 in U.S. in development planning and water resources training and 23 in Panama in cartograph mapping control, irrigation management.

Commodities: Training and demonstration equipment.

Other Costs: Per diem, local travel.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	2,636	2,335	301	U.S. Technicians	133	118	251	81	496	577	U.S. Department of Agriculture U.S. Bureau of Reclamation Inter-American Geodetic Survey
Estimated FY 67	349	400		Participants . . .	50	-	50	60	-	60	
Estimated through 6/30/67	2,985	2,735	250	Commodities . . .	21	-	21	10	-	10	
				Other Costs . . .	27	-	27	23	-	23	
		Future Year Obligations	Estimated Total Cost	Total Obligations	231	118	349	174	496	670	
Proposed FY 68	670	1,429	5,084								

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE	Agricultural Diversification	ACTIVITY	Agricultural and Natural Resources		FUNDS	TC	
PROJECT NUMBER	514-15-130-098	PRIOR REFERENCE	Pg. 259 of FY'67 C.P.	INITIAL OBLIGATION	FY: 1960	SCHEDULED FINAL OBLIGATION	FY: 1971

Project Target and Course of Action: To re-orient traditional and outdated agricultural patterns toward changing needs of a developing and urbanizing economy by (1) increased livestock production both for domestic consumption and export (primarily the European market) through improvement of meat processing facilities and supervised loans by the Livestock Bank (Banco Ganadero); (2) supervised agricultural credit through the Colombian Agrarian Reform Institute (INCORA) to small farmers for implementing agricultural diversification plans prepared by the INCORA staff; (3) establishment of a dairy marketing cooperative organization with the Department of Antioquia and a tropical fruit and vegetable cooperative with INCORA.

Progress to Date: The Livestock Bank had as of December 31, 1966, a lending portfolio of \$28 million consisting of the equivalent of \$16 million from Colombian private and public sources and \$12 million from 2 A.I.D. loans. As of December 31, 1966, the Livestock Bank had made 1,060 subloans for the equivalent of \$7.6 million. Exports of cattle, beef and livestock products increased from \$1.2 million in 1963 to an estimated \$14 million in 1966. A.I.D. emphasis is now shifting from capital intensive production to advice in livestock marketing and processing. U.S. Department of Agriculture advisors assisted INCORA in the implementation of their agriculture credit program, which includes 2 supervised agriculture credit loans totalling \$18.5 million made by A.I.D. In a little over two years, more than 9,100 Colombian

farmers have received financial assistance totalling more than 137.6 million pesos. Farmers participating in the supervised agriculture program have raised their per capita income from an estimated 1,440 pesos in 1962-63 to 3,080 pesos in 1964, an increase of 114%. Twenty-five purchasing and marketing cooperatives were organized. Between 1963 and 1966, the INCORA Supervised Credit Division and A.I.D. have trained 385 field personnel, 125 area directors and zone chiefs, and other administrative personnel at the area and national levels. Thirty field supervisors have taken intensive short courses in Puerto Rico and 5 area directors and zone chiefs have completed a 3 month course in farm management and agricultural credit in the U.S. In the development of cooperatives, assistance has been provided to the Colombian Association of Cooperatives (ASCOOP) and the National Association of Credit Unions (UNCONAL). From 1964 to 1966: the number of cooperatives increased from 242 to 479; membership rose from 54,000 to 76,000; and over 4,000 members received training in organization and management of cooperatives.

FY 1968 Program:

U.S. Technicians: 1 livestock advisor, 1 supervised agricultural credit advisor. 6 months of contract services in meat processing, inspection procedures, and slaughterhouse improvement (\$14,000).

Participants: 5 agricultural credit participants will receive training in the U.S.

Other Costs: Local travel, per diem and some local commodities.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
	Through 6/30/66	Estimated FY 67	Estimated through 6/30/67		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract XXXXXX	Total	Direct AID	Contract XXXXXX	Total	
	1,009	858	151		91	51	142	61	14	75	International Cooperation Development Association
	208	205		U.S. Technicians	23	-	23	20	-	20	
	1,217	1,063	157	Participants . . .	11	-	11	-	-	-	
		Future Year Obligations	Estimated Total Cost	Commodities . . .	32	-	32	34	-	34	
				Other Costs . . .							
Proposed FY 68	129	288	1,634	Total Obligations	157	51	208	115	14	129	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE Agricultural Education (ICA)		ACTIVITY Agriculture and Natural Resources		FUNDS TC
PROJECT NUMBER 514-15-110-120		PRIOR REFERENCE Pg. 260 of FY '67 C.P.	INITIAL OBLIGATION FY: 1966	SCHEDULED FINAL OBLIGATION FY: 1971

Project Target and Course of Action: The objective of this project is to improve agricultural education, research and extension in Colombia. Specifically, A.I.D. will assist a joint effort of the National University of Colombia and the Colombian Agricultural Institute (ICA) and the Ministry of Agriculture to expand and upgrade the faculties of three agricultural colleges and to orient agricultural curricula toward applied research and extension and to establish an effective agricultural extension service.

Progress to Date: In November 1963 the Ministries of Education and Agriculture and the National University agreed that ICA would have the overall responsibility for coordination of Colombian efforts in the area of agricultural education and for developing the agricultural faculty of the National University. The National University and ICA are engaged in a plan to reorient study and research at the agricultural colleges at Medellin, Palmira, and Bogota toward crop diversification in traditional areas of production and the introduction or expansion of production in under-developed tropical lands. A number of U.S. foundations and international organizations are participating in this effort including Ford, Rockefeller, Kellogg, IBRD, and U.N. On March 7, 1966, the University of Nebraska, representing the Mid-American State Universities Association, signed an A.I.D.-financed contract with ICA to bring about the improvement of the agricultural faculties. Thirty American professors will cooperate with the Colombian Faculties in the modernization of the existing

curriculum and in teaching, research and extension methods. Plans have already been developed on research and teaching in the field of veterinary medicine, weed control and agronomy. Due to unavoidable difficulties in obtaining the qualified faculty and staff as originally scheduled, the FY 1967 funding level has been reduced to \$600,000 and the scheduled final obligation date has been extended to FY 71. The estimated cost to completion has been increased to reflect the increased requirements for U.S. faculty services needed to meet the goals of this project.

FY 1968 Program: A contract with the University of Nebraska will be extended to December, 1968 (\$1,267,000)

U.S. Technicians: 30 Professors plus 1 campus coordinator and 2 secretaries at the University of Nebraska.

Participants: 30 participant training grants will be awarded in the field of agricultural engineering (11), agronomy (8), rural sociology (2), agricultural information, veterinary medicine (9). Most of the training will take place at the University of Nebraska.

Commodities: Mainly teaching aids and laboratory equipment.

Other Costs: Contract overhead costs, local travel.

^{1/} The pipeline is due to forward funding of the Nebraska Contract and delays in recruiting qualified faculty.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	742	3	739 ^{1/}								University of Nebraska
Estimated FY 67	600	319									
Estimated through 6/30/67	1,342	322	1,020 ^{1/}		294	294		930	930		
		Future Year Obligations	Estimated Total Cost								
				U.S. Technicians		110	110		165	165	
				Participants . . .		79	79		60	60	
				Commodities . . .		117	117		112	112	
Proposed FY 68	1,267	3,657	6,266	Other Costs . . .							
				Total Obligations		600	600		1,267	1,267	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE Industrial Development	ACTIVITY Industry and Mining	FUNDS TC	
PROJECT NUMBER 514-13-290-117	PRIOR REFERENCE Pg. 261 of FY'67 C.P.	INITIAL OBLIGATION FY: 1960	SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: To promote increased productivity of the manufacturing industry sector with particular emphasis on expansion of minor exports, development of national markets, and increased employment.

A.I.D. will provide technical advice and training to: (1) the National Department of Planning, the Ministry of Development, the Institute for Industrial Development, public financial organizations, and private sector agencies in formulating a national industrial sector plan; (2) the Bank of the Republic and the Government in establishing an effective central export development institution; (3) the Private Development Committee (PDC), a private sector investment promotion and trade organization to stimulate private sector investment.

Progress to Date:

(1) Industrial Development: In CY 1965 the industrial sector growth rate was 5.3% compared to 3.4% for the economy as a whole. In the past, A.I.D. assistance was directed more towards stimulating investment and improving the capacity of the Colombian Institute of Standards to act as a National Standards-issuing body to assist quality control of Colombian Commodities. To date U.S. specific risk guarantee policies amounting to \$186 million have been issued; 23 Cooley Loans have been approved to U.S. firms amounting to a Ps. 65 million; and a small and medium industry supervised lending program was initiated by the Caja Agraria under which approximately Ps. 90 million has been made available to small and medium industrial concerns.

(2) Export Promotion: The Bank of the Republic (BOR) established and staffed a separate Export Development Division in 1966 with branches in major Colombian cities. A comprehensive plan establishing an Export Development and Fund Organization has been drafted for enactment into law.

(3) PDC: A total of 17 Regional Committees have been organized under PDC auspices. The PDC has been responsible for several joint venture investments between Colombian and U.S. businessmen.

The increase in the cost to completion is due to the extension of this project to 1970 so that adequate technical assistance can be given to the proposed export development agency and to the formulation of a industrial sector plan.

FY 1968 Program:

U.S. Technicians: 3 Direct-hire, an Industrial Economist, an Industrial Development Advisor, and a Junior Officer Trainee. A year contract with an export development firm, not yet selected, will include 7 full-time contract advisors and 4 short-term consultants in specialized fields, 3 in export development and 1 contract industrial planning advisor.

Participants: 10 direct participants for 3 to 4 months each and 25 contract participants for two months each to study in the U.S. or third countries in the areas of industrial planning, and development research, area development and export marketing.

Other Costs: Local travel and supplies.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/ AGENCIES
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract	Total	Direct AID	Contract	Total	
Through 6/30/66	1,026	785	241								
Estimated FY 67	428	400		U.S. Technicians	49	258	307	72	215	287	
Estimated through 6/30/67	1,454	1,185	269	Participants . . .	37	10	47	20	25	45	
		Future Year Obligations	Estimated Total Cost	Commodities . . .	-	-	-	-	-	-	
				Other Costs . . .	13	61	74	13	27	40	
Proposed FY 68	372	1,253	3,079	Total Obligations	99	329	428	105	267	372	

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE Labor	ACTIVITY Labor		FUNDS TC
	PRIOR REFERENCE Page 262 of FY '67 C.P.	INITIAL OBLIGATION FY: 1953	SCHEDULED FINAL OBLIGATION FY: 1969
PROJECT NUMBER 514-13-410-015			

Project Target and Course of Action: To achieve a strengthened democratic labor movement in Colombia which can effectively represent the Colombian workers, resist Communist subversion of organized labor, and help meet the rising expectations for a higher standard of living. The project has two sub-activities whose specific objectives are: a. Workers' Education: Training of Colombian trade unionists and campesino union leaders for responsible, democratic union and community leadership. b. Social Projects: Developing and implementing housing and other community projects which will improve social conditions and raise the workers' standard of living and morale, and strengthen the labor movement.

As a new element in the project for FY 1968 it is planned to provide a limited amount of technical assistance to the Ministry of Labor in various aspects of social security administration, manpower planning and employment services.

Progress to Date: 31 trade union leaders have been trained in the U.S. and over 8,000 labor union officials have received local training under AIFLD auspices. Since 1954, 248 labor leaders and Ministry of Labor officials have received training in the U.S. and Puerto Rico under a separate participant training program. The Social Projects Department of the AIFLD sponsors the Democratic Trade Union Alliance, a joint mechanism of the two national democratic labor confederations, UTC and CTC, for the planning and administration of labor housing projects.

In 1965 they secured a \$2.5 million loan from the Inter-American Development Bank to build low cost housing. The first 280 units of a proposed 1,400 were ready for occupancy in November.

FY 1968 Program: The AIFLD contract (\$230,000) will be extended for one year, through December, 1968.

U.S. Technicians: AIFLD contract: 1 country director 1 Workers Education Advisor, and 1 Social Projects Advisor. Ministry of Labor: 3 short-term consultants.

Participants: 9 Ministry of Labor officials will be sent to U.S. for training in Labor Statistics, Social Security and Employment Services.

Other Costs: Travel and per diem, support costs of UTC and CTC leadership training program for their workers, and 15 local hire technicians.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES			
Through 6/30/66	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS					
	1,099	800	299		Estimated FY 1967			Proposed FY 1968		
					Direct AID	Contract/ AGENCY AGENCY	Total	Direct AID	Contract/ AGENCY AGENCY	Total
Estimated FY 67	195	300		U.S. Technicians	-	150	150	-	100	100
Estimated through 6/30/67	1,294	1,100	194	Participants ...	25	-	25	15	-	15
		Future Year Obligations	Estimated Total Cost	Commodities ...	-	-	-	-	-	-
				Other Costs ...	10	10	20	10	130	140
Proposed FY 68	255	270	1,819	Total Obligations	35	160	195	25	230	255

American Institute for Free Labor Development

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE National Education Planning	ACTIVITY Education	FUNDS TC	
PROJECT NUMBER 514-11-680-083	PRIOR REFERENCE P. 263 of FY'67 C.P.	INITIAL OBLIGATION FY: 1964	SCHEDULED FINAL OBLIGATION FY: 1972

Project Target and Course of Action: To develop a plan for an improved and expanded Colombian primary and secondary educational system designed to meet the most critical needs of Colombia's social and economic development.

A.I.D. is providing advisory assistance to the Colombian Ministry of Education and to other Colombian education entities in project formulation and in the implementation of educational reforms.

Progress to Date: The National Education Planning Study, initiated in 1963, has provided a general plan for educational reform which includes priorities for action programs. Several sectoral reports have been completed, i.e., Secondary Education, Agricultural Education, Industrial Education, Statistics of Education, Teacher Education, and have been used by the Ministry of Education to develop education policies.

Because of the participation of the Ministry of Education Planning Office in the Study it has increased its capability for further planning in education.

A.I.D. provided short-term planning consultants in FY 1966 in the field of public school finance, and this resulted in the Ministry of Education's drafting a proposed law to create a property tax, the proceeds from which would be invested in primary education. This law was presented to the Congress in July, 1966.

Improved instruction programs in the "new" biology, physics, and mathematics have also been initiated by the Ministry of Education with assistance provided by the

Peace Corps and selected Colombian Universities. Assistance in secondary education, previously included under this project, will be provided under the new secondary education project beginning in FY 1968. The completion date has been extended to FY 1972 and the estimated cost to completion increased because of the expansion of the scope of this project to include implementation of new initiatives in educational reforms recommended in the National Education Planning Study.

FY 1968 Program:

U.S. Technicians: (2 full time direct-hire), Chief of Human Resources Division and Deputy, and 4 short-term contract consultants in specific fields of education planning. (The Secondary Education Advisor previously funded under this project has been transferred to the new Secondary Education Project.)

Other Costs: 2 local secretaries, and local travel.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES Personal Services Contract			
	Obligations	Expenditures	Unliquidated	OBLIGATIONS					
				Estimated FY 1967			Proposed FY 1968		
				Direct AID	Contract/OTHER Agency		Total	Direct AID	Contract/OTHER Agency
Through 6/30/66	314	242	72						
Estimated FY 67	146	32		58	20	78	54	34	88
Estimated through 6/30/67	460	274	186	60	-	60	-	-	-
		Future Year Obligations	Estimated Total Cost	-	-	-	-	-	-
Proposed FY 68	100	262	822	8	-	8	12	-	12
				126	20	146	66	34	100

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE Higher Education	ACTIVITY Education		FUNDS TC	
	PRIOR REFERENCE Pg. 264 of FY'67 C.P.	INITIAL OBLIGATION FY: 1962	SCHEDULED FINAL OBLIGATION FY: 1972	
PROJECT NUMBER 514-15-660-101				

Project Target and Course of Action: To develop a comprehensive and practical implementation plan for higher education in Colombia, providing for orderly expansion of facilities, and the optimum use of human and financial resources.

This plan is to be prepared on the basis of a study of higher education needs and facilities being carried out by the Association of Colombian Universities with assistance from an A.I.D.-funded contract with the University of California.

Progress to Date: In 1962, the Association of Colombian Universities requested assistance to conduct a study of Higher Education for the purpose of developing a National Plan. Since that time the Association has established and staffed a permanent Planning Division to carry out the Study and subsequent follow-up action; it has helped establish planning offices in the major universities; and has effected the collection of data, analysis and initial planning which has been printed in 44 volumes.

The contract was signed with the University of California in October 1965. The first phase of the study, descriptive analysis, is nearing completion. Two seminars for 15 Colombian University leaders were held on the Berkeley campus, and 6 additional participants have been selected for similar training. The procedures and methodology for conducting the second phase of the Study have been developed and initiated.

As parts of earlier phases of this project, the University of Syracuse contract to develop the Medellin

School of Administration was completed in December 1966. The contract with the University of Minnesota to develop a post-graduate program in economics at the University of Los Andes was concluded in May 1966. The scheduled final obligation date has been extended to FY 1972 because of the expansion of the scope of the project to include assistance in implementing the higher education national plan and a delay in completing negotiations with a U.S. contractor.

FY 1968 Program:

U.S. Technicians: Direct hire, the Higher Education Advisor. (The Chief of Human Resources Division and Deputy Chief who were funded under this project in FY 1967 are now funded under the National Education Planning project.)

Participants: 8 participants to study in the U.S. for periods ranging from 6 to 12 months in University Administration, University Business Administration, Student Affairs, and Admissions and Records Procedures.

Other Costs: Local travel and supplies.

* Does not include \$1,289,348 obligated for terminated university contracts.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES		
	Obligations	Expenditures	Unliquidated	OBLIGATIONS					
	505*	129	376	Estimated FY 1967		Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total		Direct AID	Contract/Other Agency
Through 6/30/66									
Estimated FY 67	53	200							
Estimated through 6/30/67	558	329	229						
		Future Year Obligations	Estimated Total Cost						
Proposed FY 68	77	152	787	53		53	77	77	
				Cost Components					
				U.S. Technicians	21		21	27	27
				Participants . . .	30		30	48	48
				Commodities . . .	-		-	-	-
				Other Costs . . .	2		2	2	2
				Total Obligations	53		53	77	77

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country:

PROJECT DATA

TABLE III

PROJECT TITLE Secondary Education	ACTIVITY Education	FUNDS TC	
PROJECT NUMBER 514-11-650-119	PRIOR REFERENCE -	INITIAL OBLIGATION FY: 1968	SCHEDULED FINAL OBLIGATION FY: 1971

Project Target and Course of Action: To support the Colombian Government's program to expand and modernize its secondary education system and particularly its plan to build 17 consolidated high schools throughout Colombia. Specifically, A.I.D. will provide technical advice to the Ministry of Education and related educational institutions on (1) improving curriculum and (2) assisting five selected Colombian Colleges of Education to strengthen and expand their capacity to graduate more and better-prepared teachers.

Secondary School Expansion: The Ministry of Education, in cooperation with departmental (state) authorities and supported by anticipated loan assistance of some \$12 million from the IBRD, will invest the peso equivalent of \$28 million on new and rehabilitated secondary education facilities. The construction program will probably commence in CY 1968.

A.I.D. has been requested to provide technical assistance to the Ministry and the regional entities engaged in planning, reorganizing, and instituting the secondary educational system reforms. A contract with a major university or similar institutional source (e.g., state or urban public school system) is proposed to provide this assistance.

Colleges of Education: In response to a severe shortage of qualified secondary teachers, the Association of Colombian Universities in cooperation with the Deans of University Colleges of Education and the Ministry of

Education have planned for the improvement of selected Colleges of Education and for yearly increase in the number of graduates. The target for 1970 is a 50% increase in annual enrollement (3,900 to 5,800). A.I.D., through a contract with a U.S. university will provide a team of professional educators with specialties in Supervision and Curriculum, School Administration and Finance, and subject matter specialization.

The Ford Foundation also has projects at two Colleges of Education to train faculty, develop extension programs, and carry out curriculum research.

FY 1968 Program: Funding will be provided for one-year contracts with (1) a U.S. university of similar institution to provide assistance to the Secondary Education Expansion Program (\$275,000) and (2) a U.S. university to assist in the educational reform programs of the Colleges of Education (\$150,000).

If possible these services will be obtained from the same institution.

U.S. Technicians: (15)--1 direct-hire Secondary Education Advisor, 10 contract advisors for the comprehensive high schools program, 4 contract advisors for the colleges of the education program.

Participants: 7 participants to study in the U.S. in the areas of Administration, Financial Management, Curriculum Development, and Guidance and Counsel.

Commodities: Class and laboratory supplies and equipment.

Other Costs: Contract overhead.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			To be determined
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66											To be determined
Estimated FY 67											
Estimated through 6/30/67								27	360	387	
		Future Year Obligations	Estimated Total Cost					-	40	40	
				U.S. Technicians				-	15	15	
				Participants . . .				3	90	93	
Proposed FY 68	535	2,025	2,560	Commodities . . .				30	505	535	
				Other Costs . . .							
				Total Obligations							

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE Customs Administration	ACTIVITY Public Administration and Public Safety	FUNDS TC	
PROJECT NUMBER 514-11-750-115	PRIOR REFERENCE Page 265 of FY '67 C.P.	INITIAL OBLIGATION FY: 1965	SCHEDULED FINAL OBLIGATION FY: 1971

Project Target and Course of Action: To achieve a significant increase in the collection of customs duties, faster and more efficient customs processing services and a reduction of contraband trade.

PASA experts from the U.S. Bureau of Customs assist the Colombian Directorate of Customs in improving customs appraisal, examination, and collection procedures and help provide better training and supervision of Customs personnel.

Progress to Date: Members of the PASA customs team began work in March 1966. A survey of all customs operations was made, including visits to all ports and frontier areas, and a complete work plan was prepared. A survey of all Colombian customs personnel was made and a select group chosen for a new elite enforcement division. A revision of auction methods for disposing of seized contraband goods has increased government revenue by over 2 million pesos. A survey and recommendations on warehouse operations have improved efficiency in warehousing. Advisors working on port congestion problems in Buenaventura, Colombia's largest port, revised customs methods and helped alleviate a crisis of congestion there. The Bogota airport is being used in a pilot operation to work out new methods for increasing the speed and efficiency of appraisal of arriving merchandise. Because of the delay in acquiring qualified personnel to implement this project and the prospects for achieving substantial increases in customs collections, the completion date

for this project has been extended to 1971.

FY 1968 Program: The PASA Agreement with the U.S. Bureau of Customs will be extended for one year.

U.S. Technicians: 5 long-term U.S. Bureau of Customs advisors plus 2 short-term advisors in the following fields: customs laws and regulations; establishment of the new investigation division; development of uniform and improved appraisal systems; creation of an internal audit division to control appraisal standards; improvement of warehousing methods; in-service training courses for customs employees; the establishment of a modern laboratory for customs appraisal work.

Participants: 10 customs directorate executives and employees will be sent to the U.S. for training courses and observation tours of U.S. customs procedures and methods.

Other Costs: Travel and per diem local supplies.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Other Agency	Total	Direct AID	Other Agency	Total	U.S. Bureau of Customs
Through 6/30/66	15	4	11								
Estimated FY 67	144	120									
Estimated through 6/30/67	159	124	35								
		Future Year Obligations	Estimated Total Cost								
Proposed FY 68	186	84	429	Total Obligations	24	120	144	39	147	186	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE Tax Administration Project	ACTIVITY Public Administration and Public Safety	FUNDS TC
PROJECT NUMBER 514-11-750-100	PRIOR REFERENCE Pg. 267 of FY '67 C.P.	SCHEDULED FINAL OBLIGATION FY: 1970
	INITIAL OBLIGATION FY: 1968	

Project Target and Course of Action: To increase tax revenues through better tax administration. Specifically, the target of this project is to enable an increase of 10% in income tax collections and 35% in sales tax collections over and above similar increases in 1966.

An Internal Revenue Service team is assisting the Ministry of Finance in improved tax administration and in development and implementation of new tax measures. The Colombian Government is contributing the peso equivalent of U.S. \$144,000 in the CY 1967 budget for specific tax enforcement programs in addition to its regular tax administration budget.

Progress to Date: The Electronic Data Processing Division financed by A.I.D. and installed in 1965, continues to handle tax returns for over 40% of the country, and its coverage is being extended to the rest of the country. The collection section has been reorganized and enlarged and registers of overdue accounts prepared. Closer integration of tax division sections with the data processing division is speeding handling of tax returns and resulting in savings in personnel. The program for improved tax liquidations has been successful in almost eliminating the one-year backlog of work. A new sales tax collection section has been established and tax collection increased by an estimated 50% or far above the target of 35%. Although precise data is not available, the 1966 target of a 10% increase in income tax collections was probably achieved. A new withholding system for income taxes has been developed and will be put into effect in 1967.

15 new auditors were trained and a course in systems analysis given to 5 Colombians and students from other Latin American countries.

Although the bulk of assistance will have been provided by the end of FY 1968, it has been decided to phase out U.S. assistance over a two year period. It is therefore planned to continue the IRS program through FY 1970, at a reduced level, in order to provide newly trained Colombian officials with advice on implementing recently introduced administrative reforms such as those involving the increasing use of electronic data processing techniques. The increase in the estimated cost to completion reflects the continuation of the PASA to 1970.

FY 1968 Program: A PASA Agreement with the Internal Revenue Service will be extended for one year (\$255,000).

U.S. Technicians: 1 direct-hire technician for overall project supervision and 1 junior officer trainee assistant. 8 long-term IRS in tax collection, audit, investigation, organization and methods, and training; 1 contract data processing specialist.

Participants: 21 tax and data processing technicians will be sent to the U.S. for specialized 1-2 month courses in tax administration and supervision.

Other Costs: Travel and per diem, reference and audio-visual materials, and salaries of an interpreter, a bilingual secretary and a local data processing expert.

U.S. DOLLAR COSTS (in Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
Through 6/30/66	725	694	31		Direct AID	Contract Agency		Total	Internal Revenue Service		
Estimated FY 67	353	300			Direct AID	Contract Agency	Total				
Estimated through 6/30/67	1,078	994	84		Direct AID	Contract Agency	Total				
		Future Year Obligations	Estimated Total Cost		Direct AID	Contract Agency	Total				
Proposed FY 68	357	634	2,069		Direct AID	Contract Agency	Total				
				U.S. Technicians Participants . . .	44	268	312	43		269	312
				Commodities . . .	25	-	25	25		-	25
				Other Costs . . .	-	-	-	4		-	4
				Total Obligations	16	-	16	16		-	16
					85	268	353	88		269	357

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE Public Safety	ACTIVITY Public Administration and Public Safety	FUNDS TC
PROJECT NUMBER 514-11-710-066	PRIOR REFERENCE P. 266 of FY'67 C.P.	SCHEDULED FINAL OBLIGATION FY: 1970
	INITIAL OBLIGATION FY: 1963	

Project Target and Course of Action: To assist in the development of (1) the National Police, a civilian force under the Ministry of War, and (2) the Investigative Police (DAS) under the Ministry of Government, as effective permanent institutions jointly capable of countering extremist subversion and maintaining law and order. This project provides advisory assistance and training directed toward: (a) establishing an effective training program; (b) improving police communications; (c) modernizing police small arms and improving ability to use them; (d) up-grading police administration; (e) improving the image of the police to win support and cooperation of the public.

Progress to Date: The assistance, provided under this project has substantially assisted the two police agencies in their efforts to combat rural violence; the number of bandit gangs has decreased from 513 in 1962 to 122 in 1965, and deaths by violence decreased from 2,270 to 554.

Since the program began in January, 1963, some 75,000 pamphlets or training aids and over 5,000 text books on police subjects have been printed and distributed, 237 key personnel have graduated from International Police Academy, and 30 are currently in training. In the 11 police training installations, 1,185 officers have completed training in police counter-insurgency operations, 12 have received specialized telecommunications training and 27,000 have received refresher-type training. Patrol systems have been established on a self-help basis in

four key cities with AID providing the mobile radio sets and base stations. Installation of a rural tactical communications system has been completed in one department and 9 more are planned for early completion.

Recent increases in urban crime as well as indications of a regrouping of insurgent groups in several important areas have necessitated a re-evaluation of the scope of the project. It was decided to extend assistance through FY 1970, thus also increasing the cost to completion.

The pipeline represents undisbursed participant commitments and contracted but undelivered commodities.

FY 1968 Program:

U.S. Technicians: (8 direct-hire); 1 Chief Public Safety Advisor, 1 Investigations Advisor, 1 Municipal and Police Advisor, 2 Police Training, and 2 Police Communications Advisors and 1 Automotive Maintenance Advisor.

Participants: 48 key personnel will be given general and specialized police training in the International Police Academy and other U.S. facilities.

Commodities: Communications, small arms, riot control laboratory and training aids.

Other Costs: Local contract communications assistant, local secretaries, translating services.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/ AGENCIES			
	Obligations	Expenditures	Unliquidated	OBLIGATIONS					
				Estimated FY 1967			Proposed FY 1968		
				Direct AID	Contract/Other Agency		Total	Direct AID	Contract/Other Agency
Through 6/30/66	2,172 1,475*	1,797 1,136*	375 1,339*						
Estimated FY 67	478	1,208*							
Estimated through 6/30/67	2,650 1,475*	2,312 1,344*	338 131*						
		Future Year Obligations	Estimated Total Cost						
Proposed FY 68	330	911	3,891 1,475*	470	8	478	330		330
			Cost Components						
			U.S. Technicians	177		185	167		167
			Participants . . .	80	-	80	68		68
			Commodities . . .	195	-	195	76		76
			Other Costs . . .	18	-	18	19		19
			Total Obligations	470	8	478	330		330

*Contingency Fund

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE Urban Development (Formerly Housing)	ACTIVITY	FUNDS	
	PRIOR REFERENCE	INITIAL OBLIGATION	SCHEDULED FINAL OBLIGATION
PROJECT NUMBER 514-15-830-058	P. 269 of FY '67 C.P.	FY: 1962	FY: 1970

Project Target and Course of Action: To improve planning, coordination, and implementation of public and private programs in urban development and housing. This includes increasing the annual level of urban construction from 37,000 units in 1966 to 100,000 in 1972, providing a basis for self-improvement of existing slums, a growth impetus to the building industry, and a significant increase in urban employment.

A.I.D. support to this program will be provided under the following 5 sub-activities:

(1) Urban Development Planning: To assist the national government and several select urban area governments in the formulation of urban development plans and in making optimum use of available public and private resources.

(2) Low-Cost Housing: To assist the Government's urban housing agency, the Instituto de Credito Territorial (ICT) in its programs (a) to increase the level of construction of low-cost housing units from 17,000 to 35,000 annually by 1972; (b) to provide public utilities and services as a means of rehabilitating slum areas and improving the conditions of some 10,000 families in the period CY 1967 through CY 1970; (c) to strengthen its social program in the interest of better selection and orientation of housed families and their involvement in maintenance and improvement of their own houses and neighborhoods. Assistance will also be given for developing a mortgage maintenance of value system to offset the decapitalizing effects of inflation, which have impeded the growth of an adequate long-term mortgage investment

market.

(3) Cooperative Housing: To promote the development of private cooperative housing institutions capable of constructing 8,000 dwelling units a year by 1972. Assistance is being provided to the Colombian Federation of Housing Cooperatives and to the labor housing program sponsored the two largest labor federations in Colombia, the Colombian Federation of Workers and the Colombian Union of Workers. The American Institute of Free Labor Development provides assistance to the latter two organizations as part of AID's Labor program.

(4) Savings and Loan: To establish a savings and loan system capable of mobilizing increasing amounts of private capital for financing moderate-cost housing. Technical assistance will be provided to help formulate specific policies and to establish a central bank and related savings and loan associations. A \$10 million loan for seed capital is programmed for FY 1968.

(5) Investment Guaranty: To monitor three large AID housing investment guaranty projects totalling \$29 million approved under the initial program, and supervise the selection, development and administration of projects expected to be approved under the second housing investment guaranty program which was initiated in April 1966.

Progress to Date:

(1) Urban Planning: In 1966 a group of leading professional associations concerned with various aspects of urban life presented the President with a proposal to establish an organization to deal with problems of urban

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES			
	Obligations	Expenditures	Unliquidated	OBLIGATIONS						
				Estimated FY 1967		Proposed FY 1968				
Through 6/30/66	1,109	860	249	Direct AID	Contract Other	Total	Direct AID	Contract Other	Total	To be determined
Estimated FY 67	136	200								
Estimated through 6/30/67	1,245	1,060	185	56	50	106	110	128	238	
		Future Year Obligations	Estimated Total Cost	19	-	19	15	-	15	
				-	-	-	-	-	-	
				11	-	11	15	-	15	
Proposed FY 68	268	654	2,167	86	50	136	140	128	268	

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE Urban Development (Formerly Housing)	ACTIVITY Community Development, Social Welfare and Housing	FUNDS TC
PROJECT NUMBER 514-15-830-058	PRIOR REFERENCE Pg. 269 of FY '67 C.P.	SCHEDULED FINAL OBLIGATION FY: 1970
	INITIAL OBLIGATION FY: 1962	

planning. It is expected that the Government will act upon this proposal and in 1967 establish a high level urban planning organization with responsibility for the planning, coordination and implementation of the new urban housing construction and related public utilities and services.

(2) Low-Cost Housing: To date ICT has constructed about 95,000 units, and its slum improvement programs have assisted over 1,410 families.

(3) Cooperative Housing: Two cooperative housing revolving funds have been established and are expected to finance 350 houses for FEDECOOP and 900 for the labor program. Construction is scheduled to begin in CY 1967.

(4) Savings and Loan: Savings and loan enabling legislation was adopted by the GOC in 1965, but continued assistance to modify and improve legislation is still necessary.

(5) Investment Guaranty: A total of 1,332 units have been completed out of a planned 5,000 units in the three approved projects. The increase in the estimated cost to completion is due to the expanded scope of this project to include urban planning and assistance to savings and loan institutions.

FY 1968 Program:

U.S. Technicians: (5 direct-hire) 2 Urban Development Officers, 1 Junior Urban Development Officer, 1 Housing Advisor Finance, and 1 Savings and Loan Advisor. (6 contract) A contract (\$100,000) with an urban planning firm or municipality will fund 2 Urban Planning Advisors for 2 years each. Short term contract services will be provided by 1 Urban Sociologist, 1 Cooperative Housing Advisor, 2 short-term savings and loan consultants.

Participants: 9 Colombian officials will receive 1 to 3 months training in Urban Planning, Urban Community Development, and Savings & Loan systems.

Other Costs: 2 local secretaries, local travel and supplies.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE Civic Action	ACTIVITY Community Development, Social Welfare and Housing	FUNDS TC
PROJECT NUMBER 514-11-820-099	PRIOR REFERENCE Pg. 270 of FY'67 C.P.	SCHEDULED FINAL OBLIGATION FY: 1963 FY: 1969

Project Target and Course of Action: The target of Civic Action is a stable democratic environment for economic growth. Specifically, the Colombian armed forces supply human and material resources to relatively low-cost social and economic activities in areas subject to or recently cleared of organized violence. While maintaining security in such areas, the armed forces improve conditions and try to create confidence in the central government. The armed forces receive advice from the U.S. military group and coordinate their activities with state and local governments, which gradually increase their operation of the projects.

Technical and commodity assistance from A.I.D. and the Military Assistance Program contribute to the major projects in violence areas:

1. Tolima Highway - a 173 mile network of new roadways in one of the most critical areas.
2. Road Improvement and Maintenance - rehabilitation of about 690 miles of abandoned or severely neglected roads.
3. Well Drilling - provision of potable water supply to villages in areas of recent or potential violence.
4. Field Dispensaries - supply rural health centers with drugs and equipment to raise health standards.
5. Rural School Construction - construction of school rooms.
6. Youth Camps - establish 3-week youth camps for boys.

The GOC has provided the peso equivalent of \$1,080,000 in FY 1966 and an estimated \$1,068,000 in FY 1967.

Progress to Date: Some 76 miles of the Tolima Highway have been completed and the remaining 97 miles surveyed. Approximately 60 miles of roadway in violence areas have been maintained and improved. Three well drilling teams have completed 26 wells and/or water systems. A total of 17 dispensaries, 3 small hospitals, and 1 floating dispensary are now being operated by the military, servicing about 650,000 patients annually. During the past 3 years, 22 schools have been constructed, and 2,200 children were given otherwise unavailable schooling. The youth camp program has included 55 programs.

While the scope of the project has not changed, improved cost estimates make possible a reduction in costs.
FY 1968 Program:

Commodities: Tires for earth graders and front end loaders heavy duty batteries, and spare parts for road construction equipment, and well screens, drill tubing and chlorinators.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/ AGENCIES			
	Obligations	Expenditures	Unliquidated	OBLIGATIONS					
	Through 6/30/66	1,692	1,334	358	Estimated FY 1967		Proposed FY 1968		
					Direct AID		Contract/ Other Agency	Total	Direct AID
Estimated FY 67	245	245							
Estimated through 6/30/67	1,937	1,579	358						
		Future Year Obligations	Estimated Total Cost						
Proposed FY 68	160	196	2,293	245		245	160		
				Cost Components					
				U.S. Technicians					
				Participants . . .					
				Commodities . . .	240		240	155	155
				Other Costs . . .	5		5	5	5
				Total Obligations	245		245	160	160

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: COLOMBIA

PROJECT DATA

TABLE III

PROJECT TITLE Technical Support	ACTIVITY General and Miscellaneous	FUNDS TC
PROJECT NUMBER 514-15-990-000	PRIOR REFERENCE Pg. 271 of FY'67 C.P.	SCHEDULED FINAL OBLIGATION FY: Continuing
	INITIAL OBLIGATION FY: 1954	

Project Target and Course of Action: To provide general personnel and logistic costs required for overall program planning, implementation and monitoring, not related to any one specific project.

FY 1968 Program:

U.S. Technicians: 29 U.S. direct-hire program and administrative personnel.

Commodities: Household furniture, office supplies and equipment.

Other Costs: 68 Colombian personnel. Repairs, maintenance, storage, general services, operations and repair of program vehicles, rents, communications, utilities, miscellaneous expenses and contract services.

Estimated pipeline mainly represents anticipated delays in receipt of commodities and bills for expenses incurred.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS AGENCIES			
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS					
					Estimated FY 1967			Proposed FY 1968		
					Direct AID	Contract/Other Agency		Total	Direct AID	Contract/Other Agency
Through 6/30/66	3,356	3,198	158							
Estimated FY 67	1,040	959								
Estimated through 6 30 67	4,396	4,157	239	U.S. Technicians	557		557	593		593
		Future Year Obligations	Estimated Total Cost	Participants ...	-		-	-		-
				Commodities ...	254		254	265		265
				Other Costs ...	229		229	326		326
Proposed FY 68	1,184	Continuing		Total Obligations	1,040		1,040	1,184		1,184

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: Government of Colombia

Funds: AFP

Title and Number of Loan: Feasibility Studies 514-L-025	
Date Authorized: 5/13/63	Date Signed: 6/26/63
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 3,000	Grace Period 10 yrs.
Disbursed 299	Interest Rate 3/4%
Repayments -	Currency of Repayment . . U.S.\$
Interest Collected -	

Procurement Sources: Services under this loan will be performed by private firms from the United States and Colombia. Comments on Implementation: Colombian bureaucratic problems were responsible for the virtual neglect of this loan during its first two years. This loan was originally authorized for \$4,000,000. Slow utilization resulted in \$1,000,000 of the loan being deobligated in December 1965. Planeacion is being reorganized and strengthened, and the new Government is placing increasing reliance on this entity for development planning. In November, Planeacion presented new proposals for implementation of this loan. It is expected that this loan will be fully committed by July 1, 1967.

Purpose of Loan: To increase Colombia's ability to present priority projects for external financing. Feasibility studies will be financed for specific projects in both the private and public sectors which contribute most to the economic development of Colombia, within the following areas: (1) electric power; (2) transport; (3) agriculture, including irrigation; (4) water supply and sewerage; and (5) other areas agreed upon by Colombia and A.I.D. Also, utilization of up to \$1,000,000 will be permitted for pre-feasibility and general area studies having as their prime objective the identification of potential projects requiring further investigation through feasibility studies. Physical Status: A contract of \$92,500 has been completed by Weitz-Hettelsater Engineers of Kansas City for an economic and engineering feasibility study on the storage and handling of various crops. Five additional contracts have been approved by A.I.D. and five studies have been approved but not yet contracted.

Financial Status: Repayments by private and public sub-borrowers to the Bank of the Republic for studies will be put into a special account to be used as a revolving fund for financing other feasibility studies agreed to by A.I.D.

Host Country Contribution: The Colombian Ministries or autonomous agencies, as well as the Planning Agency (Planeacion) and Bank of the Republic, will continue personnel, office space, and other support to each study.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: National Housing Institute (ICT)

Funds: AFP

Title and Number of Loan: Self-Help Housing 514-L-026	
Date Authorized: 5/31/63	Date Signed: 6/26/63
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 25 yrs.
Authorized 7,500	Two-step 40 yrs.
Disbursed 5,624	Grace Period 10 yrs.
Repayments -	Two-step 10 yrs.
Interest Collected 115	Interest Rate 2%
	Two-step 3/4%
	Currency of Repayment.. U.S.\$

encountered in the workers housing programs and inadequate support from the benefiting municipalities which are responsible for providing public utilities. The terminal date was extended to August 31, 1967, after a thorough review by the Mission indicated that many of the delays were beyond the power of ICT to control and that prospects for completion by the expiration of the new terminal date are excellent.

Purpose of Loan: To assist the National Housing Institute (ICT) in financing housing construction chiefly for low-income groups in the four main cities of Bogota, Medellin, Cali, and Barranquilla, representing 57% of the country's housing deficit. The funds provide 50% of the financing needed for construction, materials, and mortgages for approximately 8,550 houses.

This loan complements prior loans made for related purposes by the DLF (Self-Help Housing in 1961) and the IDB (Low-Cost Housing in 1962).

Physical Status: Construction in the various locales commenced on schedule; however, political problems and inflation induced contract defaults have hindered progress. The units under construction in this program are basically sound, of a better appearance and are of larger size than most low-cost housing.

Financial Status: Complete disbursement of this loan is expected by August, 1967.

Host Country Contribution: Total local contribution will be 50% of the project's total financing with the Borrower contributing \$5,500,000 and the home-owners providing \$2,000,000. The entire loan is guaranteed by the Government of Colombia.

Procurement Source: All imports financed from the dollar proceeds of this loan will be procured from the U.S.

Comments on Implementation: ICT has not been able to execute their program on a timely basis due to problems

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: Colombian Institute for Agrarian Reform (INCORA) Funds: AFP

Title and Number of Loan:	
Supervised Agricultural Credit	514-L-027
Date Authorized: 5/28/63	Date Signed: 6/26/63
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 10,000	Grace Period 10 yrs.
Disbursed 9,882	Interest Rate 3/4 %
Repayments -	Currency of Repayment.. U.S. \$
Interest Collected 109	

Financial Status: This loan agreement was amended on October 2, 1964, to permit financing of up to \$100,000 of jeep-type vehicles required for more effective use of technical assistance. Disbursements proceeded without delay, and the loan has been fully disbursed except for a final accounting of costs under the PASA agreement.

Host Country Contribution: INCORA has made an annual allocation equivalent to more than \$1 million to cover the administrative costs of this program. In addition, the Borrower receives a GOC budgetary allotment equivalent to \$10 million for the Agrarian Reform Program. The loan in its entirety is guaranteed by the Government of Colombia.

Procurement Sources: Procurement under the loan and agricultural sub-loans is limited to U.S. or Colombian sources. Most of the procurement has been local. The U.S. dollars covering local currency costs were used for procurement of goods and services from the United States.

Comments on Implementation: Except for the final accounting of PASA costs, the loan has been fully disbursed. A new loan of \$8.5 million was authorized in February 1966 to continue and expand the program.

Purpose of Loan: To increase agricultural production by introducing improved agricultural methods and commercial practices to that segment of the farming population which is unable to obtain credit from conventional sources and which can operate a viable farming unit with credit and technical assistance. The provision of technical assistance tied in with sub-loans to individual farmers, will promote crop diversification and help reduce dependence upon coffee as the chief agricultural crop.

Physical Status: As part of the conditions precedent to disbursement, the Borrower established a Supervised Agricultural Credit Division to administer the program, recruited personnel, initiated a training program, and presented statements relating to policy and procedure for implementation of farm plans and sub-loans. The Borrower secured the services of two technical consultants from the U.S. Department of Agriculture under a Participating Agency Services Agreement, which has now been concluded. Approximately 250 assistant supervisors and 40 area supervisors had been trained and are active in field supervision of the program.

A.I.D. financing has enabled the Borrower, INCORA, to make supervised agricultural loans to about 7,600 farmers during a two-year period and to establish a 240-man division to administer this credit program.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: Empresas Municipales de Cali

Funds: AFP

Title and Number of Loan: Cali Sewerage 514-L-029	
Date Authorized: 6/29/63	Date Signed: 9/20/63
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 30 yrs.
Authorized 3,700	Two-step 40 yrs.
Disbursed 301	Grace Period 5 yrs.
Repayments -	Two-step 10 yrs.
Interest Collected 2	Interest Rate 3½%
	Two-step 3/4%
	Currency of Repayment.. U.S.\$

Procurement Sources: Equipment, materials, and services financed under the loan will be procured from the United States or Colombia. The U.S. dollars covering local currency costs will be used for procurement of essential goods and services from the United States.

Comments on Implementation: It is anticipated that a new contract for engineering services will be signed in the near future and that award of the first construction contracts will be made immediately thereafter.

Purpose of Loan: To improve and enlarge the existing sewerage system of Colombia's third largest city, alleviating the current unsanitary conditions caused by the lack of disposal facilities.

In complementing a \$2.5 million loan made by the IDB in 1961 to expand the extant water supply system in Cali, the loan will complete the integration of municipal water utilities and permit a rational expansion of housing construction, especially in the areas occupied by low-income groups.

Physical Status: Design and preparation of contract documents is 75% complete. A.I.D.-financed construction has not yet started due to Borrower's delay in securing arrangements for completion of engineering services satisfactory to A.I.D. However, fabrication of pipe, financed under the loan, has started; and the portion of the project financed directly by the borrower has been completed.

Financial Status: At the time the loan agreement was signed the total cost of the project was estimated at \$5.5 million. Due to rising costs and increased population to be served by the proposed improvements, the estimated cost has increased substantially. A local currency loan from program loan proceeds has been made to the Empresa, and the Empresa has increased its contribution to assure sufficient funds for the satisfactory completion of the project. The loan is guaranteed by the Government of Colombia.

Host Country Contribution: The Borrower will contribute the equivalent of 50% of total project costs.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: Government of Colombia

Funds: AFP

Title and Number of Loan: Mineral Resources Survey 514-L-030	
Date Authorized: 6/29/63	Date Signed: 11/14/63
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 2,000	Grace Period 10 yrs.
Disbursed 397	Interest Rate 3/4%
Repayments -	Currency of Repayment . . . U.S.\$
Interest Collected 2	

Host Country Contribution: The Government of Colombia will contribute the equivalent of \$1,559,591 to finance all local costs associated with the purchase of equipment, laboratory services, and salaries of Colombian technicians.

Procurement Source: All goods and services financed by the loan will be procured from the United States.

Comments on Implementation: Unavoidable legal delays in signing the photogeology contract forced a change in method of implementation of the project. More work will be done by ground crews and less under the photogeology contract.

Some initial indications of phosphate deposits, highly important for agricultural development, caused a greater emphasis to be placed on the exploration and detailed outlining of these deposits.

Purpose of Loan: To assist the Colombian Ministry of Mines and Petroleum in the further exploitation of the mineral resources required for industrialization by financing the foreign exchange costs of U.S. technician salaries, contract services (chiefly photogeological), laboratory equipment and 10 scholastic years of graduate scholarships in the U.S.

Data production will include photogeological mapping, field and laboratory investigations, and mineral exploration and will complement work in this field by the U.S. Geological Survey, the U.N. Special Fund, as well as an A.I.D. grant for a Basic Resources Survey.

Physical Status: The photogeology contract with a U.S. firm has been completed and field investigations, under supervision of U.S. technicians from U.S. Geological Survey, are progressing well. Reconnaissance geological data is being produced; Colombian geologists are receiving advance training in the U.S.; and the technical and administrative capacity of the Colombian Geological Survey is being strengthened.

Financial Status: Disbursements have been temporarily delayed because bills have not been submitted on a timely basis.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: Electroaguas*

Funds: AFP

Title and Number of Loan: Rural Electric Cooperatives 514-L-035	
Date Authorized: 4/7/64	Date Signed: 5/11/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 35 yrs.
Authorized 1,300	Two-step 40 yrs.
Disbursed 139	Grace Period 10 yrs.
Repayments -	Two-step 10 yrs.
Interest Collected -	Interest Rate 2%
	Two-step: 3/4% during GP,
	2% thereafter
	Currency of Repayment.. U.S.\$

distribution systems.

Procurement Sources: Equipment, materials, and services financed under the loan will be procured from the United States or Colombia. U.S. dollars used for local currency costs of the projects will be used for procurement of goods and services in the United States.

Comments on Implementation: Meeting Conditions Precedent was complex due to documentation required between cooperatives and borrowing agencies, Cauca Valley Corporation (CVC) and Centrales, a subsidiary of Electroaguas, Colombia's nation-wide power authority.

Conditions Precedent having been met, the NRECA consultant arrived in May, 1966. Poles are being manufactured, lines strung and equipment has been ordered.

Purpose of the Loan: To establish three pilot rural electric cooperatives as a means of determining the feasibility of utilizing cooperatives for carrying out a rural electrification program in Colombia.

Three cooperatives of Tibu, Palermo, and Sevilla-Caicedonia (Se-Ca) will make electricity available to 10,000 farms and small rural business firms and will thereby not only permit greater agricultural efficiency through the use of electric irrigation equipment and refrigeration of produce, but will enable produce-handling and manufacturing industries to establish themselves close to the source of supply.

The project is the result of a study completed in November, 1962, by three U.S. specialists under an A.I.D. National Rural Electric Cooperative Association (NRECA) contract.

Physical Status: The cooperatives have been established and are operative. As a condition precedent to disbursement, the Borrower secured the services of an NRECA consultant and has assured the availability of engineering services and additional resources necessary for the completion of the cooperatives.

Financial Status: Full disbursement is planned by the end of FY 1968. The loan funds are guaranteed by the Government of Colombia.

Host Country Contribution: The Borrower will contribute \$396,614 to the construction of the cooperatives and their

* Institute for the Regulation of Water and Electric Power.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: Empresas Publicas de Medellin

Funds: AFP

Title and Number of Loan: Medellin Sewerage 514-L-036	
Date Authorized: 5/15/64	Date Signed: 7/18/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 10 yrs.
Authorized 250	Two-step 40 yrs.
Disbursed 47	Grace Period 5 yrs.
Repayments -	Two-step 10 yrs.
Interest Collected -	Interest Rate 3½%
	Two-step: 3/4% GP; 2% after
	Currency of Repayment . . U.S.\$

mentation problems are foreseen.

Purpose of Loan: To finance engineering services related to construction of an improved sewerage system which will prevent pollution of many small streams and the Medellin River. Currently, the raw sewage, industrial refuse, and sanitary wastes are being removed through natural waterways, open canals, and storm sewers that run through the city and into the Medellin River. The project is based upon a report and preliminary engineering study performed by the engineering firm of Greely and Hansen.

Physical Status: All conditions precedent have been met. Work was initiated on the project during March 1966, and, as of January 1, 1967, the design was almost complete. In March 1966, a local currency loan of \$14,000,000 pesos was made to the Empresas from program loan generated pesos. With these funds and those to be contributed by the Empresa, sufficient funds are available to assure successful completion of the project.

Financial Status: The entire project totals \$2.2 million and is expected to be completed in FY 1968. The loan funds are guaranteed by the Government of Colombia.

Host Country Contribution: The AID loan represents about 14% of the total project cost, the local currency loan 58% and the contribution by the Empresa 28%.

Procurement Source: Engineering services financed under this loan will be procured in the United States.

Comments on Implementation: All conditions precedent have been met. Work is proceeding satisfactorily and no imple-

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: Empresa de Acueducto y Alcantarillado de Bogota Funds: AFP

Title and Number of Loan: Engineering Services Bogota Sewerage 514-L-037	
Date Authorized: 5/15/64	Date Signed: 7/18/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 10 yrs.
Authorized 450	Two-step..... 40 yrs.
Disbursed -	Grace Period 5 yrs.
Repayments -	Two-step..... 10 yrs.
Interest Collected -	Interest Rate 3½%
	Two-step: 3/4% GO: 2% after
	Currency of Repayment.. U.S.\$

Procurement Source: Engineering services financed under this loan will be procured in the United States.
Comments on Implementation: All conditions precedent have been met. Implementation was temporarily delayed, because the Government did not have sufficient counterpart funds to loan to the Empresa for construction of the sewerage system. The Empresa obtained a 65 million peso loan in 1966. It is anticipated that disbursement on the loan will begin soon and that the award of construction contracts will start within a short time.

Purpose of Loan: To provide engineering services for a project to expand and improve the sewage collection and treatment facilities in the Sanitary District of Bogota. The project, the result of a Master Plan Study performed by the engineering firm of Camp, Dresser, and McKee, calls for the construction of 19.2 km. of intercepting sewers in Bogota. This improvement to the existing system will alleviate existing unsanitary conditions in the low-income areas and will complement an A.I.D. loan for the low-cost housing (L-026).

Physical Status: The engineering contract has been approved, documentation has been received attesting to the acquisition of property rights and a local currency loan of 65 million pesos has been made to the Empresa. With these funds and those to be contributed by the Empresa there is assurance of sufficient funds for completion of the project. Engineering design and preparation of contract documents are well advanced, and action is currently being taken on the acquisition of maintenance equipment through the Excess Property Program.

Financial Status: The loan funds are guaranteed by the Government of Colombia.

Host Country Contribution: The A.I.D. loan represents about 3% of a \$14.5 million project (based on current official exchange rates). For the balance, 34% will come from local currency loan funds generated by A.I.D. program loans and 63% from the contribution of the Empresa.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: Banco Ganadero (Livestock Bank)

Funds: AFP

Title and Number of Loan: Livestock Bank 514-L-038	
Date Authorized: 5/22/64	Date Signed: 7/18/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 20 yrs.
Authorized 4,000	Two-step 40 yrs.
Disbursed 3,857	Grace Period 5 yrs.
Repayments -	Two-step 10 yrs.
Interest Collected 29	Interest Rate 2%
	Two-step: 3/4% GP: 2% after
	Currency of Repayment . . U.S.\$

dollars covering local currency costs will be used for procurement of essential goods and services from the U.S.

Purpose of Loan: To increase the lending resources of the Bank and to improve its ability to provide directed production credit to Colombian cattle farmers. All loans have been made on the basis of approved investment plans worked out in cooperation with the Bank's Department of Technical Assistance and Investment Control. By providing credit for three to ten years at an interest rate of 7 to 8%, the loan supplemented the Borrower's capacity to promote increased and diversified agriculture.

Physical Status: The Bank, with authorized capital of \$11 million, was formed in 1959 for the purpose of providing technical assistance with credit at terms better than those available commercially. With 75% of the ownership in the hands of private owners and 18 branch offices in the major livestock centers, the Bank has established itself as an institution necessary to the further growth of the cattle industry in Colombia.

Financial Status: Except for import of minor equipment, the loan is fully disbursed.

Host Country Contribution: The Bank, an existing institution, is currently employing its peso equivalent of paid-up capital for project purposes. Total credit available to the livestock industry at the end of CY 1965 was \$1,750 million pesos. Approximately 11% of this total came from the Livestock Bank.

Procurement Sources: Procurement under the loan and any sub-loan is limited to U.S. or Colombian sources. The U.S.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: Government of Colombia

Funds: AFP

Title and Number of Loan:	
Program Assistance 514-L-039	
Date Authorized: 5/14/64	Date Signed: 7/13/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 45,000 (subsequently reduced to 35,000)	Grace Period 10 yrs.
Disbursed 34,171	Interest Rate 3/4% GP 2% thereafter
Repayments -	Currency of Repayment . . US \$
Interest Collected 282	

Procurement Source: All dollar proceeds of this loan have been used to import essential goods and related services from the United States.

Financial Status: Ninety-seven percent of the funds have been disbursed. The remainder will be disbursed in FY 1967.

Comments on Implementation: This loan was originally authorized at a level of \$45 million, but was subsequently reduced to \$35 million.

Purpose of Loan: To provide support for Colombia's Ten Year Development Plan through assistance in financing the imports of essential goods and related services from the U.S.

This loan also makes available the pesos generated by the dollar loan for financing high priority A.I.D.-approved projects which are a part of the Colombian Development Plan. Among these are the Medellin Sewerage loan project, Private Investment Fund which makes loans to private industry for business development purposes, National University, construction of hospitals, and other projects complementing A.I.D. efforts in the fields of housing and education.

Physical Status: The loan has assisted in making available those capital imports which are required for realization of Colombia's development goals. Some areas in which the Government performance in connection with this loan has been notable are: (1) limiting the expansion of private short-term borrowing and reducing public short-term debt; (2) improving its control over the level and composition of imports; (3) developing and implementing an export expansion program; (4) identifying and solving agricultural problems; (5) increasing and improving its national educational resources; (6) avoiding inflationary policies which exert pressures on the balance of payments and on the domestic price level; (7) attaining a satisfactory current-account budget surplus position; and (8) taking measures to promote tax and administrative reforms.

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: Banco de la Republica

Funds: AFP

Title and Number of Loan:	
PRIVATE INVESTMENT FUND (PIF) 514-L-040	
Date Authorized: 6/13/64	Date Signed: 12/23/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 15 yrs.
Authorized 10,000	2 step 40 "
Disbursed 873	Grace Period 5 "
Repayments -	2 step 10 "
Interest Collected 2	Interest Rate 5½ %
	2 step: 3/4% GP 2% after
	Currency of Repayment U.S.

Purpose of Loan: To cover all or part of the foreign exchange costs of high priority projects financed by PIF through its operating arms, e.g., commercial banks and investment corporations. It will make available to Colombian private investors engaged in export expansion or import-substitution oriented industries, credits with 3 to 15 year maturities at rates of interest from 8 to 10%. By making these credits available for foreign exchange costs alone, the loan will reduce the short-term nature of sub-lenders' suppliers' credits and will in all likelihood result in additional U.S. exports to Colombia. PIF's primary source of local currency has been the peso equivalent of \$45 million generated by AID program loans (Loans 024, 032, 039 and 044).

The loan also complements similar but lesser efforts by the IDB and the Netherlands, and a loan from the IBRD received in 1966.

Physical Status: The Private Investment Fund is an existing and well functioning organization. In the years following its founding in February 1963, the PIF has approved loans for projects in the agricultural, manufacturing, and chemical industries. As part of the project review, AID technicians evaluated the policies and operational procedures of the PIF and incorporated their recommendations into the loan covenants.

Financial Status: It is estimated that the loan will be

completely disbursed in FY 68. The loan is guaranteed by the Government of Colombia. Letters of commitment have been opened for the full amount of the loan.
Host Country Contribution: The PIF, as an existing institution, will commit to the overall project its other resources totalling \$110 million during the thirty-month disbursement period of this loan.
Procurement Source: Equipment, materials, and service financed under the loan will be procured from the United States.
Comments on Implementation: To date, PIF has approved \$6,600,000 in sub-loans. A 1965 shortage of local currency to complement the dollars of this loan reduced PIF's ability to utilize fully these loan funds. Recent allocations of program loan peso proceeds have enabled PIF to become a more active lender, as indicated by the step-up in commitments since receipt of counterpart.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: Government of Colombia

Funds: AFP

Title and Number of Loan: Program Assistance 514-L-044	
Date Authorized: 11/19/65	Date Signed: 12/20/65
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 65,000	Grace Period 10 yrs.
Disbursed 44,843	Interest Rate 1% GP
Repayments -	2½% after
Interest Collected 50	Currency of Repayment.. U.S.\$

Purpose of Loan: To provide support for the Colombian Development Program to: help finance essential imports, and at the same time induce and enable the Colombian Government to adopt necessary economic development policies, establish the institutions and services needed for development, and formulate and carry out major economic development programs. This loan is considered the principal instrument of A.I.D. assistance for FY 1966, since it also provides foreign exchange for private sector imports and creates counterpart local currency for public and private investment thus making an immediate and vital contribution both to the closing of the balance of payment gap and the ability of the government and private sector to meet investment targets through non-inflationary means.

The allocation and disbursement of pesos generated through this loan will finance high priority projects which have been approved by A.I.D. and the Colombian Government and are a part of Colombia's Development Plan. All counterpart to be generated from this loan has already been allocated accordingly. The areas in which the pesos may be used for such purposes includes: (1) industrial development, including but not limited to: diversification and promotion of exports, elimination of production bottlenecks, and import substitution; (2) infra-structure developmental purposes and projects in such fields as housing, water and sewerage, power, transportation, communications, education, and health; (3) support of purposes and projects of social

and economic development, such as census surveys and planning, and (4) agricultural development.

Physical Status: The loan was signed on December 20, 1965. General legal and administrative conditions precedent have been met. Counterpart funds have been allocated for such activities as agricultural research and extension projects being carried out by the Colombian Land Reform Institute (INCORA); for primary school classroom construction; to the Colombian Housing Institute for low and medium income housing construction programs; and for support of a cadastral mapping and surveying program.

Financial Status: Disbursement of this loan will be completed by June 30, 1967. An initial disbursement of \$20 million was released following signature (\$10 million of which was on an advanced commodity financing basis which is a procedure for the immediate payment of dollars to a country in return for a commitment to set aside an equivalent amount of its own dollars for the subsequent financing of agreed upon U.S. commodities and related services) and three \$15 million tranches have been released following careful reviews and satisfactory findings of performance for the periods ending December 31, 1965, March 31, 1966 and June 30, 1966.

Procurement Source: All dollars proceeds of this loan will be used to import essential goods and related services from the United States.

Comments on Implementation: No disbursement problems are anticipated. Colombian imports of U.S. goods under this loan will be made under the letter of commitment (L/C) which is an agreement between A.I.D. and a U.S. bank to extend assistance to a cooperating country for financing selected imports, and the prior notice system (Regulation I) will apply to all imports. In 1966 a system for Small Business notification, providing advance notice to the U.S. suppliers of the total procurement anticipated under the loan together with trade lists of potential Colombian importers, was substituted for the advance notice to suppliers published in Sub-Part C of A.I.D. Regulation I, and has been well received by U.S. exporters.

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA Borrower: Colombian Institute for Agrarian Reform (INCORA) Funds: AFP

Title and Number of Loan: Supervised Agricultural Credit 514-L-046	
Date Authorized: 2/24/66	Date Signed: 3/16/66
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 8,500	Grace Period 10 yrs.
Disbursed 7,747	Interest Rate 1% GP
Repayments -	After 2 1/2%
Interest Collected 16	Currency of Repayment.. U.S.\$

Purpose of Loan: To continue assistance to the supervised credit program of the Colombian Institute for Agrarian Reform (INCORA) begun under Loan 027.

Physical Status: The loan was authorized in February 1966, conditions precedent were promptly met, and disbursements were begun in April, 1966. As of September, 1966, sub-loans had been made to 5,372 farm families for a total of 86,205,783 pesos.

Financial Status: Since the initial disbursement, the funds have moved on schedule, and the loan should be fully disbursed in FY 1967.

Procurement Sources: Procurement under the loan and sub-loan is limited to U.S. and Colombian sources. Vehicles to permit improved supervision will be procured in the U.S. The U.S. dollars covering local currency costs will be used for procurement of essential goods and services from the U.S. and be of further assistance in countering Colombia's balance of payments problem.

Host Country Contribution: In addition to INCORA's paying all operating costs of the program, the GOC has agreed to the allocation of Ps. 65 million counterpart to continue lending operations after this loan is fully disbursed.

Comments on Implementation: No implementation problems are anticipated.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: COLOMBIA

Borrower: Banco Ganadero

Funds: AFP

Title and Number of Loan: Livestock Bank 514-L-048	
Date Authorized: 5/13/66	Date Signed: 7/25/66
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 20 yrs.
Authorized 8,000	Grace Period 10 yrs.
Disbursed 2,777	Interest Rate 1% GP
Repayments -	2 1/2% after
Interest Collected -	Currency of Repayment U.S.\$

Purpose of Loan: To continue the program of assistance to the program of lending by the Banco Ganadero to livestock farmers begun under Loan 038.

Physical Status: As of December 31, 1966, over 400 sub-loans amounting to the equivalent of \$2.8 million had been disbursed.

Financial Status: The loan was authorized in May 1966. Disbursements began in September 1966 and have continued regularly as planned.

Procurement Sources: Procurement under the loan and any sub-loan is limited to U.S. or Colombian sources. The U.S. dollars covering local currency costs will be used for procurement of essential goods and services from the U.S. and thus be of further assistance in view of Colombia's balance of payments problem.

Comments on Implementation: The loan is expected to fully disbursed by September 1967.

Dominican
Republic

Dominican Republic



BASIC DATA

Population (<i>millions – mid-1966</i>).....	3.7	Per Capita GNP (<i>dollars</i>).....	264*
Annual Growth Rate (<i>percent</i>).....	3.6	Life Expectancy (<i>years</i>).....	58
Area (<i>1000 square miles</i>).....	18.8	People Per Doctor	1,620
Population Density Per Square Mile.....	200	Literacy Rate (<i>percent</i>)	64
Agricultural Land as % of Total Area	26	Pupils as Percent of Population.....	17
Percent of Labor Force in Agriculture.....	66	(<i>Primary and Secondary</i>)	

* 1966 in 1965 prices

Needed areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	14.5	14.0	13.0
Technical Assistance	7.4	4.1	5.5
Supporting Assistance	35.1	25.0	25.0
Contingency Fund	37.3	2.2	xxxx
Total A.I.D. Assistance	94.3	45.3	49.5

Objectives of U.S. Assistance

The Dominican Republic, at considerable cost to both the Dominicans and to the United States Government, has regained constitutional political order, and with the inauguration of an elected government in July 1966, has been given another chance to build a stable, democratic society. The immediate U.S. objective is to support the efforts of the newly-elected Balaguer government to attain political and economic stability. For the longer range, our objective is to assist the government in planning and implementing long-range development programs, particularly in the agricultural sector, designed to bring about economic and social progress for the people of the Dominican Republic.

Key Obstacles to Achievement of Objectives

Since April 24, 1965, the Dominican Republic has experienced a bloody revolution, a delicate period of provisional government, and a free election which has returned constitutional government. While considerable progress has been made in the direction of stability, enormous political and socio-economic problems face the new government, problems which are likely to keep alive the threat of resurgence of violence for several years to come.

The Dominican balance-of-payments position has been deteriorating for the past five years and the country has been able to keep its head above water in its international accounts only through extraordinary infusions of U.S. assistance. A great expansion in the government bureaucracy since 1962 has contributed to an upward trend in government operating expenses while public investment has decreased.

Unemployment probably ranges between one-fourth and one-third of the labor force, perhaps as many as 400,000 persons. The

government is saddled with a large number of industrial enterprises, inherited from the Trujillo era, many of which are unprofitable. The government-owned sugar complex, the largest of these enterprises, has been operating at an annual deficit of \$20 million. Agricultural productivity is low and large quantities of food products (which could be produced in the country) are imported. Progress with the redistribution of large tracts of land owned by the government has been slight. The national education apparatus is inadequate at all levels with resultant lack of trained manpower. Similar inadequacies are apparent in health services and housing. Social and economic problems are aggravated by an annual population growth rate estimated at 3.6%.

Recent Country Performance

President Balaguer has implemented a policy of austerity designed to lay the foundation for sustained development by correcting the balance of payments and fiscal disequilibria of the economy. Fiscal measures already imposed include substantial salary reductions for government workers and tightened controls on expenditures. Measures directed at the balance-of-payments problem include restrictions on luxury imports.

Simultaneously, and with the promise of a U.S. loan of up to \$40 million committed in July 1966, Balaguer has embarked on a major public investment program designed to stimulate the economic recovery of the country and provide employment for up to 40,000 people. The program covers all sectors but gives emphasis to agricultural development. Balaguer has repeatedly stated as his first priority constructive action to increase the efficiency of the government-owned Sugar Corporation and to use excess sugar lands for other productive purposes. He has announced a plan to settle 70,000 families on government-owned lands, to be financed by an Inter-American Development Bank (IDB) loan and government funds.

U.S. Strategy

Supporting Assistance loans will be provided in both FY 1967 and FY 1968 to help sustain the government's investment program until sufficient financing is mobilized in the public and private sector and from development lending to maintain an optimum investment level and to stimulate economic growth. Continued financing of employment-generating investment activities is considered essential to avoid the serious political and economic consequences which could threaten the existence of the Balaguer government if these activities should come to a halt.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

In order to facilitate the phase-out of Supporting Assistance, A.I.D. will encourage the Dominicans to undertake the tax reforms required to create additional revenues for public investment and to institute those measures needed to stimulate private investment. At the same time, A.I.D. will assist them in the formulation of a broad development loan program (including agricultural credit, land settlement, community development, water resources development, education, and rationalization of State-owned enterprises) in which international lending agencies will be encouraged to play an important role.

FY 1968 Program

The proposed FY 1968 program contemplates \$15 million in development loans, \$5.5 million for technical assistance, and \$20 million in Supporting Assistance loans.

Agricultural Development. This continues to be the first priority of the A.I.D. program. With \$1,240,000 earmarked for the continuation of FY 1967 technical assistance activities, the efforts of A.I.D. technicians, including 33 Texas A&M University contract technicians, will be focused on increasing the production of: (a) import-substitution food and fiber crops, including rice, corn, beans, vegetable oil crops, sisal and kenaf; (b) livestock, poultry, milk and vegetables, to improve Dominican dietary standards; and (c) high-value export crops such as winter fruits and vegetables. Assistance will be provided in agricultural research, extension and training, irrigation improvement, marketing, improved land distribution, and forest conservation. A development loan is proposed in FY 1968 of \$1,500,000 for a cooperative bank. An accelerated rural community development program will be financed by an FY 1967 development loan. In FY 1968, approximately \$10 million from Supporting Assistance funds will be lent to support investment activities in the agricultural sector.

Industrial Development. Technical assistance funds totaling \$20 thousand are planned in FY 1968. Technical assistance will be provided in developing an effective industrial promotion program to encourage both foreign and domestic private investment in industry, with an emphasis on agro-industrial undertakings which will complement and encourage agricultural development efforts. Assistance will also be given in the preparation of a new industrial incentives law. A \$3 million development loan is proposed to help finance a private development bank (financiera). In view of the political sensitivity of the State-owned industries, such international institutions as ADELA and the IDB will be encouraged to assist in the rehabilitation and modernization of these industries.

Education. Technical assistance funds in the amount of \$675 thousand will finance technical advice in the training of primary and secondary school teachers, the upgrading of Dominican universities, and vocational training, with special attention given to agricultural training. A \$5 million development loan for school construction is planned as well as a \$1.5 million loan for the creation of a scholarship fund for university students. Approximately \$4 million in Supporting Assistance funds is programmed for school rehabilitation and repair.

Other Activities. Technical assistance for other activities will total \$3,355,000 in FY 1968. In the field of public administration, technical assistance will continue in tax and budget reform, the improvement of the organization and management of government programs, and the strengthening of local government administration. A number of activities are designed to influence certain "critical" groups in the Dominican society. These include the training of trade union leaders, youth programs and the reorganization, modernization and training of the police force. Technical assistance is also being provided in highway maintenance and in population control. Development loans for feasibility studies and regional development totaling \$4 million are proposed in FY 1968. \$6 million in Supporting Assistance funds will be used in support of the government's programs for water and sewage systems, health facilities, highway maintenance and urban development.

Note: The Congressional Presentation for FY-67 was written during the turbulent months following the Dominican crisis of April 1965 when the outcome of efforts to resolve the crisis was still unknown and there was no elected government with which to plan a development program. It was therefore difficult to estimate, in terms of both time and money, the requirements for achieving the goals of each technical assistance activity. With a return to political stability and the establishment of an elected constitutional government the activities were refined and their scope expanded. The increase in the FY-67 obligation level above the level proposed in the FY-67 Congressional Presentation in a number of projects described in the following pages is due to the significant expansion in the technical assistance program during FY-66 and FY-67 which was deemed necessary to support economic recovery and the planning and implementation of a long-range development program. The total cost to completion and the final obligation date on a number of projects have been adjusted to conform to the revised scope of each project.

SUMMARY OF PROGRAM BY FUNCTION
(Dollar Amounts in Thousands)

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: **DOMINICAN REPUBLIC**

TABLE II

Category	Actual FY 1966				Estimate FY 1967				Proposed FY 1968		
	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.
Development Loan Program	14,500	XXX	XXX	XXX	14,000	XXX	XXX	XXX	15,000	XXX	XXX
Programs Other than Devel. Loan											
Project Assistance											
U.S. Technicians	5,609	5,609	-	-	4,783	3,009	-	1,774	4,145	4,145	-
Participants	200	200	-	-	382	382	-	-	374	374	-
Commodities	1,382	1,082	-	300	680	279	-	401	370	370	-
Other Costs	1,062	462	600	-	430	430	-	-	611	611	-
Total Project Assistance	8,253	7,353	600	300	6,275	4,100	-	2,175	5,500	5,500	-
Method of Financing											
Project Assistance											
Direct A.I.D.	1,385	1,085	-	300	3,134	2,633	-	501	2,900	2,900	-
Other Agency	1,977	1,977	-	-	662	662	-	-	580	580	-
Contract	4,891	4,291	600	-	2,479	805	-	1,674	2,020	2,020	-
Program Assistance	71,564	-	34,541	37,023	25,000	-	25,000	-	20,000	-	20,000
Total Other than Devel. Loan	79,817	7,353	35,141	37,323	31,275	4,100	25,000	2,175	25,500	5,500	20,000
Total Assistance	94,317	XXX	XXX	XXX	45,275	XXX	XXX	XXX	40,500	XXX	XXX

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	46	69	72
Participating agency	12	23	27
Contractor technicians	71	98	100
Total	129	190	199

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	42	105	140
Contract	53	50	42
Total	95	155	182

~~CONFIDENTIAL~~

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE AGRICULTURAL DEVELOPMENT SUPPORT ^{1/}	ACTIVITY Agriculture	FUNDS TA	
PROJECT NUMBER 517-15-150-059.1	PRIOR REFERENCE p. 289 FY'67 LA P.D.B.	INITIAL OBLIGATION FY: 1965	SCHEDULED FINAL OBLIGATION FY: 1975

Project Target and Course of Action: To help the GODR become self-sufficient in basic staples (i.e. rice, beans, edible oils); to increase exports such as livestock and vegetables; and to continue efforts to implement an agrarian reform resettlement program. Technical assistance to the Secretariat of Agriculture and other agencies will strengthen integrated regional offices and improve agricultural research, extension, credit and marketing services. Assistance will also be given to develop rural cooperatives and water and forestry resources.

Progress to Date: The Secretariat of Agriculture and related agencies have been decentralized to better serve the agricultural sector. A new research and training center now provides technical data necessary for commercial production of improved crop varieties. Self-sufficiency has been reached in rice production, and consumer prices lowered through the commodity support program. Agricultural credit has induced commercial production of selected new crops on over 23,000 acres. The reorganized Cooperative Institute now provides education and credit facilities to over 30 cooperatives. 800 acres of watershed and hurricane-damaged areas have been reforested. The increased obligation level in FY'68 is to fund an extension of the 2 year Texas A&M Contract, which reaches a total of \$900,000 for FY'68. The unexpended balance as of 6/30/67 represents forward funding under this contract. The final obligation date of the project has been extended and total cost for completion increased due to an expansion in the scope of the project. (See Note at end of Summary of Country Program - Table I.)

U.S. Technicians: 1 Chief Advisor, 1 Deputy Chief, and 1 Program Assistant to coordinate, monitor and evaluate the total agricultural program, 3 technicians in agrarian reform, agricultural credit, and irrigation; 33 contract advisors from Texas A&M, 7 of whom will be located in field offices to develop and coordinate regional activities in research and extension and the remainder to work with the Secretariat of Agriculture, Secretariat of Education and other agencies; 1 forestry specialist, 1 agricultural statistician and 1 grain storage advisor under PASA for 90,000 with USDA; and 1 personal services contract with an ex-PCV to assist in the extension and farmer education programs.

FY 1968 Program:

Participants: 6 to Mexico for agricultural research training, 6 to Puerto Rico for specialised crop instruction, 4 to Puerto Rico for agricultural credit training, 6 to Ohio State for agricultural credit seminar, and 12 to Puerto Rico for forestry training. All participants are short term.

U.S. Technicians: 1 Chief Advisor, 1 Deputy Chief, and 1 Program Assistant to coordinate, monitor and evaluate the total agricultural program, 3 technicians in agrarian reform, agricultural credit, and irrigation; 33 contract advisors from Texas A&M, 7 of whom will be located in field offices to develop and coordinate regional activities in research and extension and the remainder to work with the Secretariat of Agriculture, Secretariat of Education and other agencies; 1 forestry specialist, 1 agricultural statistician and 1 grain storage advisor under PASA for 90,000 with USDA; and 1 personal services contract with an ex-PCV to assist in the extension and farmer education programs.

^{1/} Includes Agricultural Production, Credit & Cooperatives #517-15-190-059.2, Agrarian Reform #517-15-120-059.3, and Forestry #517-11-170-055.

^{2/} Includes \$320,000 from Contingency Fund.

^{3/} Includes \$150,000 from Contingency Fund.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS							PRINCIPAL CONTRACTORS/AGENCIES Texas A&M University & USDA
	Obligations	Expenditures	Unliquidated	Cost Components	Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	2,612	1,384	1,228		196	528 ^{2/}	724	150	1,008	1,158	
Estimated FY 67	819	1,160 ^{3/}		U.S. Technicians	95	-	95	82	-	82	
Estimated through 6/30/67	3,431	2,544 ^{3/}	887	Participants ...	-	-	-	-	-	-	
		Future Year Obligations	Estimated Total Cost	Commodities ...	-	-	-	-	-	-	
Proposed FY 68	1,240	4,754	9,425	Other Costs ...	-	-	-	-	-	-	
				Total Obligations	291	528	819	232	1,008	1,240	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE DEVELOPMENT OF INDUSTRY AND MARKETING	ACTIVITY Industry	FUNDS TA	
PROJECT NUMBER 517-11-290-066	PRIOR REFERENCE p.290 FY '67 LA P.D.B.	INITIAL OBLIGATION FY: 1965	SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: To assist local entrepreneurs in the identification and evaluation of new industrial opportunities; to assist interested foreign investors in establishing new industries; to convert the Dominican Industrial Development Corporation into an effective industrial promotion organization; and to rationalize the state-owned ex-Trujillo industrial enterprises, many of which represent a drain on Government resources. Dominican Industrial Development Corporation (Fomento) employees will perform pre-feasibility studies to determine potential projects which merit feasibility studies by Dominican and U.S. investors. With the assistance of USAID contract technicians, Fomento is planning to reorganize its operations so that it will be more effective in promoting new industries.

Progress to Date: Funds for credit to both large and small private businesses have been made available -- the Private Investment Fund (50% IDB funded) under which 23 enterprises have received \$2.5 million in loans, and the Artisan's Fund under which 29 small businesses have received \$57,700 in loans. A reorganization plan has been prepared for Fomento and its reorganization is expected shortly. Fomento and USAID technicians have begun a statistical collection center for potential investors, are preparing promotional pamphlets, and have made contacts with local business groups. USAID technicians and contractors have assisted numerous local

and foreign businessmen in investigating investment opportunities, and 2 U.S. firms are making feasibility studies of the existing paper plant and of a urea plant.

The total cost for completion has been increased due to an expansion in the scope of the project. (See Note at end of Summary of Country Program - Table I.)

FY 1968 Program:

U.S. Technicians: One direct-hire Industrial Advisor and one Industrial Marketing Advisor to coordinate USAID's industrial promotion efforts and oversee industrial loan programs. Eight 4-8 month contract consultants to assess selected investment possibilities, including possible joint-investments in state-owned industries; one agro-industry advisor.

Participants: 12 participants in banking and business administration, for approximately 4 months each.

Other Costs: Local secretaries and local travel.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	OBLIGATIONS						
				Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/ X Agency		Total	Direct AID	Contract/ X Agency	Total
Through 6/30/66	191	75	116							
Estimated FY 67	222	175								
Estimated through 6/30/67	413	250	163							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	230	500	1,143							
				Cost Components						
				U.S. Technicians	60	154	214	60	132	192
				Participants ...	-	-	-	30	-	30
				Commodities ...	-	-	-	-	-	-
				Other Costs ...	8	-	8	8	-	8
				Total Obligations	68	154	222	98	132	230

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE Transportation - Technical Assistance	ACTIVITY Transportation	FUNDS TA
PROJECT NUMBER 517-12-310-065	PRIOR REFERENCE p. 291 FY '67 LA P.D.R.	SCHEDULED FINAL OBLIGATION FY: 1971
	INITIAL OBLIGATION FY: 1966	

Project Target and Course of Action: To reorganize the Directorate of Highways of the Secretariat of Public Works, to reform its administrative and planning procedures, and to further develop its road maintenance, materials testing and construction supervision capabilities. The final target is a Directorate of Highways that can plan and implement an adequate program of continuous highway maintenance and improvement. 7 Bureau of Public Roads technicians will be provided to give engineering assistance in the construction and repair of roads, establishing a budget and control system, installing facilities for the repair and maintenance of equipment, developing inventories of existing highways and formulating future surface transportation plans. BPR advisors will also monitor maintenance and construction of Santo Domingo city streets as part of an urban renewal project.

The final obligation date has been extended and total cost for completion increased due to an expansion in the scope of the project. (See Note at end of Summary of Country Program - Table I.)

FY 1968 Program:

U.S. Technicians: 7 Bureau of Public Roads technicians under a PASA to provide engineering and technical advice to the Directorate of Highways.

Other Costs: Local travel of U.S. technicians, local engineering staff and secretaries, and miscellaneous costs.

Progress to Date: BPR engineers have supervised \$7 million of emergency road maintenance and construction activities financed by AID supporting assistance. A marked improvement has been noted in quality of materials used and in maintenance work on road projects over the past year. Specifications are being closely enforced by Dominican inspectors for the first time in recent years. Traffic services (signs, dividing stripes, safety devices) have been accepted as an integral part of planning for the first time.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES Bureau of Public Roads			
Through 6/30/66	Obligations	Expenditures	Unliquidated	OBLIGATIONS					
	116	77	39	Estimated FY 1967			Proposed FY 1968		
				Direct AID	Expenses/Other Agency		Total	Direct AID	Expenses/Other Agency
Estimated FY 67	251	230		-	212	212	-	196	196
Estimated through 6/30/67	367	307	60	-	-	-	-	-	-
		Future Year Obligations	Estimated Total Cost						
Proposed FY 68	240	650	1,257	2	249	251	44	196	240
				U.S. Technicians			Participants . . .		
				Commodities . . .			Other Costs . . .		
				Total Obligations					

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE LABOR ADMINISTRATION AND MANPOWER DEVELOPMENT	ACTIVITY Labor	FUNDS TA	
PROJECT NUMBER 517-15-490-029	PRIOR REFERENCE p.292 FY '67 LA P.D.B.	INITIAL OBLIGATION FY: 1963	SCHEDULED FINAL OBLIGATION FY: 1972

Project Target and Course of Action: To strengthen the growth of a democratically-oriented trade union movement responsive to the socio-economic interest of workers through AIFLD's union leader education programs and social-impact projects; to assist the Secretariat of Labor to provide essential services and programs to labor and management with emphasis on wage policy and mediation services; and to assist in the development of a national manpower survey and evaluation mechanism.

Progress to Date: By June 1966, AIFLD had provided labor leader and union management training to more than 2,000 participants. The 110-home Porvenir Cooperative housing project was successfully completed in December 1966. During FY'66 eight AIFLD social-impact projects had been implemented with financial assistance from the Special Development Activities fund. A national manpower development seminar sponsored by the Secretariat of Labor and planned with the guidance of PASA advisors, was held in December of 1966. This conference laid the groundwork for continued manpower studies and programs on a coordinated basis between public and private institutions and organizations.

The obligations in FY'67 have been increased above the FY'67 Congressional Presentation, the final obligation date has been extended, and total cost for completion increased due to an expansion in the scope of the project to have a greater impact on labor union development.

FY 1968 Program: Funding will include \$114,000 for extension of PASA with the Department of Labor and \$208,000 for the AIFLD contract.

U.S. Technicians: 1 direct-hire Labor Technical Officer; 2 full-time technicians for one year and 3 to 4 TDY technicians under PASA with U.S. Department of Labor to assist the Dominican Secretariat of Labor in manpower planning, apprenticeship and labor administration programs. 5 U.S. technicians in worker education under contract with AIFLD.

Participants: 8 short-term for manpower survey training in the U.S. and 2 to Mexico for labor statistical training.

Other Costs: Local costs for the administration of workers' education seminars, including local salaries, instructors, equipment, room and board for students.

forward funding under the contract with AIFLD.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
Through 6/30/66	545	283	262		Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	AIFLD (contract) (American Institute for Free Labor Development) Department of Labor PASA
Estimated FY 67	426	230		U.S. Technicians	28	368	396	28	194	222	
Estimated through 6/30/67	971	513	458	Participants . . .	30	-	30	20	-	20	
		Future Year Obligations	Estimated Total Cost	Commodities . . .	-	-	-	-	-	-	
				Other Costs . . .	-	-	-	-	128	128	
Proposed FY 68	370	1,000	2,341	Total Obligations	58	368	426	48	322	370	

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE TEACHER EDUCATION 1/	ACTIVITY Education	FUNDS TA	
PROJECT NUMBER 157-11-690-069	PRIOR REFERENCE p. 293 FY '67 LA P.D.B.	INITIAL OBLIGATION FY: 1962	SCHEDULED FINAL OBLIGATION FY: 1972

Project Target and Course of Action: To substantially improve and enlarge the teacher education system, the normal schools will be reorganized with emphasis on improving secondary teacher training. Modern curricula and teaching methods will be introduced into normal schools as well as into primary and secondary school systems. In-service training will be provided for Secretariat of Education officials in order to infuse modern organizational planning and administrative techniques into the existing educational structure.

This program will be implemented through the eight-man San Jose State College contract team. This team will focus on a massive in-service training program for selected subject specializations, curriculum improvement, and development of teaching materials and planning guides.

Progress to Date: Although the San Jose team has been on board only a few months, substantial headway has been made in planning a coordinated teacher training program which will dovetail and build upon the work of the NEA summer work shops, and the continuing and highly successful Peace Corps/Secretariat of Education/AID pilot teacher education program.

The unliquidated balance for 6/30/67 represents forward funding under the contract with San Jose State College which was signed August 22, 1966. The increase in

obligations in FY'67 above the FY'67 Congressional Presentation is due to the initiation of this contract. The total cost for completion has been increased due to an expansion in the scope of the project. (See Note at end of Summary of Country Program - Table I.)
FY 1968 Program:

U.S. Technician: The Teacher Education Advisor to assist in the development and coordination of a teacher education program to be implemented through contract technicians.

1/ Supersedes old project "Teacher Education" 517-11-690-024.

2/ From Contingency Fund.

3/ Includes \$500,000 from Contingency Fund.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/ AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/ Other Agency	Total	Direct AID	Contract/ Other Agency	Total	
Through 6/30/66	809	783	26								
Estimated FY 67	816	470 ^{2/}									
Estimated through 6/30/67	1,625	1,253	372	U.S. Technicians	30	786 ^{2/}	816	30	-	30	
		Future Year Obligations	Estimated Total Cost	Participants . . .	-	-	-	-	-	-	
				Commodities . . .	-	-	-	-	-	-	
				Other Costs . . .	-	-	-	-	-	-	
Proposed FY 68	30	1,620	3,275	Total Obligations	30	786	816	30		30	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE EDUCATION DEVELOPMENT SUPPORT 1/	ACTIVITY Education	FUNDS TA	
PROJECT NUMBER 517-11-690-067	PRIOR REFERENCE p. 294 FY '67 IA P.D.B.	INITIAL OBLIGATION FY: 1966	SCHEDULED FINAL OBLIGATION FY: 1975

Project Target and Course of Action: To assist the Education Secretariat in the development of a long-range national education plan and the analysis and planning of short-range priorities and programs focusing on education curriculum and administration development within the Secretariat; and to implement a thorough education census using the data collected to refine program requirements and planning priorities.

Progress to Date: In spite of administrative disruptions, a good working relationship has been established with the Education Secretariat. The Secretariat is working towards strengthening their planning section and developing a revised teacher qualification-wage scale. A pilot teacher training program in conjunction with the Peace Corps has been successfully implemented. A Project Agreement has been signed to implement the education census.

The final obligation date has been extended due to an expansion in the scope of the project.

FY 1968 Program:

U.S. Technicians: 1 Chief of Human Resource Development, 1 Ass't chief, HRD, 1 education administration advisor, 1 operations assistant, and 1 vocational agricultural education advisor.

Participants: Two to U.S. for one year in educational planning; two to Puerto Rico for one year in vocational agricultural education.

Note: The unliquidated balance for 6/30/66 represents forward funding under a contract with St. Louis University which was signed on April 12, 1966. The St. Louis contract is now being implemented under Higher Education, project number 517-11-690-067.1.

1/ This project supersedes Educational Technical Assistance (517-11-690-067) and includes direct-hire position and participant training for Vocational Agricultural Education (517-11-690-071.1).

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES			
	Obligations	Expenditures	Unliquidated	OBLIGATIONS						
				Estimated FY 1967		Proposed FY 1968				
				Direct AID	Contract/Other Agency	Total		Direct AID	Contract/Other Agency	Total
Through 6/30/66	865	8	857							
Estimated FY 67	190	110								
Estimated through 6/30/67	1,055	118	937							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	175	1,420	2,650							
				Cost Components						
				U.S. Technicians						
				Participants . . .	117	25	142	150	-	150
				Commodities . . .	44	-	44	25	-	25
				Other Costs . . .	-	-	-	-	-	-
				Total Obligations	4	-	4	-	-	-
					165	25	190	175	-	175

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE HIGHER EDUCATION 1/ 517-11-690-067.1	ACTIVITY Education	FUNDS	
	PRIOR REFERENCE p. 294, FY'67 IA P.D.B.	INITIAL OBLIGATION FY: 1967	SCHEDULED FINAL OBLIGATION FY: 1972

Project Object and Course of Action: To improve university administrative systems, to design curricula to meet the professional demands of development, and to introduce modern teaching methods.

Under contract with the International Research Institute, (an affiliate of the American Institutes for Research) 10-15 consultants from U.S. and Latin American universities will improve administration and instruction in key disciplines. While this program will focus primarily on the Autonomous University in Santo Domingo it will also assist the new National University of Pedro Henriquez Urena.

The contract with St. Louis University will be continued to assist the Catholic University in Santiago to develop a Social Science Department, library, and language teaching capability. Related assistance in administration, curriculum improvement and practical application of social science studies to rural development problems of the Cibao Valley will be initiated during FY'68.

Progress to Date: A survey of technical assistance possibilities has been conducted by IRI at both the Autonomous University of Santo Domingo and the new National University, and a series of seminars for professors in selected disciplines was initiated in 1967. The St. Louis University contract team is currently assisting

the Catholic University in Santiago in their planning and programming as they prepare to inaugurate their new campus site and begin construction of the social science language training facilities. The one-year contract with IRI is in the amount of \$300,000; the St. Louis University contract will continue for two years, with funds of \$80,000 allocated for FY 1968.

FY 1968 Program:

U.S. Technicians: 1 direct-hire Higher Education Advisor; eight St. Louis University contract technicians for approximately two months each; and 10-15 consultants and specialists under the IRI contract for the academic year.

- 1/ Included in FY'67 Education Technical Assistance (project No. 517-11-690-067).
- 2/ From Contingency Fund.
- 3/ Includes \$180,000 from Contingency Fund.

U.S. DOLLAR COSTS (In Thousands)				PRINCIPAL CONTRACTORS/AGENCIES						
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS					
					Estimated FY 1967			Proposed FY 1968		
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total
Through 6/30/66	-	-	-							
Estimated FY 67	600	400 ^{3/}		U.S. Technicians	30	568 ^{2/}	598	30	380	410
Estimated through 6/30/67	600	400 ^{3/}	200	Participants ...	-	-	-	-	-	-
		Future Year Obligations	Estimated Total Cost	Commodities ...	-	-	-	-	-	-
Proposed FY 68	410	2,000	3,010	Other Costs ...	1	1	2	-	-	-
				Total Obligations	31	569	600	30	380	410

St. Louis University
International Research
Institute

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE CIVIC ACTION VOCATIONAL TRAINING	ACTIVITY Education	FUNDS TA	
PROJECT NUMBER 517-11-690-071.2	PRIOR REFERENCE -	INITIAL OBLIGATION FY: 1966	SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: To assist the Armed Forces and National Police to reduce excessive manpower in such a manner as to ensure maximum contribution of terminating military personnel to the social and economic development of the country through acquisition of suitable trades and skills.

from a similar school in Peru will be contracted for six months each to provide advice and in-service training for the Bani school faculty.)

Participants: 4 School staff members to Peru for three months for on-job training.

The instruction of vocational skills will be improved through continued in-service and participant training of the staff and expanded to provide training to more than 1,400 students a year. Curriculum will be adjusted in response to manpower surveys now being initiated under our labor administration project. In addition, the direct-hire advisor will coordinate and assist in the development of other civic action projects (rural schools and wells, feeder roads and reforestation) to be funded with local currencies.

Progress to Date: The Military Vocational School at Bani was completed in October 1966 (AID contribution RD\$227,500; GODR contribution RD\$600,000). The first class of 144 students graduated in January 1967.

FY 1968 Program:

U.S. Technicians: 1 Direct-hire Civic Action Vocational Education Advisor. (In addition, 3 Peruvian advisors

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES	
	Obligations	Expenditures	Unliquidated	OBLIGATIONS			
				Estimated FY 1967			Proposed FY 1968
Through 6/30/66	11	2	9	Direct AID	Contract/Agency		Total
Estimated FY 67	65	59		30	20	50	
Estimated through 6/30/67	76	61	15	10	-	10	
		Future Year Obligations	Estimated Total Cost	5	-	5	
				-	-	-	
Proposed FY 68	60	90	226	45	20	65	
				40	20	60	

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE PUBLIC SAFETY	ACTIVITY Public Safety and Public Administration	FUNDS TA
PROJECT NUMBER 517-11-710-021	PRIOR REFERENCE p.295 FY'67 P.D.B.	SCHEDULED FINAL OBLIGATION FY: 1971
	INITIAL OBLIGATION FY: 1962	

Project Target and Course of Action: To develop the National Police into a modern professional law enforcement organization, capable of maintaining law and order and constituting an effective first line of defense against subversion. A number of self-help reforms must accompany AID assistance. A complete structural reorganization of the National Police is required, including the reduction in the number of police administrative regions from ten to four.

A total, integrated police program is necessary to accomplish the project objective. The fourteen separate elements or sub-projects of this project are interrelated and self-reinforcing, requiring simultaneous training, reorganization, and construction, and are designed to prepare the National Police for the roles and mission agreed upon.

Progress to Date: An integrated 5-year plan consisting of fourteen separate elements has been prepared by the Public Safety Advisors and accepted by the Secretariat of Interior and Police and the Chief of Police. The plan calls for a complete structural reorganization of the National Police and professional training for both officers and enlisted men. Construction has begun on a new police academy suitable for training 5,000 policemen in ten 12-week courses. 300 men in 2 companies have received riot control training and have already shown

their capability of controlling crowds with humane methods. Leadership education has begun, and numerous short courses have been given. (The final obligation date has been extended and total cost for completion increased due to an expansion in the scope of the project).

FY 1968 Program:

U.S. Technicians: 10 full-time advisors, 1 part-time communications advisor and 1 secretary. Full-time advisors will cover leadership education, police administration, civil disturbance control, basic training, motor vehicle maintenance, firearm training, criminalistics lab, traffic control, records/identification, criminal investigations, and rural/municipal policing.

Participants: 21 for short courses at International Police Academy and Panama; 16 to attend IPA basic and specialized courses; 5 to attend vehicle maintenance course in Panama.

Commodities: Weapons, replacement vehicles, teargas, training aids and minor specialized and office equipment. (In addition to TC funds, \$300,000 will be provided under SA to finance commodities.)

Other Costs: Local travel and miscellaneous expenses.

U.S. DOLLAR COSTS (In Thousands)				PRINCIPAL CONTRACTORS/AGENCIES						
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS					
					Estimated FY 1967			Proposed FY 1968		
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total
Through 6/30/66	668	556	112							
Estimated FY 67	382	276 ^{2/}								
Estimated through 6/30/67	1,050	932	228							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	452	1,750	3,252	Total Obligations	382	-	382	452	-	452

1/ Includes \$100,000 from Contingency Fund.
2/ Includes \$80,000 from Contingency Fund.

These areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE GOVERNMENT ORGANIZATION AND MANAGEMENT	ACTIVITY Public Safety and Public Administration	FUNDS TA
PROJECT NUMBER 517-11-790-062	PRIOR REFERENCE Page 296 FY 1967 LA P.D.B.	INITIAL OBLIGATION FY: 1965
		SCHEDULED FINAL OBLIGATION FY: 1972

Project Target and Course of Action: To assist the GODR in major government reforms including 1) reform of the budget and accounting systems, 2) improvement of tax administration and installation of a property tax system, 3) reform of local government, and 4) establishment of a supply management system for government agencies.

AID will give technical assistance to set up full time budget offices in government agencies and to improve controls and management of the central budget. An IRS tax team is helping reform the reporting, collecting and auditing of taxes. A property tax is planned as well as other taxes to benefit local communities. AID will help develop new laws and strengthen the Municipal League to improve the administration and capabilities of local government.

Progress to Date: A program budget was initiated with the 1967 GODR budget. The IRS team has improved the administration of income and some indirect taxes. The supply advisor has helped secure passage of a new supply law creating a supply office within the Secretariat of Finance and a Supply Advisory Commission to establish a government-wide supply system. Recommendations for improved organization and management have been made to the Secretariat of Education, and management and personnel technicians are helping the Secretariat of Agriculture solve operating problems and improve the personnel system. The obligation level for this project is lower than that shown in the FY 1967 Congressional Presentation because a number of contract technicians are being financed from FY 1966 funds.

The unliquidated figure as of June 30, 1966, is attributable to the balance of FY 1966 unexpended contract funds. The total cost for completion has been increased due to an expansion in the scope of the project. (See Note at end of Summary of Country Program - Table I.)

FY 1968 Program:

U.S. Technicians: 5 direct-hire AID advisors in public administration (2 in general operations, 1 in budget analysis, 1 supply advisor, and 1 municipal advisor). Four contract technicians for continuation of budget accounting reforms; six IRS technicians to carry on tax administration program; two contract technicians to assist in installing new property tax; and one-year continuation of Institute of Public Administration contract for 2 municipal advisors.

Participants: 25 participants for short courses and training in Puerto Rico and U.S. (4 in local government, 12 for INTAX program, 4 for budgeting and accounting, 5 for supply and customs courses).

Commodities: Office equipment and supplies, calculators, adding and accounting machines.

Other Costs: Local secretaries and local travel of U.S. technicians.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
Through 6/30/66	1,765	562	1,203		Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	U.S. Internal Revenue Service Institute of Public Administration
Estimated FY 67	494	950		U.S. Technicians	128	279	407	140	420	560	
Estimated through 6/30/67	2,259	1,512	747	Participants . . .	51	-	51	72	-	72	
		Future Year Obligations	Estimated Total Cost	Commodities . . .	30	-	30	44	-	44	
				Other Costs . . .	4	2	6	77	-	77	
Proposed FY 68	753	1,450	4,462	Total Obligations	213	281	494	333	420	753	

These areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE RURAL COMMUNITY DEVELOPMENT	ACTIVITY Social Welfare and Housing	FUNDS TA
PROJECT NUMBER 517-11-810-052	PRIOR REFERENCE p.297, FY'67 IA P.D.B.	INITIAL OBLIGATION FY: 1965
		SCHEDULED FINAL OBLIGATION FY: 1972

Project Target and Course of Action: To assist the Office of Community Development (OCD) to strengthen their nation-wide program of rural self-help activities (agricultural associations, feeder roads, irrigation canals, schools, health clinics, etc.). Accelerated project and educational support efforts will be financed from an FY-1967 development loan. Major emphasis will be placed on the development of agricultural production associations and functional self-help organizations which will serve as the first step towards local governing units. Two ex-PCV's will be contracted to provide field coordination and middle-level technical support. It is expected that the Peace Corps will provide more than 40 volunteers to augment the promotor staff of the OCD.

FY 1968 Program:

U.S. Technicians: 2 direct-hire technicians to coordinate and evaluate U.S. assistance; 2 ex-Peace Corps Volunteers under contract. Additional technical assistance will be financed from the development loan.

Participants: 15 Community Development supervisors will receive specialized short-term training in community development techniques and organization in the U.S. and selected Latin American countries.

Progress to Date: From June 1964 to November of 1966, more than 500 communities were served by the OCD. Of the more than 1,134 projects which have been approved, 659 projects have been completed, benefitting more than 1,000,000 people. The OCD contributes about 45% of the costs of these projects and the local community and/or other local entities contribute 55%.

The final obligation date has been extended and total cost for completion increased due to an expansion in the scope of the project.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total		Direct AID	Contract/Other Agency	Total	
Through 6/30/66	222	184	38							2 Former Peace Corps volunteers.	
Estimated FY 67	100	60		U.S. Technicians	40	50	90	60	30		90
Estimated through 6/30/67	322	244	78	Participants ...	10	-	10	15	-		15
		Future Year Obligations	Estimated Total Cost	Commodities ...	-	-	-	-	-		-
				Other Costs ...	-	-	-	-	-		-
Proposed FY 68	105	510	937	Total Obligations	50	50	100	75	30		105

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: **DOMINICAN REPUBLIC**

PROJECT DATA

TABLE III

PROJECT TITLE YOUTH PROGRAM	ACTIVITY General and Miscellaneous	FUNDS TA	
	PRIOR REFERENCE p.298, FY'67 IA P.D.B.	INITIAL OBLIGATION FY: 1966	SCHEDULED FINAL OBLIGATION FY: 1970
PROJECT NUMBER 517-11-990-072			

Project Target and Course of Action: To give a constructive balance to the scale of youth values by encouraging a sense of direct responsibility and personal involvement in their nation's future; to increase youth's confidence that national progress and development can be attained through orderly means and equip youth with technical skills, leadership ability and the resources needed to contribute to this process; and to expand recreational and other constructive opportunities which provide the needed training and formative experience for future leaders.

Progress to Date: By the end of FY'66 a professional study of youth's motivations and aspirations was concluded and contact established with all the import youth organizations. Assistance was provided to two student centers, more than twenty youth leaders were sent to Loyola University for training, several Barrio self-help youth centers were constructed and assistance was made available to the Instituto de Promocion Social in order to professionalize its training and strengthen its project supervision capacity.

While many other programs relate to the needs of the youth sector, the following are specifically within the scope of this project:

The total cost for completion has been increased due to an expansion in the scope of the project.

- (1) Loyola University training seminars in leadership, organizational and community action techniques;
- (2) Urban Community Development program through the Instituto de Promocion Social (an institution which has trained more than 300 barrio youths);
- (3) Recreational sports program through assistance to the Government of the Dominican Republic sports office and various federations of social service clubs; and
- (4) Other related activities for university youths and Special Development Activities Fund projects.

FY 1968 Program:

U.S. Technicians: One-year extension for two ex- Peace Corps Volunteers under contract now acting as Youth Advisors.
Participants: 30 to Loyola University for Leadership Seminar; 10 to San Juan, Puerto Rico for Urban Community Development Training; and 10 to Sports International Training Camp, New Mexico. All participants are for a period of 2 months each.
Other Costs: Training materials for target youth groups.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES Loyola University
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	90	30	60							
Estimated FY 67	103	100								
Estimated through 6/30/67	193	130	63							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	92	500	785							
				Cost Components						
				U.S. Technicians	2	32	34	-	32	32
				Participants . . .	47	19	66	30	20	50
				Commodities . . .	-	-	-	-	-	-
				Other Costs . . .	3	-	3	10	-	10
				Total Obligations	52	51	103	40	52	92

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE PUBLIC HEALTH	ACTIVITY Health and Sanitation	FUNDS TA
PROJECT NUMBER 517-15-550-080	PRIOR REFERENCE p. 299 of FY '67 LA P.D.B.	SCHEDULED FINAL OBLIGATION FY: 1972
	INITIAL OBLIGATION FY: 1967	

Project Target and Course of Action: Efforts will be continued to encourage public and professional discussion of the demographic, economic, and health aspects of the population problem. Technical assistance will be provided to groups interested in family planning; family planning instruction will be increased as part of the public maternity care program in government clinics.

Progress to Date: Discussions with private groups now operating family planning clinics, with government officials and church leaders have revealed a receptivity to the concept of, and growing sense of urgency for, population stabilization measures. This has been demonstrated by the growth of family planning clinics, which under private sponsorship have tried to meet the need for low-cost effective family planning services. An interdisciplinary study project is being mounted through the Autonomous University of Santo Domingo and the Catholic University in Santiago to develop information on current family planning practices, and on the magnitude and effects of possible solutions for the demographic problem in the Dominican Republic.

The final obligation date has been extended and total cost for completion increased due to an expansion in the scope of the project. (See Note at end of Summary of Country Program - Table I.)

FY 1968 Program:

U.S. Technicians: 1 Public Health Advisor under a contract with the Commonwealth of Puerto Rico.

Participants: 4 to Santiago, Chile, for demographic studies, 4-6 months; and 3 to Puerto Rico for population planning seminars, 3-6 months.

Commodities: Instructional and demonstrational materials.

Other Costs: Adaptation of training materials for use in group seminars and clinics.

1/ Formerly Population, number 517-15-820-073

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unobligated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract Costs	Total	Direct AID	Contract Costs	Total	
Through 6/30/66	-	-	-							Commonwealth of Puerto Rico
Estimated FY 67	35	20								
Estimated through 6/30/67	35	20	15							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	65	250	350	15	20	35	35	30	65	
				U.S. Technicians						
				Participants . . .						
				Commodities . . .						
				Other Costs . . .						
				Total Obligations						

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE SPECIAL DEVELOPMENT FUND	ACTIVITY General and Miscellaneous	FUNDS TA	
PROJECT NUMBER 517-11-990-050	PRIOR REFERENCE p. 300 FY'67 LA P.D.B.	INITIAL OBLIGATION FY: 1965	SCHEDULED FINAL OBLIGATION FY: Continuing

Project Target and Course of Action: To support self-help projects undertaken by private individuals, civic groups, cooperatives, and communities who need modest amounts of assistance to enable them to carry to fruition small but well-defined and constructive projects which will have an immediate impact on the social and/or economic conditions in their localities. Projects selected for assistance will be those which can be completed in a short period of time and are most likely to generate public awareness of the economic and social development objectives of the Alliance for Progress and the importance of self-help.

Total value \$120,000
Average project value \$2,350

In addition, \$88,000 was obligated to finance a survey to identify areas of technical assistance for the Autonomous University of Santo Domingo.

FY 1968 Program:

Commodities: Miscellaneous equipment and materials.

Other Costs: Miscellaneous local costs.

Progress to Date: During FY'66 assistance was provided to:

Type of Project	Number Approved
Youth activities (sports, youth centers, etc.)	14
Agricultural associations and 5-D clubs	8
School construction and repair	7
Medical & health facilities	6
Equipment & supplies for self-help education projects	5
Textbook revolving funds	4
Community centers	3
Other	4
	51

Note: The obligations in FY-67 are higher than the level projected in the FY-67 Congressional Presentation because it was considered essential to provide additional funds to encourage self-help efforts and to support a larger number of high-impact community projects.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES		
	Obligations	Expenditures	Unliquidated	OBLIGATIONS				
				Estimated FY 1967			Proposed FY 1968	
				Direct AID	Contract/Other Agency		Total	Direct AID
Through 6/30/66	213	40	173					
Estimated FY 67	175	231						
Estimated through 6/30/67	388	271	117					
		Future Year Obligations	Estimated Total Cost					
Proposed FY 68	100	continuing						
				Cost Components				
				U.S. Technicians				
				Participants . . .				
				Commodities . . .	75	25		
				Other Costs . . .	100	75		
				Total Obligations	175	100		

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: DOMINICAN REPUBLIC

PROJECT DATA

TABLE III

PROJECT TITLE TECHNICAL SUPPORT	ACTIVITY General and Miscellaneous	FUNDS TA
PROJECT NUMBER 517-11-990-000	PRIOR REFERENCE p.301 FY'66 LA P.D.B.	INITIAL OBLIGATION FY: 1962
		SCHEDULED FINAL OBLIGATION FY: continuing

Project Target and Course of Action: To finance costs chargeable to the AID program as a whole or to groups of activities rather than to a specific project.

is due to the expansion in the over-all technical assistance program. (See Note at end of Summary of Country Program - Table I.)

FY 1968 Program:

U.S. Technicians: 26 Direct-hire personnel including: 7 Program Officers, 2 Loan Officers, 4 Engineers, 4 General Services Officers, 4 Food-for Peace personnel, 1 Financial Analyst, 1 Training Officer, and 3 secretaries. 4 short-term TDY contract engineers for materials/soils testing services, inspection, and technical assistance to Dominican contractors to improve construction materials.

Commodities: Office equipment, supplies; household furnishing; replacement vehicles.

Other Costs: Salaries of local staff under Technical Support project, maintenance and operation of Mission vehicles, rent and utilities, and locally purchased supplies and equipment.

1/ Includes \$126,000 from Contingency Fund.

2/ Includes \$105,000 from Contingency Fund.

Note: The increase in the FY-67 obligation level above the level proposed in the FY-67 Congressional Presentation

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS			Personal Service Contract		
					Estimated FY 1967		Proposed FY 1968			
					Direct AID	Contract/ Other	Total	Direct AID	Contract/ Other	Total
Through 6/30/66	2,848	1,822	1,026							
Estimated FY 67	1,322	1,750 ^{2/}			780	40	820	680	10	690
Estimated through 6/30/67	4,170	3,572 ^{2/}	598	U.S. Technicians	-	-	-	-	-	-
		Future Year Obligations	Estimated Total Cost	Participants . . .	236	-	236	223	-	223
				Commodities . . .	266	-	266	265	-	265
Proposed FY 68	1,178	continuing		Other Costs . . .	1,282	40	1,322	1,168	10	1,178
				Total Obligations						

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: DOMINICAN REPUBLIC

Borrower: Government of the Dominican Republic

Funds: AFP Loan

Title and Number of Loan: Operation and Maintenance of Irrigation System 517-L-004	
Date Authorized: November 14, 1964 Date Signed: November 30, 1964	
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 1,500	Grace Period 10 yrs.
Disbursed 219	Interest Rate . . . GP . . . 1% thereafter 2 1/2%
Repayments -	Currency of Repayment.. \$US
Interest Collected -	

office, secretarial and local transportation expenses of the U.S. consultants and financing a portion of the costs for irrigation maintenance and rehabilitation. Equipment financed under the loan is being purchased in the U.S.

Comments on Implementation: Lack of Government of the Dominican Republic funds for the support of INDRHI operations, resistance of some INDRHI personnel to reorganization and improvement, and internal strife in INDRHI have delayed normal implementation of this project. Resignation of nearly 50 members of the Planning and Design Dept. has resulted in some vacancies in the central office of INDRHI.

Purpose of Loan: To assist in the rehabilitation of existing irrigation systems through the procurement of operation and maintenance equipment and spare parts and technical assistance to the National Water Institute (INDRHI). The loan is part of the USAID effort to increase Dominican agricultural production and raise the standard of living in the rural areas.

Physical Status: A contract with Parsons Co. as the consulting firm initiated the project in late 1965. In May, 1966, the Government of the Dominican Republic approved legislation to increase water rates as required by the loan agreement. The law has met with strong opposition from water users and at present is only partially enforced. Equipment purchases have moved ahead in recent months. Completion of a temporary repair shop was delayed by a lack of Dominican funds, which the Government of the Dominican Republic finally approved in November, 1966.

Financial Status: Although only \$219,000 has been disbursed letters of commitment in the amount of \$1,344,000 have been issued as of December 31, 1966.

Host Country Contribution-Procurement Sources: The Dominican government is paying the local currency costs of

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: DOMINICAN REPUBLIC

Borrower: Government of the Dominican Republic

Funds: AFP

Title and Number of Loan: Feasibility Studies 517-L-005	
Date Authorized: January 5, 1965	Date Signed: February 16, 1965
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 1,000	Grace Period 10 yrs.
Disbursed 44	Interest Rate . . . GP. . . 1%
Repayments -	thereafter 2 1/2%
Interest Collected -	Currency of Repayment . . \$US

under this loan are to be procured from the United States or the Dominican Republic.

Comments on Implementation: Although implementation of this loan was initially slow due to the disruption caused by civil strife during 1965, prospects for its early use are now excellent.

Purpose of Loan: To assist in financing the cost of feasibility studies, pre-feasibility studies and project evaluations required for investment proposals, public or private, which will contribute to the social and economic development of the country.

Physical Status: Four contracts have been approved for studies under this loan. The first contract, for the aerial survey of the forest regions of the country, is 90% completed; this contract was recently amended to include the areas affected by Hurricane Inez. The remaining three contracts are: the Ozama-Nizao Basins Study, the proposal to make paper pulp from bagasse and expand the paper factory, and a study of local raw materials for fertilizer. Field work on these reports has been completed and final reports are expected soon. Three additional studies have been approved and two are under consideration.

Financial Status: At present the feasibility studies signed, approved or under consideration total \$885,000.

Host Country Contribution-Procurement Sources: All proposals for studies under the loan are channeled through the National Planning Office (Technical Secretariat of the Presidency). Equipment, materials and services financed

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: DOMINICAN REPUBLIC

Borrower: Government of the Dominican Republic

Funds: AFP Loan

Title and Number of Loan: Private Investment Fund (PIF) 517-L-007	
Date Authorized: March 31, 1965	Date Signed: April 19, 1965
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 5,000	Grace Period 10 yrs.
Disbursed 300	Interest Rate GP . . 1%
Repayments -	thereafter 2 1/2%
Interest Collected -	Currency of Repayment . . \$US

Equipment, materials and services are procured from the United States or the Dominican Republic.

Comments on Implementation: The loan agreement providing the funds for the program was signed early in April, 1965. The revolution intervened and no organized attempt to implement the program was made until the first quarter of 1966. The first loan was approved by the Banco Central on May 30, 1966. Because of the Banco Central's strict interpretation of the loan requirements, the program was slow in starting. USAID has been working with the Banco Central to expedite loan approval procedures and to gain the confidence and cooperation of the private commercial banks. Consequently it is expected that the 1967 disbursement rate will be much faster.

Purpose of Loan: To finance the dollar and peso costs of private sector projects in order to increase production and services in agriculture, industry, mining and transportation, with the following priorities: (a) promotion and diversification of exports, (b) elimination of production bottlenecks, and (c) import substitution. Sub-loans are made by the Central Bank acting through the commercial banks.

Physical Status: The PIF has approved loans totaling \$2.5 million to assist 23 firms in establishing new industries or expanding existing ones. New enterprises have been established not only in the capital, but in other areas of the country as well.

Financial Status: Although only \$300,000 has been disbursed, as of December 31, 1966, AID had issued letters of commitment totaling \$1,197,000.

Host Country Contribution- Procurement Sources: The PIF is administered by the Central Bank. Local commercial banks process loan applications and assume the commercial risks in the proposed investments. The investors contribute at least 50% of the equity involved in the new investment.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: DOMINICAN REPUBLIC

Borrower: National Housing Bank

Funds: AFP Loan

Title and Number of Loan: National Housing Bank (Second Loan) 517-L-008	
Date Authorized: January 21, 1966 Date Signed: March 29, 1966	
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 20 yrs.
Authorized 5,000	Two-step 40 yrs.
Disbursed 1,699	Grace Period 5 yrs.
Repayments -	Two-step 10 yrs.
Interest Collected -	Interest Rate GP 1%; 2 1/2% after
	Two-step: GP 1%; 2 1/2% after
	Currency of Repayment.. \$US

Comments on Implementation: There have been no major implementation problems.

Explanation of two-step process: To help ease the Dominican Republic's foreign debt service problem in the next few years, agreement has been reached under which the Dominican Government will receive loan payments from the borrowers in local currency, reimbursing AID in dollars within 40 years, including a 10 year grace period, with annual interest at 1% during the grace period, and 2 1/2% thereafter.

Purpose of Loan: To enable the National Housing Bank to meet the demand for housing through the savings and loan system established with the assistance of a prior AID loan.

Physical Status: Eight Savings and Loan Associations are members of the National Housing Bank. The number of mortgage loans on record as of December 31, 1966, was 2,140, an increase of 41.6% from the December 31, 1965, balance of 1,511 mortgage loans recorded.

Financial Status: The average rate of disbursement since September, 1966, has been \$300,000 per month. As of December 31 1966, the value of issued Special Letters of Credit was \$2 million.

Host Country Contribution-Procurement Sources: The Dominican Government has both guaranteed and assumed maintenance of value risks on the loan. Dollar disbursements are tied to U.S. procurement through the Special Letter of Credit procedure.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: DOMINICAN REPUBLIC

Borrower: Agricultural Bank

Funds: AFP Loan

Title and Number of Loan:		Managed Agricultural Credit 517-L-010	
Date Authorized: May 4, 1966		Date Signed: October 4, 1966	
Loan Status as of 12/31/66		Loan Terms	
<i>(In Thousands of Dollars and Equivalent)</i>		Duration 40 yrs.	
Authorized	9,500	Grace Period 10 yrs.	
Disbursed	1,000	Interest Rate GP 1%	
Repayments	-	thereafter 2 1/2%	
Interest Collected	-	Currency of Repayment.. \$US	

Equipment, materials, and services are to be procured from the United States or the Dominican Republic.

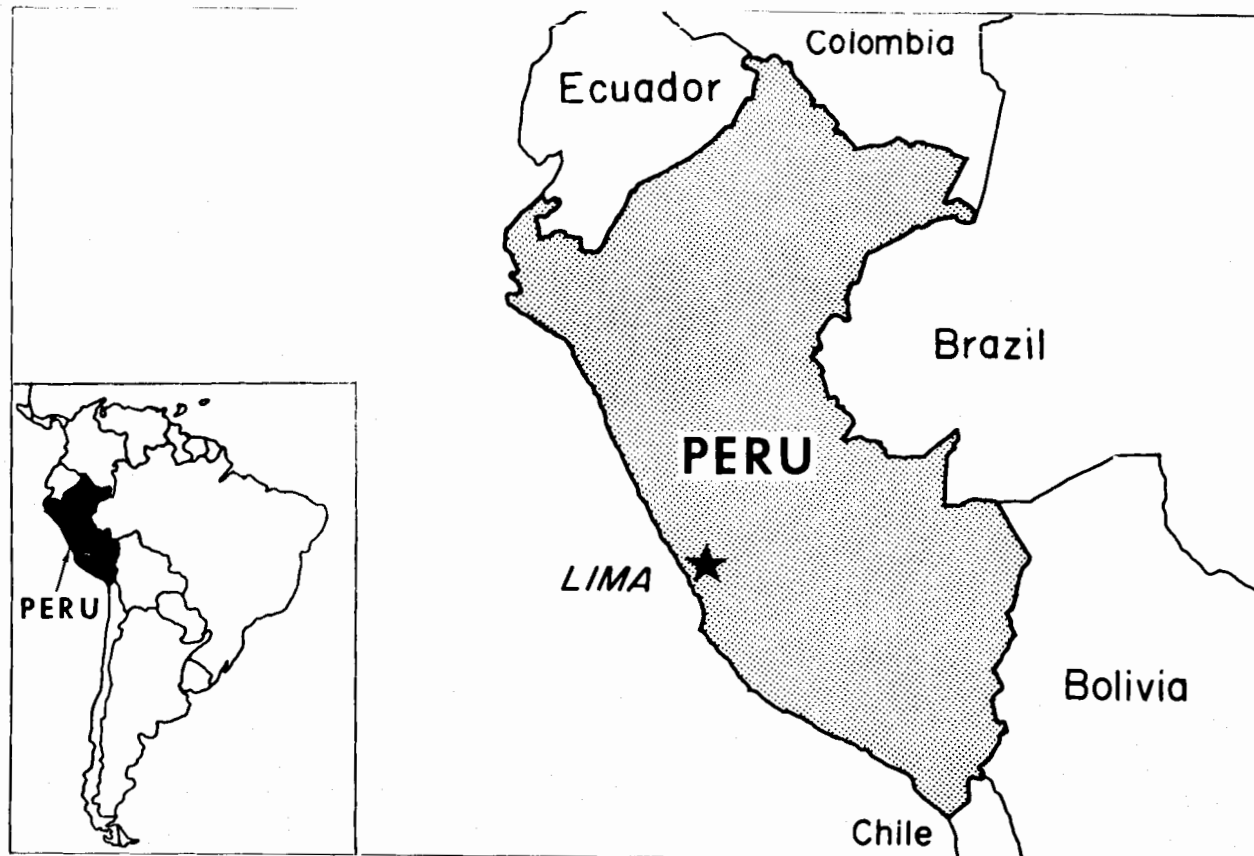
Purpose of Loan: The immediate goal of this project is the increase during the 1967 production season of certain key crops for domestic consumption (rice, beans, and peanuts) and several export crops (cigar tobacco, fruits and vegetables). The longer term goal is the increased productivity and agricultural development that can be expected from a managed credit program. The program involves a combination of loan and technical assistance to farmers through the Dominican Agricultural Bank.

Physical Status: Conditions precedent to the loan have been met, and the technical assistance contract between the Agricultural Bank and Servicios Tecnicos del Caribe has been signed.

Financial Status: AID/Washington has opened a special letter of credit for \$1 million under this loan, and the pesos generated by this \$1 million have been turned over to the Agricultural Bank. Sub-loans and technical assistance have been available to the Dominican farmers since March 20, 1967.

Host Country Contribution-Procurement Sources: The Government of the Dominican Republic has both guaranteed and assumed maintenance of value risks on the loan.

Peru



BASIC DATA

Population (<i>millions – mid-1966</i>).....	12.0
Annual Growth Rate (<i>percent</i>).....	3.1
Area (<i>1000 square miles</i>).....	514
Population Density Per Square Mile.....	23
Agricultural Land as % of Total Area	16
Percent of Labor Force in Agriculture.....	50

Per Capita GNP (<i>dollars</i>).....	378*
Life Expectancy (<i>years</i>).....	55
People Per Doctor	2,150
Literacy Rate (<i>percent</i>)	61
Pupils as Percent of Population.....	20
(<i>Primary and Secondary</i>)	

* 1966 in 1965 prices

PREVIOUS PAGE BLANK

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

~~CONFIDENTIAL~~

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	12.7	14.8	10.0
Technical Assistance	5.0	5.0	6.0
Contingency Fund	0.8	XXX	XXX
Total A.I.D. Assistance	18.5	24.8	16.0

Objectives of U.S. Assistance

Peru is one of the largest countries in Latin America, a major trading partner of the United States and an area of heavy U.S. investment. The United States has a vital interest in the success of the present government's attempt to modernize the country economically and socially through democratic methods. The problem of integrating millions of Indians and mestizos, mainly living in the sierra, as meaningful contributors to the economic and social development of the entire nation, is an immense one. The U.S. assistance program in Peru has the following objectives: (a) to assist in keeping Peru's private sector economy growing at a high level, contributing to political stability and increased social justice by providing economic opportunity for Peru's growing young population coming onto the labor market; (b) to improve the quality and composition of the public sector development/investment program; and (c) to help build a well-oriented human and institutional resource base in key areas of public policy and national life.

Key Obstacles to Achievement of Objectives

While the economy continues to grow at a rate of approximately 6%, signs of strain and future difficulty are beginning to appear. The economy in general continues to be characterized by: (a) a decline in public savings and a related increase in deficit spending; (b) increasing pressure on the balance of payments and the exchange rate, which has remained stationary since the 1959 devaluation while internal prices increased by nearly two-thirds during that period; (c) weaknesses in the public investment program, which overemphasizes large-scale road construction and other major public works projects for which the short-run returns are minor; and (d) the poor quality of the Peruvian public institutions implementing the government's financial and investment programs.

Peru has experienced a growing public sector budget deficit in recent years. Revenues increased by an average of 16.7% in the past three years, but expenditures increased even faster, by an average of 25% in 1964 and 1965. Expenditures grew more slowly in 1966, by an estimated 14%. The budgetary deficit increased from 9.2% of total expenditures in 1963 to 19.4% in 1965, before dropping slightly in 1966 to 17.4%. Moreover, the composition of expenditures did not improve in any marked fashion. Current expenditures have accounted for a major portion of the increase, particularly in the area of government salaries although President Belaunde has promulgated a law freezing the salaries of government employees during 1967.

This large budget deficit has been only partly financed by borrowing from abroad. The major portion has been covered by short-term inflationary borrowing from the central bank. Public sector net borrowing from the central bank has increased by over 500% from 1963 to 1965 and now accounts for almost 28% of available credit, compared with 17% in 1963. Continuation of this practice could place a dangerous credit squeeze on the vital private sector. This deficit financing also was a major cause of inflation; prices in the Lima area increased 10% in 1964, 16% in 1965 and about 10% in 1966.

The deterioration of domestic finances has resulted in pressure on foreign exchange reserves. Because of a substantial increase in current liabilities, net foreign exchange reserves dropped by \$26 million in 1965. In 1966, preliminary estimates show a loss of only \$4.5 million. This is not fully indicative of the weakness of Peru's position since these data exclude a \$40 million loan from U.S. banks and a \$12.5 million bond issue, both for budget support. Because of the five-year term of both transactions, they are excluded from data on current liabilities. The gross foreign exchange figures fail to disclose Peru's worsening foreign exchange position.

Social reform is slow in the rigid structured society of Peru. The political rivalry between supporters of Belaunde and the opposition which controls the legislature is intense although both groupings claim to support economic and social reform as a major goal for Peru and the rivalry is more to achieve partisan credit than to make any substantive policy changes. The interparty rivalry was particularly intense during the period prior to the municipal elections held in November 1966. With the one major exception of Lima, the election results were disappointing for Belaunde and his supporters and the Congress may take an even harder line in dealing with Belaunde's legislative program in the

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

remaining years of his term. This does not increase the prospects for dramatic change in Peru over the next three years but does point to a healthy state of Peruvian democratic processes within a constitutional framework.

Peru's agricultural production is just keeping pace with its population growth. The agricultural output in 1966 will be about 2% below that of 1965. The per capita Agricultural Production Index (1957-1959 = 100) fell from 110 in 1964 to 102 in 1965 and is estimated at 96 in 1966. Unfavorable weather affected this year's grain and potato crops while cotton production declined in response to lower world prices. A number of foodstuffs not affected by weather and increased land in production will help to increase next year's yield.

Recent Country Performance

The Belaunde administration has moved ahead with expanded programs in agrarian reform, irrigation projects, road building, supervised agricultural credit, and community self-help to increase agricultural output. The activities of Cooperación Popular, the government's agency for channeling technical and material assistance to communities for their self-help small-scale infrastructure projects, have been important in creating a sense of forward movement in rural areas and local involvement in the development process. Nearly 3,000 community self-help projects were completed in the first two-year period under this program, more than 4,000 projects are currently underway, and over 11,000 community requests for assistance are pending. All projects undertaken under Cooperación Popular are self-help efforts initiated by the local village or township utilizing local labor and often local materials. Thus, the program helps to develop agricultural efficiency and to decrease the movement of rural population to the cities, a factor which has contributed to the food deficit.

Another major self-help effort in the agricultural sector is the agricultural university at La Molina which had expanded its budget from \$188,000 in 1960 to \$4,334,000 by 1965 with a corresponding expansion in personnel and facilities over and above assistance received through external loans. Enrollment has doubled and the number of staff members with advanced degrees has increased from 6 to 81 during the same period. The university now is one of the outstanding land grant type institutions in Latin America.

The credit channels for small and medium sized farm operators continue to be expanded. About 20,000 loans for nearly \$17 million have been made during a 2-year period ending July 1, 1966 under a supervised agricultural credit program and funds have been earmarked to reach approximately 27,000 farmers each year hereafter.

A land reform law, outlining a considered and integrated plan for agrarian reform and development, was passed in May 1964. It is estimated that some 100,000 families have benefited to date by agrarian reform activities and efforts are continuing to transfer more land to the lower-income members of the rural population. Agrarian reform has encompassed not only the transfer of land, but also the provision of technical assistance to the new landowners through the Agricultural Research and Extension Service (S.I.P.A.) and provision of agricultural credit.

Peru has experienced an impressive economic growth over the past decade (more than 6% annually for the past five years) due primarily to the extraordinary performance of the private sector, which has been providing over three-fourths of gross investment and the foreign exchange needed for development. The average ratios of investment and domestic savings to Gross National Product during the past five years have been approximately 19% and 17% respectively. Total public sector expenditures increased by approximately one-fourth in both 1964 and 1965 to almost 25% of the G.N.P.

Under the leadership of the International Bank for Reconstruction and Development (IBRD) and with the active support of A.I.D., a Consultative Group for Peru including the IBRD, the Inter-American Development Bank (IDB), the International Monetary Fund (IMF), the United States, and the countries of Western Europe, Canada and Japan was established in July 1966. The Belaunde government agreed to the establishment of the Group although it expressed concern about the resulting conditions that might be attached to future international support and the additional time that might be necessary to process Peruvian loan applications. The Group has made clear to the Government of Peru that assistance from its members will be related to Peruvian success in raising additional revenues in 1967 so as to increase public savings and enable a greater portion of the public investment program to be financed in a noninflationary manner with domestic resources. Members of an IBRD mission will discuss Peruvian efforts in achieving financial goals in January and will prepare a progress report to be discussed at the first annual meeting of the Consultative Group to be convened next summer.

Careful studies of the Peruvian balance-of-payments situation by the international financing agencies indicate that, even with sound internal economic policies, Peru will need high levels of external capital assistance from now until the early 1970's to close the widening deficit in the current account. Peru remains attractive as an opportunity for private investment and has received a growing influx of new capital in recent months in such fields as copper mining, natural gas and electric energy development, petroleum refining, tire manufacturing, steel production,

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

highway construction, and a wide range of light industrial activities.

Even with a high level of capital inflow from both public and private sources, Peru will have to make a major effort to improve its own fiscal performance in order to make the domestic contribution to development through public sector savings, rather than recourse to the banking system. Only in this manner can Peru achieve a balanced economic development, avoiding continuing erosion of the value of the sol, both internally and externally, which would discourage domestic investment by the private sector and the necessary inflow of foreign capital.

U.S. Strategy

A.I.D. has established major development goals in Public Policy and Administration, Agriculture and Rural Development, and Education and Human Resources. The major effort under the first goal is directed toward improvement of the Ministry of Finance and Commerce with particular emphasis on tax and customs administration. Additional projects include general public administration improvement, national economic programming, and public safety. Seven projects have been established under the second goal to provide advice to the Government of Peru with respect to current agricultural problems as well as to equip the Peruvian agricultural sector to meet its future problems. Assistance will also be given to assist the Government to develop and implement sound policies and programs in such related areas as irrigation, transportation, community and local government development, and regional development in order to evolve a coordinated approach to the problems of agricultural and rural development. Finally, A.I.D. is assisting the Government of Peru under the third goal to establish educational policies and programs aimed at developing the better trained human resource base required to sustain higher-level private and public sector economic growth.

The A.I.D. strategy is to require that the Government of Peru, in addition to meeting specific sectoral performance conditions related to the contemplated U.S. project loans, meet certain general performance criteria to qualify for a large annual A.I.D. "Loan package" including a program loan. These general criteria will relate to new land and tax reform measures, improve agricultural and educational policies, and the maintenance of the present exchange system.

A.I.D. strategy takes into account the total assistance available to Peru through the Consultative Group. It is anticipated that the IBRD and the IDB will make comparable contributions. The IBRD has made loans totalling \$144 million to the Government of Peru.

since 1960 while the IDB has loaned nearly \$110 million to the Peruvians. The IDB has approved approximately \$25 million yearly in loans to Peru since Belaunde took office, and stepped up its lending to more than \$40 million in FY 1966. The planned IDB program for FY 1967 is for another \$40 million. The IBRD has averaged slightly more than the IDB during this period and approved \$65 million in FY 1966. The IBRD also would like to continue this higher level if adequate projects are available and Peruvian self-help progress warrants it. The United Nations agencies approved \$8.3 million to operate projects in Peru during the past three calendar years. Both the Ford and Rockefeller Foundations also are active in Peru. Finally, the Peace Corps program is one of the largest in the world with more than 400 volunteers in Peru during FY 1966.

A.I.D. strategy also is cognizant of the assistance rendered Peru by Germany, Belgium, the Netherlands, Denmark, England, Switzerland, and Spain. These seven nations have contributed almost \$2 million in equipment and technicians to assist the National Industrial Apprenticeship Program. Peru's National Planning Institute has been aided by experts from the Organization for Economic Cooperation and Development. The Government of Israel is supplying technical assistance to the National Agrarian Reform Office.

FY 1968 Program

A.I.D. plans a FY 1967 loan program of \$37 million to finance programs in such fields as agricultural credit, agricultural marketing, road construction, civic action, public education, fiscal administration and industrial credit. In addition, approximately \$5 million will be utilized to support the technical assistance program which will provide advisory services in the fields related to the project loans and to the three development goals described above.

The proposed FY 1968 program includes \$70 million for development loans, and \$6 million for technical assistance projects. The technical assistance program will be related directly to the loan program with the majority of the funds utilized in agriculture, education, and transportation and portions of the total costs of the technical assistance projects transferred to the planned loans. In FY 1968, a program loan of \$40 million is planned to support a GOP program of self-help which will require the implementation of new tax measures to eliminate the largest fiscal deficit and provide the revenues required by the development program.

Country: PERU

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

A.I.D. is working closely with the Government of Peru in establishing national policies in several key development areas. Approximately \$1 million in technical assistance funds will be directed toward assisting the Government's efforts in (a) instituting essential tax measures and improvements in tax administration and expenditure control; (b) restricting internal borrowing; (c) improving public investment; (d) avoiding a short-term foreign debt service problem; (e) fostering realistic exchange rate policies; and (f) achieving improvements in public administration at all government levels including the Ministry of Finance and Commerce, strengthening the capability of the civil police forces, and assisting the Institute of National Planning. This effort is a continuation of the FY 1967 program with major emphasis now placed on the Ministry of Finance and Commerce due to the recurrent fiscal problems encountered by Peru in recent years.

An integrated "breadbasket" program began in FY 1967 to increase the flow of agricultural products from the high and low jungle areas adjacent to Lima on the other side of the Andes. The overall program will include road construction, agricultural and industrial credit, local educational and medical facilities, and improved agricultural pricing, marketing, research, and extension programs. The program will expand along these lines in FY 1968.

The goal is to combine technical assistance with the leverage of major loans to effect basic changes in the agricultural sector of Peru which is a lagging sector of the economy. A.I.D. intends to concentrate on increasing the production of basic food staples as well as to continue its previous institution-building activities. For example, the U.S.A.I.D. Mission has begun in-depth research and promotion programs with five basic commodities (potatoes, beef and dairy livestock, beans, fruit and rice) and an extensive review of agricultural pricing and marketing policies in FY 1967.

In the mountainous sierra, where guerrilla efforts have been aimed at poor Indian communities, the Peruvian Government's effective small public works and local development program under Cooperación Popular will continue to be supported and expanded. Cooperación Popular, designed to capture the imagination and arouse enthusiasm for people to work in cooperation with the national government, has completed or is working on approximately 7,000 projects. Another 11,000 projects have been requested or are awaiting funding.

\$35 million loan package for a national agricultural program, including irrigation systems improvement and a national transportation program geared to agricultural development, and a \$5 million loan to continue the rural electric cooperative program started with a \$1.6 million pilot loan in FY 1966 are all planned in FY 1968. In addition, the U.S.A.I.D. will support the civic action and road construction capabilities of the Peruvian Army through continued P.L. 480 Title II grants and a \$1.5 million loan in FY 1967. Approximately \$2,650,000 in technical assistance funds will be required in FY 1968 to support the planned loan program.

Although Peru has experienced a large expansion in the field of higher education over the past ten years, the education provided is of low quality, the staffs of the schools poorly qualified, the physical plants inadequate, and curricula offered predominately in traditional humanistic studies rather than in practical disciplines. A.I.D. proposes to provide \$10 million in loans to several universities in FY 1968 to build up centers of educational excellence in such fields as economics, business and public administration, secondary school teacher training and engineering. This program will be closely coordinated with the Ford Foundation and IDB, which are already working in this field.

Approximately \$1,270,000 in technical assistance funds will be required under this goal to support the new effort in higher education and continue previous projects in public education, vocational training, business administration, population growth, private enterprise and labor development.

A.I.D. is working with Peruvian Government agencies, the Center for Studies of Population and Development and the Ministry of Health, and with private organizations on the problem of population growth. A.I.D. sees its role in this field as that of a catalytic agent, providing advice, guidance, participant training, and limited visual and educational materials. Changing attitudes toward population control and family planning will cause programs of this nature to increase in number and significance.

~~CONFIDENTIAL~~

SUMMARY OF PROGRAM BY FUNCTION
(Dollar Amounts in Thousands)

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

TABLE II

Category	Actual FY 1966				Estimate FY 1967				Proposed FY 1968		
	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.
Development Loan Program	12,700	XXX	XXX	XXX	36,865	XXX	XXX	XXX	70,000	XXX	XXX
Programs Other than Devel. Loan											
Project Assistance											
U.S. Technicians	3,369	3,184	-	185	3,011	3,011	-	-	3,619	3,619	-
Participants	751	751	-	-	599	599	-	-	823	823	-
Commodities	690	230	-	460	191	191	-	-	189	189	-
Other Costs	1,031	840	-	191	1,174	1,174	-	-	1,369	1,369	-
Total Project Assistance	5,841	5,005	-	836	4,975	4,975	-	-	6,000	6,000	-
Method of Financing											
Project Assistance											
Direct A.I.D.	2,646	1,810	-	836	2,222	2,222	-	-	2,501	2,501	-
Other Agency	519	519	-	-	471	471	-	-	400	400	-
Contract	2,676	2,676	-	-	2,282	2,282	-	-	3,099	3,099	-
Program Assistance	-	-	-	-	-	-	-	-	-	-	-
Total Other than Devel. Loan	5,841	5,005	-	836	4,975	4,975	-	-	6,000	6,000	-
Total Assistance	18,541	XXX	XXX	XXX	41,844	XXX	XXX	XXX	76,000	XXX	XXX

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	35	39	39
Participating agency	15	20	17
Contractor technicians	58	88	79
Total	108	147	135

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	201	193	169
Contract	70	65	107
Total	271	258	276

~~CONFIDENTIAL~~

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

PROJECT DATA

TABLE III

PROJECT TITLE Agricultural Programs, Planning and Research PROJECT NUMBER 527-11-140-053	ACTIVITY Agriculture and Natural Resources PRIOR REFERENCE Page 388 of FY 1967 C.P.	FUNDS T.C. INITIAL OBLIGATION FY: 1962 SCHEDULED FINAL OBLIGATION FY: 1971
--	--	---

Project Target and Course of Action: Targets are (1) to bring about sound agricultural price and marketing policies which will provide incentives to farmers for increased food production and improved food distribution, and (2) to develop the capacity of Peruvian agencies to make economic evaluations of project development proposals. AID assistance is aimed at developing the capacity of Peruvian agencies to analyze investment priorities and food supply and demand relationships as a basis for establishing sound government agriculture sector policies. In 1967 and 1968 Iowa University advisors will work primarily with the National Food Supply Corporation in the analysis of food marketing and with the National Institute of Planning on the evaluation of major agriculture investment projects, especially in the areas of irrigation and the construction of fertilizer plants.

Progress to Date: Data and analysis of the Agricultural sector of the Peruvian economy produced with assistance from the Iowa advisors has been incorporated into the National Development Plan for 1967-1970. To aid the government in action on periodic problems with key agricultural commodities, demonstration policy analyses were made for dry beans, rice, wheat and milk. A longer-range study is underway to project future demands for specific commodities and analyze future supply potentials and bottlenecks. This study will be used to map out future extension and credit priorities. The National Food Supply Corporation has been aided in improving the collection, analysis, and dissemination of price data; design of produce market

facilities in Lima and development of cooperative efforts to improve marketing and distribution systems; and evaluation of proposals for new food processing plants. Although the Iowa Contract group is no longer heavily involved in providing technical assistance to Peru's Agrarian Reform Program it is worth noting that over 100,000 families have benefited from the Agrarian Program as of the end of CY 1966. All of the 13 contract participants (9 of which completed Masters Programs and one a Ph.d) that had returned to Peru by January 1, 1967 were working in key positions in Peru's agriculture sector.

FY 1968 Program: Funds are needed to extend the contract for 12 months to December 31, 1968. The lower obligations in 1967 reflect only 4 months of contract costs. (Through December 31, 1967) since the contract was already funded though Aug.31, 1967 with 1966 funds.

U.S. Technicians: The 9 full-time contract advisors will be reduced to 8 in 1968 as phases of the project are completed. Two short term specialists will be used in 1967 and 1968. Participants: Eight long-term and 2 short-term contract participants will receive advanced training in agricultural economics and marketing.

Other Costs: Support costs for the contractor and the salaries of two local personnel.

1/ Pipeline is due to 6 months forward funding of the Iowa contract and delays between services performed by the contractor and billings for those services.

U.S. DOLLAR COSTS (In Thousands)				PRINCIPAL CONTRACTORS/AGENCIES						
	Obligations	Expenditures	Unliquidated	OBLIGATIONS						
				Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/ OTHER AGENCY	Total	Direct AID	Contract/ OTHER AGENCY	Total	Iowa State University
Through 6/30/66	2,009	1,171	838	-	87	87	-	200	200	
Estimated FY 67	134	230		-	17	17	-	42	42	
Estimated through 6/30/67	2,143	1,401	742 1/	-	-	-	-	3	3	
		Future Year Obligations	Estimated Total Cost	1	29	30	1	78	79	
Proposed FY 68	324	885	3,352	1	133	134	1	323	324	
				Total Obligations						

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

PROJECT DATA

TABLE III

PROJECT TITLE Private Enterprise Development	ACTIVITY Industry and Mining	FUNDS T.C.
PROJECT NUMBER 527-11-290-058	PRIOR REFERENCE Page 390 of FY 1967 C.P.	SCHEDULED FINAL OBLIGATION FY: 1962 FY: 1970

Project Target and Course of Action: To broaden and strengthen the private industrial sector of Peru for the purpose of creating more employment opportunities, raising the standard of living of the depressed rural areas and urban slums, and increasing industrial productivity. To achieve this objective, AID is assisting the Peruvian institutions concerned with industrial development and promotion, the training of business managers and executives, productivity improvement and the development of handicraft production and marketing.

Progress to Date: Each of the six southern provinces of Peru have formed a development corporation and in 1966 combined to establish ORDESUR, a regional development corporation for southern Peru. The Arequipa Development Corporation has acquired land and is installing public utilities for the first industrial park in Arequipa - for which all fifteen plant sites have been committed and construction on some begun. With AID assistance, resource inventories have been completed identifying 160 industrial opportunities. Ninety-three students have graduated from the Graduate School of Business Administration (ESAN) established in 1963. In addition, 445 business executives have attended 13 week, evening, or 4 week resident executive development courses. The Peruvian National Productivity Center published its first measurement study of 24 industrial sectors in 1966. Seventy percent of the Center's budget is now financed by private business. The Peruvian handicrafts organization established with AID

assistance in 1965 has made purchases from 480 artisans and is developing U.S., European, and domestic markets. Total sales for November 1966 were \$53,000 up from \$13,000 for the previous November. Expanding markets for handicraft products are benefitting more than a thousand rural households.

FY 1968 Program: Funds are required to extend all contracts listed through December 31, 1968. The 1968 rate of obligation will be higher than 1967, because two contracts only required partial year extensions in 1967.

U.S. Technicians: Nine advisors are on long-term contracts, and 24 short-term consultants will be used to advise on specific industrial problems.

Participants: Seven non-contract and 2 contract participants will receive training in the U.S. in industrial management and business administration.

Commodities: Miscellaneous commodities used by the Stanford University Contract technicians in the Graduate School of Business Administration.

Other Costs: Includes contract support costs, salaries of local personnel, local travel, equipment, and publications.

1/ Pipeline is due to 6 months forward funding of contracts with Stanford University and Stanford Research Institute and to delays in billings for services performed under all the contracts under this project.

U.S. DOLLAR COSTS (In Thousands)				Cast Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
Through 6/30/66	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/ XOMSEK/ Agency	Total	Direct AID	Contract/ XOMSEK/ Agency	Total	
	3,508	2,325	1,183							Stanford University Stanford Research Institute H.B. Maynard Co. Council for International Progress in Management	
Estimated FY 67	383	500									
Estimated through 6/30/67	3,891	2,825	1,066 ^{1/}	U.S. Technicians	-	287	287	-	321		321
		Future Year Obligations	Estimated Total Cost	Participants ...	25	3	28	25	8		33
				Commodities ...	-	2	2	-	2		2
				Other Costs ...	-	66	66	-	80		80
Proposed FY 68	436	173	4,500	Total Obligations	25	358	383	25	411	436	

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

PROJECT DATA

TABLE III

PROJECT TITLE Housing and Urban Development	ACTIVITY Community Development, Social Welfare and Housing		FUNDS T.C.
	PRIOR REFERENCE Page 100 of FY 1966 C.P. (renewed project)	INITIAL OBLIGATION FY: 1962	SCHEDULED FINAL OBLIGATION FY: 1970
PROJECT NUMBER 527-11-890-065			

Project Target and Course of Action: To ensure that private U.S. capital operating under the AID Housing Guaranty Program in Peru is used in an effective and responsible manner reflecting favorably on U.S. private enterprise and U.S. Government operations in Peru; and to strengthen the urban development programs of the national and local governments of Peru, and to further strengthen the role of the privately financed government-supervised credit institutions involved in implementing housing programs.

Progress to Date: In FY 1962 AID authorized a seed capital loan of \$7.5 million to the Government of Peru for the purpose of establishing a central housing bank and individual savings and loan associations. Under the terms of this loan agreement, the Government of Peru invested a matching \$7.5 million in this program. At that time there existed only two functioning savings and loan associations in Peru, both in the Lima area, with deposits of approximately \$1.5 million and loans totalling \$1.1 million. In October 1966 there were 19 savings and loan associations plus 13 branches located in almost all major cities of Peru, 115,000 depositors with \$42 million in deposits and loans totalling \$56 million. In addition to the FY 1962 seed capital loan, the U.S. Government, through AID or the Social Progress Trust Fund of the Inter-American Development Bank, has granted five other loans totalling \$33 million over the past 5 years to help relieve the housing shortage in Peru.

The AID Housing Guaranty program in Peru is expanding

at a rapid rate. As of January 1, 1967, five housing guaranty projects totalling \$17.6 million had been signed, two others totalling \$5.7 million were in process, and 17 new project proposals totalling \$144 million had been proposed by Peruvian and U.S. investors and will be evaluated over the next few months.

A mortgage service specialist (2 year contract financed with FY 1966 funds) arrived in late December 1966 to provide technical assistance to the Housing Bank and Savings and Loan Associations that service the mortgages of the AID housing guaranty projects.

FY 1968 Program:

U.S. Technicians: A full time housing officer is needed to evaluate, monitor, and assume general supervision of this expanding program. A direct-hire City Planner will be required to provide technical assistance in the urban development area.

Participants: Three long-term participants to receive advanced City Planning and Urban Development training in the U.S.

Other Costs: One direct hire local bilingual secretary.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	648	531	117		-	-	-	61	-	61	
Estimated FY 67	-	56		-	-	-	20	-	20		
Estimated through 6/30/67	648	587	61	-	-	-	-	-	-		
		Future Year Obligations	Estimated Total Cost	-	-	-	2	-	2		
Proposed FY 68	83	170	901	-	-	-	83	-	83		
			Total Obligations	-	-	-	-	-	-		

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

PROJECT DATA

TABLE III

PROJECT TITLE Labor Development	ACTIVITY Labor	FUNDS T.C.
PROJECT NUMBER 527-11-410-063	PRIOR REFERENCE Page 391 of FY 1967 C.P.	SCHEDULED FINAL OBLIGATION FY: 1962
		FY: 1970

Project Target and Course of Action: To strengthen the democratic labor movement in Peru so that it can responsibly represent the workers' interest and effectively contribute to national economic and social development. The principal activities are (1) a Labor Education Center which prepares labor leaders in the more technical aspects of trade union operation and develops their understanding of labor's role in the national economy; (2) advanced participant training in the United States for labor leaders and Labor Ministry officials; and (3) technical assistance to labor-sponsored social projects, particularly for a workers savings and loan bank to foster domestic saving and finance housing construction.

Progress to Date: Since its opening in 1963 the Labor Education Center has trained over 1,000 labor leaders in 15 ten-week courses and 2,500 in shorter courses. Leaders with this training have assumed increasingly important roles in their Unions and management representatives have voluntarily commended on the improved performance of center graduates as both Union leaders and negotiators.

Two hundred labor leaders and Labor Ministry officials have had special training in the U.S. and Puerto Rico since 1954. Many of these trainees have moved up to important leadership roles in unions and the Labor Ministry. Evaluation studies show that 90% of those trained continue to be active in unions.

The first worker-owned savings and loan association in Latin America was formed in 1964 with AID technical assistance to the Peruvian labor movement. As of December 31,

1966 this savings and loan association had over 7,600 savers, over \$1.5 million in deposits and had approved financing for 540 houses in Lima and 438 in the provinces.

FY 1968 Program: Funds are needed for two contracts with the American Institute for Free Labor Development--\$154,000 for the Labor Education Center contract for 6 months and \$79,000 for the Social Projects Program for a 12-month program.

U.S. Technicians: One direct-hire labor officer to monitor contracts and direct participant program, four AIFLD contract technicians--a country director, a labor education specialist, a housing advisor, and a social projects advisor--to work with the provincial labor cooperative program.

Participants: Ten in trade union technical courses in U.S. and Puerto Rico. Seventeen in trade union technical courses in U.S., six Labor Ministry officials to receive training in U.S. in labor statistics, manpower utilization, and industrial safety.

Other Costs: Salary for 11 local personnel funded under AIFLD contract, a direct-hire local secretary, contract support and other miscellaneous costs associated with the AIFLD.

1/ Pipeline is due to 6 months forward funding of the contract with AIFLD and delays in billing for services performed under this contract.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/		Total	Direct AID	Contract/	Total
Through 6/30/66	1,132	660	472					American Institute for Free Labor Development (AIFLD)			
Estimated FY 67	215	300									
Estimated through 6/30/67	1,347	960	387 1/	U.S. Technicians	21	57	78		24	124	148
				Participants ...	80	-	80		70	-	70
				Commodities ...	-	-	-		-	-	-
				Other Costs ...	1	56	57		1	109	110
Proposed FY 68	328	600	2,275	Total Obligations	102	113	215		95	233	328

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

PROJECT DATA

TABLE III

PROJECT TITLE Transportation Development		ACTIVITY Transportation		FUNDS T.C.	
PROJECT NUMBER 527-11-390-064		PRIOR REFERENCE Page 392 of FY 1967 C.P.		INITIAL OBLIGATION FY: 1962	
				SCHEDULED FINAL OBLIGATION FY: 1971	

Project Target and Course of Action: To assist in developing the road and air transport system needed to support Peru's economic development. Bureau of Public Roads PASA technicians are monitoring the active AID road loans and, in cooperation with other international agencies, are assisting the GOP to establish sound priorities and procedures for the construction of new highways with the principal aim of opening up new areas to agricultural settlement, and maintaining present roads. In addition, short-term advisors (under agreement with the U.S. Army Engineer Corps) are assisting the Peruvian Army design and construct penetration roads. In the civil aviation program, Federal Aviation Agency PASA technicians are providing advice and training in airport design and construction, the operation of modern communications facilities and navigational aids, and in air traffic control procedures.

Progress to Date: In 1965 and 1966 approximately 300 miles of roads were built with AID financing and over 200 miles are presently under construction. Active AID loans for highway construction, equipment and maintenance during the period of this project have totalled \$25.6 million, while the EX-Im (Export-Import) Bank has loaned \$34.0 million, International Bank for Reconstruction and Development \$48.5 million and Inter-American Development Bank \$7.1 million. The GOP budget for its highway department has increased from \$23.7 million in CY 1962 to \$54.1 million in CY 1965. In addition, the Peruvian Army is currently building about 50 miles of penetration roads per year.

In the aviation field, the GOP has increased its annual capital improvements budget from approximately \$2.5 million in 1965 to \$4.3 million for 1966. This is in addition to the \$4.5 million to finance the recently finished Lima International Airport terminal building and traffic control tower. Last year AID technicians assisted in the installation of Peru's first Very High Frequency Omnirange to aid in air navigation, and in redesigning Peru's basic air communications network, as well as providing training in these and other fields.

FY 1968 Program:

U.S. Technicians: Three long-term PASA advisors and three short-term specialists will continue to supervise the implementation of U.S.-financed road projects and provide advice and training in design and construction. Advisory assistance in Civil Aviation will be provided by an Airport Engineer and an Electronics Engineer.

Participants: 7 short-term participants will be sent to the US for training in highway administration and finance, highway engineering, and maintenance supervision. Nine short-term participants will receive training in the US and Panama in communications systems, air traffic control, electronics and radar.

Commodities: Technical publications, training aids, and engineering supplies and equipment used by the AID technicians.

Other Costs: Local travel, supplies, printing and communications.

U.S. DOLLAR COSTS (In Thousands)				PRINCIPAL CONTRACTORS/AGENCIES							
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Other Agency	Total	Direct AID	Other Agency	Total	
Through 6/30/66	692	570	122								
Estimated FY 67	197	220		U.S. Technicians	-	154	154	-	143	143	PASA - Bureau of Public Roads PASA - Federal Aviation Agency
Estimated through 6/30/67	889	790	99	Participants ...	28	-	28	34	-	34	
				Commodities ...	-	4	4	-	5	5	
				Other Costs ...	-	11	11	-	17	17	
Proposed FY 68	199	462	1,550	Total Obligations	28	169	197	34	165	199	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

PROJECT DATA

TABLE III

PROJECT TITLE Manpower and Education	ACTIVITY Manpower and Education	FUNDS T.C.	
PROJECT NUMBER 527-11-690-067	PRIOR REFERENCE Page 393 FY 1967 C.P.	INITIAL OBLIGATION FY: 1962	SCHEDULED FINAL OBLIGATION FY: 1971

Project Target and Course of Action: (a) To strengthen public education by concentrating assistance in 4 priority areas: organization and administration of the Ministry of Education, teacher education, vocational training and rural education. (b) To assist in the improvement and expansion of the vocational training program of the Peruvian Army. (c) To explore possible means of improving the quality of Peruvian higher education and of assisting specified Peruvian universities.

Progress to Date: The Education Ministry, with assistance of advisors from Teachers College, Columbia University, established an office to provide pre-service and in-service education for rural schools and regional education offices to decentralize educational administration. Two training centers for rural administrators and supervisors were established in 1966; a program designed to help teachers adapt education to community needs increased from 250 to 515 participating teachers and from 180 to 284 cooperating communities. 39 participants received specialized training in educational administration, supervision, research, and planning.

The Peruvian Army's 5 civic action vocational schools have trained 8,000 men since 1962, including 3,300 in 1966. In the last year the schools have been opened to civilian youths. The Peruvian government has provided 88% of the cost of the project since it started and currently is spending \$1 million annually for it.

During the past year AID assisted the Peruvian Institute for Educational Development in sponsoring the

first Latin American seminar on Educational Development and Financing. Efforts will be made to expand rural educational facilities in the jungle region east of Lima in conjunction with the agricultural modernization and development of this region as a "breadbasket" for the metropolitan Lima area. In the University area work will continue on identifying those faculties which offer the greatest potential for development and studies will be made of key problems confronting Peruvian university education.

FY 1968 Program: The increase in FY 1968 funds and in the estimated cost to complete, is needed to finance a full year contract with the TCCU (only a 6 months period was financed in 1967), expand participant training, and provide short-term consultants for the university program. \$380,000 is proposed to fund the TCCU contract; \$21,000 for a PASA advisors for the Civic Action program; and \$53,000 for short-term contract consultants.

U.S. Technicians: 8 public education long-term advisors, 1 AID direct-hire higher education advisor, 1 vocational education advisor (PASA) and 9 short-term consultants.

Participants: 18 non-contract and 16 contract participants will receive training in various fields of education.

Commodities: Miscellaneous contract commodities.

Other Costs: Salaries for 7 local personnel, contract support costs, and costs of in-country training courses.

1/ Pipeline is due to 6 months forward funding of TCCU contract and delays in billing for services performed under this contract.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	2,434	1,725	709							Columbia University Teachers' College; PASA - Dept. of the Army
Estimated FY 67	266	360								
Estimated through 6/30/67	2,700	2,085	615 1/2							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	590	1,450	4,740							
				Total Obligations	91	175	266	136	454	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

PROJECT DATA

TABLE III

PROJECT TITLE Government Finance and Administration	ACTIVITY Public Safety and Public Administration	FUNDS T.C.
PROJECT NUMBER 527-11-790-057	PRIOR REFERENCE Page 394 of FY 1967 C.P.	INITIAL OBLIGATION FY: 1962
		SCHEDULED FINAL OBLIGATION FY: 1971

Project Target and Course of Action: (a) Tax Administration: to improve tax administration, collection, and enforcement through technical assistance provided by a team of U.S. Internal Revenue Service advisors. (b) Customs Administration: overall improvement of the Customs Service, emphasizing training of personnel, improved enforcement, use of modern appraisement and classification systems, and reorganization of the Customs Superintendency. (c) Public Administration: to strengthen the National Office of Public Administration in its task of improving public administration with current emphasis on the Ministry of Finance and Commerce and the Controller General's Office.

Progress to Date: Following the reorganization of the National Tax Superintendency, action was taken to simplify tax administration and auditing, and to obtain greater compliance with tax laws. In 1966 responsibility for sales and stamp tax administration was transferred to the Tax Superintendency; 12 different audit units were consolidated into one organization set up to operate under modern audit concepts, the number of income tax returns filed significantly increased, and the first indictment on a criminal tax fraud case in Peru was issued.

Reorganization of all customs procedures at the Lima Post Office and the Lima/Callao Airport were completed in 1966. Customs clearance at Callao for many items has been reduced from weeks to a few days by the adoption of systems recommended by the AID contractor and customs revenues are being increased through better appraisement

and enforcement.

Steady progress has been made in strengthening the professional and technical capabilities of the Office of Public Administration. This past year the Office completed a comprehensive study of the organization and administration of the government Ministries and made recommendations for reforms. It also gave 315 Peruvian government officials general training in public administration, 37 in financial administration, and 30 in accounting.

FY 1968 Program: The PASA agreement with the Internal Revenue Service will be extended from 7/1/67 to 6/30/68. The increase in 1968 obligations is largely attributed to financing a full year's cost of the Institute of Public Administration contract in 1968 (the 1967 obligations finance only a 6 month extension of the contract).

U.S. Technicians: 8 long-term tax advisors from the Internal Revenue Service and 7 long-term advisors and two short-term consultants from the Institute of Public Administration.

Participants: 12 non-contract will receive training in tax administration and 28 contract participants in public administration.

Other Costs: Support of contractors, salaries of two local employees, local travel, and training aids.

Commodities: Miscellaneous contract commodities.

1/ Pipeline is due to delays in billings for services performed under the contracts and PASA and to forward fundings of the contracts.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	2,758	1,101	1,657							Clapp and Mayne, Inc.; Institute of Public Administration of New York; PASA - Internal Revenue Service	
Estimated FY 67	557	840									
Estimated through 6/30/67	3,315	1,941	1,374 ^{1/}	-	367	367	-	436	436		
		Future Year Obligations	Estimated Total Cost	31	24	55	22	54	76		
				3	5	8	3	10	13		
				58	69	127	53	90	143		
Proposed FY 68	668	1,215	5,198	Total Obligations	92	465	557	78	590	668	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

PROJECT DATA

TABLE III

PROJECT TITLE Economic Research and Planning	ACTIVITY Public Safety and Public Administration	FUNDS T.C.
PROJECT NUMBER 527-11-790-066	PRIOR REFERENCE Page 395 of FY 1967 C.P.	INITIAL OBLIGATION FY: 1962
		SCHEDULED FINAL OBLIGATION FY: 1971

Project Target and Course of Action: This project deals with three inter-related components of the economic planning process in Peru: the actual planning operations, economic data collection and evaluation, and population policy. Assistance is being provided to the National Planning Institute (INP) in improving its planning procedures and upgrading its staff. The Sample Survey Center is receiving advice and training in the conduct of pilot sample surveys and other economic data analyses. Assistance is being given to the Center for the Study of Population and Development and the Division of Health Education of the Ministry of Health in their efforts to increase the sensitivity and awareness of decision-makers and the general public to the implications of the high rate of population growth.

Progress to Date: The INP has completed and published its national development plan covering the period 1967-70. INP's Natural Resources Department (ONERN) recently completed several valuable studies including one concerned with salinity problems in the Departments of Tacna, Moquegua and Arequipa, and a natural resources inventory of the Rio Pachitea zone of eastern Peru.

The Sample Survey Center, under the guidance of AID contract advisors from the University of Michigan, has carried out economic surveys of the Lima/Callao, Arequipa and Iquitos areas, trained over 100 persons in sample survey methods, published teaching materials, and has in general become the focal point for economic data collection in Peru.

In 1964, a Presidential Decree established the Center

for the Studies of Population and Development, which began operations in May, 1965; the Ministry of Health has recently broadened its program to deal with aspects of family planning; and a "Patronato" of Family Well-Being was established in March, 1966, as a private organization concerned with problems affecting the well being of the Peruvian family, including family planning.

FY 1968 Program:

U.S. Technicians: 12 long-term direct-hire AID advisors including 4 engineers, 6 loan officers, a fiscal-monetary advisor and a population officer; and 3 long-term and 8 short-term contract technicians. The Inter-American Geodetic Survey specialists now providing technical assistance to ONERN under a PASA agreement with AID may be financed under a proposed AID loan to ONERN in FY 1968. The increase in the estimated cost to complete is due to the 6 additional U.S. direct-hire loan technicians now being funded under this project. \$80,000 is proposed for contract assistance to the Sample Survey Center and the population center.

Participants: 27 short-term to receive US and third country training in economic programming, national income accounts, statistical evaluation, mapping, family planning and demography.

Commodities: Equipment and supplies for Peruvian organizations dealing with population problems.

Other Costs: Research grants in the population field, support for population conferences, 7 local employees, local travel and other support costs for U.S. technicians.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS							PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968				
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total		
Through 6/30/66	1,442	841	601							University of Michigan, PASA - Inter-American Geodetic Survey (IAGS)	
Estimated FY 67	414	650									
Estimated through 6/30/67	1,856	1,491	365								
		Future Year Obligations	Estimated Total Cost								
Proposed FY 68	509	1,265	3,630								
				Total Obligations	293	121	414	429	80		509

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

PROJECT DATA

TABLE III

PROJECT TITLE Public Safety	ACTIVITY Public Safety and Public Administration	FUNDS T.C.	
PROJECT NUMBER 527-11-710-062	PRIOR REFERENCE Page 396 of FY 1967 C.P.	INITIAL OBLIGATION FY: 1962	SCHEDULED FINAL OBLIGATION FY: 1971

Project Target and Course of Action: To improve civil police capability to maintain law and order and cope with civil disturbances; to help establish, train, and equip a Special Police Emergency Unit (SPEU) that will take pre-military action against disruptive activity, provide support to other police units in times of emergencies, and engage in civic action that will encourage further public support for the police, especially in rural areas.

During 1967 and 1968 AID efforts will focus on improving the logistical support of police officers, utilization of existing manpower and resources in both rural and urban areas, and coordination between the various police forces.

Progress to Date: Largely because of better utilization of men and equipment (560 more policemen on beats instead of in offices or on stand-by assignments, and more police cars on patrol) and better police training, reported crimes in Lima have been reduced 21% over the past 8 months.

The creation of a National Police Telecommunications Network as of December 31, 1966 was 65% complete and will be fully operational by mid 1967. Three mobile training teams have been operative since June 1965 and have provided basic training to 2,300 police personnel mostly in the provinces.

A \$2 million Ex-Im Bank loan approved in May 1966 will by the end of CY 1967 provide the police with 450 additional vehicles and replacement parts.

The 185-man SPEU unit has finished its basic and specialized training and now is operative including having an air support and parachute capability. The SPEU group in addition to increasing Peru's internal security capability has also been engaged in numerous civic action programs in the sierra and jungle areas.

The direct GOP contribution to special police programs developed through AID assistance, including the SPEU unit, will average \$670,000 annually during 1966-1968. In addition the GOP has in CY 1966 and again in FY 1967 increased the operational funds of the police by one million dollars a year.

FY 1968 Program:

U.S. Technicians: Eleven Public Safety advisors; one American secretary to handle related classified work will also be required.

Participants: 3 to receive Police Executive training; 8 to attend the regular International Police Academy four month course; 2 to receive specialized telecommunications training.

Commodities: Types of equipment: riot control, communications, police laboratory, training and visual aids, ammunition, firearms and spare parts for the SPEU unit.

Other Costs: Funds are required for extensive local travel, printing, training aids, and other miscellaneous costs.

1/ These funds were authorized as Contingency Funds for the SPEU project.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES	
	Obligations	Expenditures	Unliquidated	OBLIGATIONS			
	(836) 1/	(167)	(669)	Estimated FY 1967			Proposed FY 1968
	2,187	1,715	457	Direct AID	Contract/Other Agency		Total
Through 6/30/66							
Estimated FY 67	411	(650) 600					
Estimated through 6/30/67	(836) 2,598	(817) 2,312	(19) 283				
		Future Year Obligations	Estimated Total Cost				
Proposed FY 68	321	724	4,479	Total Obligations			

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

PROJECT DATA

TABLE III

PROJECT TITLE Community and Local Government Development	ACTIVITY Community Development, Social Welfare and Housing		FUNDS T.C.
	PRIOR REFERENCE Page 397 of FY 1967 C.P.	INITIAL OBLIGATION FY: 1963	SCHEDULED FINAL OBLIGATION FY: 1970
PROJECT NUMBER 527-11-810-118 a/			

Project Target and Course of Action: To support GOP efforts (million).

to assist the local communities of Peru to assume increasing responsibilities for their economic and social development and local self-government by providing technical assistance to the key agencies concerned with these problems.

This includes assisting Cooperacion Popular to improve its capacity to provide to communities throughout Peru the technical assistance, tools, and equipment required by the communities in self-help development projects. Assistance is also provided to the National Institute of Cooperatives, regional electric cooperatives, the Municipal Association of Peru, and to the councils of Peruvian and foreign voluntary agencies.

Progress to Date: Since the initiation of Cooperacion Popular's field activities in May, 1964, to May, 1966, 2,829 community self-help projects were completed. In June, 1966, AID authorized a \$2.1 million loan to Cooperacion Popular to create a Revolving Loan Fund to provide subloans to communities to purchase construction materials.

The National Council for Community Development was formed in March 1965 by 11 GOP agencies representing the fields of indian affairs, education, agriculture, health, Cooperacion Popular, cooperatives and regional planning. The Council applied for and received (in January 1966) a \$20.0 million loan from the Inter-American Development Bank for a comprehensive development plan for the communities in seven zones in the Sierra containing the largest concentration of indigenous people (total population 1.3

The Municipal Association of Peru (AMPE) which was formed in July, 1965, had more than 250 dues-paying municipalities as members by the end of the first year's operation. USAID assisted in establishing AMPE's central office and the GOP has contributed \$40,000 to help finance AMPE's annual conference in December, 1966.

As the culmination of two years of USAID assistance to the people of the Mantaro Valley in the organization of a pilot consumer electric cooperative, this cooperative now has 3,300 paid-up members, and in June 1966 received a \$1.6 million AID loan to help finance the electrification of the area which will provide services to 26,000 families in 101 communities.

FY 1968 Program:

U.S. Technicians: Three long-term AID direct-hire advisors, 2 long-term local government contract advisors, and 4 short-term specialists in the fields of electric cooperatives, cooperative banks, and agricultural cooperatives.

Participants: 23 short-term participants will receive training in cooperative organization, community development and local government administration. 15 rural youth leaders will spend a year in the US under the National Farmers Union Program.

Other Costs: 2 local employees, local travel, printing and publications and miscellaneous costs.

a/ Changed from 527-11-090-061, and sub project, "Special Projects activities" separated from this project in March, 1966.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	574	420	154							
Estimated FY 67	183	270								
Estimated through 6/30/67	757	690	67							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	299	259	1,315	158	25	183	181	118	299	
				U.S. Technicians						
				Participants . . .						
				Commodities . . .						
				Other Costs . . .						
				Total Obligations						

Areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

PROJECT DATA

TABLE III

PROJECT TITLE Special Projects Activities	ACTIVITY General and Miscellaneous	FUNDS T.C.
PROJECT NUMBER 527-11-990-061	PRIOR REFERENCE formerly part of "Community & Local Government Dev. ip. 397 of FY 1967 C.P. a/ FY: 1963	INITIAL OBLIGATION SCHEDULED FINAL OBLIGATION FY: Continuing

Project Target and Course of Action: To promote the self-help objectives of the Alliance for Progress by giving direct assistance to many small projects prepared by communities and other organizations throughout Peru which depend for their success on self-help efforts, produce significant social and economic progress in the areas affected, and generate public awareness and support for U.S. assistance efforts among people not normally reached directly by major Alliance for Progress projects. This program will be continued in 1968 with greater emphasis on projects in city slum areas, activities involving Peruvian youth, and closer collaboration with GOP pilot programs intended to reach the poorer classes.

Progress to Date: Since June of 1963 when this program was established, it has directly affected over 300,000 people in more than 350 rural communities and slums in all areas of the country through such projects as the following: (1) 15 self-help schools completed providing facilities for 5,000 school children; (2) 110 small libraries established; (3) 19 cooperatives with about 7,000 members given assistance at a critical stage in their development; (4) 3 irrigation projects and 3 bridges completed affecting some 3,000 people; (5) tools and equipment provided to 9 vocational training schools with a total enrollment of 2,500 students; (6) 11 small tractors provided to agricultural cooperatives in the Sierra.

In these and other projects, totalling 139 as of June 30, 1966, people in the communities assisted provided

a substantial amount of the materials required, transportation of materials to the project site, and all of the manual labor required to complete the projects. In this way the input of AID assistance has had far-reaching effects in encouraging and supporting these communities in their self-help development efforts.

Since May, 1964, the Peru-Texas Partners of the Alliance program has also been making a contribution in this field. Coordinated by the AID Special Projects Office, the achievements of this program have included financial assistance to 85 community self-help projects, 8 scholarships at Texas Universities and other activities such as cultural and goodwill exchanges.

FY 1968 Program:

U.S. Technicians: One long-term U.S. direct-hire advisor will be required to investigate potential projects, prepare funding applications, and follow through on the execution of approved projects. He will also monitor the Texas Partners of the Alliance program.

Other Costs: Funds are required to continue to finance special projects and provide for related costs such as 2 local employees, local travel, communications, printing and other miscellaneous expenses.

a/ This activity formerly included under project 527 11-810-118.

U.S. DOLLAR COSTS (in Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	458	191	267							
Estimated FY 67	107	120								
Estimated through 6/30/67	565	311	254							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	136	Continuing		107	-	107	136	-	136	
				Cost Components						
				U.S. Technicians Participants ...						
				Commodities ...						
				Other Costs ...						
				Total Obligations						

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PERU

PROJECT DATA

TABLE III

PROJECT TITLE Technical Support		ACTIVITY Technical Support		FUNDS T.C.	
PROJECT NUMBER 527-11-990-000		PRIOR REFERENCE Page 398 of FY 1967 C.P.		INITIAL OBLIGATION FY: 1955	
				SCHEDULED FINAL OBLIGATION FY: Continuing	

Project Target and Course of Action: To provide technical, logistical, and supervisory support (not directly attributable to any specific project) to all AID projects in Peru, including Food for Peace. This project was initiated at the time multiple projects of technical assistance were undertaken and will continue as long as substantial AID programs exist in Peru.

Increases in local salaries, a rise in the cost of living in Peru, and needed additional commodities and supplies necessitate increased funding in 1968.

FY 1968 Program:

U.S. Technicians: The following eighteen direct-hire positions are funded under this project: Assistant Director-Operations, Economic Advisor, Training Officer, Rural Development Coordinator, Agricultural Development Officer, Area Development Officer, Legal Advisor, Program Officer, Supply Advisor, Civic Action Officer, two Industrial Development Advisors, two General Services Officers, three Food for Peace Officers, and a U.S. Secretary.

Commodities: Includes residential and office furnishings and equipment and replacement vehicles.

Other Costs: Funds are required for 72 local employees, local travel, office rental, utilities, supplies and materials.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES	
	Obligations	Expenditures	Unliquidated	OBLIGATIONS			
				Estimated FY 1967			Proposed FY 1968
				Direct AID	Contract/Other Agency		Total
Through 6/30/66	3,361	3,290	71				
Estimated FY 67	837	814					
Estimated through 6/30/67	4,198	4,104	94				
		Future Year Obligations	Estimated Total Cost				
Proposed FY 68	924	Continuing					
				Cost Components			
				U.S. Technicians	434	11	445
				Participants . . .	-	-	-
				Commodities . . .	43	-	43
				Other Costs . . .	349	-	349
				Total Obligations	826	11	837
							449
							9
							60
							406
							924

areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: PERU

Borrower: GOVERNMENT OF PERU

Funds: DLF

Title and Number of Loan:	
Agricultural Settlement (DLF-204) 527-A-020	
Date Authorized: 7/25/60	Date Signed: 9/8/61
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 20 yrs.
Authorized 9,000	Grace Period 1 yr.
Disbursed 8,982	Interest Rate 3½%
Repayments 135	Currency of Repayment .. 1st half
Interest Collected 366	in soles; 2nd half in U.S.\$

Financial Status

The \$3.6 million allocated for SIPA's coastal loan program and the \$4.2 million for the San Lorenzo irrigation scheme have been entirely disbursed in sub-loans. In addition, all funds allocated to ONRA colonization projects have been disbursed with the exception of a small amount (slightly over \$17,000) at La Convención. The latter will be disbursed prior to the February 28, 1967 terminal disbursement date.

As the AID loan will be repaid from the general budget of the GOP and not from sub-loan repayments, the latter are being used to make additional sub-loans.

Repayments of principal and interest are current.

Host Country Contribution

The GOP is financing nearly 33% of the estimated total costs for the land redistribution, credit and extension programs. This contribution covers administrative support costs.

Procurement Source

The loan proceeds are being used for procurement exclusively within Peru or the United States.

Purpose of Loan

To assist in financing agricultural credit for colonists in new settlement areas and for small farmers previously unable to obtain credit.

The GOP has undertaken a broad program of land redistribution, agricultural credit and extension as its highest priority development objective. The funds under this loan have been used for relending to small farmers on irrigation and colonization projects and in land redistribution areas. This loan is being used in conjunction with additional U.S. lending of \$6.6 million in early 1964 to help finance the credit and extension phases of the program. \$1.0 million from a PL 480 Title I sales agreement and \$1.7 million from the Export-Import Bank are included in the agricultural development loan package.

Physical Status

The loan has provided the financial resources necessary to firmly establish as continuing programs the San Lorenzo irrigation project, the SIPA coastal program, and various ONRA colonization projects. Although lending activity was very slow during the project's first two years, GOP and AID efforts have now resulted in the development of three programs with the capacity to use additional loan funds rapidly and with an encouraging degree of efficiency.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: PERU Borrower: GOVERNMENT OF PERU Funds: AFP LOAN

Title and Number of Loan:	
Lima Water and Sewage System 527-L-022	
Date Authorized: 2/9/62	Date Signed: 3/26/63
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	
Authorized 8,600	Duration 16 yrs.
Disbursed 3,614	2nd step 40 yrs.
Repayments --	Grace Period 3 yrs.
Interest Collected 10	2nd step 10 yrs.
	Interest Rate 3 1/2%
	2nd step 3/4%
	Currency of Repayment.. U.S. \$

financing only local costs, with the Export-Import Bank financing the total dollar costs of \$6.5 million. However, because the estimates for improvement in the water distribution system were too low, the dollar as well as total project costs are more than originally estimated. Dollar costs of \$2.1 million will be financed under the AID loan, and the loan agreement was amended in April 1965 to that effect. Two-step process: To help ease Peru's foreign debt service problem in the next few years, agreement has been reached under which the GOP will receive loan payments from the borrower in local currency within 16 years. The GOP will then assume responsibility of repayment to the U.S. on longer terms.

Procurement Source

Bidding on the construction is open only to Peruvian and U.S. firms or joint Peruvian/U.S. ventures.

Host Country Contribution

Financial plans were based on original construction and engineering estimates of \$19 million. The GOP is financing approximately 21 percent of project costs or \$3.9 million equivalent, and will cover any increased costs necessary to complete the project.

Purpose of Loan

To expand the potable water and sewerage systems of metropolitan Lima. This expansion should be sufficient to meet basic water and sewerage needs until 1975.

Physical Status

After a slow start, this project made excellent progress during 1966. As of 12/31/66, the project was 75% complete. The Lima Water and Sewerage Corporation, (COSAL), has already let 14 of the project's 16 contracts. Bids for the last two contracts are to be opened on February 13, 1967. They are for the construction of an interceptor sewer and the installation of 45,000 water meters.

With the exception of the last two contracts, most of the work carried out under this project agreement will be completed by 12/31/67. Water meter installation has been completed. Of the 81,306 meters of concrete pipe to be installed to improve the water distribution system, more than a third has been manufactured and a quarter installed. Work on the two reservoirs is 3/4 complete and the treatment plant is more than 1/3 complete. All work is expected to be completed by the end of 1969.

Financial Status

The AID loan was originally intended to assist in

areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: PERU Borrower: GOVERNMENT OF PERU Funds: AFP LOAN

Title and Number of Loan:	
Feasibility Studies 527-L-023	
Date Authorized: 6/8/62	Date Signed: 3/15/63
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 3,000	Grace Period 10 yrs.
Disbursed 2,775	Interest Rate 3½%
Repayments -	Currency of Repayment .. U.S. \$
Interest Collected 31	

Financial Status

This loan is now 93% disbursed. The terminal date for disbursement was extended to February 1967.

Host Country Contribution

Under the loan agreement, loan funds may be used to finance both foreign exchange and local costs of approved feasibility studies. The GOP is financing economic and engineering studies on other projects entirely from its own funds.

Procurement Sources

Only pre-qualified United States or Peruvian consultants may be awarded contracts paid with loan funds. U.S. consulting firms were awarded all 13 of the contracts by the GOP under this loan, singly or in combination with Peruvian firms.

Purpose of Loan

To finance a series of economic and engineering surveys, including preliminary plans and cost estimates, on high priority development projects, since one of the major problems in providing financial assistance to Peru has been the lack of adequate planning for capital projects to develop detailed proposals for financing by international agencies.

Physical Status

Thirteen contracts for a total of 38 feasibility or pre-feasibility studies were signed under this loan. All work under eleven of these contracts has been completed and accepted as of the end of December 1966. Work under the remaining two contracts is scheduled for completion in 1967.

The contracts included studies for: four road projects, four large irrigation-hydroelectric projects, a study of fourteen small inter-related hydroelectric projects, eleven small irrigation projects in the Arequipa area, one large hydroelectric project, two agricultural commodity marketing studies, one transportation study and one sewerage disposal study for the Lima area. Of those studies which showed economic feasibility, the GOP is now using or will use them to support construction loan applications to AID and international agencies.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: PERU

Borrower: PERUVIAN SANTA CORPORATION

Funds: AFP LOAN

Title and Number of Loan:	
Cañon del Pato Hydroelectric Plant 527-L-024	
Date Authorized: 8/29/63	Date Signed: 3/12/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 13 yrs.
Authorized 2,200	2nd step 40 yrs.
Disbursed 2,063	Grace Period 3 yrs.
Repayments --	2nd step 10 yrs.
Interest Collected 15	Interest Rate 5 3/4%
	2nd step 3/4%
	Currency of Repayment . . U.S. \$

yards. During work on the first stage, excavation and civil engineering work were completed for the second stage. Construction under this loan began August 1, 1964. As of 12/31/66, the project was 98 percent complete. It is slightly behind schedule due to difficulties encountered in the construction of the transmission line which has now been completed. The supervisory engineer provided under a Westinghouse contract with the borrower is at the construction site.

Financial Status

Two-step process: To help ease Peru's foreign debt service problem in the next few years, agreement has been reached under which the GOP will receive loan payments from the borrower in local currency within 13 years. The GOP will then assume responsibility of repayment to the U.S. on longer terms. The terminal disbursement date will be extended to June 30, 1967.

Procurement Source

All goods and services financed by the AID loan will be procured either from Peru or the United States.

Host Country (and Other) Contribution

The Government of Peru is financing the equivalent of \$4.6 million in local currency costs or over 36% of the \$12.5 million total project costs. The Ex-Im Bank is lending \$4.7 million and Westinghouse \$1.0 million.

Comments on Implementation

Rader Associates provided the feasibility study for the project. Construction is being carried out by Westinghouse and a Peruvian firm.

Purpose of Loan

To assist in financing an expansion of the Cañon del Pato Hydroelectric plant on the Santa River. The new construction represents the second stage of an existing facility operated by the Santa Corporation (a GOP regional development agency).

The first phase, completed in 1958, generates 50,000 kw. This capacity will be doubled under the loan. The power will be used in the rapidly growing communities of Chimbote and Trujillo, where industrial, agricultural processing and residential demands for electricity have far outdistanced present capacity.

Chimbote's power requirements are especially important since it is one of Peru's fastest growing areas. It is on a direct migration route from the highlands, and syphons off migrants that would otherwise descend on over-crowded Lima. A steel mill and 20 fishmeal processing plants are already located in the area and its future industrial and agricultural potential is high, but inadequate electric power is a limiting factor.

Physical Status

Expansion includes installation of two 25,000 kw. generators, 28 miles of 138 KV single circuit and double circuit transmission line, a power-house, and two switch

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: PERU Borrower: ANDEAN HYDROELECTRIC POWER CORPORATION Funds: AFP LOAN

Title and Number of Loan:	
Pativilca Hydroelectric 527-L-025	
Date Authorized: 12/13/63	Date Signed: 10/16/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 13 yrs.
Authorized 2,000	2nd step 40 yrs.
Disbursed 1,530	Grace Period 3 yrs.
Repayments -	2nd step 10 yrs.
Interest Collected -	Interest Rate 5 3/4%
	2nd step 3/4%
	Currency of Repayment . . U.S. \$

specifications and bidding have been completed, and construction began in August by a Peruvian firm. Overall progress has been satisfactory. As of 12/31/66 the project was 58 percent complete, with almost 2/3 of the civil works completed and about 1/3 of the electrical equipment installed.

Financial Status

Two-step process: To help ease Peru's foreign debt service problem in the next few years, agreement has been reached under which the GOP will receive loan payments from the borrower in local currency within 13 years. The GOP will then assume responsibility of repayments to the US on longer terms.

Procurement Source

Procurement under the AID loan will be restricted to goods and services from the U.S. or Peru. Approximately \$500,000 of total project funds are being used for imports from the U.S.

Host Country (and Other) Contribution

Andean Hydroelectric is financing the equivalent of \$2.8 million in local currency costs or approximately 30% of the \$9,250,000 total project cost. W.R. Grace and Co., is lending the equivalent of \$1.28 million; suppliers credits are expected to reach the equivalent of \$1.69 million; and Motor Columbus is financing the equivalent of \$1.48 million. The AID loan is fully guaranteed by the Government of Peru.

Comments on Implementation

Construction began in mid-1965 and is now proceeding satisfactorily. Project completion is now scheduled for December 31, 1967.

Purpose of Loan

To assist in financing construction and equipment for a 20,000 kw hydroelectric plant on the Pativilca River, civil works to permit a future doubling of capacity, and erection of a 37-mile transmission line to Paramonga.

Present area power production is generated in small uneconomical thermoelectric facilities, mostly for industrial purposes, with only 10% of the total energy available for public use. The new plant will nearly double the present power supply and provide for further industrial growth and public consumption.

Because of the planned availability of this low-cost power, W.R. Grace and Co., has started a \$20 million five-year investment program to expand their sugar, paper, caustic soda and chlorine plants in Paramonga. About \$11 million of the Grace investment should be for U.S. equipment. Additional development potential exists for cotton, cotton seed oil, fishmeal and canning.

Physical Status

Prior to loan approval, feasibility studies and final engineering were completed by Grace and Co., the Swiss firm of Motor Columbus, and Edison of Milan, Italy. Final plans,

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: PERU

Borrower: GOVERNMENT OF PERU

Funds: AFP LOAN

Title and Number of Loan:	
Tulumayo-La Morada Highway 527-L-027	
Date Authorized: 1/24/64	Date Signed: 4/21/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 1,900	Grace Period 10 yrs.
Disbursed 1,082	Interest Rate 3/4% GP 2% after
Repayments --	Currency of Repayment . . U.S. \$
Interest Collected 5	

Brown and Root of Houston, Texas. The latter is also supervising construction.

Overall construction is now 68 percent complete. The completion date has been extended to October 31, 1967 because the specifications for a section of the road were changed to require asphalt surface treatment.

Financial Status

As of November 30, 1966 the loan was 55 percent disbursed and the target completion date for disbursement is December 31, 1967.

Procurement Source

Procurement of equipment financed under this loan was from the United States.

Host Country (and Other) Contributions

The Government of Peru is matching the \$1.9 million AID loan and the Ex-Im Bank is financing \$1.5 million of U.S. dollar requirements.

Purpose of Loan

To finance 50% of the local currency costs for the construction of a 48.8 mile highway from Tulumayo to La Morada. This is the first section of a 281 mile highway which will run north from the Central Highway, at Tingo Maria, along the Huallaga River Valley, and connect with the Northern Trans-Andean Highway at Tarapoto. The Northern Highway is being constructed from Pomacocha to Tarapoto with joint AID/Ex-Im Bank financing. Together, these roads will provide a basic transportation system for the economic development of north-eastern Peru. Under this loan, 22.5 miles of existing highways will be widened to 16.7 feet and 26.3 miles of new highway will be constructed to the same specifications. A 361ft. suspension bridge will be constructed over the Huallaga River.

The road will benefit 19,000 people immediately and will stimulate additional colonization. This will assist in relieving population pressures in the Andean regions and increasing agricultural production.

Physical Status

The construction contract was awarded in December 1964 to Laos and Bolzmann, a Peruvian firm. The feasibility of the project was investigated by both the Inter-American Cooperative Development Service and the consulting firm of

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: **PERU** Borrower: **GOVERNMENT OF PERU** Funds: **AFP LOAN**

Title and Number of Loan:	
Pomacocha-Tarapoto Highway	527-L-028
Date Authorized: 3/3/64	Date Signed: 5/19/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 12,100	Grace Period 10 yrs.
Disbursed 566	Interest Rate 1/
Repayments -	Currency of Repayment . . U.S. \$
Interest Collected 1	

Financial Status

Disbursements began in December, 1965, for mobilization payments under the construction contract, awarded in October, 1965, to Emkey S.A., a joint venture between Peruvian firms and Morrison Knudson International.

Procurement Source

Equipment, materials and services financed under this loan will be procured from the United States or Peru.

Host Country (and Other) Contribution

The GOP will invest the equivalent of \$6.4 million in this project. The National Highway Department will provide general administrative support and will assume responsibility for the road's maintenance.

The total cost of the project was estimated to be the equivalent of \$41.5 million. Export-Import Bank is providing \$23 million in U.S. dollar cost requirements.

Implementation Comments

Construction of the road got underway in May of 1966. The target completion date is December 1971. Work is periodically delayed by the rainy season, but the contractor is meeting his planned progress schedule.

1/ 3/4% on first \$6,000,000 disbursed during grace period, 2% thereafter. 3 1/2% on remaining \$6,000,000 unless AID determines borrower's financial position requires easier terms in no case to be less than terms for first \$6,000,000.

Purpose of Loan

To assist in financing part of the local currency costs of constructing a 173.8 mile highway from Pomacocha to Tarapoto. The construction of this road has been given first priority by the GOP and by the IBRD in their report on roads in Peru. When this section of the Olmos-Bagua-Yurimaguas highway is completed, the Pan American Highway on the Pacific Ocean will be linked with the Atlantic Ocean by way of the Huallaga and Amazon Rivers. It will be the only highway in northern Peru that crosses the Andes and penetrates the high jungle area of north-east where 100,000 people live, thus opening up a region of great agricultural potential.

Physical Status

The feasibility of the project was investigated by Coverdale and Colpitts for the IBRD and by the U.S. consulting firm of Brown and Root. Brown and Root performed detailed engineering studies and will supervise construction. As of December 31, 1966 the project was 7 percent complete and is on schedule. The 6th Engineer Battalion of the Peruvian Army is constructing the 28 km Rio Imaza-Rio Nieva section.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: PERU

Borrower: GOVERNMENT OF PERU

Funds: AFP LOAN

Title and Number of Loan:	
Agricultural Development 527-L-029	
Date Authorized: 3/5/64	Date Signed: 7/8/64
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	
Authorized	Duration
Disbursed	Grace Period
Repayments	Interest Rate
Interest Collected	Currency of Repayment..

26,025 sub-loans totalling \$19.5 million (this figure includes additional loans financed from repayments) have been made under both loans. In addition, all rural extension and research units are either completed or under construction and most of the equipment has been purchased. Continued work toward the general objectives of this loan will be financed under the recently signed AID loan 047.

Financial Status

Disbursements of \$3 million under this loan for the coastal credit and forestry programs are complete, and \$2.7 million of the \$3.6 million allocated to ONRA have been disbursed. Loan funds, with the possible exception of ONRA's Apurimac project (12/31/66 balance \$486,216), should be entirely disbursed by the January 8, 1968 terminal disbursement date.

The first interest payment was received in April 1965, and the first payment of principal is due October 14, 1974.

Procurement Source

Procurement under the AID loan will be restricted to goods and services from the United States or Peru.

Host Country (and Other) Contribution

The GOP will contribute the local currency equivalent of \$8.9 million to the project, including the administrative costs of its extension service (SIPA) and agrarian reform authority (ONRA). Ex-Im Bank is providing \$1.7 million and PL-480 funds of \$1.0 million are being used to make up the total program of \$18.3 million through 1967.

Purpose of Loan

To assist in financing the GOP's agricultural development program. The main objectives of the program are to support land reform and colonization and to bring about basic improvements in production and marketing practices. This program is a very high priority GOP development objective. Three specific sub-programs have been developed: (A) A coastal program for supervised credit, technical assistance, and construction of extension and research units, plant and seed production and processing units and animal breeding centers; (B) A supervised credit program for small and medium size farms in the agrarian reform and colonization areas of the highlands and eastern valleys; (C) A program for small Indian communities of forestry development and forest products utilization that will employ approximately 2,000 people.

Physical Status

After slow initial progress under DLF 204, Agricultural Settlement loan, the agricultural program was revamped by the Government with assistance from AID-financed teams from Iowa State and North Carolina State Universities. The funds under loan 204 and this loan have been administratively combined to support one consolidated program and progress has been satisfactory. A total of

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: PERU

Borrower: GOVERNMENT OF PERU

Funds: AFP LOAN

Title and Number of Loan:	
Cooperative Housing Program 527-L-034	
Date Authorized: 6/15/64	Date Signed: 2/15/65
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 6,000	Grace Period 10 yrs.
Disbursed 2,000	Interest Rate 3/4% GP 2% after
Repayments -	Currency of Repayment.. U.S. \$
Interest Collected 14	

An additional seventeen projects consisting of 1,173 houses are presently under consideration for partial loan financing.

Financial Status

Disbursement of the first \$2.0 million portion of the loan was completed in January 1966. A request for disbursement under the second \$2.0 million AID tranche has been received from the GOP and is under review by the USAID.

Host Country Contribution

The Government of Peru will provide the local currency equivalent of \$4.0 million, or 40% of the \$10 million total project cost. The first \$2.0 million contribution was made in 1966. The remaining \$2.0 million contribution was included in the CY 1967 budget approved by the Peruvian Congress.

Implementation Comments

By agreement with the Central Home Loan Bank, ASINCOOP will handle the loan funds allotted to the Lima-Callao area. 50 percent of the loan funds must be utilized outside of Lima-Callao and will be disbursed by existing or new savings and loan associations.

Purpose of Loan

To assist the Central Home Loan Bank to finance cooperative housing projects. About one-half of these credits are for labor cooperatives in the Lima-Callao area. The Government-owned Central Home Loan Bank was initially capitalized by the Government of Peru under DLF Loan #201. This Bank has provided loans for home construction through a system of mutual savings and loan associations. The Central Home Loan Bank had been legally barred from accepting the type of mortgage on an entire project without recourse against single dwellings. However, through the creation of a central cooperative institution (ASINCOOP), satisfactory procedures were developed to finance cooperatives.

Cooperative housing projects financed under this loan will have low unit costs, to be within the reach of lower income groups. This loan should make possible a gradual improvement of the living standards of labor and other groups by using the existing savings and loan associations and developing permanent institutions which will finance cooperative housing.

Physical Status

Eleven projects receiving assistance under this loan, consisting of 735 houses, are presently under construction.

These areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: PERU Borrower: GOVERNMENT OF PERU

Funds: AFP LOAN

Title and Number of Loan:	
Agrarian University - La Molina 527 L-042	
Date Authorized: 3/10/65	Date Signed: 8/24/65
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	
Authorized 2,000	Duration 40 yrs.
Disbursed 73	Grace Period 10 yrs.
Repayments -	Interest Rate 1% GP 2 1/2% after
Interest Collected -	Currency of Repayment.. U.S. \$

AID dollar loan	\$ 2,000,000
Two PL 480 loans	1,900,000
IDB	2,000,000
Government of Peru	1,000,000
Agricultural Univ.	200,000

This loan and the two PL 480 loans will be used to finance a laboratory building, three faculty office buildings, a student union building, a maintenance and operations building, and architectural and engineering services. An additional \$163,000 PL 480 loan from prior year PL480 agreements, is contemplated to aid in financing stage one of the project.

Purpose of Loan

To finance a portion of the cost of expanding the physical plant of the National Agricultural University, the most important source of the trained manpower needed in Peru's agricultural development program. The University, founded in 1902, now has an student body of 2,000 and is experiencing a steady increase in enrollment. With the help of technical assistance provided by the University of North Carolina under an AID contract, the Agricultural University is undertaking an improvement and expansion program including the modernization of its curricula, the upgrading of its faculty and the expansion of its research and extension activities. The Ford and Rockefeller Foundations have granted over \$1.0 million in technical assistance to the University for the period 1963 to 1968. A major obstacle to the expansion program has been the inadequacy of the University's antiquated physical plant. To attack this problem, the University's building needs were studied by an architectural and engineering group from North Carolina which prepared designs, specifications and bid documents and will supervise the actual construction.

Stage one of the University expansion program was estimated to cost \$7.1 million to be furnished as follows:

Financial Status

Disbursement of loan funds for engineering services was authorized on July 20, 1966. As of December 31, 1966, \$73,353 has been disbursed for this purpose. Disbursement of loan funds for construction and procurement was authorized in November of 1966.

Host Country Contribution

As mentioned above, the Government of Peru is contributing the equivalent of \$1.0 million to the project and the Agricultural University \$200,000.

Implementation Comments

All conditions precedent to disbursement of loan funds for engineering, construction and procurement were met by July 1966. The University expects to issue the call for bids for the laboratory during January 1967 and for the Student Union soon after. Procurement of equipment, furniture, and construction materials is proceeding on schedule.

Because of construction cost increases since the original estimates were made, some facilities in the original stage one program had to be eliminated to stay within the \$7.1 million available for financing. These will now be made part of the second stage.

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: PERU

Borrower: GOVERNMENT OF PERU

Funds: AFP FUNDS

Title and Number of Loan:	
Cooperación Popular Revolving Fund 527-L-045	
Date Authorized: 5/31/66	Date Signed: 9/20/66
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 2,100	Grace Period 10 yrs.
Disbursed -	Interest Rate 1% GP
Repayments -	2½% after
Interest Collected -	Currency of Repayment . . U.S. \$

Physical Status

Part of the conditions precedent have been met and the technical assistance component of the loan is in operation. AID will be prepared to disburse for all other eligible project costs once the balance of the conditions are met. This is expected before the January 31, 1967 terminal date.

Financial Status

No disbursements had been made as of 12/31/66.

Procurement Source

Procurement under the AID loan will be restricted to goods and services from the United States or Peru.

Host Country (and Other) Contribution

In addition to providing all necessary administrative costs of the project, the GOP will provide \$2.0 million to the Revolving Fund. The communities will also provide a total of \$3.0 million in contributed labor and materials. Thus, the Peruvian contribution to the project represents 63% of the total cost and 73% of the local currency cost.

Purpose of Loan

This loan is to assist the Peruvian Government's Cooperación Popular (COOPOP) program which, since its initiation in August 1963, has been attempting to help overcome much of the general economic and social stagnation of thousands of rural villages by providing small amounts of technical assistance, materials and loans of tools and equipment needed to stimulate or sustain self-help community development activities. While this program has met with considerable success, it is in danger of losing momentum as a great many of approved projects have not been initiated due to lack of resources.

The basic purpose of this loan is to alleviate a major bottleneck to the COOPOP effort, the lack of materials such as cement, roofing and pipes which are used in the community projects. It is felt that the conditions of the loan, i.e., that the funds be sub-loaned to the communities from a revolving loan fund with amortization of from 3 to 8 years at an interest rate of 10% and that the GOP match the AID contribution to the Fund, will maximize its benefits. Furthermore, the sub-loan aspect will provide an acceptable rationale for the imposition of local taxes, a prerequisite for effective local government.

These areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: PERU

Borrower: GOVERNMENT OF PERU

Funds: AFP LOAN

Title and Number of Loan:	
Mantaro Valley Rural Electrification 527-L-046	
Date Authorized: 6/21/66	Date Signed: January 26, 1967
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 1,600	Grace Period 10 yrs.
Disbursed -	Interest Rate 1% GP
Repayments -	2½% after
Interest Collected -	Currency of Repayment.. U.S. \$

Procurement Source

Procurement under the AID loan will be restricted to goods and services from the United States or Peru.

Host Country (and Other) Contributions

The GOP and the Cooperative will provide a total of \$494,000 to this project. This contribution represents 68% of the total local currency component. In addition, the GOP is contributing three hydro-electric plants to the project, as assets in place, at a total value of \$2,431,000.

Comments on Implementation

The Peruvian Congress took considerable time to approve a law authorizing the GOP to contract this debt but it has now been passed and the loan signing is imminent. In the meantime, the Division of Rural Electrification has been preparing documentation to comply with conditions precedent.

Purpose of Loan

The AID loan will assist the GOP in the establishment and supervision of the country's first rural electric cooperative. The loan will be used to finance improved and expanded transmission facilities and distribution lines necessary to electrify the area to be served by the cooperative. The Cooperative will provide electricity to many of the inhabitants of the small communities and farms within its service area. The loan will also provide for technical assistance to the Peruvian Ministry of Development which will relend to the Cooperative and supervise the project. Through its technical assistance component, the loan will develop the technical capabilities of the Ministry of Development's Division of Rural Electrification.

Physical Status

No facilities have so far been constructed with AID financing; the Loan Agreement was signed on January 26, 1967. However, the GOP is already constructing some distribution lines in the valley as part of its contribution.

areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

STATUS OF DEVELOPMENT LOANS

TABLE IV

Country: PERU

Borrower: GOVERNMENT OF PERU

Funds: AFP FUNDS

Title and Number of Loan:	
Supervised Agricultural Credit Fund 527-L-047	
Date Authorized: 6/30/66	Date Signed: November 23, 1966
Loan Status as of 12/31/66	Loan Terms
(In Thousands of Dollars and Equivalent)	Duration 40 yrs.
Authorized 9,000	Grace Period 10 yrs.
Disbursed -	Interest Rate 1% GP
Repayments -	2 1/2% after
Interest Collected -	Currency of Repayment .. U.S. \$

Physical Status

The GOP is presently preparing documentation necessary to meet the conditions precedent to loan disbursement. No problems are anticipated and the commencement of loan disbursements are expected in early 1967.

Financial Status

N.A.

Procurement Source

Procurement under the AID loan will be restricted to goods and services from the United States or Peru.

Host Country (and Other) Contribution

The GOP will provide all necessary administrative costs of the project as well as a total of \$5.0 million to the Fund over the next three years; \$1.0 million in CY 1967, \$2.0 million in CY 1968 and \$2 million in CY 1969.

Purpose of Loan

This loan will be an addition to the Supervised Agricultural Credit Fund established by previous AID loans, DLF 204 and L-029, made in 1961 and 1964. The purpose of the Fund is to make credit and technical assistance available to small and medium-sized farmers, most of whom are new land owners as a result of the Agrarian Reform Law. It is intended that as these farmers gain technical experience and begin to capitalize their farm operations they will transfer to other sources of financing for their credit needs. The Fund is thus conceived as a means of assisting previous farm laborers to become viable farm owners and also as a mechanism by which production of domestically consumer foods can be increased and agrarian reform efforts supported. The funds from this loan will result in approximately 15,000 sub-loans to individuals, cooperatives and communities. SIPA is assigned \$6,000,000 for its coastal program, ONRA \$2.25 million for the Sierra Central and La Convencion projects, and the Forestry Service \$500,000 for expansion of its forestry program. Finally, \$250,000 is to be used to finance technical assistance provided by North Carolina State University.

Argentina



BASIC DATA

Population (<i>millions – mid-1966</i>).....	22.7
Annual Growth Rate (<i>percent</i>).....	1.6
Area (<i>1000 square miles</i>).....	1,084
Population Density Per Square Mile.....	21
Agricultural Land as % of Total Area	50
Percent of Labor Force in Agriculture.....	19

Per Capita GNP (<i>dollars</i>).....	700*
Life Expectancy (<i>years</i>).....	65
People Per Doctor	670
Literacy Rate (<i>percent</i>)	91
Pupils as Percent of Population.....	16
<i>(Primary and Secondary)</i>	

*1966 in 1965 prices

PREVIOUS PAGE BLANK

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: ARGENTINA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Technical Assistance	1.7	1.4	1.5

Since the military coup of June 1966 U.S. economic assistance has been limited to carrying out programs to which the United States is committed. There are important U.S. political and commercial interests in Argentina--Argentina, the second largest country in Latin America, is an influential member of the Organization of American States (OAS) and the UN, a profitable trading partner and the site of approximately one billion dollars of U.S. investments--and U.S. policy is to avoid unnecessary damage to long-term relations with that country.

Political instability has been a chronic problem in Argentina. The present government's political policies are still unclear. Although it has pledged itself to work for the re-establishment of representative democracy, it has not yet said when it would start taking concrete steps in this direction. However, the government's statements on economic and social policy and respect for human rights are generally in line with the Charter of Punta del Este.

In its first six months the government took steps to improve the nation's chaotic ports and inefficient railroads, imposed measures designed to spur agricultural production for export, and settled the remaining disputed contracts with U.S. oil companies in an apparent effort to improve the climate for foreign investment, but fundamental problems such as inflation, economic stagnation and sizeable budget deficits remain unsolved. However, with the appointment of a new Minister of Economy and "economic team" in early January, there is hope that vigorous policies and actions will emerge in the next few months.

Because the World Bank could not make favorable judgments about the government's economic performance and policies at the time of its last review, it has postponed action on pending loans. The U.S. Executive Director of the Inter-American Development Bank

(IDB) has been successful in having that institution defer action on loans pending the CIAP review of Argentine economic policies and plans scheduled to begin January 26, 1967. If the Argentine Government formulates and carries out reasonable economic and development policies in 1967, it can expect substantial loan assistance from the International Bank for Reconstruction and Development (IBRD) for power development and improvement of pastures and for steel production from the Export-Import Bank. If at the CIAP review it appears that suitable policies have been formulated and will be carried out, the United States will support sound projects in agriculture and industry that are pending or may come up in IDB.

A.I.D., for the present, does not plan to consider new loans to Argentina as it believes the more conventional sources of capital will be able to satisfy requirements. However, should Argentina's economic policies and self-help efforts improve substantially and if a real need exists, this policy might be reconsidered in favor of selected projects of an institution-building nature, particularly in agriculture and education. Similarly, Argentina might benefit from participation in multi-national projects which may receive financial support from A.I.D. or the international agencies. The technical assistance program proposed for FY 1968 amounts to \$1.5 million. It is concentrated on helping the Government of Argentina overcome administrative, budget-planning, technical and agricultural shortcomings.

Ongoing activities in FY 1968 involve continuation of contracted advisory services for the improvement of public administration practices (\$340,000), primarily in taxation and in the formation of a national budget bureau. Consultants from Texas A&M, Michigan State University and the National Academy of Sciences are helping at various agricultural institutions in the improvement of agricultural technology, agricultural economic planning and the eradication of foot and mouth disease. These services for agricultural development will total \$440,000 in FY 1968. The American Institute for Free Labor Development (AIFLD) will continue a worker education program on free world trade unionism to promote cooperative relationships between Argentine and U.S. labor unions. About \$180,000 is proposed for this program in FY 1968. Although A.I.D. funds are not now being sought for education in FY 1968, Bucknell University, which has been assisting the University of Cordoba in engineering for several years, will finish its project under the terms of the FY 1967 contract.

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: ARGENTINA

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount		
Housing	510-11-830-035	1963	1969	303	242	55	75	41	TA	45	75	478
General Training	510-15-690-060	1964	1970	172	78	125	154	65	TA	100	230	627
Labor Development	510-13-480-054	1964	1970	178	104	230	250	54	TA	200	660	1,268
Public Administration	510-11-750-064	1965	1970	196	34	250	300	112	TA	225	1,354	2,025
Foot-and-Mouth Disease Contract	510-11-130-068	1967	1969	-	-	120	60	60	TA	140	140	400
Balcarce Agricultural College	510-11-660-041	1963	1968	350	114	130	235	131	TA	200	-	680
Agricultural Economics Service	510-11-660-040	1963	1968	695	235	-	149	310	TA	100	-	795
Special Development Activities	510-11-990-071	1967	Cont.	-	-	50	35	15	TA	50	Continuing	
Technical Support	510-11-990-000	1958	Cont.	1,769	1,619	440	410	180	TA	440	Continuing	
									Subtotal	TA	1,500	
									Total		1,500	

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	11	9	9
Participating agency	1	7	6
Contractor technicians	7	11	20
Total	19	27	35

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	160	80	63
Contract	8	16	21
Total	168	96	84

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

COUNTRY: ARGENTINA

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repayments	Interest Collected
		Authorized	Loan Agreement			Grace Period	Amortization					
510-L-007	Highway Loan - Route 12	7/31/62	1/21/63	10	40	3/4	3/4	6,700	319	US\$	-	-
510-L-008	AID/IBRD Road Program	1/26/63	3/18/63	10	40	3/4	3/4	30,500	15,036	"	-	135
510-L-010	Feasibility Studies	5/24/63	6/3/63	10	40	3/4	3/4	2,000	250	"	-	2
510-L-011	Grain Storage Facilities	5/24/63	10/10/63	10	40	3/4	3/4	21,700	-	"	-	-
510-L-012	Self-Help Housing - 2 step	5/24/63	9/16/63	10	40	3/4	3/4	2,000	1,681	"	-	11
510-L-013	Animal Disease and Meat Technology Laboratories (INTA) - 2 step	12/26/63	5/24/66	5 10	30 40	3 1/2 3/4	3 1/2 3/4	1,400	-	"	-	-
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	64,300	17,286	XXXX	-	148

Bolivia



BASIC DATA

Population (<i>millions – mid-1966</i>).....	4.2	Per Capita GNP (<i>dollars</i>).....	149*
Annual Growth Rate (<i>percent</i>).....	2.4	Life Expectancy (<i>years</i>).....	50
Area (<i>1000 square miles</i>).....	424	People Per Doctor	3,830
Population Density Per Square Mile.....	10	Literacy Rate (<i>percent</i>)	32
Agricultural Land as % of Total Area	13	Pupils as Percent of Population.....	14
Percent of Labor Force in Agriculture.....	68	(<i>Primary and Secondary</i>)	

*1966 in 1965 prices

PREVIOUS PAGE BLANK

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BOLIVIA

PROGRAM SUMMARY
(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	22.0	20.0	14.0
Technical Assistance	3.2	3.6	4.1
Supporting Assistance	3.2	0.5	--
Total A.I.D. Assistance	28.4	24.1	18.1

Objectives of U.S. Assistance

The overall U.S. objective in Bolivia, one of the least developed countries in Latin America, is to accelerate economic, political and social development leading towards:

- improved living standards;
- a moderate and stable government which will provide increasingly democratic and responsible leadership;
- effective institutionalization of the essential processes of modern government; and
- the necessary but difficult steps in internal administration and in fiscal, monetary, and investment policy to engage domestic resources in Bolivia's growth.

Bolivia possesses considerable potential for economic growth, including plentiful natural resources, but is plagued by deficits and inefficiency in the government ministries and the semi-autonomous corporations; inadequate transportation; low agricultural productivity; and the need to integrate the rural economy and the campesino into the national life, strengthen manpower skills in all sectors of the economy, and reduce illiteracy.

Recent Country Performance

Political tensions have diminished since the election of a constitutional government in June 1966. The new government is cooperating closely with A.I.D. to continue efforts which have already accomplished: (1) a 5½% growth rate in GNP during CY 1966; (2) increased revenue collections (up over 30% in 1965 from 1963 levels; there has been an additional 10% in 1966, according to preliminary data) and improved foreign exchange and gold reserves

(from \$24 million to \$37 million during 1965); (3) partial rehabilitation of the nationalized tin mines, enabling COMIBOL, the nationalized mining corporation, to pay taxes for the first time; (4) implementation of a revised mining code encouraging private domestic and foreign investment (e.g., Grace & Co.'s recent \$6 million investment); (5) consolidation and control, under the Ministry of Finance, of the budgets and foreign borrowings of the semi-autonomous government corporations; (6) increased government encouragement of private investment, including a new investment code under which \$39 million in new investment applications have been approved, compared to \$3 million during 1963-64 prior to its passage, and a more equitable royalties schedule to encourage private mineral production (in the first seven months of 1966 tin production in the private sector increased 21% by volume and 13.5% by value over the comparable period in 1965).

FY 1968 program leverage will be used to encourage further mobilization of Bolivian resources for growth investment, thereby permitting continued redirection of U.S. economic assistance from grant dollar budget support to development loans.

FY 1968 Program

The proposed FY 1968 program level is \$18.1 million -- \$14 million for development loans and \$4.1 million for technical assistance. The four-year program of Extraordinary Government Budget Support will be completed in FY 1967 and no further Supporting Assistance is planned. The Inter-American Development Bank, the UN Special Fund, the World Bank, and the West German Government will also provide loan financing and technical assistance totalling an estimated \$29 million.

Financial and Administrative Reform of the Public Sector. Technical assistance funds will finance continuation of FY 1967 projects, providing direct-hire and contract advisory teams of specialists in economic planning, public sector budgeting, tax and customs administration and legislation, census and statistics, installation of a civil service system, public administration training and management assistance.

Mining and Mineral Development. To help increase revenues to the Government from public and private mining (which earn more than 90% of Bolivia's foreign exchange), a second A.I.D. loan to the Mining Bank, supplementing the March 1966 loan, is planned. It will provide \$4 million additional credit to small and medium-sized private miners. A \$3 million loan to the Bolivian Government will finance penetration roads to stimulate private mining activity.

States areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: BOLIVIA

Infrastructure. A development loan of ~~5 million~~ is proposed for final engineering design for reconstruction of the road from Oruro to Cochabamba, completing the chain of A.I.D.-financed roads linking Bolivia's major cities with fertile agricultural lands in colonization areas. Technical assistance funds will continue direct-hire and contract engineering advisory services.

Rural Integration into National Market. Seventy percent of Bolivia's working population is rural, yet rural areas produce only 30% by value of the country's output. A.I.D.'s new program is designed to coordinate all elements of production-marketing by increasing output of products for which profitable domestic or export markets exist and by providing an efficient distribution chain to reduce consumer cost. A ~~5 million~~ development loan will finance agricultural machinery, storage facilities and other equipment recommended in the Wool, Wheat and Rice Studies.

Human Resources Development. Technical assistance funds will provide a two-year extension of a major diagnostic survey of manpower requirements, allocation, and labor market incentives being conducted by the Ohio State University Research Foundation. A ~~2 million~~ development loan will cover the preliminary stages of an elementary, secondary and normal school construction program, following recommendations of the diagnostic survey and a second \$2 million loan will provide facilities to enable expansion of programs of agricultural and industrial vocational training. Technical assistance funds will support advisory services in Public Health and Trade Union Development.

Mobilizing Private Sector Resources. To encourage private sector savings, the United States is assisting (a) a central savings and loan bank to provide additional capital for individual and cooperative housing construction; (b) credit unions; (c) the Bolivian Industrial Bank; and (d) a joint A.I.D.-International Monetary Fund (IMF) project to reorganize and assist the commercial banking activities of the Central Bank.

Revised 4/14/67

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

COUNTRY: **BOLIVIA**

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount		
Rural Development	511-11-190-364	53	73	6,412	6,234	886	629	435	TA	1,066	5,161	13,525
Industrial Development	511-15-290-049	54	69	2,231	1,848	108	156	335	TA	107	176	2,622
Mineral Survey	511-11-210-155	58	69	1,067	938	109	227	11	TA	63	26	1,265
Engineering Advisory Services	511-11-310-205	60	72	1,073	948	334	171	288	TA	386	901	2,694
Labor Training	511-11-410-043	55	71	937	786	279	252	178	TA	279	900	2,395
Human Resources Development	511-11-690-439	48	71	3,990	3,594	686	392	690	TA	858	1,457	6,991
Govt. Management Assistance	511-11-720-082	56	72	1,937	1,300	343	420	560	TA	539	1,452	4,271
Special Development Activities	511-11-810-412	64	Cont.	146	144	50	51	1	TA	50	Continuing	
Technical Support	511-15-990-000	55	Cont.	4,386	4,324	830	761	131	TA	752	Continuing	
Subtotal									TA	4,100		
Total									SA	-		
										4,100		

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	41	50	50
Participating agency	11	17	18
Contractor technicians	40	61	54
Total	92	128	122

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	138	148	137
Contract	1	4	4
Total	139	152	141

STATUS OF DEVELOPMENT LOANS SUMMARY

As of 12/31/66

COUNTRY: BOLIVIA

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repayments	Interest Collected
		Auth- orized	Loan Agree- ment			Grace Period	Amorti- zation					
511-L-010	Feasibility Studies	6/8/62	6/28/62	10	40	3/4	3/4	6,000	4,902	U.S.\$	-	94
511-L-014	COMIBOL Rehabilitation Project 2 step	2/11/63	3/4/63	3 10	10 40	3/4 3/4	3/4 3/4	5,000	4,816	U.S.\$	-	213
511-L-015	Access Roads to Colonization Area	6/28/63	8/1/63	10	40	3/4	3/4	7,200	4,654	U.S.\$	-	26
511-L-017	El Alto Customs & Warehousing Center	6/29/63	8/17/63	10	40	3/4	3/4	2,200	25	U.S.\$	-	-
511-L-018	Industrial Bank	7/29/63	8/28/63	5	20	3	3	2,400	1,717	U.S.\$	-	72
511-L-021	Highways 1 and 4	6/29/64	9/16/64	10	40	3/4	2	33,200	967	U.S.\$	-	3
511-L-026	National Road Service	1/5/66	4/19/66	10	40	1	2 1/2	5,000	6	U.S.\$	-	-
511-L-027	Mining Development Bank	1/5/66	3/22/66	10	40	1	2 1/2	4,300	-	U.S.\$	-	-
511-L-028	Agricultural Development Bank	1/21/66	3/22/66	10	40	1	2 1/2	2,100	-	U.S.\$	-	-
511-L-029	Mining Rehabilitation	3/18/66	4/19/66	10	40	1	2 1/2	1,100	-	U.S.\$	-	-
511-L-031	Electric Power Transmission	6/30/66	9/24/66	5	30	1	2 1/2	4,750	-	U.S.\$	-	-
511-L-032	Highway Construction	6/30/66	11/4/66	10	40	1	2 1/2	4,750	-	U.S.\$	-	-
511-A-002	Construction of Runway	6/17/59	10/22/59	10	40	3/4	3/4	1,500	1,497	U.S.\$	-	41
511-L-011A	El Alto Airport	2/25/64	3/16/64	10	40	3/4	2	600	575	U.S.\$	-	-
511-L-011B	Airport Construction	5/19/65	8/31/65	10	40	1	2 1/2	550	29	U.S.\$	-	-
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	80,650	19,188	XXXX!	-	449



These areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

CENTRAL AMERICAN ECONOMIC COMMUNITY

Objectives of U.S. Assistance

The United States has a strong interest in the political and economic health and stability of the countries that comprise Central America. In the face of rapidly mounting population pressures and rising expectations for a better life among the people of the region, a politico-economic climate favorable to the United States can be maintained only in a context of rapid economic and social development.

The best prospects for such accelerated development are to be found in the context of an integrated Central America. The Central American Common Market, through the elimination of inter-country trade barriers and the establishment of common regional institutions, provides a much better prospect for growth than the separate development of the countries. Consequently, a major objective of U.S. assistance in Central America is acceleration of the economic integration of the region, with the development of the Common Market into a broader Economic Community which will permit a more efficient use of the limited resources available for development, and eventually lead to a closer degree of political association.

Key Obstacles to Achievement of Objectives

There are several key obstacles, in addition to the barriers to growth normally found in less-developed countries, which directly effect the pace of progress towards greater economic integration:

1. The regional institutions -- the Development Bank (CABEI), The Secretariat (SIECA) and the Organization of Central American States (ODECA) -- are relatively weak, inadequately financed and generally understaffed. This reflects a natural reluctance of the governments to delegate authority and provide financial resources to institutions which represent the first steps toward the establishment of governmental machinery for a Central American economic community.
2. Establishment of the Common Market has yielded a dramatic growth in internal trade but further steps toward economic integration must overcome resistance of parochial and protectionist interests. Such interests resist the development of policies and procedures to permit the free mobility of labor throughout the region and of a common policy for industrial development. There is agreement on the desirability of a uniform migration law which will assure free circulation of people among the territories

of the Central American States, but the substantive steps necessary for its realization have not been taken.

3. Although the integration movement has provided an important dynamic element in Central American growth, this will not be a source of dynamism indefinitely. Even if economic integration is fully achieved, the Common Market (with present membership and present population) involves only some 13 million people, of whom perhaps half are largely outside the money economy. This constitutes a relatively small market area by modern standards. This difficulty may be overcome in part by bringing more of the Central American population into the modern economy and in part by extending the Central American Common Market to new members, or associating with the Latin American Free Trade Association or some other broader trading area.

Recent Performance

The Common Market countries -- Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua -- have nonetheless made continuous and significant progress in their movement toward economic integration. Periodic meetings by ministerial representatives (most frequently the Ministers of Economy) have produced a series of executive level agreements, most of which have been ratified by the Central American governments and thereby become part of the regional system.

Inter-country trade restrictions have been removed on 94% of the items in the Central American tariff schedule, thereby freeing an estimated 95% of the region's internal commerce. By related agreements the separate tariff systems of the five countries have been replaced by a common external tariff on all but fourteen commodities. As a result of these agreements, trade among the countries rose from \$37 million in 1961 to \$133 million in 1965.

A recent major advance is the creation of a system and a fund (the Fund for Economic Integration) for the financing of regional highway and other regional infrastructure projects. The Fund has gone into operation with \$42 million (\$35 million in loan assistance from the United States, \$1.4 million from each Central American country) for an initial 1-1/2 year program. The Fund was originally proposed by President Kennedy in his meeting with the Central American Presidents in San Jose in March 1963. It is expected that the Fund will serve as a means of channeling future external assistance for regional projects.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

CENTRAL AMERICAN ECONOMIC COMMUNITY

Steps were recently taken to establish more comprehensive Central American inter-governmental cooperation. The revised charter of the Organization of Central American States (ODECA), completed in March 1965, provides for periodic meetings of the five foreign ministers as the ODECA Executive Council. The Executive Council was given nominal authority over the Economic Council (Ministers of Economy) which has assumed major responsibility for the negotiation and administration of the common market agreements. The new ODECA charter also established an Education and Cultural Council (Ministers of Education) as well as Labor (Ministers of Labor) and Social Welfare (Directors of Social Security) Councils. Periodic meetings of these councils have greatly extended the scope of Central American inter-governmental involvement in integration activities.

U.S. Strategy

A.I.D. assistance to the Central American Economic Community is provided through two principal channels: (a) a regional program administered by the Regional Office for Central America and Panama (ROCAP), a regional field mission established in July 1962 with headquarters in Guatemala City; and (b) bilateral programs administered by USAID Missions in each of the countries. A.I.D. assistance through ROCAP supports regional activities undertaken at the initiative of and funded in part by the Central American countries. The bilateral programs are aimed at serious problems, such as the improvement of governmental administration and acceleration of rural development, that must be approached primarily at the national level. Failure to resolve the economic and social problems faced by the individual countries would seriously hinder progress toward achieving a Central American economic community.

FY 1968 Program

The proposed FY 1968 A.I.D. program for the Central American Economic Community consists of \$61 million in development loans and \$15.8 million in technical assistance. These totals include a development loan program of \$25 million and a technical assistance program of \$4.4 million to be administered by ROCAP. The balance--\$36 million in development loans and \$11.4 million in technical assistance--is for the programs in the five countries.

The Inter-American Development Bank (IDB) is cooperating actively at both the regional and country levels. IDB lending during FY 1968 is expected to be at the level of \$7 million for each Central American country, with additional resources available to CAHEI. Projections are not yet available of the probable level of lending by the International Bank for Reconstruction and

Development (IBRD). The IBRD undertook an intensive study of Central America in 1966 and will undoubtedly continue as an important source of development capital.

ROCAP

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	-	-	25.0
Technical Assistance	3.8	4.2	4.5
Total A.I.D. Assistance	3.8	4.2	29.5

ROCAP technical assistance with the Central American regional organizations will concentrate on improved regional coordination in the fields of planning, statistics, customs, legal studies and administration. The regional organizations through which this work is to be undertaken are the Common Market Secretariat (SIECA), the Organization of Central American States (ODECA) and the Central American Bank (CABEI). During FY 1968 \$853,000 is proposed for these activities. The comparable level of assistance in FY 1967 is \$1,062,000.

A ~~\$25 million~~ second loan for the CABEI-administered Fund for Economic Integration will continue development loan assistance for the financing (with collateral contributions from each of the five Central American countries) of regional infrastructure projects on a multinational basis. A \$35 million A.I.D. loan in FY 1965 provided the initial resources to assist in establishing this Fund. There are two other possible loans in Central America: a ~~\$10 million~~ loan to CABEI is proposed for relending primarily to Honduras and El Salvador for the construction of grain storage facilities. Improved storage facilities are needed for the expanding trade in grains within the C.A. Common Market; a \$5 million loan in support of agricultural education at the university level would be used to strengthen Costa Rican and Nicaraguan universities that now give degrees in agricultural science.

ROCAP's activities in support of regional health and population programs will be undertaken in conjunction with ODECA and the recently established Central American Council of Public Health. Primary emphasis is given to technical support for a regional malaria eradication campaign and the preparation and distribution of demographic information pointing up the significance of unre-

strained population growth for economic development. \$494,000 is proposed for these activities in FY 1968 (\$300,000 in FY 1967).

In FY 1968 \$1,900,000 is proposed to continue assistance, primarily through the Regional Council of Central American Universities (CSUCA), for regional programs to improve university level training in the natural and social sciences and to assist specialized regional schools of veterinary medicine, sanitary engineering and business administration. The assistance projected also includes support for the regional elementary textbook program, regional labor training and manpower studies. The comparable level of assistance in FY 1967 was \$1,511,000.

British Honduras is a colony of the United Kingdom located in Central America within the geographic area embraced by ROCAP. The colony has internal self-government and the majority of its trade is oriented toward the United States and Canada. The United Kingdom may give British Honduras independence in CY 1968 or, at the latest, by 1970.

As she moves toward independence, it is in the U.S. interest to have British Honduras continue its development as a pro-United States and politically stable country. British Honduras is underdeveloped and lacks the human resources required to ensure a modicum of economic and social development in the years ahead.

A.I.D. proposes that a small amount (\$100,000) in Technical Assistance be extended to British Honduras in FY 1968 through ROCAP. This technical assistance would be administered by ROCAP technicians and would be used primarily for vocational and participant training in industry and agriculture.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

Shaded areas are SECURITY CLASSIFIED and
must not be divulged to unauthorized individuals. All other material is unclassified.

ROCAP

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount		
Agricultural Policy and Development	596-11-150-001	1963	1969	400	332	253	156	165	TA	116	80	849
Industrial Investment and Trade Promotion	596-11-290-002	1963	1969	2,080	1,053	448	815	660	TA	455	270	3,253
Civil Aviation and Telecommunication	596-11-370-003	1963	1969	977	751	316	271	271	TA	217	100	1,610
**Health and Demographic Studies	596-15-590-023	1967	1970	-	-	280	70	210	TA	444	725	1,449
Manpower and Human Resources Development	596-11-460-004	1963	1970	1,338	985	146	268	231	TA	290	630	2,404
Textbook Development	596-11-640-006	1963	1970	1,967	1,483	466	614	336	TA	516	870	3,819
Higher Education	596-11-660-012	1964	1970	1,635	905	486	510	606	TA	664	1,367	4,152
Improvement of Development Administration	596-11-720-007	1963	1969	786	567	107	138	188	TA	177	100	1,170
Improvement of Statistics and Census	596-11-780-008	1963	1968	913	746	237	199	205	TA	167	-	1,317
Regional Development Planning	596-11-790-009	1963	1968	380	313	80	88	59	TA	100	-	560
Customs Policy and Administration	596-11-740-017	1966	1970	113	34	160	102	137	TA	159	275	707
Legal Publications and Studies	596-11-740-018	1965	1970	78	45	165	87	111	TA	134	201	578
Business Administration	596-13-770-024	1967	1970	-	-	335	-	335	TA	335	620	1,290
*Human Resources Development	596-11-460-100	1968	1972	-	-	-	-	-	TA	100	500	600
Technical Support	596-11-990-000	1961	Cont.	1,707	1,614	648	630	211	TA	626	Continuing	
									Subtotal	TA	4,500	
									Total	SA	4,500	

*New project--see TABLE Va

** formerly listed as - 019

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	22	24	25
Participating agency	20	24	20
Contractor technicians	29	18	17
Total	71	66	62

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	45	35	95
Contract	-	-	-
Total	45	35	95

DESCRIPTION OF NEW FY 1968 PROJECTS

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

ROCAP

(In Thousands of Dollars)

TABLE Va

Project Title	Project Number	Proposed Program FY 1968		Description
		Funds	Amount	
Human Resources Development	596-11-460-100	TA	100	This project is to improve the capability of the British Honduras government to plan and administer much needed development programs. Training will be provided to 20 participants in the fields of agricultural and industrial vocational education and public administration.

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

ROCAP

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repayments	Interest Collected
		Authorized	Loan Agreement			Grace Period	Amortization					
598-A-001	CABEI Industrial Sublending	6/28/61	8/16/62	1	15	4	4	5,000	4,660	US \$	40	264
596-L-002	CABEI Feasibility Studies	5/31/63	11/29/63	10	40	3/4	3/4	2,500	538	US \$	-	3
596-L-003	CABEI Home Loan Department	11/18/63	11/29/63	10	40	3/4	3/4	10,000	9,496	US \$	-	38
596-L-004	CABEI Second Industrial Sublending	5/4/64	5/11/64	10	40	3/4	2	10,000	233	US \$	-	-
596-L-006	CABEI Economic Integration Fund	5/28/65	7/29/65	10	40	1	2½	35,000	-	US \$	-	-
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	62,500	14,927	XXXX	40	305

Country: COSTA RICA

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	0.5	2.0	
Technical Assistance	2.0	2.1	2.0
Total A.I.D. Assistance	2.5	4.1	2.0

In order to encourage economic growth in areas of Costa Rica outside the central plateau a series of activities have been undertaken in two provinces (Limon and Nicoya). These include local infrastructure, expansion of food production and community development activities to encourage participation of people living in rural areas in the development effort. In FY 1968 \$143,000 is projected for this purpose. The comparable level in FY 1967 is \$280,000.

Although Costa Rica's performance in achieving social goals for the Alliance for Progress has been good--for example, medical services are available for most of the Costa Rican population and 23% of the population is in-school--comparable progress has not been made in the attainment of economic goals. From 1955 to 1965, per capita GNP increased only 0.7% annually. Revenue increases of about 10% per annum since 1961 have been more than offset by increases in expenditures, resulting in large budget deficits.

All future A.I.D. loan assistance to Costa Rica is subject to improved economic performance by the Government of Costa Rica. In this respect A.I.D. is working closely with the international lending agencies. Loans from the IBRD and foreign exchange assistance under an IMF standby arrangement are now conditioned on expenditure reductions, expanded tax collection, and/or credit restrictions.

The A.I.D. program for FY 1968 represents both U.S. leverage to encourage an approved economic performance by the Government of Costa Rica and practical assistance to that end, particularly with respect to policies in the areas of agriculture, industry and resolution of the chronic fiscal problem. Major emphasis will be placed on assisting the government to increase its revenues through improvements in direct tax administration, in customs administration, and in property registry. Limited assistance to the planning office will be continued. (\$1.2 million is proposed for these purposes in FY 1968.)

A project to increase the awareness of the consequences of rapid population growth will be continued in FY 1968 with \$100,000 projected for this purpose (the level in FY 1967 is \$110,000). This project combines demographic research and education, particularly in cooperation with the Costa Rican Demographic Society, the University of Costa Rica and the National Planning Office.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

COUNTRY: COSTA RICA

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount		
Area Development	515-11-870-071	1965	1970	518	282	102	203	135	TA	93	53	766
Agricultural Development	515-11-140-038	1964	1970	1,629	1,374	261	200	316	TA	343	440	2,673
Industrial Development and Promotions	515-11-239-041	1956	1970	1,334	1,244	152	140	102	TA	157	210	1,853
Public Safety	515-11-710-061	1963	1970	499	404	212	200	107	TA	193	240	1,144
General Assistance to Education	515-11-680-085	1966	1970	68	38	267	162	135	TA	377	781	1,493
Demographic Education*	515-11-690-102	1968	1972	-	-	-	-	-	TA	100	400	500
Development Planning and Administration	515-11-720-060	1953	1970	1,437	1,455	335	302	33	TA	325	72	2,169
Technical Support	515-11-990-000	1953	Cont.	1,654	1,542	445	289	268	TA	412	Continuing	
									Subtotal	TA	2,000	
									Total	SA	-	
											2,030	

*New project--see TABLE Va

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	16	19	19
Participating agency.....	4	13	10
Contractor technicians.....	11	11	4
Total	31	43	33

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	70	90	93
Contract	-	-	-
Total	70	90	93

DESCRIPTION OF NEW FY 1968 PROJECTS

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

COUNTRY: COSTA RICA

(In Thousands of Dollars)

TABLE Va

Project Title	Project Number	Proposed Program FY 1968		Description
		Funds	Amount	
Demographic Education	515-11-690-102	TA	100	The purpose of this project is to make the Costa Rican people aware of the implications of rapid population growth. Special attention will be given to educating opinion leaders, government and church officials and teachers. AID will assist the development of institutions interested in demographic problems; support will however be limited to the research, study and informational aspects of the problem.

STATUS OF DEVELOPMENT LOANS SUMMARY

As of 12/31/66

COUNTRY: COSTA RICA

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repay-ments	Interest Collected
		Auth-orized	Loan Agree-ment			Grace Period	Amorti-zation					
515-A-004	Metropolitan Water Supply	6-12-61	12-22-61	1	20	3½	3½	3,500	428	colon	-	-
515-L-006	INVU Slum Clearance	6-18-63	7-23-63	10	40	3/4	3/4	2,000	1,405	US\$	-	12
515-L-008	Metropolitan Emergency Water Supply	7-1-63	7-23-63	10	40	3/4	3/4	1,400	985	US\$	-	7
515-L-009	IBRD/AID Highway Program	6-29-63	7-23-63	10	40	3/4	3/4	2,100	1,779	US\$	-	15
515-L-010	COFISA - Private Development Bank 2 step	11-18-63	12-23-63	4½	20	2	2	5,000	3,947	US\$	-	69
515-L-011	Cadastral Survey	4-23-64	10-20-64	10	40	3/4	2	1,600	500	US\$	-	1
515-L-012	Irazu Maintenance & Betterment	11-20-64	1-25-65	10	40	1	2½	1,300	996	US\$	-	2
515-L-014	Feasibility Studies	5-28-65	12-10-65	10	40	1	2½	800	-	US\$	-	-
515-L-015	Rural Electrification	6-24-65	10-27-65	10	40	1	2½	3,300	30	US\$	-	-
515-L-016	Malaria Eradication	6-29-66	7-15-66	10	40	1	2½	500	-	US\$	-	-
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	21,500	10,070	XXXX!	-	106

El Salvador

El Salvador



BASIC DATA

Population (<i>millions – mid-1966</i>).....	3.0	Per Capita GNP (<i>dollars</i>).....	279*
Annual Growth Rate (<i>percent</i>).....	3.2	Life Expectancy (<i>years</i>).....	60
Area (<i>1000 square miles</i>).....	8.3	People Per Doctor	4,520
Population Density Per Square Mile.....	360	Literacy Rate (<i>percent</i>)	48
Agricultural Land as % of Total Area	51	Pupils as Percent of Population.....	14
Percent of Labor Force in Agriculture.....	59	(<i>Primary and Secondary</i>)	

* 1966 in 1965 prices

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: EL SALVADOR

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	1.6	6.0	5.0
Technical Assistance	1.8	1.9	1.9
Total A.I.D. Assistance	3.4	7.9	6.9

U.S. assistance is designed to promote simultaneously a stable political environment and those economic and social reforms and institutions which not only appreciably raise the current Salvadoran standard of living but also assist in creating a tradition of democracy. The present Rivera administration has committed itself fully both to the democratic tradition and to economic development under the Alliance for Progress. In the presidential elections scheduled for March 1967 the successful transition to a new government equally committed to Alliance objectives is anticipated. In administering the A.I.D. program in El Salvador improved performance by the Government of El Salvador is sought in such key areas as sectoral planning (especially agriculture and education), tax policy and fiscal administration, agricultural policies (especially diversification from coffee and cotton) and greater awareness of the importance of population problems.

Grants and loans are proposed to stimulate more intensive utilization of El Salvador's scarce land resources for food production and more diversified exports. The current objective is a 50% increase in food production by 1970. Reorganized agricultural credit, fertilizer demonstrations, irrigation, expanded extension and diversification of land use are the major factors under consideration for attainment of this target.

In FY 1967 family planning services were extended to rural areas, and community development activities involving credit unions and rural housing were undertaken with the Peace Corps. The projected level of rural development activities in FY 1968 is \$665,000 (in FY 1967 \$580,000). Development loans of \$7 million for FY 1968 include supervised agricultural credit, livestock development, irrigation and land reclamation.

A.I.D. has assisted El Salvador's rapidly growing industrial development through loans to public and private development banks. In FY 1968 a development loan (second tranche) of \$2 million is

proposed for the Salvadoran Housing Bank which is a private source for the financing of middle income housing. Technical assistance activities with the private sector are estimated at \$40,000 in FY 1968, (\$35,000 in FY 1967).

Human Resources Development has high priority within the Salvadoran Program (\$395,000 in both FY 1967 and FY 1968). Improved teacher training at the secondary as well as elementary level and the general upgrading of training for agricultural technicians are major objectives.

To assist in the formation of more adequate governmental policies and institutions, special emphasis is given to sectoral programming, improved tax administration, municipal government and public safety. The technical assistance program for these purposes, undertaken largely through the National Planning Council, is projected in FY 1968 at the level of \$570,000 (\$550,000 in FY 1967).

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: EL SALVADOR

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6 '30 '66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost	
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6.30.67	Fun.'s	Amount			
Agricultural Development and Agrarian Reform	519-11-110-012	1955	1969	3,065	2,957	425	400	133	TA	365	135	3,990	
Development Banking and Industrial Promotion Institutions	519-11-290-075	1958	1970	505	484	35	35	21	TA	40	100	680	
Free Labor Development	519-11-410-003	1955	1968	663	588	80	100	55	TA	80	-	823	
Rural Community Development	519-11-530-094	1967	1970	-	-	105	100	5	TA	145	215	465	
Family Planning and Clinical Services	519-11-590-095	1966	1970	34	11	110	100	33	TA	155	126	425	
Educational Planning and Administrative Improvement	519-11-680-071	1955	1969	3,454	2,984	285	300	455	TA	290	221	4,250	
Public Safety	519-11-710-030	1961	1970	1,436	1,332	200	200	104	TA	200	224	2,060	
Public Administration	519-11-740-032	1958	1969	664	544	330	300	150	TA	370	105	1,469	
Technical Support	519-11-990-000	1955	Cont.	1,490	1,421	327	330	66	TA	255	Continuing		
									Subtotal	TA	1,900		
										SA	-		
									Total		1,900		

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	18	20	20
Participating agency	6	12	12
Contractor technicians	12	11	15
Total	36	43	47

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	130	140	145
Contract	-	-	-
Total	130	140	145

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

COUNTRY: EL SALVADOR

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repay-ments	Interest Collected
		Auth-ORIZED	Loan Agree-ment			Grace Period	Amorti-zation					
519-L-002	San Salvador Airport	12/14/62	2/12/63	1	20	3½	3½	800	728	US\$	102	49
519-L-003	School Loan	6/12/63	9/18/63	10	40	3/4	3/4	2,400	2,384	US\$	-	18
519-L-004	Agricultural Loan Program	6/18/63	9/18/63	10	40	3/4	3/4	8,900	8,641	US\$	-	85
519-L-005	INSAFI	6/28/63	9/18/63	10	40	3/4	3/4	4,500	3,377	US\$	-	21
519-L-006	Private Bank (two step)	5/28/64	8/17/64	5 10	20 40	2 3/4	2	5,200	1,954	US\$	-	13
519-L-007	Finance Health Facilities	6/30/64	4/2/65	10	40	3/4	2	700	-	US\$	-	-
519-L-008	Capital for Housing Bank	6/30/64	5/21/65	10	40	3/4	2	3,100	1,680	US\$	-	11
519-L-009	Rural Road Construction	6/29/65	3/11/66	10	40	1	2½	1,200	-	US\$	-	-
519-L-010	Malaria Eradication	5/9/66	10/29/66	10	40	1	2½	1,635	•	US\$	-	-
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	28,435	18,764	XXXX	102	197

Guatemala



BASIC DATA

Population (<i>millions – mid-1966</i>).....	4.8
Annual Growth Rate (<i>percent</i>).....	3.3
Area (<i>1000 square miles</i>).....	42
Population Density Per Square Mile.....	114
Agricultural Land as % of Total Area	19
Percent of Labor Force in Agriculture.....	65

Per Capita GNP (<i>dollars</i>).....	314*
Life Expectancy (<i>years</i>).....	49
People Per Doctor	4,190
Literacy Rate (<i>percent</i>)	38
Pupils as Percent of Population.....	9
<i>(Primary and Secondary)</i>	

* 1966 in 1965 prices

Country: GUATEMALA

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	1.6	5.0	15.0
Technical Assistance	2.5	2.4	2.8
Total A.I.D. Assistance	4.1	7.4	17.8

Guatemala, with a third of Central America's population and a per capita GNP near the Central American average, contains within its borders a substantial portion of the economic resources that make up the Central American economy. It differs from the rest of Central America principally in terms of a population that is over one-half Indian and a literacy level (38%) well below the Central American average.

In contrast to the preceding government, which for three years failed to face up to the problems of economic development, the new Government of Guatemala, which took office on July 1, 1966, has taken a direct approach to major development problems. This approach has included active implementation of existing projects and the arranging of new credits from the international financial community. Since July 1, 1966, eight loan agreements, totalling over \$22 million have been signed--with A.I.D., \$6.6 million, with Export-Import Bank \$5.5 million, and with IDB, \$10.3 million. Also, the Government of Guatemala, through congressional action, raised property and income taxes to produce an additional \$10 million in revenue, and has shown interest in community development and land reform as a means of bringing the benefits of economic development to people living in isolated rural areas. Currently, two major loan possibilities are under review - a program loan of \$9 million tied to new tax increases, and an agricultural Sector Loan to finance part of a program of Land Reform and crop diversification.

The FY 1968 program proposes \$979,000 for rural development in a concerted effort to raise food production and to increase the involvement of rural communities in development. The level of assistance proposed is approximately that of FY 1967, when this project was introduced, with special attention to counter-insurgency efforts in the Departments of Izabal and Zacapa. Proposed loans include \$1.5 million for on-farm storage, \$1.0 million for a wholesale terminal produce market and \$2 million for small irrigation projects, and \$8 million for a private Development Bank.

In FY 1968 \$935,000 is proposed to carry forward a long-range program of human resources development. Within this program, priority attention is given to educational and manpower planning, teacher training (especially for secondary schools), Indian literacy and improvement of higher education. A loan of \$5 million is proposed to finance school and university construction as part of a coordinated financial arrangement in which the IDB and IBRD will also participate as major lenders.

Several project activities are directed to strengthening governmental institutions charged with development planning and improved public finance. Some \$944,000 of technical assistance is proposed for these activities in 1968. This is approximately the level of FY 1967.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

TABLE V

COUNTRY: GUATEMALA

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	FY 1968			
									Funds	Amount		
Public Administration and Area Planning	520-11-790-176	1966	1970	48	31	642	389	270	TA	423	1,024	2,137
*Development Planning and Investment	520-11-990-185	1968	1971	-	-	-	-	-	TA	272	600	872
Public Safety	520-11-710-077	1957	1969	1,647	1,550	298	327	68	TA	280	240	2,465
Development of Agricultural Policies and Institutions	520-11-140-148	1965	1968	1,026	648	494	422	450	TA	452	-	1,972
*Rural Community Leadership and Modernization	520-11-810-187	1968	1972	-	-	-	-	-	TA	380	1,680	2,060
*Population and Rural Health	520-11-590-189	1968	1972	-	-	-	-	-	TA	110	600	710
Development of Education, Plans and Priorities	520-11-650-149	1964	1968	932	601	204	250	285	TA	295	-	1,431
University Development	520-11-660-143	1963	1969	709	349	245	314	291	TA	234	280	1,468
Leadership Development	520-11-490-184	1967	1970	-	-	69	38	31	TA	112	304	485
Technical Support	520-11-990-000	1956	Cont.	2,344	2,297	339	318	68	TA	242	Continuing	
									Subtotal	TA	2,800	
									Total	SA	2,800	

*New project - see TABLE Va

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	30	30	30
Participating agency	4	7	5
Contractor technicians	10	44	38
Total	44	81	73

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	207	225	277
Contract	-	-	-
Total	207	225	277

DESCRIPTION OF NEW FY 1968 PROJECTS

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

COUNTRY: GUATEMALA

(In Thousands of Dollars)

TABLE Va

Project Title	Project Number	Proposed Program FY 1968		Description
		Funds	Amount	
Development Planning and Investment	520-11-990-185	TA	272	This project will provide technical assistance to the National Economic Planning Council to improve development planning, to promote private enterprise, and to encourage complementary activities in the private sector. Activities under this project will include (1) the improvement of a government wide statistical system, (2) an investment promotion program, (3) detailed survey of commercial transportation and (4) advice and training to private industrial and managerial groups.
Rural Community Leadership and Modernization	520-11-810-187	TA	380	This project will stimulate and support GOG and community initiatives which mobilize the rural population and local resources in programs for the greater incorporation of the rural areas into the economic and social life of the nation. Emphasis will be placed on the existing and potential areas of insurgency. Activities will include work in the rural areas to tap local talent and initiative, training of rural leadership through a contract with Loyola University, and the organization of rural cooperatives through a contract with Credit Union National Association.
Population and Rural Health	520-11-590-189	TA	110	This project is an outgrowth of the Rural Mobile Health program, which established 10 mobile health units and which will be completely GOG financed by the end of FY 1967. Activities under this project will provide training and assistance to the Ministry of Public Health in planning, hospital administration, and first aid and medical technician training. Contract assistance will be made available in hospital administration and health planning; participants will receive training in health planning and administration. Family planning studies will also be carried out in conjunction with the Ministry of Health.

STATUS OF DEVELOPMENT LOANS SUMMARY

As of 12/31/66

COUNTRY: GUATEMALA

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repayments	Interest Collected
		Authorized	Loan Agreement			Grace Period	Amortization					
520-A-002	Rubber Development	1/16/59	8/17/59	1	12	5	5	5,000	1,950	US \$	88	263
520-A-004	Highway Construction	8/29/60	1/24/61	1	15	3½	3½	2,100	2,023	US \$	229	131
520-A-005	Rio Hondo Highway	12/8/60	1/24/61	1	15	3½	3½	5,400	4,413	Quet.	603	414
520-L-008	General Surveys and Feasibility Studies	4/27/64	9/1/65	10	40	3/4	2	2,000	-	US \$	-	-
520-L-009	Customs Improvement	5/30/64	8/17/65	10	40	3/4	2	700	-	US \$	-	-
520-L-011	Malaria Eradication	12/2/65	8/17/66	10	40	1	2½	1,550	-	US \$	-	-
520-L-012	Highway Construction	9/30/65	10/14/66	10	40	1	2½	758	-	US \$	-	-
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	17,508	8,386	XXXX	920	808

Honduras



BASIC DATA

Population (<i>millions – mid-1966</i>).....	2.3	Per Capita GNP (<i>dollars</i>).....	229*
Annual Growth Rate (<i>percent</i>).....	3.1	Life Expectancy (<i>years</i>).....	46
Area (<i>1000 square miles</i>).....	43	People Per Doctor	6,640
Population Density Per Square Mile.....	53	Literacy Rate (<i>percent</i>)	45
Agricultural Land as % of Total Area	38	Pupils as Percent of Population.....	13
Percent of Labor Force in Agriculture.....	67	(<i>Primary and Secondary</i>)	

* 1966 in 1965 prices

Country: HONDURAS

Selected areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

~~CONFIDENTIAL~~

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	9.9	4.0	5.0
Technical Assistance	2.2	2.1	2.4
Total A.I.D. Assistance	12.0	6.1	7.4

Honduras is the least developed of the Central American Common Market countries. The basic transportation, communications and power networks are insufficient to support an expanding economy.

A large portion of the rural population is living at little more than a subsistence level. Political division, weaknesses in planning, and frequent personnel turnover in the public administration have long retarded the establishment of a unified and effective development policy. Recent economic expansion has been largely attributable to the vigor of the private export sector, and public sector programs intended to develop the infrastructure needed for sustained growth are far behind schedule.

Assistance to the Ministry of Natural Resources in support of a five-year agricultural development plan comprises a major part of the A.I.D. program in Honduras (\$509,000 in technical assistance in FY 1968, \$471,000 in FY 1967). This includes assistance to valley development centers to help incorporate outlying areas into the national economy and strengthening the agricultural extension and research services of the Ministry.

Loans of \$3 million for livestock development and \$1.5 million for rural cooperatives are projected for FY 1968.

Because of critical deficiencies of skilled and specialized personnel, A.I.D. will continue assistance for primary textbook development and improvement of teacher training and will press for a substantial increase in Government of Honduras support to educational programs, particularly at the secondary and university levels. Assistance in health and social services includes mobile rural health facilities, rural community water supply, family planning and community development. Technical assistance for human resource development is projected at the level of \$669,000 in FY 1968 (\$565,000 in FY 1967). A loan of \$500,000 for university education is also projected.

~~CONFIDENTIAL~~

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: HONDURAS

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost	
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	FY 1968				
									Funds	Amount			
Agricultural Productivity	522-11-190-036	1964	1969	1,161	877	352	385	251	TA	370	400	2,283	
Forest Management	522-11-170-056	1965	1969	443	237	112	192	126	TA	139	211	905	
Industrial Development	522-11-290-003	1960	1968	854	731	71	101	93	TA	184	-	1,109	
Labor Development (new title)	522-11-410-007	1956	1970	395	297	32	77	53	TA	77	146	650	
*Human Resources Training	522-15-690-087	1967	1971	-	-	84	44	40	TA	130	436	650	
Health and Family Planning	522-11-530-065	1966	1969	29	8	100	62	59	TA	200	145	474	
Education Improvement and Development	522-11-640-054	1965	1969	427	277	434	434	150	TA	262	420	1,543	
Cooperative Development	522-15-990-074	1966	1970	36	19	255	100	172	TA	310	599	1,200	
Public Administration	522-11-720-017	1960	1969	853	742	252	252	111	TA	307	250	1,662	
Public Safety	522-11-710-018	1960	1969	837	780	132	132	57	TA	130	121	1,220	
Technical Support	522-11-990-000	1960	Cont.	1,018	946	321	321	72	TA	291	Continuing		
									Subtotal	TA	2,400		
									SA	-			
									Total		2,400		

*New project—see TABLE Va

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY, 1968
A.I.D. employed	20	20	23
Participating agency	2	6	7
Contractor technicians	10	25	28
Total	32	51	58

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	74	117	155
Contract	-	-	-
Total	74	117	155

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

COUNTRY: HONDURAS

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repayments	Interest Collected
		Auth- orized	Loan Agree- ment			Grace Period	Amorti- zation					
522-M-008	Small Rural Water Supplies	6-12-63	8-22-63	1/2	40	3/4	3/4	1,050	548	US\$	1	1
522-I-010	Private Bank 2 Step	5-28-64	8-6-64	5 10	20 40	2 3/4	2 2	5,000	4,494	US\$	-	30
522-H-011	Cooperative Housing Development	10-10-64	3-15-65	10	40	3/4	2	2,000	94	US\$	-	-
522-I-012	Fire Control Access Road	11-27-64	12-14-64	10	40	1	2-1/2	500	488	US\$	-	4
522-I-013	Farm to Market Roads	9-23-65	11-25-65	10	40	1	2-1/2	5,200	-	US\$	-	-
522-I-014	Malaria Eradication	12-2-65	1-12-66	10	40	1	2-1/2	1,170	209	US\$	-	-
522-I-015	Feasibility Studies	2-12-66	2-25-66	10	40	1	2-1/2	500	-	US\$	-	-
522-I-016	Private Development Bank 2 Step	5-31-66	8-21-66	5 10	20 40	4 1	4 2-1/2	3,000	-	US\$	-	-
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	18,420	5,833	XXXX	1	35

Nicaragua



BASIC DATA

Population (<i>millions – mid-1966</i>).....	1.7	Per Capita GNP (<i>dollars</i>).....	365*
Annual Growth Rate (<i>percent</i>).....	3.5	Life Expectancy (<i>years</i>).....	54
Area (<i>1000 square miles</i>).....	57	People Per Doctor	2,370
Population Density Per Square Mile.....	30	Literacy Rate (<i>percent</i>)	50
Agricultural Land as % of Total Area	13	Pupils as Percent of Population.....	13
Percent of Labor Force in Agriculture.....	60	(<i>Primary and Secondary</i>)	

* 1966 in 1965 prices

PREVIOUS PAGE BLANK

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: NICARAGUA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	14.3	6.0	3.5
Technical Assistance	2.0	2.2	2.3
Total A.I.D. Assistance	16.3	8.2	5.8

The primary objectives of U.S. assistance to Nicaragua are: (a) the continuation of recent political and social progress through a fostering of democratic attitudes, institutions, and practices; (b) a continued high rate of economic growth through the development and strengthening of bases for growth, other than cotton and coffee; and (c) continued steps toward fuller participation in the Central American Common Market.

A major assistance effort is directed towards the continuation and development of programs promoting a broader, stronger and more effective democratic base for continued economic growth. For this purpose assistance will be continued in self-help cooperative development including agricultural marketing and supply, rural electric, housing, credit union and other cooperatives. In FY 1968 \$3,500,000 in development loans are projected for a Student Bank, a Municipal Loan Fund and other cooperatives. A level of \$300,000 is projected for technical assistance.

Continued national and regional efforts will be encouraged in the fields of education, health, and labor to insure that the human resources of Nicaragua will more effectively contribute to the country's economic and social growth and to regional integration. In the field of education, the major emphasis will continue to be on the primary level and on teacher education. The training of secondary level directors and assistance to the National University will receive increased attention in FY 1968. The major emphases in health will be on assistance in rural medical care, nutritional education, and in population dynamics.

In FY 1968 loans of \$4,500,000 are contemplated for vocational education and for medical facilities at the National University. Technical assistance projected for FY 1968 is \$800,000. The comparable level in FY 1967 was \$665,000.

To encourage a significant increase in the production of locally consumed foods and exportable agricultural products, A.I.D. will support agricultural training, agricultural extension, livestock improvement, agrarian reform and irrigation development. Technical assistance projected for this purpose in FY 1968 is \$565,000 (also the level of assistance in FY 1967).

Technical assistance--\$294,000 in FY 1968--in comparison with \$286,000 in FY 1967--will also be continued for the effort to increase tax revenues through improved administration, to improve the administration of the central government in key areas and to strengthen municipal administration.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: NICARAGUA

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6 30 66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6 30 67	Funds	Amount		
Agricultural Reform & Rural Development	524-11-110-057	1958	1970	1,377	1,138	565	428	376	TA	328	384	2,654
Manpower Planning, Development & Utilization	524-11-460-054	1964	1969	436	168	257	263	262	TA	228	118	1,029
Educational Planning & Development	524-11-640-023	1955	1970	1,923	1,652	308	321	258	TA	341	394	2,966
Tax and Administrative Reforms	524-11-720-025	1955	1970	735	620	286	316	85	TA	294	224	1,539
Community Action & Cooperative Development	524-11-810-056	1966	1970	329	91	375	332	281	TA	155	126	985
Technical Support	524-11-990-000	1960	1970	1,168	1,143	339	255	105	TA	338	665	2,530
Agrarian Reform *	524-11-190-068	1968	1972	-	-	-	-	-	TA	98	189	287
Irrigation Development *	524-11-120-067	1968	1972	-	-	-	-	-	TA	138	308	446
Community Development *	524-11-810-047	1968	1973	-	-	-	-	-	TA	142	453	595
Community Health Services *	524-11-590-059	1968	1972	-	-	-	-	-	TA	238	513	751
									Subtotal	TA	2,300	
									Total	SA	-	
									Total		2,300	

*New project--see TABLE Va

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	16	18	18
Participating agency	6	13	12
Contractor technicians	9	10	15
Total	31	41	45

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	93	128	131
Contract	-	-	-
Total	93	128	131

DESCRIPTION OF NEW FY 1968 PROJECTS

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

COUNTRY: NICARAGUA

(In Thousands of Dollars)

TABLE Va

Project Title	Project Number	Proposed Program FY 1968		Description
		Funds	Amount	
Agrarian Reform	524-11-190-068	TA	98	The project is to help strengthen the capacity of the Agrarian Institute of Nicaragua to formulate and implement sound problems of farm settlement, colonization and supervised agricultural credit. Programs of the Institute will contribute to the increasing of agricultural production and also will exert a strong social influence on modernizing the life of the rural inhabitants. The project includes supporting Institute efforts in assisting 1,000 farmers annually in obtaining legal titles to land in their possession; settling 500 landless rural inhabitants on economic-sized farm units annually; granting of 1,000 supervised farm credit loans annually; conducting studies on the best uses of land for settlement.
Irrigation Development	524-11-120-067	TA	138	As an outgrowth of a request made by the Agricultural Coordinating Committee (which is composed of the Minister of Agriculture and the heads of banks and autonomous agencies active in the agricultural sector) AID will provide technical assistance to a governmental agency selected by the Committee for the purpose of carrying out a demonstration irrigation program on five representative farms. This project will assist the Government of Nicaragua in improving and expanding the use of farm irrigation as a means of increasing the production of food crops.
Community Development	524-11-810-047	TA	142	This project will provide technical guidance through U.S. technicians, participant training, training aids and supplies, and limited financial support to: (a) the National Alliance for Progress Committee; (b) the INDE (an association of young businessmen interested in social and economic progress) and other private sector groups; and (c) student and community groups. This is in order to foster and develop civic responsibility within the country's emerging leadership, to develop a responsiveness in youth groups to the needs of the less fortunate as a practical demonstration that positive accomplishments are possible along democratic lines, and to support grass-roots community efforts.

DESCRIPTION OF NEW FY 1968 PROJECTS

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

COUNTRY: NICARAGUA

(In Thousands of Dollars)

TABLE Va

Project Title	Project Number	Proposed Program FY 1968		Description
		Funds	Amount	
Community Health Services	524-11-590-059	TA	238	<p>This project is intended to provide the Government of Nicaragua and non-government groups assistance in nutritional education, population dynamics and training of professional and paramedical personnel; and in conjunction with the Ministry of Health, encourage and support self-help efforts to develop public health services and facilities in rural areas.</p> <p>U.S. technicians will help to provide coordinated rural health and community development efforts in 94 villages; assist in mass vaccination programs; promote a country-wide latrine program; provide seminars; and coordinate a nutrition education program aimed at every level of the population. Twenty-five participants will receive training under this project.</p>

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

COUNTRY: NICARAGUA

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repayments	Interest Collected
		Auth- orized	Loan Agree- ment			Grace Period	Amorti- zation					
524-A-005	Highway Construction	2-9-61	11-21-62	10	40	3/4	3/4	2,800	2,749	US\$	-	12
524-L-005	Highway Construction	9-20-62	11-21-62	10	40	3/4	3/4	900	190	US\$	-	
524-L-006A	Las Mercedes Airport	6-7-65	8-17-65	10	40	1	2½	600	497	US\$	-	
524-L-007	Rural Electric Cooperative	11-29-63	3-16-64	5	30	2	2	400	278	US\$	-	2
524-L-008	Central American University of Managua (two-step)	6-22-64	11-14-64	3 10	20 40	2 3/4	2 2	700	543	US\$	-	2
524-L-009	Industrial Development Bank (two-step)	9-29-64	12-23-64	5 10	25 40	2 3/4	2 2	4,000	1,532	US\$	-	3
524-L-010	Private Development Bank (two-step)	4-17-65	5-25-65	5 10	20 40	2½ 1	2½ 2½	3,000	952	US\$	-	3
524-L-011	Feasibility Studies	6-16-65	2-18-66	10	40	1	2½	1,300		US\$	-	
524-L-012	Tax Improvement & Natural Resources Survey	6-29-65	2-28-66	10	40	1	2½	5,400	54	US\$	-	
524-L-013	Malaria Eradication	12-2-65	4-15-66	10	40	1	2½	2,070	49	US\$	-	
524-L-014	Urban School Construction	5-28-66	12-6-66	10	40	1	2½	1,500		US\$	-	
524-L-015	Agricultural Credit	5-28-66	11-29-66	10	40	1	2½	2,000		US\$	-	
524-L-016	Private Development Bank (two-step)	6-29-66	9-27-66	5 10	20 40	5½ 1	5½ 2½	5,000		US\$	-	
524-L-017	Savings & Loan System	6-30-66	-	10	40	1	2½	3,700		US\$	-	
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	33,370	6,844	XXXX	-	22

Ecuador



BASIC DATA

Population (<i>millions – mid-1966</i>).....	5.2
Annual Growth Rate (<i>percent</i>).....	3.4
Area (<i>1000 square miles</i>).....	112
Population Density Per Square Mile.....	47
Agricultural Land as % of Total Area	19
Percent of Labor Force in Agriculture.....	53

Per Capita GNP (<i>dollars</i>).....	224*
Life Expectancy (<i>years</i>).....	53
People Per Doctor	2,990
Literacy Rate (<i>percent</i>)	68
Pupils as Percent of Population.....	16
<i>(Primary and Secondary)</i>	

* 1966 in 1965 prices

PREVIOUS PAGE BLANK

Country: ECUADOR

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	2.0	-	5.0
Technical Assistance	4.3	3.9	3.8
Contingency Fund	10.0	XXX	XXX
Total A.I.D. Assistance	16.3	3.9	8.8

The long-range objective of the A.I.D. program in Ecuador is to encourage and stimulate the country to devise and pursue a development program which: (a) is consistent with Ecuadorean development capacity; (b) responds to the needs of the people; and (c) is in keeping with the goals of the Alliance for Progress. A more immediate objective is to assist Ecuador in its present effort to move from a de facto military government to a democratic constitutional government.

Ecuador's development effort has been hampered by serious budgetary problems, an adverse balance-of-payments situation and continuing political instability. Little was accomplished from 1960 to 1963 during the Velasco Ibarra and Carlos Julio Arosemena regime. In 1963 the Military Junta embarked on a series of measures which had the potential for enhancing economic advancement. However, the Junta lacked sufficient popular support and political strength to enforce the measures.

The fact that the Yerovi regime, which succeeded the Junta in March, was clearly an interim government reduced its incentive to move on a development program. The regime of Otto Arosemena, who was named as Interim Constitutional President by Ecuador's Constituent Assembly on November 16, faces many of the same problems that beset the Yerovi government. Both governments found themselves limited by fiscal problems inherited from the Junta. Secondly, the turnover in government administrations have inevitably led to disorganization and indecision as to development programs and policy. It has become apparent that Ecuador's National Development Plan must be reoriented, so that greater stress is placed on short- and medium-term productive activities in the agricultural and agro-industrial sectors.

The Yerovi government reduced budgetary expenditures and re-established a standby agreement with the IMF. The government also adopted a number of significant administrative and tax measures, which, along with the A.I.D. \$10 million budget support loan, were designed to cover the 1966 budget deficit. These measures were partially successful, particularly in alleviating the 1966 balance-of-payments problem and restoring a measure of confidence in the nation's economy; however, the budget deficit remained a serious problem. By mid-October, Ecuador had not yet adopted some of the fiscal measures which were a pre-condition for disbursement of the \$3 million second tranche of the budget support loan. However, A.I.D. agreed to an Ecuadorean Government counter-proposal calling for administrative measures to raise revenues, on the basis of the Ambassador's argument that withholding the loan might seriously jeopardize the stability of the Government. The \$3 million second tranche was disbursed but the third and final \$3 million tranche was de-obligated. Preconditions to disbursement required that the Government of Ecuador: (a) certify that certain self-help administrative measures are under way; and (b) meet local currency contributions toward the active loans of A.I.D. and the members of the Consultative Group.

Through the Consultative Group and the Consortium Highway Loan, A.I.D. maintains close coordination with the other major donors to Ecuador. The Inter-American Development Bank (IDB), acting as financial agent for Ecuador, heads the Consultative Group which encompasses 19 countries and 12 international lending agencies. The World Bank, IDB, and A.I.D. jointly monitor the \$63 million Consortium Highway Loan.

A.I.D. strategy must confront both immediate and long-range conditions, the former because the United States has a vital interest in the maintenance of political and economic stability in a nation that has a history of instability, and the latter because only long-range planning and action will lead to modernization and economic self-sufficiency. Ecuador's political instability, with its resultant administrative disorganization and adverse financial situation, has limited A.I.D./Ecuador's ability to implement its technical and capital assistance program. These factors have caused the Mission to temporarily retrench (technical assistance funds were cut from \$4.5 million to \$3.7 million for FY 1967) and to re-examine its program. While re-structuring its program, A.I.D. focussed its primary emphasis on increasing agricultural production. To further this goal the Government of Ecuador will be urged to: (a) give top priority to agricultural development; (b) encourage private sector investment in agriculture

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: ECUADOR

through various endeavors including establishment of an agricultural development organization comparable to CENDES, the notably successful industrial development center; (c) support comprehensive regional development impact programs in areas of immediate agricultural potential; (d) stimulate basic changes in the market system for livestock, dairy products, and specific crop commodities; and (e) urge increased production of selected commodities; including rice and cattle.

As stated previously, the A.I.D. program in Ecuador is currently under review, and may be subject to further revision. However, at present, the proposed FY 1967 A.I.D. program totals \$3.7 million in technical assistance. The proposed FY 1968 program totals \$5.0 million in development loans and \$3.7 million (recently revised downward from an initial request of \$4.6 million) in technical assistance. Under its revised list of priorities, A.I.D. has programmed \$1.0 million in technical assistance in FY 1967 and another \$1.0 million in FY 1968 to further its primary goal of increasing Ecuador's agricultural productivity. Technical assistance in agriculture is geared to: (a) improving the competitive quality of export products; (b) improving over-all development planning in agriculture; (c) establishing a viable agricultural credit program; (d) assisting agrarian reform; and (e) strengthening agricultural cooperatives. A part of the technical assistance for the above projects is being supplied under a contract with the U.S. Department of Agriculture. A.I.D. has also proposed a \$2.5 million loan for agricultural equipment and supplies for FY 1968; the self-help efforts required from the Government of Ecuador have not yet been determined.

A.I.D. has a number of continuing projects (totalling \$613,000 in FY 1967 and \$544,000 in FY 1968) designed to assist the Ecuadoreans to develop skills in a variety of areas. Particular attention will be given to university and secondary education. The universities of Pittsburgh, Houston, and St. Louis are working with the three largest universities in Ecuador on a program of university reform. The university projects cover administrative and fiscal reform, curricula improvement, professional training for faculty and staff, and improvement of physical facilities. A \$2.5 million secondary education loan may be considered for FY 1968. This loan will emphasize a comprehensive approach to secondary education, including teacher training, classrooms, textbooks, and administrative reform. The Government of Ecuador will be required to furnish \$4 million in cost support.

Education will also be assisted through the Human Resources Development project. This technical assistance project, funded at

\$576,000 in FY 1967 and \$614,000 in FY 1968, will be directed toward improving the manpower and education planning capability of the Ministry of Education. Other A.I.D. technical assistance projects directed toward improving public administration, strengthening free labor unions, increasing the effectiveness of the police in maintaining internal security and the Food for Freedom program total \$675,000 in FY 1967 and \$722,000 in FY 1968. Technical support and administration is funded at \$836,000 in FY 1967 and \$820,000 in FY 1968.

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: ECUADOR

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount		
Agricultural Production & Agrarian Reform	518-11-100-051	1961	1972	1,769	1,566	401	200	404	TA	439	2,500	5,109
Cooperative Development	518-15-990-058	1962	1970	1,860	1,515	182	320	207	TA	175	166	2,383
Industrial Development	518-15-910-024	1956	1971	1,334	1,127	284	230	261	TA	376	341	2,335
Public Administration	518-11-750-017	1955	1969	1,758	1,653	148	241	12	TA	86	66	2,058
Human Resources Development	518-15-690-075	1967	1970	-	-	576	300	276	TA	614	1,866	3,056
Assistance to Universities	518-15-660-054	1962	1972	4,191	3,612	613	436	756	TA	544	1,236	6,584
Public Safety	518-11-710-037	1962	1972	2,756	2,560	233	374	55	TA	227	519	3,735
Labor	518-15-490-076	1965	1971	83	17	140	178	28	TA	178	903	1,304
Local Planning and Development*	518-15-810-092	1968	1971	-	-	-	-	-	TA	130	400	530
Town Plans	518-15-990-074	1962	1967	431	300	75	182	24	TA	-	-	506
School Construction	518-15-640-039	1960	1967	1,870	1,610	17	277	-	TA	-	-	1,887
Civic Action	518-15-990-056	1962	1971	934	853	49	59	71	TA	50	135	1,168
Special Development Activity Authority	518-15-810-077	1966	1971	67	67	50	32	18	TA	50	150	317
Food for Peace	518-15-820-091	1967	1971	-	-	41	41	-	TA	41	135	217
Audio Visual Operations	518-15-960-093	1967	1971	-	-	75	75	-	TA	70	189	334
Technical Support	518-11-990-000	1953	1972	3,680	3,580	836	785	151	TA	820	Continuing	
									Subtotal	TA	3,800	
									Total	SA	-	
									Total		3,800	

*New project--see TABLE Va

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	44	42	42
Participating agency	13	7	7
Contractor technicians	52	55	37
Total	109	104	86

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	59	48	54
Contract	9	27	22
Total	68	75	76

DESCRIPTION OF NEW FY 1968 PROJECTS

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

COUNTRY: ECUADOR

(In Thousands of Dollars)

TABLE Vo

Project Title	Project Number	Proposed Program FY 1968		Description
		Funds	Amount	
Local Planning and Development	518-15-810-092	TA	130	<p>The targets for this project are: (1) to encourage and assist the GOE to (a) aid local communities in analyzing economic conditions in order to identify high-priority local problems and to provide the basis for planning related improvement projects, and (b) assist in the mobilization of available resources in the implementation of locally planned projects, including budget allocations by other national and private agencies; (2) to provide technical and material assistance directly to local communities in the analysis of economic conditions, defining the problems, and planning and implementing local self-help development projects.</p> <p>USAID/Ecuador will encourage and cooperate with the National Planning Board, various provincial and municipal councils, and both private organizations such as the Andean Mission and CIDES (Interagency Committee for Santo Domingo), in efforts to coordinate community level action programs.</p> <p>Three direct hire technicians will provide advisory assistance in analyzing problems, planning projects, and coordinating outside assistance.</p>

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

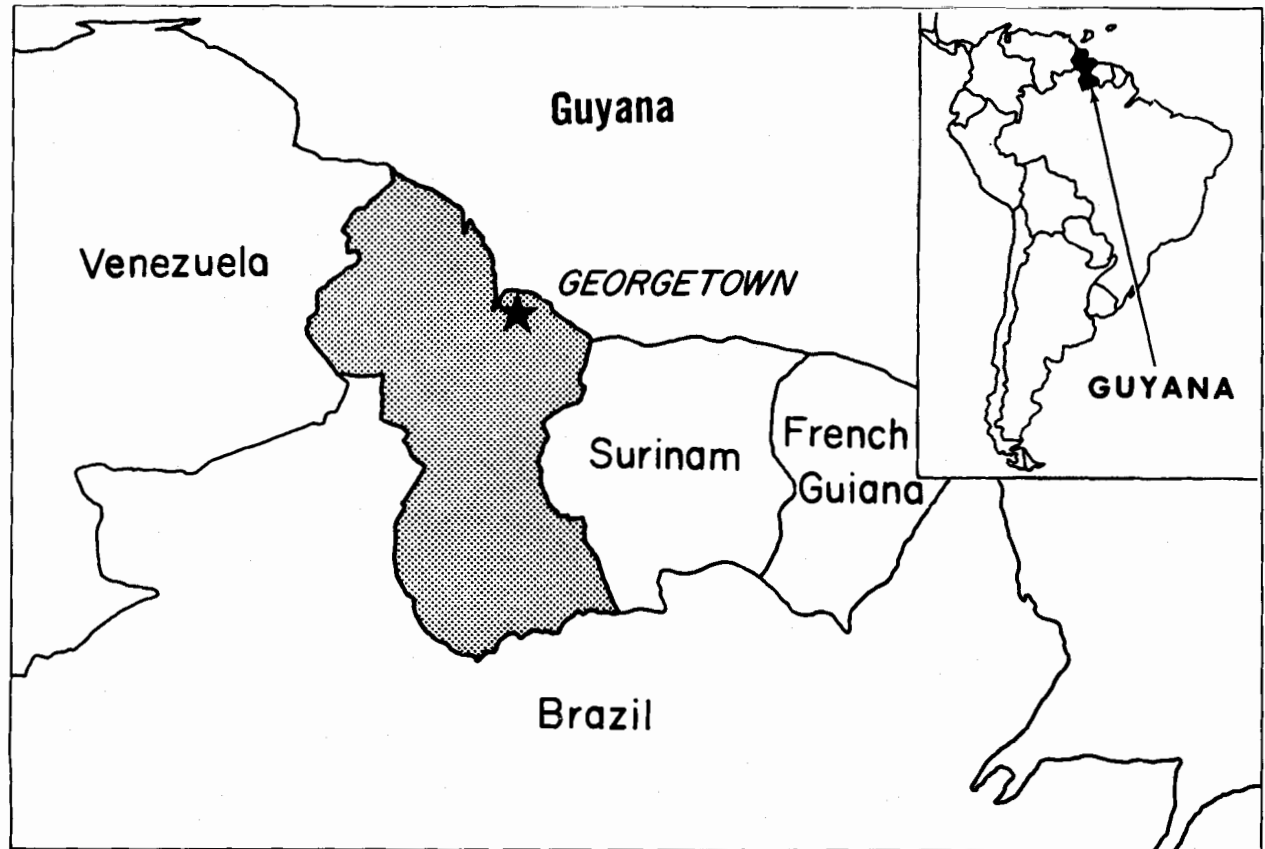
COUNTRY: ECUADOR

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repayments	Interest Collected
		Auth- arized	Loan Agree- ment			Grace Period	Amorti- zation					
518-A-011	Aerial Photogrammetric Mapping	4/18/61	10/19/61	1/2	20	3 1/2	3 1/2	1,800	1,241	3/4 LC 1/4 US\$	244	30
518-A-012	Central Housing Bank	6/28/61	10/31/61	1	25	4	4	5,000	4,636	US\$	112	396
518-L-014	Industrial Credit 2 step	2/9/62	7/20/62	5 10	20 40	3/4 5 3/4	3/4 5 3/4	5,000	2,014	US\$	-	10
518-L-016	Highway Construction	12/31/62	9/1/63	10	40	3/4	3/4	2,700	2,238	US\$	-	32
518-L-017	Feasibility Studies	2/28/63	9/4/63	10	40	3/4	3/4	2,000	804	US\$	-	2
518-M-019	Administrative & Fiscal Reform	4/26/63	9/2/63	1	40	3/4	3/4	1,600	1,078	US\$	24	7
518-L-022	Consortium Road	4/22/64	5/26/64	10	40	3/4	2	13,300	1,811	US\$	-	7
518-L-023	Rural Electric Cooperatives	5/8/64	8/30/64	10	40	3/4	2	650	120	US\$	-	-
518-L-024	Cooperative Bank 2 step	6/12/64	2/8/65	5 10	25 40	3/4 3/4	2 2	1,200	366	US\$	-	1
518-H-025	INECEL	6/30/64	8/24/64	10	40	3/4	2	700	114	US\$	-	-
518-L-026	Compania Financiera Dev. Bank 2 step	6/26/65	1/31/66	5 10	20 40	2 1/2 1	2 1/2 2 1/2	3,000	65	US\$	-	-
518-L-027	Primary Education Improvement	6/29/65	2/11/66	10	40	1	2 1/2	5,300	5	US\$	-	-
518-L-029	Malaria Eradication	6/28/66	Unsigned	10	40	1	2 1/2	2,000	-	US\$	-	-
	Total	XXXX	XXXX	XXX	XXX	XXXX	XXXX	44,250	14,492	XXXX	380	485

GUYANA



BASIC DATA

Population (<i>millions – mid-1966</i>).....	0.7	Per Capita GNP (<i>dollars</i>).....	298*
Annual Growth Rate (<i>percent</i>).....	2.8	Life Expectancy (<i>years</i>).....	51
Area (<i>1000 square miles</i>).....	83	People Per Doctor	2,110
Population Density Per Square Mile.....	8	Literacy Rate (<i>percent</i>)	80
Agricultural Land as % of Total Area	13	Pupils as Percent of Population.....	24
Percent of Labor Force in Agriculture.....	34	(<i>Primary and Secondary</i>)	

* 1965 in 1965 prices

PREVIOUS PAGE BLANK

Country: GUYANA

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	4.0	9.0	7.0
Technical Assistance	0.9	1.3	1.4
Contingency Fund	1.3	XXX	XXX
Total A.I.D. Assistance	6.2	10.3	8.4

The primary U.S. foreign policy objective in Guyana is to support the coalition government of Forbes Burnham and thus avert the possibility of Guyanese voters being the first to install a Communist-led government in a democratic election. To accomplish this policy objective, U.S. support is being provided to Guyana on a priority basis to assist the government of Forbes Burnham to make a record of solid achievement and thus attract the votes of a sufficient number of East Indians away from Marxist Cheddi Jagan's People's Progressive Party to preclude his winning the elections scheduled for late 1968 or early 1969.

There are a number of impediments to achieving the stated U.S. objectives in Guyana. Among these obstacles, the underlying racial tensions between the Africans and the Indians is paramount. Racial strife could erupt at any time. The opposition party of Cheddi Jagan is primarily composed of East Indians, who are the racial majority in Guyana. Jagan has consistently made political capital of this situation, and Burnham, who is the leader of the Africans, has had to contend with this element of mistrust in formulating policies and programs. The present government is a coalition, and the danger of a split arising from differences in personality and philosophy between party leaders as a failure to communicate effectively with each other is present. Another, more practical, obstacle is the lack of a backlog of good projects for which feasibility studies have been completed and which can be initiated immediately. In addition, despite a high level of unemployment (20%), the shortage of skilled labor and trained technicians, especially middle management personnel, is retarding the effective implementation of many development programs.

Although the primary objectives of the U.S. effort in Guyana are politically oriented, our assistance is more effective because self-help is a keystone of the Guyana Government's policy. Local

capital is being tapped by the sale of debentures, treasury bills and deposit certificates issued by the central bank. The Gross National Product in 1965 was up approximately 6% over the preceding year. The government has introduced a Seven-Year Development Program for the years 1966-1972. Government revenues exceeded 23% of GNP in 1965, and tax increases were imposed in 1966 to assist in covering a projected deficit in the current accounts. The capital budget has been increased sharply in recent years--expenditures rose from \$5.4 million in 1964 to about \$18 million in 1966. New investments planned for the next few years by foreign bauxite and sugar companies exceed \$35 million. The government in 1966 eliminated the subsidies paid to rice farmers and is seeking foreign capital assistance to help rationalize the rice industry. The government is also making a concerted effort to treat the races equally.

The immediate U.S. strategy is to support the present government through an assistance program designed to produce tangible results in a short period of time. Major areas of concentration are in the modernization of the rice industry, road construction and internal security. The IBRD is currently undertaking a study in Guyana to evaluate the possibilities for future financial assistance. The U.K., Canada and the UN are heavily involved in technical assistance activities in the educational and other fields.

During FY 1965 and 1966, A.I.D. extended substantial Supporting Assistance for road rehabilitation and maintenance programs to relieve the high unemployment rate and to assist in building roads for the development of the interior.

The FY 1968 proposed A.I.D. program in Guyana totals \$8.4 million of which \$7 million is for development loans and \$1.4 million for technical assistance activities. FY 1968 will be the last year in which new A.I.D. commitments can be expected to make a major impact on the economy and the political acceptance of the Burnham government prior to the elections in calendar year 1968 or 1969.

Ninety percent of Guyana's population lives along the coastal strip which lies below sea level at high tide and which is protected by a sea wall. A loan of \$2 million will be considered as a means of helping plan and construct modern sea defenses to replace defective sections which cannot be repaired economically.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: GUYANA

Rice constitutes the basic food grain for the people of Guyana and represents 14% of total export earnings. The quality, however, is poor, yields are low, and the marketing mechanism inefficient. A quicker impact can be achieved in raising farm income and contributing to economic growth generally in the agricultural sector through assistance to this industry than from efforts to introduce new crops or livestock production. In the fall of 1966, A.I.D. extended a \$600,000 loan for feasibility studies. As one result of these studies, A.I.D. is considering an \$8 million loan in FY 1967 for the modernization of the rice industry, i.e., improvement in yields and quality combined with increased handling, storage and marketing facilities. The World Bank and the U.K. have expressed interest in financing some elements of the rice program. About \$200,000 of technical assistance funds in FY 1968 are programmed for the continued services of contract technicians to work with the Ministry of Agriculture and the Guyana Development Corporation for specialized assistance in agriculture and geology. In furtherance of the agricultural development objectives, in FY 1968 a loan of \$2 million to build dry weather roads and hard-surface access roads is proposed. This will enhance the possibility that Guyana can increase its food exports to the world market.

Technical assistance of \$485,000 is planned for internal security, and social and political stability.

A major area of concern is the high unemployment among the youth, and the shortage of skilled labor in general. Assistance to the labor field is provided through the American Institute for Free Labor Development (AIFLD) which is helping to establish an industrial training center for training in various construction skills and in essential semi-skilled areas. In FY 1968, a \$2 million loan is proposed to assist in the establishment of a Youth Corps which would alleviate unemployment among the youth of all races. The Corps would be trained in camps in the interior where they could learn skills and perform useful work in connection with opening new lands for agricultural development. Settlement on interior lands will be facilitated by a program to construct potable water systems in rural areas for which a loan of \$1 million may be sought. Commodity and technical assistance will be provided to the police under the continuing public safety project, so that the authorities will be equipped to deal with terrorism or other violence which might pose a threat to internal security.

The present government recognizes the importance of private enterprise to economic development. It provides tax incentives to encourage new private investment and has established a government entity--the Guyana Development Corporation--to identify and promote new private investment opportunities. A.I.D. will continue contract assistance of \$150,000 to the government for the identification and promotion of new industries.

Other continuing programs for FY 1968, totalling \$565,000, provide for contract advisory assistance on the road system, general training, technical support, and special development activities.

COUNTRY: GUYANA

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost	
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount			
Road System-Maintenance & Improvement	504-12-310-021	1965	1969	3,627	2,659	140	1,015	93	TA	100	100	3,967	
Atkinson Airport Improvement	504-12-370-023	1965	1965	1,500	72	-	723	705	-	-	-	1,500	
Mineral Resources Development	504-11-210-027	1965	1970	40	19	60	41	40	TA	60	150	310	
Development & Diversification of Agriculture	504-11-120-039	1967	1970	-	-	100	28	72	TA	125	400	625	
Public Safety	504-11-710-037	1966	1970	552	126	95	475	46	TA	80	75	802	
Labor-Education & Social Projects	504-11-490-024	1965	1970	235	138	165	100	162	TA	145	230	775	
AIFLD Industrial Training Center	504-11-490-040	1966	1970	180	-	135	116	199	TA	200	445	960	
Health-Operations & Advisory Services to the Georgetown Hospital	504-11-530-003	1960	1968	473	301	60	40	192	TA	60	-	593	
Industrial Development Advisory Services	504-11-290-043	1966	1971	13	13	150	15	135	TA	150	125	438	
General Training	504-11-690-030	1965	1972	208	87	160	101	180	TA	175	875	1,418	
Special Development Activities	504-15-990-031	1965	Cont.	50	1	-	49	-	TA	50	Continuing		
Technical Support	504-11-990-000	1955	Cont.	962	841	235	237	119	TA	255	Continuing		
									Subtotal	TA	1,400		
									Total	SA	-		
											1,400		

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	6	10	10
Participating agency	-	1	1
Contractor technicians	21	17	16
Total	27	28	27

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	60	80	85
Contract	3	3	3
Total	63	83	88

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

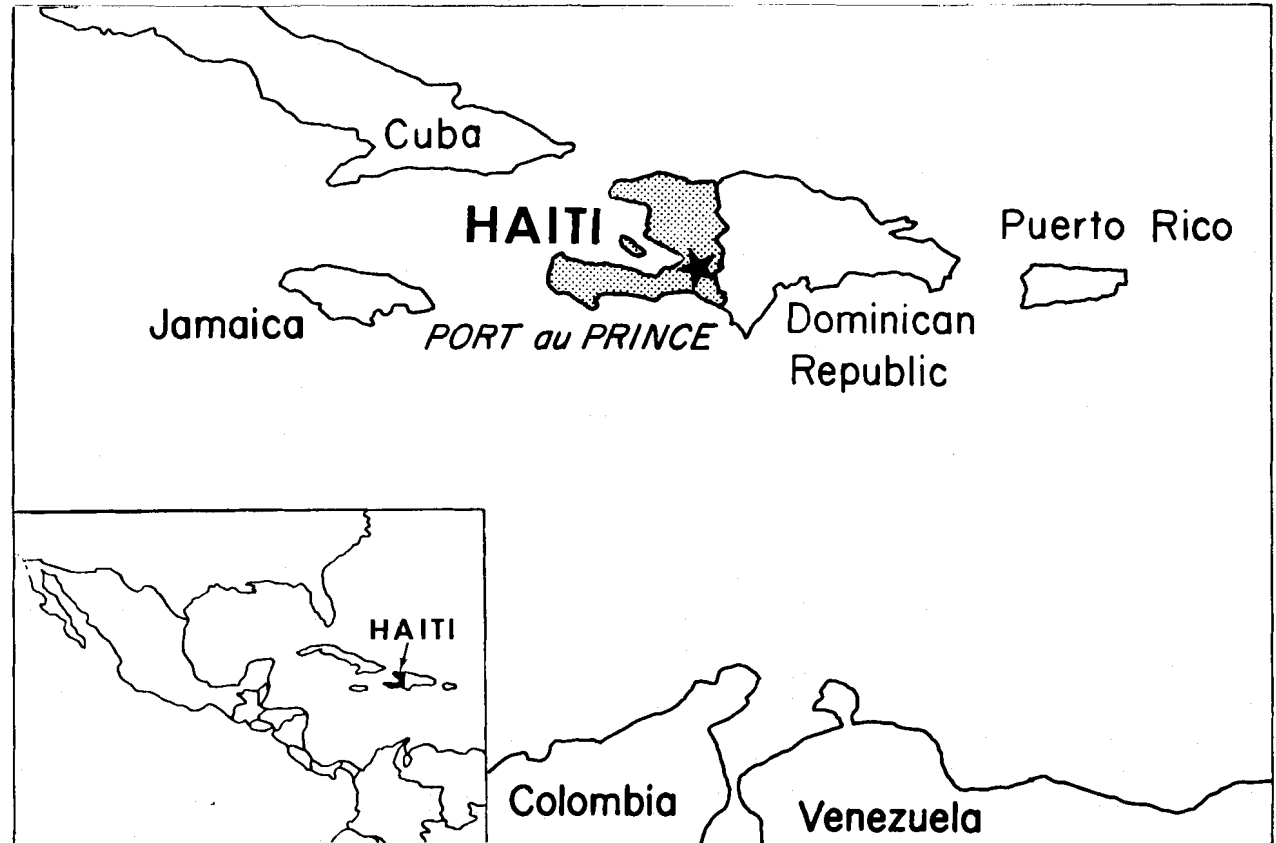
COUNTRY: GUYANA

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repayments	Interest Collected
		Auth-orized	Loan Agree-ment			Grace Period	Amorti-zation					
504-L-001	Atkinson-Field-Mackenzie Road	6-30-65	10-29-65	10	40	1	2½	7,500	329	\$	-	-
504-L-002	Private Investment Fund	1-5-66	5-21-66	10	40	1	2½	2,000	-	\$	-	-
504-L-003	Feasibility Studies	10-19-66	11-3-66	10	40	1	2½	600	-	\$	-	-
	Total	XXXX	XXXX	XXX	XXX	XXXX	XXXX	10,100	329	XXXX	-	-

Haiti



BASIC DATA

Population (<i>millions – mid-1966</i>).....	4.8	Per Capita GNP (<i>dollars</i>).....	70*
Annual Growth Rate (<i>percent</i>).....	2.3	Life Expectancy (<i>years</i>).....	40
Area (<i>1000 square miles</i>).....	11	People Per Doctor	14,980
Population Density Per Square Mile.....	446	Literacy Rate (<i>percent</i>)	10
Agricultural Land as % of Total Area	31	Pupils as Percent of Population.....	6
Percent of Labor Force in Agriculture.....	83	(<i>Primary and Secondary</i>)	

* 1965 in 1965 prices

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: HAITI

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Supporting Assistance	1.4	1.4	1.5
Contingency Fund	1.0	XXX	XXX
Total A.I.D. Assistance	2.4	1.4	1.5

Due to the nature of the Duvalier Government, the usual long-range A.I.D. economic and social development objectives cannot be attained. Past U.S. experience with that Government has shown that A.I.D. funds for capital projects are diverted to the ruling clique and the projects manipulated so as to further the political control exercised by this corrupt and venal government. Because of these circumstances, the A.I.D. Mission was closed in 1963 and the U.S. assistance strategy since that time has of necessity been limited to financing those activities which could benefit the Haitian people without giving the Duvalier Government either the monies or the political support which it seeks from the A.I.D. program. As a part of this strategy, the United States has continued the financing of a malaria eradication program, the only remnant of the once sizeable A.I.D. program.

Because of U.S. concern over the continuing economic decline in Haiti and the poverty of the people of Haiti, the United States has tried to find other projects which could be of benefit to the

Haitian people while remaining free of interference by the Haitian Government. One method the United States is exploring is that of encouraging private agencies and multilateral organizations to begin small-scale technical assistance and community development projects in Haiti, in some cases with A.I.D. funds. A.I.D. has recently given a grant to CARE (FY 1966 funds) for a pilot project in community development in 18 Haitian villages. If successful, this project could be continued and perhaps expanded. The United States is also attempting to interest other Latin American countries in offering assistance to the Haitian people through the OAS.

A.I.D. has supported the malaria eradication program since 1961, along with the Pan American Health Organization, UNICEF, and the Haitian Government. The program is still in the "attack" phase, which calls for spraying of malarious areas and distribution of antimalaria drugs. Supporting Assistance funds of \$1.5 million, somewhat less than the FY 1967 level, are proposed for A.I.D.'s contribution to the program in FY 1968. Most of these funds will be used to pay the salaries of approximately 1,500 Haitian employees who carry out eradication operations. The project, originally scheduled for completion in 1968, has been retarded by a long series of technical problems, including hurricane damage. It will be re-evaluated in the spring of 1967. At that time, A.I.D. may consider further financial assistance to the program. Additional funds may also be provided to CARE for its community development project.

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: HAITI

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost	
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount			
Malaria Eradication	521-11-510-033	1961	1969	7,316	6,072	1,400	1,686	958	SA	1,500	750	10,966	
									Subtotal	SA	1,500		
									Total		1,500		

NUMBER OF U.S. TECHNICIANS (Program Overseas)

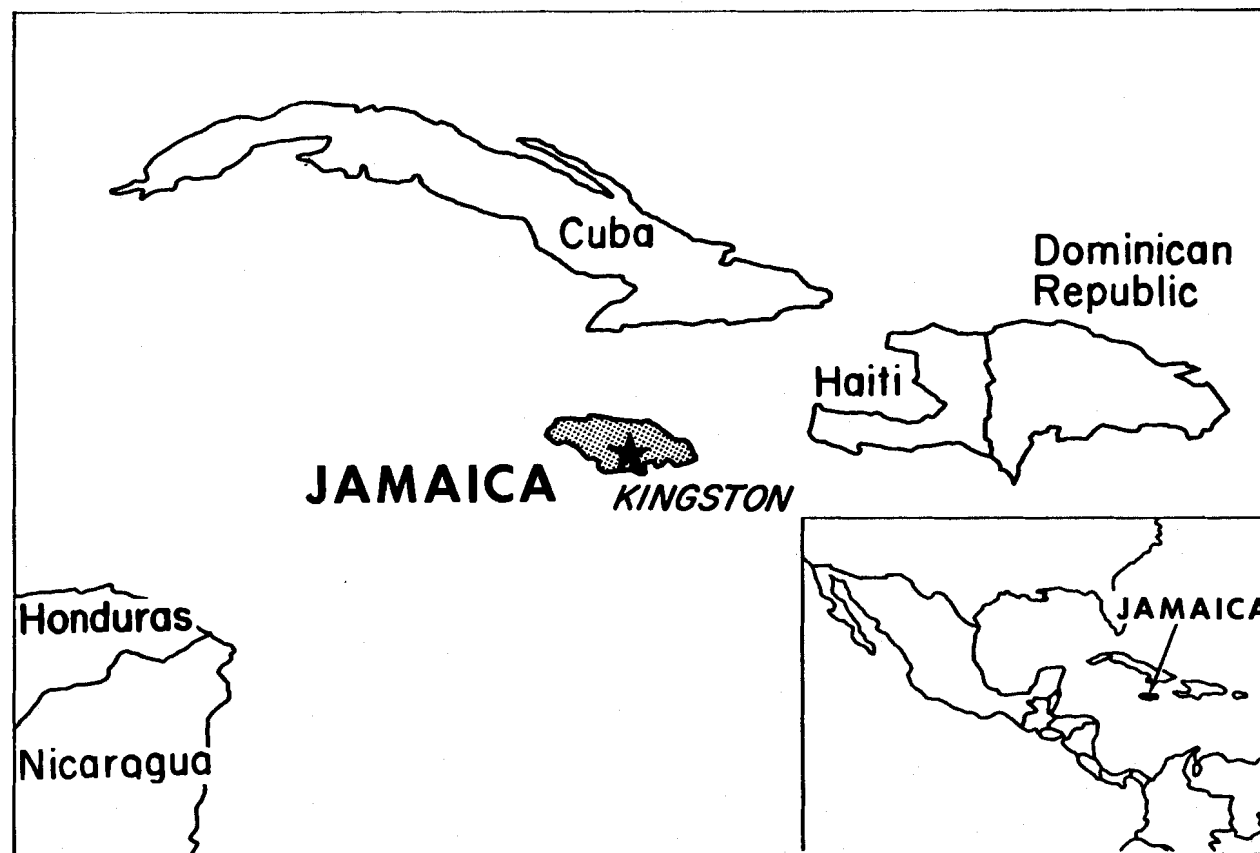
TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	3	3	3
Participating agency	-	-	-
Contractor technicians	-	-	-
Total	3	3	3

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract			
Contract			
Total			

Jamaica

Jamaica



BASIC DATA

Population (<i>millions – mid-1966</i>).....	1.8
Annual Growth Rate (<i>percent</i>).....	2.6
Area (<i>1000 square miles</i>).....	4
Population Density Per Square Mile.....	417
Agricultural Land as % of Total Area	45
Percent of Labor Force in Agriculture.....	36

Per Capita GNP (<i>dollars</i>).....	500*
Life Expectancy (<i>years</i>).....	70
People Per Doctor	2,040
Literacy Rate (<i>percent</i>)	85
Pupils as Percent of Population.....	20
<i>(Primary and Secondary)</i>	

* 1966 in 1965 prices

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: JAMAICA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	-	-	4.5
Technical Assistance	1.4	0.8	1.1
Total A.I.D. Assistance	1.4	0.8	5.6

The primary U.S. objectives in Jamaica are the preservation of a stable, representative and constitutional form of government, friendly to the United States, and the adoption of government policies and programs designed to assure sustained economic growth. An important short-term objective is to persuade the Jamaican government to take vigorous action to solve the social and unemployment problems which have generated civil disorders and provided an issue for extremists to exploit.

The failure of Jamaica to maintain domestic stability or to achieve reasonable progress would be a matter of concern to the United States, both because of its geographic nearness, and the special U.S. interest in the Caribbean.

The Jamaican Government has not so far adopted the policies and programs required for continued and accelerated economic growth. The administration's current preoccupation with elections in 1967 has reinforced a reluctance to initiate new economic or social measures which might upset the existing political balance. However, the country's full development will require government action to correct the basic maldistribution of wealth and related social problems and to overcome the inertia of a stagnating agricultural sector and the excessive reliance on a few primary product exports.

The A.I.D. program is designed to promote U.S. objectives by encouraging and helping the government to initiate reforms which will ease social tensions, preserve law and order, and establish a firm base for long-term development.

The country has had a satisfactory 6% growth in GNP over the past few years, primarily through investments in tourism, bauxite production and local construction. U.S. private investment is over \$200 million, and planned new U.S. investment for aluminum production alone will double that amount in two years. Some 300,000 U.S. tourists now visit Jamaica each year. Despite the achievement of a relatively high per capita GNP, 16% of the labor

force is unemployed. Jamaica has a young and increasingly volatile population (more than 50% of the 1.8 million population is under 21 years of age) with limited technical skill and employment opportunities, and the government has now recognized the need for a much more dynamic approach to the development of their human resources.

The Jamaican government has undertaken a far-reaching program to reform and modernize the class-structured educational system, expand the school facilities and teacher training institutions, and give intensive study to the need for a similar expansion of vocational and technical schools. The government is also seeking advisory assistance for national development planning and help in the preparation of projects for international financing. Population control has been adopted as a national policy, and a program of family planning is receiving strong government support. The government has also shown a determination to restrain civil violence and is strengthening police capabilities with technical assistance from A.I.D. and from the U.K.

U.S. strategy for Jamaica is to help the government of Jamaica identify the principal obstacles to development and, through diplomatic persuasion and technical assistance, influence the government to adopt the policy changes and new programs necessary to assure continued economic development. The United States will offer technical and development loan assistance to bring about significant reforms where the government will undertake its own efforts, and will encourage other donors also to insist upon Jamaican self-help.

FY 1968 Program

The proposed A.I.D. Program for FY 1968 amounts to \$5.6 million, of which \$1.1 million is for technical assistance and \$4.5 million for development loans for agriculture and education. Assistance from other donors is likely to include loans from the IBRD for telephone service and land settlement; UN Special Fund grant assistance for the productivity center, physical planning and forestry and watershed management; Canadian assistance to provide some 40 new elementary school buildings; and U.K. technical assistance in industrial development and public administration.

Agricultural Sector. With almost half the labor force involved in agriculture, and despite recent small increases in agricultural production, this sector lags behind other sector contributions to GNP. A.I.D. assistance of \$.2 million in technical assistance will facilitate the implementation of the earlier \$3.8 million

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: JAMAICA

A.I.D. dairy credit loan and improve agriculture marketing. Consideration will be given to an agricultural sector loan of \$2.5 million to support Jamaican efforts to improve production and marketing and to improve capabilities for over-all agricultural development planning.

Human Resources. Jamaica's recent \$9.5 million IBRD loan to expand school and teacher training facilities is supported by A.I.D. grant assistance of \$.3 million in technical assistance funds which includes the third-year financing of the contract with San Diego State College for teacher training. In addition, A.I.D. proposes to continue its technical assistance grant support of \$.1 million for the Jamaican educational television program which is now servicing over 200 schools on a daily basis. A.I.D. is also prepared to consider a loan request of \$2 million for vocational training facilities. A.I.D. will continue to provide technical assistance funds of \$.2 million for educational aspects of the Jamaican Government sponsored family planning program. The foregoing efforts are aimed at helping to resolve problems of over-population, unemployment and social unrest.

Public Safety. Provision is made for continuation of A.I.D. technical assistance funds of \$.1 million to the Jamaican Constabulary Force, designed to strengthen the police organization's riot control capability. This capability is necessary to meet the growing unrest evidenced in the past year.

Development Planning. A contract financed in FY 1967 will be continued for a U.S. consulting firm to advise the government on development planning and project identification. This assistance is aimed at the introduction of needed fiscal and development reforms necessary to utilize better Jamaica's resources for economic and social development. Such assistance at this time will help produce a meaningful new five-year plan and encourage the strengthening and expansion of planning facilities throughout the Government.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: JAMAICA

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount		
Agricultural Production and Marketing	532-11-140-023	1964	1970	550	315	90	100	225	TA	195	427	1,262
Community Water Supply	532-11-550-019	1961	1968	487	429	59	100	17	TA	39	-	585
Family Planning	532-11-540-030	1966	1970	120	-	81	100	101	TA	160	200	561
Human Resources Development	532-11-990-028	1965	1970	1,028	132	117	310	703	TA	326	580	2,051
Public Safety	532-11-710-031	1967	1968	-	-	173	100	73	TA	205	-	378
Special Development Activities	532-11-990-029	1967	cont.	19	7	30	20	22	TA	50	continuing	
Technical Support	532-11-990-000	1955	cont.	710	652	145	150	53	TA	125	continuing	
Subtotal									TA	1,100		
Total									SA	1,100		

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	9	11	11
Participating agency.....	-	1	1
Contractor technicians.....	5	11	11
Total	14	23	23

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	24	22	39
Contract	-	-	5
Total	24	22	44

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

COUNTRY: **JAMAICA**

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repayments	Interest Collected
		Authorized	Loan Agreement			Grace Period	Amortization					
532-L-001	Water Supply	6/29/60	8/31/62	1	25	3/4	3/4	2,200	1,549	\$	55	13
532-E-004	Feasibility Studies	6/30/64	11/18/64	5	25	3 1/2	3 1/2	1,300	73	\$	-	-
532-L-005	Dairy Development	6/29/65	9/20/65	3	25	1	3 1/2	3,800	220	\$	-	-
532-M-002	Jamaica Housing	3/30/63	5/1/63	1	30	2	2	2,800	1,065	\$	84	14
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	10,100	2,907	XXXX	139	27

Mexico



BASIC DATA

Population (<i>millions – mid-1966</i>).....	44.2
Annual Growth Rate (<i>percent</i>).....	3.5
Area (<i>1000 square miles</i>).....	760
Population Density Per Square Mile.....	58
Agricultural Land as % of Total Area	52
Percent of Labor Force in Agriculture.....	53

Per Capita GNP (<i>dollars</i>).....	470*
Life Expectancy (<i>years</i>).....	60
People Per Doctor	2,020
Literacy Rate (<i>percent</i>)	71
Pupils as Percent of Population.....	16
(<i>Primary and Secondary</i>)	

* 1966 in 1965 prices

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: MEXICO

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Technical Assistance	0.2	0.3	0.2

Mexico is substantially able to carry out economic and social development programs with its own resources supplemented by external financial credits. The A.I.D. program is therefore limited to (a) assisting in the improvement or establishment of permanent institutions capable of carrying out continuing programs in the key areas of rural development, housing and home loan banking, labor training, and higher education; (b) monitoring on-going loans; and (c) encouraging Mexico to expand its role of assistance to the less-developed Latin American countries within the framework of the Alliance for Progress.

The rural sector continues to lag behind the rest of the economy; per capita income is estimated at only \$120 as compared with \$640 for the urban sector. Rural unemployment tends to create unrest, and dissident groups are susceptible to exploitation by individuals or groups seeking to disrupt the orderly process of economic and social development. Programs of the Government of Mexico in supervised agricultural credit, land distribution, agricultural extension, etc., have progressed slowly and only recently have shown significant economic results.

Mexico continues to set an example for other Latin American countries in meeting Alliance for Progress goals. Its GNP in 1966 will increase by about 7% over 1965 and per capita GNP by 3.3%. Recent self-help accomplishments include: a revision of tax schedules and ceilings resulting in improved administration and collections estimated to be 9.8% over 1965 levels; continued investment of nearly 25% of the Federal budget for improvements in educational standards and facilities; the distribution of 10 million acres of land in furtherance of land reform; the expansion of supervised agricultural credit on a countrywide basis to small farmers, and improved land use, irrigation and farm-to-market roads.

Mexico's agricultural production has improved in recent years to the extent that it has been exporting surplus corn and wheat. For this reason Food for Peace assistance to Mexico was terminated June 30, 1965.

Mexico is beginning to share its economic and technical resources with other Alliance members and is extending assistance to a number of the Central American countries. Mexico has extended \$5 million in commercial credit to the Central American Bank for Economic Integration (CABEI) and has purchased \$1 million of CABEI bonds.

FY 1968 Program

A technical assistance program of \$250,000 in FY 1967 and \$200,000 in FY 1968 will provide (a) backstopping for prior A.I.D. loans in housing, agricultural credit, and university reform; (b) a small training program in agricultural development for young Mexican leaders, and (c) a limited program of training for union leaders through the AIFLD. In addition, a small amount of funds to be matched by the Mexican Government will be used for small impact projects in rural areas.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: Mexico

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount		
Technical Support	523-11-990-000	1952	Cont.	1,463	1,105	250	280	328	TA	200	Continuing	
									Subtotal	TA	200	
									Total	SA	200	

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	3	3	3
Participating agency	-	-	-
Contractor technicians	2	-	-
Total	5	3	3

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract		-	
Contract		60	
Total		60	

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

COUNTRY: MEXICO

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repayments	Interest Collected
		Auth- orized	Loan Agree- ment			Grace Period	Amorti- zation					
523-L-020A	Supervised Agricultural Credit	5-28-65	8-20-65	5	25	3½	3½	21,500	16,400	\$	-	-
523-L-022	Housing Program Loan	7-26-63	2-28-64	2	30	2	2	20,000	7,546	\$	-	87
523-L-023	Chapingo Agricultural Center	5-4-64	9-22-64	2	20	3½	3½	2,000	1,194	\$	-	-
523-L-024	Autonomous University of Guadalajara	6-29-65	7-26-66	5	20	3½	3½	3,000	-	\$	-	-
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	46,500	25,140	XXXX	-	87

Panama



BASIC DATA

Population (<i>millions – mid-1966</i>).....	1.3	Per Capita GNP (<i>dollars</i>).....	513*
Annual Growth Rate (<i>percent</i>).....	3.2	Life Expectancy (<i>years</i>).....	62
Area (<i>1000 square miles</i>).....	29	People Per Doctor	1,920
Population Density Per Square Mile.....	44	Literacy Rate (<i>percent</i>)	78
Agricultural Land as % of Total Area	18	Pupils as Percent of Population.....	20
Percent of Labor Force in Agriculture.....	49	(<i>Primary and Secondary</i>)	

* 1966 in 1965 prices

PREVIOUS PAGE BLANK

Country: PANAMA

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	7.8	26.0	20.0
Technical Assistance	1.5	2.1	3.8
Supporting Assistance	-	-	9.0
Contingency Fund	3.5	10.6	XXX
Total A.I.D. Assistance	12.8	38.7	32.8

Objectives of U.S. Assistance

The basic U.S. foreign policy objective in Panama is to achieve a mutually satisfactory, durable treaty relationship with Panama that will safeguard U.S. vital interests in securing an efficiently operated and adequately defended interoceanic canal. Acceptance of the new treaties by the Government of Panama and by volatile Panamanian public opinion will require an atmosphere of relative political calm, economic stability and the projection of a positive U.S. image. U.S. economic assistance serves these ends through (a) the promotion of social and economic progress in key geographic areas and economic sectors; (b) the development of stable social and economic institutions; and (c) the promotion of a diversified economy, progressively less dependent on income generated from the existing canal.

Key Obstacles to Achievement of Objectives

The present Government of Panama lacks popular support, has a shaky majority in the National Assembly and is under constant attack from extremist elements and from the political opposition. Uncertainty over the outcome of the Canal negotiations limits the Government's freedom of action, and gives opposition elements a ready issue on which to attack the Government. Soon in 1967 Panamanian politicians will be campaigning for the 1968 national elections, which will further heat up the political atmosphere.

Despite a sizeable growth rate in recent years, the country is beset by serious social and economic problems. Among the most pressing are: (a) maldistribution of income and wealth reflected in the fact that 55% of Panamanian families receive an annual income of less than \$2,000 and one hundred individuals or companies own one-third of the agricultural land; (b) inefficient agriculture which, despite

some recent growth, produces only about one-fifth of the Gross National Product, but must support about one-half of the population (c) urban poverty and blight, indicated by heavy unemployment in the cities (12-14% in 1965) and a situation in which 50% of the people lack adequate housing; (d) serious educational deficiencies which leave the average Panamanian with less than five years of schooling; and (e) inefficiency in Government administration, planning and coordination which, despite recent improvements, remains a drag on the development and execution of projects.

Recent Country Performance

Following an economic slowdown in 1964 after the riots, Panama has staged a notable economic recovery. In 1965 the GNP reached \$617 million (\$495 per capita), which was 8% over the preceding year, and in 1966 it is estimated at \$660 million (in 1965 prices), an increase of 7% over 1965. Panama's rapid growth during the past 2 years has been helped by a marked increase in agricultural output (10% in 1965); a sharp recovery in the construction sector; and continued expansion in the other sectors of trade, transportation and communications, banking, insurance and finance, and services for the Canal Zone. The growth of industrial output, which jumped by 23.5% in 1962 when the large petroleum refinery came into production, has tapered off in recent years and industrial output increased by only 6.8% in 1965. Given the small size of the domestic market, Panama's industrial growth potential will depend upon its ability to develop export markets.

Gross investment in 1966 is estimated at \$144 million (in 1965 prices), of which \$33 million was in the public sector; this compares with total investment in 1965 of \$123 million. Approximately 23.5% of public sector investment in 1965 was financed from external resources. Private sector investment has almost doubled since 1960. Panama has historically had a balance of trade deficit which is largely compensated by services rendered to the Canal Zone and by capital flows.

A substantial improvement in Panama's fiscal situation occurred in large measure because of the successful implementation of tax reforms introduced in 1964, greatly improved methods of tax collection, and better control of operating expenditures. Government revenues rose 14.5% in 1965 of which about one-third was due to the tax reform measures and the balance to the combined effect of technical improvements in tax administration and the growth of the economy. Revenue in 1966 increased by 15% over the preceding year. A.I.D. -sponsored advisors have been assisting the Panamanian Internal Revenue Bureau since FY 1965.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PANAMA

U.S. Strategy

A.I.D. strategy is (a) to associate the United States with programs of social and economic betterment likely to have a visible, quick impact upon broad segments of the Panamanian people, and (b) to promote at the same time Panama's long-term economic independence through the development of a more diversified and vigorous economy.

Programs initiated in FY 1967 to alleviate urban poverty and unemployment must be continued and expanded in FY 1968. New efforts must be mounted to raise agricultural productivity, stimulate formation of all types of cooperatives, encourage community action and improve marketing facilities. A.I.D. will continue to use its financial leverage to promote self-help, taxation and social reforms, and greater administrative efficiency.

FY 1968 Program

The proposed A.I.D. program for FY 1968 amounts to \$32.8 million, of which \$20 million will be provided in the form of development loans, \$9 million of Supporting Assistance, and \$3.8 million of technical assistance. Assistance from other donors may include a \$28 million loan from the International Bank for Reconstruction and Development (IBRD) for hydro-power construction and a \$6 million loan for road rehabilitation. The Inter-American Development Bank (IDB) may consider \$12 million in loans for projects in higher education, hospital construction and industrial development.

Agricultural Production and Reform. Despite recent advances, primitive, subsistence farming continues to predominate throughout most of the rural areas. Nearly 35% of all the farms were reported to sell no produce at all and another 60% of them were found to be able to sell not more than \$1,000 worth each annually. The Government has since 1964 been channeling much of its agricultural investment into the development of six priority areas, which are being supplied with extension services, roads, irrigation and water systems, credit facilities, schools and other complementary services. The over-all program is known as the Rural Plan Robles. A.I.D. has supported this program with a \$2.4 million rural development loan in FY 1965 (extension services and livestock improvement), part of an earlier \$5.3 million loan for feeder roads, an FY 1966 loan of \$1.7 million for self-help school construction, as well as with technical assistance. At the same time, the land reform program is being supported by a \$2.4 million loan for a Rural Cadaster and Natural Resources Survey, initiated in FY 1964.

Development loans for agriculture will total \$11 million in FY 1968.

A.I.D. will support the expansion of the Rural Plan Robles with a rural improvement loan of \$3 million. A loan of \$5 million will be used to expand livestock production among small farmers, stimulate coconut and dairy farms, and encourage small farmers to produce other cash crops for the market. A loan of \$3 million will be made to establish a Cooperative Bank. Supporting Assistance amounting to \$3 million will be used to assist the Government in implementing rural modernization. Under this program squatters, young people and farmers will be resettled. The principal goal of this activity is to remove possibly troublesome elements from the Canal Zone or its vicinity and stem the population flow from the rural areas into over-crowded and potentially explosive metropolitan areas. Technical assistance in the rural areas will be continued.

Urban Rehabilitation and Development. Panama's urban centers are growing much more rapidly than the facilities and employment opportunities needed to absorb the increasing population. Between 1964 and 1965 the labor force in the two principal metropolitan areas around Panama City and Colon rose from 175,000 to 185,000; for the same period, unemployment rose from 18,000 to 22,000--from 10.3% to 11.9% of the labor force. An additional 12% of the metropolitan labor force was working only part-time. In Panama City, with a population of over 300,000, more than 35,000 people live in shantytowns (barridas) and an estimated 126,000 occupy slum areas consisting primarily of tenements built during the construction of the Panama Canal. Despite some Government action, public facilities in the urban areas have lagged far behind requirements. Schooling, as well as the skill level of the adult urban population, is wholly inadequate.

A.I.D. and the IDB have over the last six years supported middle and low-income urban housing construction with loans of \$2.5 million and \$16.6 million, respectively. In addition, A.I.D. has given a \$3.8 million guaranty for middle-class housing and has supported construction of a water system for Panama City with a \$6 million development loan. In accordance with a Presidential directive, A.I.D. in FY 1967 initiated a significant new effort to attack urban unemployment and poverty in Panama. Supporting Assistance totalling \$7.9 million is providing funds for urgently needed slum and shantytown rehabilitation and resettlement, community development, skill training and related activities. Development loans of \$7.2 million are financing the construction or repair of roads, water, and sewerage systems which serve low-income areas of Panama City. A second increment of this program amounting to \$9 million in development loans is contemplated later in FY 1967.

In addition, A.I.D. contemplates during FY 1967 a \$3.5 million development loan to stimulate the construction of cooperative

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PANAMA

housing and a \$9 million development loan to support a long-term expansion of Panama City's water and sewerage system.

For FY 1968 A.I.D. proposes to capitalize on the momentum and experience gained in the community rehabilitation and training programs initiated in FY 1967. Supporting Assistance amounting to \$6 million will be used to expand these programs to other areas in Panama City and elsewhere, while the Government of Panama assumes full responsibility for the continuation of the pilot schemes. A \$4 million development loan will be applied to a nationwide manpower training program, designed to improve vocational training facilities, curricula, quality of instruction and establish a skill training and upgrading program for employed and unemployed workers, foremen and supervisors. The Government of Panama is expected to contribute \$2 million to the program. Development loan assistance amounting to \$1.5 million will also be given to the privately funded Santa Maria La Antigua University for construction and equipment of its science and library facilities. The Government of Panama has contributed land, and private sources will provide \$1.5 million toward the University's building program. Technical assistance to this University, for the Government's Planning Office, for tax administration, Government procurement and purchasing, and population and health activities will be continued.

Private Enterprise Development. Private sector investment in 1965 grew by 21%, the highest growth rate for the 1960-65 period, reflecting a vigorous recovery from the 1964 slump caused by the disruption of U.S.-Panama relations. Nevertheless serious lags continue, particularly in new industries for export and for the utilization of domestic agricultural resources.

A.I.D. has promoted more rapid industrial development with development loans and technical assistance to an Industrial Development Bank established in 1964. By late FY 1966 the first A.I.D. loan to the Bank amounting to \$5.1 million was almost entirely disbursed and a second loan of \$4 million was authorized.

A.I.D. has provided technical assistance to a public Mortgage Institute, and authorized a \$2.1 million seed capital loan in FY 1966 to assist in the formation of independent savings and loan associations. The Panamanian Government's contribution to the savings and loan program is \$1 million. If the program continues to show progress, A.I.D. proposes to extend an additional development loan of \$3.5 million to this activity.

Technical assistance will be continued in FY 1968 to the privately supported Panamanian Development Institute and the National Council on Private Enterprise which together with the Government's Industrial Development and Productivity Center promote Panamanian exports, and new foreign and domestic investment in Panama.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

COUNTRY: PANAMA

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6 30 66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount		
Agricultural Development	525-11-190-070	1962	1970	1,179	1,157	269	200	91	TA	300	488	2,236
Labor Development a/	525-15-410-123	1967	1970	-	-	51	26	25	TA	60	120	231
Health and Population	525-15-540-124	1967	1970	-	-	17	14	3	TA	68	200	285
Manpower Training and Utilization	525-15-460-118	1967	1970	-	-	500	200	300	TA	50	100	650
Private Higher Education	525-13-660-109	1967	1970	-	-	135	35	100	TA	100	100	335
Education Planning	525-11-680-110	1967	1967	-	-	300	100	200	-	-	-	300
Education Development and Implementation	525-11-690-127	1967	1970	-	-	75	65	10	TA	216	200	491
Miscellaneous Manpower Training	525-15-990-061	1962	1970	267	214	49	50	52	TA	65	130	511
Public Safety	525-11-710-044	1959	1970	1,042	992	143	130	63	TA	130	260	1,575
Government Administration and Fiscal Reform	525-11-720-048	1955	1970	1,424	911	266	435	344	TA	506	550	2,746
Demonstration Community Development	525-15-810-121	1967	1969	-	-	1,400	650	750	TA	217	100	1,717
Community Development Foundation	525-15-810-117	1967	1967	-	-	250	100	150	-	-	-	250
Panama Volunteer Service Corps	525-15-810-122	1967	1967	-	-	150	75	75	-	-	-	150
Urban Development	525-15-870-119	1964	1970	598	343	163	196	222	TA	200	100	1,061
Private Enterprise Development	525-15-950-069	1956	1969	980	903	191	136	132	TA	198	110	1,479
Special Development Activities	525-15-990-101	1964	1970	161	114	100	75	72	TA	100	200	561
Technical Support	525-15-990-000	1957	Cont.	2,194	2,109	1,216	1,058	243	TA	1,590	Continuing	
									Subtotal	TA	3,800	
									Total	SA	-	
									Total		3,800	

a/ Formerly included in Urban Development (Social and Human Resources) 525-15-460-105.

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	20	40	45
Participating agency	3	8	10
Contractor technicians	36	23	26
Total	59	71	79

NUMBER OF PARTICIPANTS ^{1/}

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	65	114	104
Contract	-	4	4
Total	65	118	108

^{1/} Does not include 6-week training courses in Youth Leadership and Riot Control and a 2-week course in Labor Development.

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

COUNTRY: PANAMA

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repayments	Interest Collected
		Auth- orized	Loan Agree- ment			Grace Period	Amorti- zation					
525-A-002	Feeder Road Construction	8-16-60	11-10-60	1	15	3½	3½	5,300	4,836	\$	160	549
525-A-004	Housing	10-21-60	2-9-62	1	22	4	4	2,500	2,478 ^{a/}	\$	280	117
525-L-005	Panama City Water and Sewerage System	12-31-62	2-6-63	3	30	3½	3½	6,000	4,318	\$	-	26
	Two Step			10	40	3/4	3/4					
525-L-006	Private Development Bank	11-18-63	12-23-63	5	20	2	2	5,100	3,391	\$	-	34
525-L-007	Cadastral Survey and Natural Resources											
	Evaluation	6-26-64	8-6-64	10	40	3/4	2	2,400	1,548	\$	-	6
525-L-008	Feasibility Studies	9-14-64	11-2-64	10	40	3/4	2	1,000	322	\$	-	-
525-L-010	Agricultural Development	9-29-64	11-2-64	10	40	3/4	2	2,400	1,513	\$	-	4
525-L-011	Colon Sewerage	6-7-65	7-16-65	3	30	3½	3½	400	-	\$	-	-
	Two Step			10	40	1	2½					
525-L-013	Self-Help School Construction	9-23-65	10-27-65	10	40	1	2½	1,700	143	\$	-	-
525-L-014	Private Development Bank	6-17-66	10-19-66	5	20	3	3	4,000	-	\$	-	-
	Two Step			10	40	1	2½					
525-L-015	Savings and Loan	6-27-66	9-12-66	5	25	2	2½	2,100	-	\$	-	-
	Two Step			10	40	1	2½					
525-L-017	Panama City Bridges and Culverts	11-4-66	1-4-67	10	40	1	2½	1,100	-	\$	-	-
525-L-018	Trans-Isthmian Highway	11-4-66	1-4-67	10	40	1	2½	3,000	-	\$	-	-
525-L-019	Panama City Water and Sewerage	11-4-66	1-4-67	5	30	3½	3½	3,056	-	\$	-	-
	Total	XXXX	XXXX	XXX	XXX	XXXX	XXXX	40,056	18,549	XXXX	440	736

a/ Balance deobligated 2/7/67.

Paraguay



BASIC DATA

Population (<i>millions – mid-1966</i>).....	2.1
Annual Growth Rate (<i>percent</i>).....	2.6
Area (<i>1000 square miles</i>).....	157
Population Density Per Square Mile.....	13
Agricultural Land as % of Total Area	27
Percent of Labor Force in Agriculture.....	52

Per Capita GNP (<i>dollars</i>).....	224*
Life Expectancy (<i>years</i>).....	55
People Per Doctor	1,660
Literacy Rate (<i>percent</i>)	68
Pupils as Percent of Population.....	18
<i>(Primary and Secondary)</i>	

* 1966 in 1965 prices

PREVIOUS PAGE BLANK

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PARAGUAY

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	9.4	2.0	8.0
Technical Assistance	2.3	2.2	2.2
Total A.I.D. Assistance	11.7	4.2	10.2

The long-range U.S. objective in Paraguay is the development of a self-sustaining economy within a broad constitutional and representative government framework and corresponding progress in attaining the social development goals of the Alliance for Progress.

Paraguay has been governed by the highly centralized and authoritarian regime of President Stroessner, and until recently assistance was limited to a modest technical assistance program. In recent months, however, the government has indicated a willingness to recognize all opposition parties, to convene a constitutional convention for re-writing the 1940 constitution, and to undertake more vigorous self-help efforts in tax and budget reform. In light of these developments A.I.D. is considering development loan assistance in FY 1967 and 1968.

The main obstacles to the development process in Paraguay include a lack of skilled manpower, inadequate agricultural production, low level of public savings, ineffective tax system, antiquated accounting and budget control system, lack of public sector investment in development programs, and weak planning. However, partly as a result of CIAP review findings the government has begun to show an inclination to tackle these problems. The 1967 budget message states that the government intends to submit to Congress a revision of the budget law which would provide for the repayment of obligations to improve accounting procedures and fiscal controls, and to create special revenues for a development fund. The message also promises better control over tax collections and a stronger action against tax evasion.

The most recent effort of Paraguayan self-help was its invitation to the IDB to evaluate and recommend ways to increase revenue for investment purposes. The IDB is considering the possibility of acting as financial agent for external loan matters.

A.I.D. loan and grant assistance to the Paraguayan public sector in FY 1967 and FY 1968 will be contingent upon the adoption of the self-help measures included in the new budget message. A.I.D. will endeavor to have the international agencies, particularly the IDB, join forces in holding the Government of Paraguay to this program as a condition of new loans. Neither the IBRD nor the IDB have extended substantial assistance to Paraguay in 1966. However, if Paraguay makes satisfactory progress, the IDB will consider a loan program of \$11 million in 1967.

The proposed A.I.D. program in FY 1968 totals \$10.2 million of which \$2.2 million is for technical assistance and \$8 million is for development loans. The A.I.D. program objectives are to encourage development and self-help reform in a few key areas. More specifically, the A.I.D. program is designed to: (a) help increase agricultural production through development loans for improved roads and technical assistance for marketing, credit policies, and cooperative development, (b) encourage the private sector to become more active in the development process through loan assistance for the establishment of a private development bank, (c) assure a more efficient use of resources for development purposes by providing technical assistance for improvement in tax administration, fiscal policy and government management, and (d) assist in developing the manpower resources needed for long-range development.

Consistent with the objective of helping to increase agricultural production, a major part of the FY 1968 program is earmarked for this sector. Development loans of \$8 million will be considered for such activities as farm-to-market roads, a private development bank and agricultural credit. Technical assistance to agriculture amounting to \$818,000 is proposed for financing of (a) continued USDA advisory services in several areas, (b) assistance on transfer of the joint U.S.-Paraguayan agricultural service to Paraguay administration, and (c) technical advice on road construction, marketing, cooperatives, and credit services. In FY 1968, the U.S. Department of Agriculture will concentrate on assisting the Ministry of Agriculture in its reorganization plan. This is primarily a continuation of the FY 1967 technical assistance program in agriculture.

In FY 1967, a study of lower education will be made by A.I.D. and should provide guidelines for assistance to the education sector in FY 1968. \$611,000 is proposed to continue technical assistance for the development of human resources through advice to the

Revised 4/14/67

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: PARAGUAY

National University on improvements in the curricula and administration, to the faculties of the Agronomy and Veterinary Sciences, and for improved teacher training on the primary level. In addition, A.I.D. proposes to initiate advisory assistance for development of a business course at the National University. A.I.D. will consider a loan in FY 1967 of \$2.0 million for malaria eradication.

Approximately \$200,000 of technical assistance funds is proposed in FY 1968 to help the Government of Paraguay improve fiscal administration and government management. Also, technical assistance funds will finance the continued services of the U.S. Internal Revenue Service whose objective is to help Paraguay increase tax revenues through better tax administration practices. Contract advisory services will continue for developing improved budget techniques.

Paraguayan efforts to encourage private investment will be supported by technical assistance of \$200,000 to increase the effectiveness of the newly established productivity center.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: PARAGUAY

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost	
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount			
Agricultural Productivity and Institutional Development	526-11-110-050	1942	1972	4,083	3,581	785	372	915	TA	757	2,280	7,905	
Road Construction and Maintenance Training	526-11-110-026	1955	1968	2,987	2,697	145	321	114	TA	62	-	3,194	
Private Enterprise Development	526-11-950-051	1967	1972	-	-	235	180	55	TA	201	650	1,086	
National University	526-11-660-053	1958	1971	2,135	1,285	124	182	792	TA	319	443	3,021	
Educational Development (Non-University)*	526-11-680-084	1968	1973	-	-	-	-	-	TA	246	900	1,146	
Government, Management and Organization	526-11-790-018	1953	1969	1,164	1,088	180	170	86	TA	151	531	2,026	
Special Development Activities	526-11-990-058	1964	Cont.	57	27	43	46	27	TA	40	Continuing		
Technical Support	526-11-990-000	1956	Cont.	2,828	2,763	459	402	122	TA	424	Continuing		
									Subtotal	TA	2,200		
									Total	SA	2,200		

*New project--see TABLE Va

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	19	19	19
Participating agency.....	6	13	10
Contractor technicians.....	12	18	19
Total	37	50	48

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	83	82	73
Contract	-	-	-
Total	83	82	73

DESCRIPTION OF NEW FY 1968 PROJECTS

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

COUNTRY: PARAGUAY

(In Thousands of Dollars)

TABLE Vc

Project Title	Project Number	Proposed Program FY 1968		Description
		Funds	Amount	
Education Development (Non-University)	526-11-680-084	TA	246	This project will assist Paraguay develop national programs to provide the critically needed trained manpower particularly in priority fields of agriculture and industry. FY 1967 and FY 1968 are transitional years in AID's efforts in education below the university level. (Transition in the sense that former programs, largely directed at specific targets in rural education, are being completed and the effectiveness of past efforts are being evaluated as a basis for future programs). Three areas, however, have emerged as critical necessities: (1) education planning and administration at the national level, (2) vocational agricultural education, and (3) text book production. As a result, in FY 1968 AID plans to concentrate on the formulation of programs in these areas. The programs will be implemented by four U.S. direct-hire education advisors and provide U.S. training for ten participants.

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

COUNTRY: PARAGUAY

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repay-ments	Interest Collected
		Auth- orized	Loan Agree- ment			Grace Period	Amorti- zation					
526-A-008	Road Improvement	6/29/61	10/23/61	1	20	3 1/2	3 1/2	\$7,100	\$7,055	1st $\frac{1}{2}$ LC 2nd $\frac{1}{2}$ \$	\$120	\$521
526-L-012	Agricultural Credit	5/28/64	9/25/64	10	40	3/4	2	\$3,000	\$ 482	\$	-	-
526-L-015	Road Rehabilitation	6/30/66	-	10	40	1	2 1/2	\$4,680	-	\$	-	-
526-L-016	Airport Rehabilitation	6/30/66	-	10	40	1	2 1/2	\$4,700	-	\$	-	-
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	\$19,480	\$7,537	XXXX	\$120	\$521

Uruguay



BASIC DATA

Population (<i>millions – mid-1966</i>).....	2.8
Annual Growth Rate (<i>percent</i>).....	1.4
Area (<i>1000 square miles</i>).....	72
Population Density Per Square Mile.....	38
Agricultural Land as % of Total Area	86
Percent of Labor Force in Agriculture.....	18

Per Capita GNP (<i>dollars</i>).....	569*
Life Expectancy (<i>years</i>).....	69
People Per Doctor	880
Literacy Rate (<i>percent</i>)	91
Pupils as Percent of Population.....	17
<i>(Primary and Secondary)</i>	

* 1966 in 1965 prices

PREVIOUS PAGE BLANK

Country: URUGUAY

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Development Loans	5.0	0.8	14.0
Technical Assistance	0.9	1.5	1.8
Total A.I.D. Assistance	5.9	2.3	15.8

The long-term U.S. objective in Uruguay is to help the Uruguayan government focus attention on maintaining stabilization and meeting long-term development needs, to assist in developing government institutions necessary to modernize and expand the economy, and to counter Communist influence in university and labor circles, which is greater than in any other Latin American country outside of Cuba. The specific A.I.D. program objectives are to stimulate and provide help for self-help reform in agricultural production and export, transport and marketing, fiscal stabilization and education.

Among the most serious impediments to rapid economic growth in Uruguay are the following: a low rate of agricultural growth; a non-competitive and costly private sector; an inequitable tax structure; federal government deficits which have contributed significantly to the low level of public savings; a government bureaucracy ridden with poor administration; a general lack of reliable data on public finance, banking, employment and income distribution; and an organized labor force which is approximately 80% dominated or influenced by Communists.

U.S. assistance will be conditioned upon a continuation of self-help measures which Uruguay adopted as a result of a 1965 stabilization program and an IMF standby agreement in 1966. The IMF called for stringent measures to bring the nation's inflation under control and to improve the foreign reserve position of the Bank of the Republic. Uruguay has taken some steps under this program including measures to control credit, reduce government deficits, progressively remove import restrictions and adopt a unitary, realistic exchange rate. Although there has been some reform slippage in the final quarter of 1966 due to the pressures of the electoral campaign, with the return to a single executive form of government, the outlook is good in 1967 for more rapid progress in these reform areas. Implementation of the agricultural component of the national development planning effort continues

to be given priority attention by the government. The IDB in recent years has been a major assistance donor and in CY 1967 is expected to contribute about \$10 million to the development process.

U.S. short-term strategy is to assist this stabilization and development effort through assistance directed toward influencing policy decisions, establishing the basis for short-term economic recovery, and stimulating a greatly increased agricultural and export production.

In light of the Uruguayan self-help measures and prospects for more rapid reform, the proposed A.I.D. program in FY 1968 will be increased to \$15.8 million of which \$14 million is programmed for development loans and \$1.8 million is for technical assistance activities. Depending upon the availability of funds and the adoption of satisfactory self-help measures, a sectoral loan package for agriculture may also be proposed in FY 1967 or 1968 to finance facilities for the storage of wheat, barley and potatoes, for the acquisition of agricultural machinery, and for assisting new colonization efforts.

The A.I.D. program will support the stabilization effort by helping to achieve an increase in agricultural exports, by encouraging institutional changes and by improving use of modern agricultural technology. In FY 1966 A.I.D. signed a \$5 million loan agreement with Uruguay for fertilizer imports. This loan will greatly assist Uruguay to achieve its goal of increasing wheat production by 300% by 1974.

The lack of trained teachers in Uruguay is critical, with a projected need of over 4,000 within the next 10 years. A.I.D. plans to authorize a \$75,000 loan in FY 1967 to enable the National Council of Secondary Education to expand more rapidly the teacher training facilities. About \$200,000 in technical assistance funds is programmed in both FY 1967 and FY 1968 for contract services needed for a feasibility study of the secondary education system.

Under a contract with the American Institute for Free Labor Development, A.I.D. is engaged in labor union leader training and social projects such as housing. Nearly \$200,000 in FY 1968, or about the same level as FY 1967, is programmed for public safety activities under which A.I.D. will help improve law enforcement, police administration capabilities and other internal security forces to control subversion.

Revised 4/14/67

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: URUGUAY

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount		
Agricultural Institutional Development	528-11-110-041	1965	1970	276	47	296	439	86	TA	450	800	1,822
Tuberculosis & Brucellosis Control	528-11-510-052	1967	1969	-	-	105	70	35	TA	25	15	145
Labor Leader Training	528-13-410-010	1963	1970	301	301	241	193	48	TA	250	500	1,292
Development Planning and Administration	528-11-720-001	1962	1969	440	371	118	110	77	TA	250	250	1,058
Industrial Management & Marketing	528-15-270-011	1963	1970	174	129	118	102	61	TA	150	400	842
Public Safety	528-11-710-013	1962	1970	457	213	195	234	205	TA	195	350	1,197
Human Resources Development	528-11-650-078	1967	1970	-	-	140	110	30	TA	175	400	715
Special Development Activities	528-15-990-046	1965	Cont.	100	39	50	75	36	TA	50	Cont.	Cont.
Technical Support	528-11-990-000	1962	Cont.	551	535	237	237	16	TA	255	Cont.	Cont.
Subtotal									TA	1,800		
Total									SA	1,800		

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	7	10	10
Participating agency.....	1	12	32
Contractor technicians.....	11	27	37
Total	19	49	79

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	51	50	51
Contract	-	-	-
Total	51	50	51

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

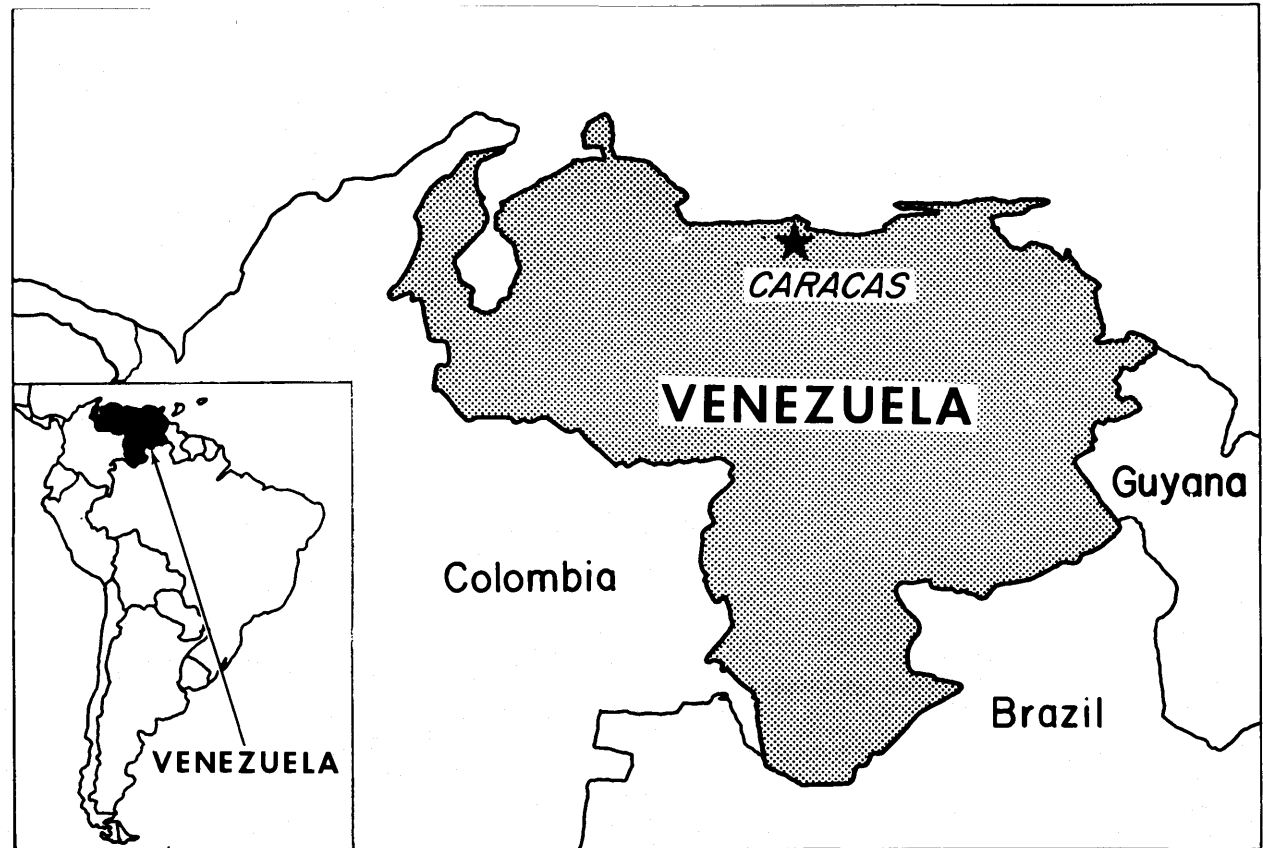
COUNTRY: URUGUAY

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repay-ments	Interest Collected
		Auth-orized	Loan Agree-ment			Grace Period	Amorti-zation					
528-A-002	Telephone System	6-4-59	9-3-59	1	20	3½	3½	1,800	8,348	1,545MM 7,255US	715	1,269
528-L-018	Industrial Relending 2 step	5-28-64	11-27-64	5 10	25 40	3½ 3/4	3½ 2	3,000	-	US\$	-	-
528-L-019	Fertilizer & Agricultural Imports	5-26-66	10-31-66	10	40	1	2½	5,000	-	US\$	-	-
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	16,800	8,348	XXXX	715	1,269

Venezuela



BASIC DATA

Population (<i>millions – mid-1966</i>).....	9.0	Per Capita GNP (<i>dollars</i>).....	895*
Annual Growth Rate (<i>percent</i>).....	3.4	Life Expectancy (<i>years</i>).....	66
Area (<i>1000 square miles</i>).....	352	People Per Doctor	1,280
Population Density Per Square Mile.....	26	Literacy Rate (<i>percent</i>)	80
Agricultural Land as % of Total Area	21	Pupils as Percent of Population.....	19
Percent of Labor Force in Agriculture.....	30	(<i>Primary and Secondary</i>)	

* 1966 in 1965 prices

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: VENEZUELA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Technical Assistance	1.7	1.4	1.2

Given Venezuela's relatively high level of economic development and ability to obtain external financing from other sources, no A.I.D. development loans have been made since FY 1963, nor are any planned in the future. U.S. assistance objectives therefore are limited to those of a modest technical assistance program designed to assist and to encourage reform in key development sectors and a small Food for Freedom program.

The limited A.I.D. program to Venezuela is specifically designed to (a) help bring about accelerated efforts on the part of the government in carrying out the sound reforms and development programs in education, agriculture, and housing; and (b) encourage Venezuela to play a leading role in the Alliance for Progress by extending assistance to other Latin American countries.

The Venezuelan economy continues to grow at a satisfactory rate (5% to 6% annually). With gold and foreign exchange reserves high, Venezuela needs no international loans at concessional rates, but will require a limited amount of technical assistance. The government has continued to carry out a sound comprehensive development program, highlighted this year by reorganization of the agricultural bank to provide more credit for rural development. Internally financed programs in rural and urban housing, rural community water supply, development of a viable savings and loan system and construction of penetration highways are continuing to prove successful.

Problems of internal security have been substantially relieved as a result of the increased competence of police and military in dealing with insurgency and subversion and of the mounting internal problems within the guerilla movement. A recent agreement between the government and the petroleum companies on policies governing taxes, production, export sale prices and investment policies is expected to result in greater revenues for the public sector and increased impetus to the growth of the economy as a whole.

Venezuela continues to expand its role as a donor of technical assistance to other Latin American countries in such fields as vocational and management training, community development, super-

vised agricultural credit and rural education. An outstanding example of Venezuela's aid effort is its sharing with Bolivia, Nicaragua, Panama, Honduras and El Salvador techniques and skills acquired in Venezuela's own successful literacy program.

Despite significant progress in social and economic development, major problems still persist: rapidly growing urban population, aggravated by an acute housing shortage; about 10% (the Government now claims 7.9%) urban unemployment; lack of trained manpower; high population growth rate (3.4%); and persistent terrorist activity, recently on the increase. Agrarian reform has resulted in considerable social and political progress, but has yet to produce significant economic returns or improve the lot of the impoverished campesinos.

The A.I.D. program will continue to focus on (a) identifying priority needs requiring further Venezuelan action and encouraging the government to enact necessary reforms; (b) providing technical assistance in selected areas as a means of developing institutions capable of carrying out needed programs; and (c) encouraging greater participation by the private sector in Venezuela's development efforts.

A technical assistance program of \$1.4 million in FY 1967 and \$1.2 million in FY 1968 will focus on monitoring existing loans, on Public Safety programs (\$353,000) to help maintain internal law and order, and on the following priority development activities: (a) assisting the Government in training and development in education, public administration, and government management (\$456,000); and (b) encouraging the development of local housing institutions, the mobilizing of local capital for construction, and assuring completion of housing programs under existing loans (\$132,000). A new priority project, Population and Family Well-Being (\$51,300) is being added in FY 1968 to support Venezuela's incipient efforts in the conduct of a family planning program. A.I.D. assistance will be directed toward improving the climate for action through orientation and education of doctors, nurses, social workers and health educators, and promoting the types of research and dissemination programs which will improve the effectiveness of the action program.

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: VENEZUELA

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount		
National Manpower Training and Development	529-11-690-013	1961	1970	2,756	2,121	350	500	485	TA	250	350	3,706
Government Management Assistance	529-11-790-018	1961	1968	954	777	130	140	167	TA	90	-	1,174
Public Safety	529-11-710-022	1963	1970	1,361	1,189	375	360	187	TA	353	600	2,689
Housing and Urban Renewal	529-15-830-017	1962	1969	374	313	82	80	63	TA	115	100	671
AIFLD Activities	529-15-410-033	1961	1970	180	167	120	50	83	TA	116	-	416
Technical Support	529-15-990-000	1961	Cont.	1,367	1,337	225	210	45	TA	223	420	2,235
Population & Family Well-Being *	529-15-990-034	1967	1970	-	-	10	7	3	TA	53	150	213
Subtotal									TA	1,200		
Total									SA	-		
Total										1,200		

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	20	20	20
Participating agency	-	5	-
Contractor technicians	15	8	4
Total	35	33	24

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	231	200	171
Contract	250	283	233
Total	481	483	404

STATUS OF DEVELOPMENT LOANS SUMMARY
As of 12/31/66

COUNTRY: VENEZUELA

(In Thousands of Dollars and Equivalent)

TABLE VI

Loan No.	Title	Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Amount Authorized	Amount Disbursed	Currency of Re-payment	Principal Repay-ments	Interest Collected
		Auth- orized	Loan Agree- ment			Grace Period	Amorti- zation					
529-L-004	Municipal Development	4-10-62	11-30-62	10	40	3/4	3/4	30,000	16,125	\$	-	208
Total		XXXX	XXXX	XXX	XXX	XXXX	XXXX	30,000	16,125	XXXX	-	208

PREVIOUS PAGE BLANK

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: EAST CARIBBEAN REGIONAL PROGRAM

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Technical Assistance	-	-	0.3

On November 30, 1966, Barbados became fully independent, and in February 1967 the British Leeward Islands (Antigua and St. Kitts) and Windward Islands (Dominica, Grenada, St. Lucia and St. Vincent) became quasi-independent states in "association" with Great Britain.

In spring 1966, the United States joined with the U.K. and Canada in financing a team of independent economists to make a survey of the islands to determine the economic condition there and assess development prospects. The economists concluded that aside from tourism, which should be developed primarily by the private sector, development depended largely upon a regional approach to common economic problems. If the island governments establish appropriate institutional arrangements on a regional basis to further their economic development, the United States is prepared to consider limited technical assistance in FY 1968 to such efforts. The United States is also prepared to consider the possibility of providing financial support for a Caribbean regional financial institution which would include other countries of the Caribbean area such as Jamaica, Trinidad and Guyana, if and when established. In this regard the Leeward and Windward Islands have already taken action to form a Regional Development Committee and have taken preliminary steps toward establishment of a regional financial institution, including a request to the UN Development Program for assistance.

Technical assistance funds totaling \$300,000 are programmed for FY 1968. A.I.D. is prepared to consider technical advisory assistance to sound economic projects in the Eastern Caribbean if these projects are of a regional nature and include self-help efforts by the islands and contributions from other outside sources (such as the U.K., Canada and/or international institutions). Possible technical assistance activities in FY 1968 are advisory services for: (a) the establishment and initial functioning of a regional technical and investment services commission; (b) the organization and operation of regional statistical services; and (c) the organization and operation of regional institutions such as a development committee, a development bank, a free trade area, or a common market.

A.I.D. is also prepared to participate with the islands and with the British and Canadians in the financing of investment studies and preparation of high priority projects of regional importance.

Blank areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROJECT DATA SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: EASTERN CARIBBEAN REGIONAL PROGRAM

TABLE V

Project Title	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through 6/30/66		Estimated FY 1967			Proposed Program FY 1968		Future Year Obligations	Estimated Total Cost
				Obligations	Expenditures	Obligations	Expenditures	Unliquidated Obligations 6/30/67	Funds	Amount		
*Regional Economic Development of the Eastern Caribbean		1968	1/	-	-	-	-	-	TA	300	1/	1/
									TA	300		
									SA	-		
									Total	300		

*New project--see TABLE Va

1/ This program is still in the planning stage and the exact scope and duration of the program has not yet been determined

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed			1/
Participating agency.....			
Contractor technicians.....			
Total			

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract			
Contract			
Total			



DESCRIPTION OF NEW FY 1968 PROJECTS

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

COUNTRY: EASTERN CARIBBEAN REGIONAL PROGRAM

(In Thousands of Dollars)

TABLE Va

Project Title	Project Number	Proposed Program FY 1968		Description
		Funds	Amount	
Regional Economic Development of the Eastern Caribbean		TA	300	This program is designed to encourage and assist the regional economic development of the islands of the Eastern Caribbean. A.I.D. is planning to provide advisory assistance to projects of a regional nature. Projects under consideration include: (1) the establishment of a regional technical and investment services commission; (2) the organization and operation of regional programs to improve statistics, customs, shipping; (3) pre-feasibility studies and project preparation of high priority regional projects.

PREVIOUS PAGE BLANK

Country: LA REGIONAL

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

PROGRAM SUMMARY

(In millions of dollars)

	FY 1966 Actual	FY 1967 Estimated	FY 1968 Proposed
Technical Assistance	12.1	15.8	20.7
Supporting Assistance	*	-	-
Total A.I.D. Assistance	12.1	15.8	20.7

*Less than \$50,000

The Latin American Regional Program was established as a unit within the over-all Latin American technical assistance program to provide assistance to certain projects which are of benefit to more than one country. The criteria for determining whether a project should be regionally funded are: (a) whether the project can be administered more efficiently regionally--as in the case of the Regional Technical Aids Center located in Mexico City--than if it were a Mission-administered Project; (b) whether the project involves innovation, research or analysis applicable to more than one country (such as certain population projects), or (c) whether the project promotes multilateral self-help co-operation for development. The latter category includes activities whose effective implementation would be improved by minimizing direct U.S. involvement, or which (like the OAS Special Development Assistance Fund) are channeled through multilateral institutions.

In FY 1968 the proposed Regional Program will amount to \$20.7 million.

The largest single project under the Regional Program is the Special Development Assistance Fund, administered by the OAS for programs selected by the Pan American Union in fields such as agrarian reform, social security, fiscal reform and science education. The fund is supported by U.S. and Latin American contributions in a ratio of 66% to 34%. In FY 1968, A.I.D.'s contribution will total up to \$4.5 million.

Assisted by special A.I.D. grants since 1957, the Pan American Health Organization (PAHO) has waged an undramatic but steady campaign to eradicate malaria throughout the hemisphere. The program is moving from the attack phase (where emphasis is on operations such as spraying) to the "consolidation" phase (in which the operation can be phased out) and surveillance instituted

to insure that transmission of malaria has definitely ended. The U.S. contribution to PAHO in FY 1968 is proposed at \$1.8 million.

The Inter-American Institute of Agriculture Sciences at Turrialba, Costa Rica has trained a total of 1,100 persons in over 100 courses, and distributed 300,000 teaching materials since the Alliance began. These trainees have returned to their respective countries, bringing new skills to apply to the critical problem of agricultural production and modern methods of farming. In FY 1968 the U.S. contract with the Institute will total \$200,000 for training and research.

The Latin American Scholarship Program, American Universities (LASPAU) is a new program consistent with President Johnson's desire to combine efforts of U.S. universities and Latin American resources, and is designed to build a cadre of college teachers throughout Latin America. In FY 1968 \$500,000 is proposed to assist in the costs of over 300 Latin American students who will be studying in dozens of American universities in a variety of specialties.

Population. The Population Council, under contract, is preparing studies for use in Latin America of sociological and economic aspects of fertility patterns and population growth rates and studies on the acceptability of various birth control methods. The International Planned Parenthood Foundation, also under a contract, is assisting in the development of family planning centers and disseminating family planning educational materials in Latin America. A new center for the study of family and population, established in Santiago, Chile, under a grant to the Center for Latin American Economic and Social Development (a private foundation) held seminars in family planning attended by 90 experts. Another half-dozen grants and contracts are being implemented in this field in a year when interest of Latin American governments is shown by support given by Peru and Venezuela to demographic studies, and by Jamaica, Honduras, and Chile to family planning health services. Technical assistance of \$1.4 million is planned for regional population projects in FY 1968.

The Regional Technical A.I.D. Center serves as both a Mission service and supply organization and as the source of an action program dealing with the textbook supply problem in Latin America, particularly in secondary and higher education. Emphasis is being given to the production of new Spanish texts, the reduction of retail prices of textbooks through improved production and distribution, and the establishment of textbook rental programs. In FY 1968 \$1.7 million is planned for the activity.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

The American Institute for Free Labor Development (AIFLD) has worked since 1962 under contract to assist Latin America in developing a free, democratic trade union movement. The AIFLD has active programs in 18 countries, a labor economist program at Loyola University in New Orleans and a labor education center at Front Royal, Virginia. This program has three main thrusts: (a) worker education, (b) social projects, and (c) impact projects. Each U.S.A.I.D. provides funds for AIFLD country programs. In FY 1968 the Regional program is requesting \$1.7 million for administration and support costs, the labor education center at Front Royal, Virginia and the labor economist program at Loyola University in New Orleans.

\$5 million is programmed in FY 1968 to cover the initial costs of several new programs which are the subject of the meeting of Chiefs of State to be held at Punta del Este in April, 1967. These include proposed Multinational Institutes of Science and Technology, a proposed Inter-American Export Promotion Agency and expanded scholarship programs.



Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

SUMMARY OF PROGRAM BY FUNCTION
(Dollar Amounts in Thousands)

Country: LA REGIONAL

TABLE II

Category	Actual FY 1966				Estimate FY 1967				Proposed FY 1968		
	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.	Conting. Fund	Total	Tech. Assist.	Supp. Assist.
Development Loan Program	-	XXX	XXX	XXX	-	XXX	XXX	XXX	-	XXX	XXX
Programs Other than Devel. Loan											
Project Assistance											
U.S. Technicians	4,147	4,147	-	-	5,766	5,766	-	-	6,110	6,110	-
Participants	1,698	1,698	-	-	1,792	1,792	-	-	848	848	-
Commodities	229	229	-	-	318	318	-	-	266	266	-
Other Costs	6,020	6,005	15	-	7,958	7,958	-	-	8,476	8,476	-
Total Project Assistance	12,094	12,079	15	-	15,834	15,834	-	-	15,700	15,700	-
Method of Financing											
Project Assistance											
Direct A.I.D.	953	938	15	-	1,416	1,416	-	-	1,681	1,681	-
Other Agency	1,108	1,108	-	-	1,424	1,424	-	-	1,026	1,026	-
Contract	10,033	10,033	-	-	12,994	12,994	-	-	12,993	12,933	-
Program Assistance	-	-	-	-	-	-	-	-	-	-	-
Total Other than Devel. Loan	12,094	12,079	15	-	15,834	15,834	-	-	20,700^{1/}	20,700^{1/}	-
Total Assistance	12,094	XXX	XXX	XXX	15,834	XXX	XXX	XXX	20,700^{1/}	XXX	XXX

^{1/} This total includes an amount of \$5 million which is reserved for Summit-related grant projects. These projects are still in the planning stage and it is not possible at this point to distribute this amount by category, i.e. U.S. technicians, participants, etc.

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
A.I.D. employed	4	4	4
Participating agency	12	94	93
Contractor technicians	255	191	201
Total	271	289	298

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1966	Estimate FY 1967	Proposed FY 1968
Non-contract	-	-	-
Contract	365	661	941
Total	365	661	941



Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE National Markets		ACTIVITY Industry and Mining		FUNDS Technical Cooperation	
PROJECT NUMBER 598-15-290-440		PRIOR REFERENCE Page 443 of FY 1966 IA P.D.B.		INITIAL OBLIGATION FY: 1966	
				SCHEDULED FINAL OBLIGATION FY: 1970	

Project Target and Course of Action: To develop within Latin American countries the capacities and institutions to mobilize their resources for expanded national markets. The focus is on taking those actions which will expand the consumption base of the rural peasants and poor urban population, thereby giving them direct participation in the economic development process and stimulate further industrial, agricultural and social development. Among the objectives will be: the development of efficient and acceptable systems of food marketing and provision of marketing means to get lower costs goods and farm inputs to rural agricultural areas. An inter-disciplinary team of specialists is organized to assist in developing programs or new approaches to deal with these issues. The cooperation of the private sector is being tapped to play a role in the implementation of programs. The objectives set for each area vary from (a) measurable savings to consumers on costs of food of \$1,000,000 per year per \$250,000 initial investment in Buenos Aires to (b) helping expand the income sources and incentive base of Indians on the Altiplano of Bolivia by small but meaningful amounts to be determined.

Progress to Date: At the invitation of Brazil, Bolivia, Peru Argentina and Panama missions, diagnostic visits have been made. Programs have been established in La Paz, Bolivia; Northeast Brazil; Lima, Peru; and Buenos Aires,

Argentina. Planning activity is underway in Panama. A total of 10 professionals are in the field. Most government contributions to the program, to expand scope of operations and develop counterpart skills, exceeds \$250,000 in Brazil and Bolivia. This project has supported preparation of loan projects in Peru and Panama and should result in further such loan projects in Brazil and Bolivia. Specifically, the development of the market sector fund of \$8 million, in Lima (\$5 million - U.S. and \$3 million - Peruvian) now in preparation is expected to have important impact upon agricultural production and urban price levels.

FY 1968 Program: During FY 1968 this program will continue to provide planning, guidance and diagnostic services to US AID missions and host-country officials and private sector components. The basic commitments will be to continue activity in the countries mentioned above with some expansion to new areas, which will require extension of AID/W funding through FY 1970. FY 68 funds will continue the project for an additional 12 months and are distributed as follows: (1) \$270,000 for 12 contract technicians for 12 months both long and short term, plus secretarial support costs, related overhead, travel, allowances, etc. and (2) \$30,000 for other costs, including rental expenses, communications cost, in country travel, etc.

We anticipate that future funding will gradually be assumed by individual USAIDs.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES					
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	410	50	360								Michigan State University
Estimated FY 67	-	160									
Estimated through 6/30/67	410	210	200	U.S. Technicians	-	-	-	-	270	270	
		Future Year Obligations	Estimated Total Cost	Participants ...	-	-	-	-	-	-	
				Commodities ...	-	-	-	-	-	-	
				Other Costs ...	-	-	-	-	30	30	
Proposed FY 68	300	600	1,310	Total Obligations	-	-	-	-	300	300	

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Inter-American Institute for Agricultural Sciences (IICA) 598-15-110-001	ACTIVITY Agriculture and Natural Resources	FUNDS Technical Cooperation
PROJECT NUMBER	PRIOR REFERENCE Page 474 of FY 1967 IA P.D.B.	INITIAL OBLIGATION FY: 1955
		SCHEDULED FINAL OBLIGATION FY: 1968

Project Target and Course of Action: To improve and expand USAID technical assistance to national agricultural institutions by providing graduate level training for USAID-sponsored participants and furnishing short-term consultants and technical educational materials to USAIDs and L.A. country programs. The Inter-American Institute of Agricultural Sciences (IICA), located at Turrialba, Costa Rica, is a specialized agricultural agency of the Organization of American States (OAS), whose members contribute on a quota basis to the costs of IICA. Since the Alliance for Progress, AID-sponsored contracts with the Institute have re-directed its emphasis to a few high priority activities: agricultural extension, survey and evaluation of natural resources, and agricultural communication.

Progress to Date: From 1956 through 1965, 122 students from 19 countries were given training for one year or more duration. Fifty-four of these students were sponsored by 14 USAID Missions. 126 students from 22 American countries, including 2 from the U.S., received training at Turrialba during 1965-66. Twenty-one of these students completed the requirements for an M.S. Degree. Approximately 50% of the students at Turrialba are studying either Agricultural Extension Training or Natural Resource Evaluation. AID funds have been directed specifically at institution building in these areas rather than scholarships. The IICA, Turrialba Training Center, which has classroom and Staff adequate for 300 students, has been seriously short of student dormitory space. Since only a

very limited number of students can live in the village of Turrialba the enrollment has been limited by the dormitory space available. A loan was recently signed with a commercial bank for \$35,000 and a building to house 22 students will be completed this year. This will permit them to raise the enrollment to 106 students at any one time.

FY 1968 Program: The present contract with IICA is being extended to December 31, 1967 with the addition of \$360,000 FY 67 funds, on the basis of an evaluation conducted in FY 1967 by AID with the assistance of an internationally known consultant in agricultural economics. IICA has been advised that after Dec. 1967 the scope of AID-financed activities will have to be greatly reduced. It has been suggested that the work on Communications in Higher Education in Lima, and Communications in Land Reform in Bogota, be phased out by the end of the present contract. AID support of Agricultural Extension training is also to be reduced. Training for Resources Inventory is to be carried on at the present level. A final \$200,000 will be needed in FY 1968 to support the contract to the completion date of Dec. 31, 1968. A total of 18 (7 of whom are U.S. Citizens) contract-sponsored technicians work at training Latin Americans in Agricultural Extension, Resources Inventory, Communications for Land Reform and Communications for Higher Education.

Commodity costs are for training aids, books and project materials and supplies.

U.S. DOLLAR COSTS (In Thousands)				PRINCIPAL CONTRACTORS/AGENCIES						
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS					
					Estimated FY 1967			Proposed FY 1968		
					Direct AID	Contract/ Other Agency	Total	Direct AID	Contract/ Other Agency	Total
Through 6/30/66	3,367	3,053	314		-	94	94	-	75	75
Estimated FY 67	360	249			-	-	-	-	-	-
Estimated through 6/30/67	3,727	3,302	425	U.S. Technicians	-	53	53	-	20	20
		Future Year Obligations	Estimated Total Cost	Participants . . .	-	213	213	-	105	105
Proposed FY 68	200	-	3,927	Commodities . . .	-	-	-	-	-	-
				Other Costs . . .	-	-	-	-	-	-
				Total Obligations	-	360	360	-	200	200

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Marketing of Artisan Handicraft	ACTIVITY Industry and Mining	FUNDS Technical Cooperation	
PROJECT NUMBER 598-13-290-421	PRIOR REFERENCE Page 475 of FY 1967 P.D.B.	INITIAL OBLIGATION FY: 1964	SCHEDULED FINAL OBLIGATION FY: 1969

Project Target and Course of Action: To organize artisans in Peru, Bolivia, Colombia, and Ecuador in efficient producing organizations; provide technical assistance to upgrade quality and quantity of handicrafts and marketing assistance to increase sales in the host country and the U.S. thereby increasing personal income for the rural artisan communities.

Progress to Date: In the four Andean countries, merchandising and technical assistance institutions have been formed, staffed by nationals with U.S. advisors funded by missions, providing expert management, design and productivity know-how. With the assistance of Peace Corps personnel, artisans in the rural areas have been trained to produce more and better products. The Central Artesania institution purchases the production, checks quality, warehouses, maintains a showroom for local sales; packs, ships, invoices and collects on export orders. In New York, a professional market promotion company funded by AID/W maintains a Products of the Alliance showroom and promotes the sale of the handicrafts throughout the U.S. by advertising, news releases, giftware shows and strong direct selling efforts to wholesale distributors, and large and small retail outlets. Sales in 1966 were \$1,500,000 on the retail level (\$500,000 f.o.b. port of embarkation) with 1,800 active accounts.

FY 1968 Program: 1. Continue U.S. marketing effort for an additional 12 months with same contractor.

2. Attempt to add one or two more warehouse wholesalers. One such operation in San Francisco has shown the feasibility of this approach to increasing sales at no additional cost to AID.

3. Build sales force of 16-20 regional salesmen working on commissions.

4. Implement price restructuring to cover sales commissions and other costs aimed at eventual phasing out of AID regional funding.

5. Work with USAIDs in Guatemala and Chile to develop local artisan programs.

6. Increase U.S. sales to \$2-2.5 million on retail level.

FY 1968 funds will provide \$190,000 for technical and sales personnel, secretarial support, travel, and overhead; \$60,000 for other costs such as rental and utilities, printing costs, advertising, etc.

The projected phase over of project funding from regional to Mission accounts which began in FY 1967 will be completed in FY 1969 according to the following schedule for regional funding: FY 1966 - \$346; FY 1967 - \$330; FY 1968 - \$250; FY 1969 - \$150; FY 1970 - 0.

The efficiency of this operation has been increased by contracting directly with a former subcontractor, Scherr & McDermott thus eliminating the prime contract with CLUSA and reducing project costs in FY 1967 by approximately \$300,000.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract Agency	Total	Direct AID	Contract Agency	Total	
Through 6/30/66	2,736	2,130	606	-	-	-	-	-	-	Scherr & McDermott
Estimated FY 67	330	285		-	195	195	-	190	190	
Estimated through 6/30/67	3,066	2,415	651	-	-	-	-	-	-	
		Future Year Obligations	Estimated Total Cost	-	-	-	-	-	-	
				-	135	135	-	60	60	
Proposed FY 68	250	150	3,466	-	330	330	-	250	250	

~~Some~~ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Cooperative Development 598-13-990-098 598-13-920-116 598-11-990-409 598-15-990-437	ACTIVITY Industry & Mining	FUNDS Technical Cooperation
PRIOR REFERENCE Pg. 476 of FY 67 LA P.D.R.	INITIAL OBLIGATION FY: 62	SCHEDULED FINAL OBLIGATION FY: 70
PROJECT NUMBER		

Project Target and Course of Action: Through contracts with selected U.S. cooperative institutions, the cooperative program will continue to assist in development of Latin American Cooperatives primarily in the fields of production, marketing, banking, credit unions, rural electric cooperatives, consumer cooperatives and training. This assistance will increase the number served through all types of cooperatives by 250,000 people and create about 400 new institutions. Assistance will also be given to strengthen cooperative federations and confederations. It is estimated that cooperative members will increase their savings in credit unions and other types of cooperatives by approximately \$15,000,000 during the year.

Progress to Date: The Credit Union International (CUNA) has assisted federations in 12 countries having 2,300 credit unions, with a membership of 513,000 and savings over \$41,000,000. National Rural Electric Cooperative Association (NRECA) has provided assistance to cooperatives in 16 LA countries. NRECA's successful efforts have enabled AID to provide 7 loans totalling \$15,100,000 to 6 LA countries for assistance to 24 Rural Electric Cooperatives serving over 45,000 families. The Cooperative League of the USA (CLUSA) has provided over 51 technical specialists in Latin American countries and has assisted the Organization of the Cooperatives of America (OCA) in getting 120 cooperatives to affiliate and has assisted in the publication of 30 issues of a publication, "Cooperative America", distributed to cooperative leadership

throughout Latin America. The Fund for International Cooperative Development has provided technical assistance in organizing a cooperative bank in Ecuador and in Chile. AID loans of \$1.2 and \$3.6 million respectively have been made to these banks which have already loaned over \$1 million to their member cooperatives. Technical assistance has also been given to the cooperative bank in Argentina and feasibility studies conducted in Peru, Panama, Bolivia, Colombia and Dominican Republic.

FY 68 Program: During FY 68 this project will continue to provide coordinating administrative and technical assistance in development of Latin American cooperatives. CUNA, under a \$220,000 contract, will continue to develop federations in 12 countries and provide the base for a Latin American credit union confederation. It is anticipated they will organize 500 new credit unions during the fiscal year. CLUSA, through a \$342,000 contract, will assist OCA in becoming an effective federation and assist in organizing additional cooperative banks as well as helping existing banks. They will recruit technicians for USAID cooperative projects involving farm supply, marketing, consumer wholesaling, etc. and also provide for participant training. The NRECA, under a \$50,000 contract, will counsel USAID Missions on rural electric cooperative programs as requested and recruit technicians for USAID rural electrification programs involving organization of cooperatives and construction of required facilities.

Technicians - Up to 28 long term cooperative and credit specialists and up to 15 short term advisors.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES			
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS			CLUSA CUNA NRECA		
					Estimated FY 1967		Proposed FY 1968			
					Direct AID	Contract/ XXXXX	Total	Direct AID	Contract/ XXXXX	Total
Through 6/30/66	1679	1152	527							
Estimated FY 67	647	385								
Estimated through 6/30/67	2326	1,537	789	U.S. Technicians Participants ... Commodities ... Other Costs ...		624	624		593	593
		Future Year Obligations	Estimated Total Cost			23	23		19	19
Proposed FY 68	612	1060	3998	Total Obligations		647	647		612	612

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Industrial Development 598-15-290-428		ACTIVITY Industry and Mining		FUNDS Technical Cooperation	
PROJECT NUMBER 598-15-280-429		PRIOR REFERENCE Page 477 of FY 1967 LA P.D.B.		INITIAL OBLIGATION FY: 1965 1/	
				SCHEDULED FINAL OBLIGATION FY: 1970 1/	

Project Target and Course of Action: To help develop the LA private sector through training selected LA managers in US business concepts and techniques; provide assistance to LA institutions in promoting external investment; assist in recruiting US industrial technicians; promote the exchange of business information and businessmen between LA and the US; and develop promotional material and training films in Spanish and Portuguese.

Progress to Date: Organized development programs have been established in 5 countries. 11 teams of 92 leaders from 10 countries have participated in short-term orientation tours in the US. 21 development practitioners from 6 countries have completed long-term training. 18 US specialists have carried out short-term consulting assignments with Latin American development organizations in 9 countries. Over 700,000 copies of 25 promotional, reference and working materials have been published and distributed. 2 training films have been produced for field use. Complete biographical data on 855 specialists have been assembled in a roster. Approximately 50 specialists have been assigned or are being recruited for specific assignments in Latin America. On-site pre-assignments reviews and field supervision have been carried out in 7 countries.

FY 68 Program: \$400,000 - Funding will provide \$315,000 for the services of 17 contractor staff technicians located principally in the US, short-term consultants, and related

international travel costs; secretarial support and overhead; and \$85,000 for other costs such as rental expenses, printing and reproduction costs, domestic travel, etc.

In 1968, contracts with H. B. Maynard & Co. (\$150,000 for 12 months) and Conway Research, Inc. (\$250,000 for 12 months) will provide for: 1) Overall project management and direction; 2) Selective short-term exposure for development organization leaders and long-term training in the US for development practitioners (participant costs are funded by USAIDs); 3) Production of reports, working materials and training films to stimulate foreign investment interest and assist development organizations; 4) Short-term development specialists for assignments with Latin American development organizations; 5) Organization and management of a regional seminar for Latin American development leaders and practitioners; 6) Continued development and maintenance of the specialist roster; 7) Selection and recruitment of US specialists for project assignments in Latin America; 8) Pre-assignment reviews, field supervision and evaluation of specialists; 9) Advice and guidance to AID on overall private enterprise/industrial development programs and project implementation.

Increase in FY 68 funding is due to a) expansion in Maynard operation related to increase in roster of specialists; and b) a projected increase in the training activities carried out by Conway Research, along with increased promotional efforts.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS			PRINCIPAL CONTRACTORS/AGENCIES Conway Research, Inc. H. B. Maynard & Co., Inc.			
	Obligations	Expenditures	Unliquidated	Estimated FY 1967		Proposed FY 1968				
				Direct AID	Contract/ OTHER AGENCY	Total		Direct AID	Contract/ OTHER AGENCY	Total
Through 6/30/66	833	527	306					1/ FY 67 LA P.D.B. should have read: initial obligation FY 65 and scheduled final obligation FY 1970.		
Estimated FY 67	218	203		-	145	145	-		315	315
Estimated through 6/30/67	1,051	730	321	-	-	-	-		-	-
		Future Year Obligations	Estimated Total Cost	-	73	73	-		85	85
Proposed FY 68	400	960	2,411	1	218	218			400	400

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Inter-American Investment Promotion Center	ACTIVITY Private Enterprise		FUNDS Technical Cooperation	
	PRIOR REFERENCE -	INITIAL OBLIGATION FY: 1967	SCHEDULED FINAL OBLIGATION FY: 1972	
PROJECT NUMBER 598-13-950-463				

Project Target and Course of Action - To increase the flow of private U.S. investment into Latin America by means of direct face-to-face promotion to U.S. investors of evaluated Latin American investment opportunities. A "clearing house" will receive proposals from affiliated institutions in Latin America--development banks, "fomento" centers, etc.--assign them to professional investment promotion consultants for direct presentation to U.S. investors on a fixed fee payment basis. Costs will be defrayed primarily by AID, supplemented by fees paid by the Latin American groups, until income accrues to the clearing house in the form of "finder's fees" paid by the U.S. investors. It is believed that in 4 - 5 years the program can be made self-sustaining and AID funding can be phased out. The specific goal is to stimulate \$50 - 100 of private investment for each \$1 of government expenditure.

FY 68 Program - The clearing house will be in full operation and approximately 200 investment projects will be promoted. Quarterly evaluations will be carried out showing money spent, number of projects promoted, number of successful promotions, total investment generated, total number of new jobs created.

It is projected that the clearing house will be staffed initially by a Director and 3 professional employees. The costs of their salaries, secretarial support, related overhead, consultants' fees, and international travel costs will be about \$195,000 in FY 1968.

Other costs of \$105,000 will include office rental expenses, utilities, rental of computer time, domestic travel, printing, advertising and promotion, etc.

Progress to Date: Staffing and contract negotiations are expected to be completed by May 1 and on that date the clearing house activity will be launched.

Nine Latin American countries are already affiliated with the program and are awaiting the launching of U.S. clearing house operation. Active development is underway in the remaining Latin American countries. Before July 1, 1967, it is expected that every country in Latin America will be formally affiliated through their leading development banks and fomento institutions.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES Negotiations are currently underway with the Council for International Progress in Management (CIPM). Award of the contract to CIPM is subject to successful conclusion of such negotiations.
	Obligations	Expenditures	Unliquidated	OBLIGATIONS						
				Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract XXXXX	Total	Direct AID	Contract XXXXX	Total	
Through 6/30/66	-	-	-							
Estimated FY 67	125	20								
Estimated through 6/30/67	125	20	105							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	300	1,475	1,900							
				Cost Components						
				U.S. Technicians	-	75	75	-	195	195
				Participants ...	-	-	-	-	-	-
				Commodities ...	-	-	-	-	-	-
				Other Costs ...	-	50	50	-	105	105
				Total Obligations	-	125	125	-	300	300

██████ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Free Labor Development 598-150410-101	ACTIVITY Labor	FUNDS Technical Cooperation	
	PRIOR REFERENCE Page 478 FY 1967 LA P.D.S.	INITIAL OBLIGATION FY: 1962	SCHEDULED FINAL OBLIGATION FY: 1972
PROJECT NUMBER			

Project Target and Course of Action: To strengthen democratic labor organizations of Latin America by assisting them to develop effective, enlightened and responsible trade union leadership in order that the Latin American labor movement may play an effective role in developing and strengthening the democratic society. The program envisages the use of educational programs, social projects and community services designed for improvement of the workers' living standard.

Progress to Date: The American Institute for Free Labor Development is a private, non-profit organization of U.S. trade union and industrial groups given A.I.D. support. The Washington-based Regional Training Center has provided training for over 500 trade unionists in courses varying from 6-12 weeks. Approximately 60,000 trade unionists have participated in training courses, seminars and conferences in Latin America and the Caribbean area. Labor Education Institutes are now in operation in 20 countries.

The Institute's Social Projects Department has promoted such activities as: workers' cooperative housing institute in Argentina, Brazil, Colombia, Guyana and Peru; a workers' bank in Peru; trade union alliances to sponsor housing and other social projects have been formed in the majority of the Latin American countries. Dwelling units have been built and occupied as indicated: 3,104 in Mexico City; 184 in San Pedro Sula, Honduras; 110 in the Dominican Republic; and 500 in Peru. Seventy (AFL-CIO funded) small, impact projects have been initiated, plus 50 projects fi-

nanced through individual Mission Development Funds. **FY 1968 Program:** The program will be directed toward: 1) worker education and labor leader training with emphasis on rural workers and an university level labor economic course for carefully selected Latin American trade unionists; 2) acceleration of projects designed to promote low-cost workers' housing; 3) assistance to Latin American trade union efforts in the creation of workers' banks, producers, consumers and housing cooperatives; and 4) expansion of small impact projects and community services.

FY 1968 funds in the amount of \$1,700,000 will be used to extend the AIFLD contract for an additional 12 months and will provide for the following:

Technicians: \$1.15 million for approximately 60 technical and managerial personnel, 30 home office administrative and clerical employees, 10 man years of consultant time, plus travel benefits and related expenses.

Participants: \$180,000 to cover training and maintenance costs of 80 participants.

Commodities: \$85,000 to provide office and classroom equipment and training aids.

Other Costs: \$285,000 for rents, utilities, domestic travel, printing and reproduction, etc. The above funding primarily covers the costs of AIFLD home office operations necessary for backstopping USAID funding projects in more than 20 Latin American countries. Also included are the operational costs for regional training institutes operated by AIFLD.

U.S. DOLLAR COSTS (In Thousands)				Cost Components	OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES American Institute for Free Labor Development 1/ Pipeline increase results from voucher submission and payment delays.
	Obligations	Expenditures	Unliquidated		Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other	Total	Direct AID	Contract/Other	Total	
Through 6/30/66	5,813	5,321	492								
Estimated FY 67	1,573	1,335									
Estimated through 6/30/67	7,386	6,656	730 ^{1/}	U.S. Technicians	-	1,100	1,100	-	1,150	1,150	
		Future Year Obligations	Estimated Total Cost	Participants . . .	-	150	150	-	180	180	
				Commodities . . .	-	80	80	-	85	85	
				Other Costs . . .	-	243	243	-	285	285	
Proposed FY 68	1,700	5,200	14,286	Total Obligations	-	1,573	1,573	-	1,700	1,700	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Pan American Health Organization (PAHO) 598-11-510-407	ACTIVITY Health & Sanitation	FUNDS Technical Cooperation	
	PRIOR REFERENCE Page 479 of FY 1967 LA P.D.B.	INITIAL OBLIGATION FY: 1957	SCHEDULED FINAL OBLIGATION FY: 1972
PROJECT NUMBER			

Project Target and Course of Action: To develop the technical and administrative capability of PAHO so that it can take full responsibility for technical assistance needs, where these are required on a regional basis, in malaria eradication programs. PAHO will make available skilled professionals and technicians to overcome Latin American administrative, fiscal and technical difficulties.

Progress to date: Since 1955 and with AID and predecessor agency assistance since FY 1957, PAHO, through training, advisory services, and other assistance, has helped LA countries build up their institutions and technical competence to deal with the problems of eradicating malaria and extending potable water supply systems. Under the Alliance for Progress, these programs have been accelerated with consequent need for continued assistance from PAHO. In FY 1967, the U.S. made a final grant to PAHO of \$170,000 for water programs. The World Health Organization and the PAHO regular program will provide the balance of PAHO requirements in this field. In addition to the above grants, AID made a grant of \$200,000 to PAHO in FY 1967 for a special research project on an aftosa vaccine for hogs and sheep to be carried out at the Pan American Foot and Mouth Disease Center in Rio de Janeiro, Brazil.

FY 1968 Programs: In FY 68, U.S. assistance in the form of special grants to PAHO will continue, making possible technical advisory services, special investigations and the provision of needed commodities for malaria eradication programs. Full technical competence within PAHO will make

it less necessary for USAID to provide these competencies on their own staffs. The total PAHO requirements for programs in these fields during CY 1968 amounts to approximately \$3,000,000 for malaria eradication. Approximately one-half of this amount will be provided by sources other than A.I.D. Indicative of LA self-help in this area, LA countries allotted from their national budgets about \$45 million (U.S. dollar equivalent) for malaria eradication programs during 1966.

Funds provided by A.I.D. will be used in CY 1968 to pay the salaries of 15 long term U.S. technicians in the field and provide for additional scientific backstop and laboratory personnel in the U.S. as required. A.I.D. funds will contribute to the costs of eradication teams staffed by local and third country personnel, training more than 40 local and third country trainees, drugs and laboratory supplies.

The program will continue at least through 1972 because of technical problems encountered, including resistance of mosquitoes to certain insecticides, transmission of malaria outside of dwelling places, construction of new dwellings between DDT spray cycles, and uncontrolled migration from malarious to non-malarious areas.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/ AGENCIES Pan American Health Organization
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/ Other Agency	Total	Direct AID	Contract/ Other Agency	Total	
Through 6/30/66	21,855	21,855								
Estimated FY 67	1,670	1,100	.							
Estimated through 6/30/67	23,525	22,955	570							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	1,500	2,400	27,425							
				Cost Components						
				U.S. Technicians	-	1251	1251	-	1125	1125
				Participants . . .	-	54	54	-	45	45
				Commodities . . .	-	142	142	-	135	135
				Other Costs . . .	-	223	223	-	195	195
				Total Obligations	-	1670	1670	-	1500	1500

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Regional Training Programs	ACTIVITY General and Miscellaneous	FUNDS Technical Cooperation	
598-15-990-077	PRIOR REFERENCE Page 482 of FY 1967 LA P.D.B.	INITIAL OBLIGATION FY: 1954	SCHEDULED FINAL OBLIGATION FY: 1970
PROJECT NUMBER 598-11-990-096			

Project Target and Course of Action: To provide regional training facilities with Spanish-speaking instructors for AID-sponsored LA participants and to make available to USAIDs and LA governments the services of Spanish-speaking short-term technical advisors. Objectives are accomplished through an agreement with the Commonwealth of Puerto Rico (PR) and a contract with the Monterrey Institute of Technology, Monterrey, Mexico.

Progress to Date: The Commonwealth of Puerto Rico provided training in FY 1967 for Latin American participants through a variety of programs, ranging from short visits of several days to training of a year in duration. Latin Americans comprised the majority of the over 200 participants who enrolled in long-term training in the fields of public administration, agriculture, health, and education. Many more students participated in shorter training periods arranged to accommodate a participant's specialized need. In addition, an estimated 45 Commonwealth technicians were recruited to serve as advisors to LA USAIDs and cooperating governments in such fields as agriculture, community development, education, public housing and public health.

The Puerto Rico program required \$35,000 more in FY 1967 than was estimated last year due to an expansion in the scope of the labor education course.

The Monterrey Institute of Technology (MIT) provided technical training for USAID-funded Latin American participants in skills critically needed for development. More participants were sent to MIT during FY 1967 with the increasing recognition of USAIDs and cooperating countries of the high

quality of this institution, built and staffed by Latin Americans. A total of 71 USAID-funded participants were enrolled in MIT in degree programs in agriculture, basic sciences, business administration, engineering or social sciences. Of these participants, ten were selected by MIT as Honors candidates. The increase in actual funding over that estimated last year is due to a greater number of participants (22 additional) than was anticipated.

FY 1968 Program: \$125,000 will be required in FY 1968 for the Puerto Rico program to fund the public administration course to completion, cover the costs of a reduced labor statistics course, and continue the labor education course, short-term specialized training and technical recruitment.

The Monterrey project will require \$125,000 to continue expansion and improvement of the program. It is expected that the number of participants at MIT will continue to increase, and an evaluation responsibility has recently been added to the contract. This figure includes partial tuition costs; the USAIDs provide travel and per diem, and approximately one-third of each participant's tuition is absorbed by MIT.

U.S. Technicians: One full-time coordinator for the Puerto Rico In-Service Labor Statistics Training Program, plus an estimated 3½ man years of short-term instructor time for other Puerto Rico programs.

Other Costs: Technicians and instructors at MIT (Mexican and third country nationals); secretarial support; travel, and overhead (all of which are related to nationals); rental expenses, training aids, communications, etc.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS							PRINCIPAL CONTRACTORS/ AGENCIES
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968				
				Direct AID	Contract/ Other Agency	Total	Direct AID	Contract/ Other Agency	Total		
Through 6/30/66	3,502	2,862	640								
Estimated FY 67	225	205									
Estimated through 6/30/67	3,727	3,067	660								
		Future Year Obligations	Estimated Total Cost								
Proposed FY 68	250	300	4,277								
Cost Components				Direct AID	Contract/ Other Agency	Total	Direct AID	Contract/ Other Agency	Total		
U.S. Technicians				-	25	25	-	25	25		
Participants . . .				-	22	22	-	28	28	Commonwealth of Puerto Rico	
Commodities . . .				-							
Other Costs . . .				-	178	178	-	197	197	Monterrey Institute of Technology	
Total Obligations				-	225	225	-	250	250		

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Technical Assistance in Housing 598-15-890-098	ACTIVITY Housing and Urban Development	FUNDS Technical Cooperation
PROJECT NUMBER 598-13-640-447	PRIOR REFERENCE Page 483 of FY 1967 LA P.D.B.	SCHEDULED FINAL OBLIGATION FY: 1971
	INITIAL OBLIGATION FY: 1963	

Project Target and Course of Action: To alleviate the housing shortage in Latin America and to encourage the establishment of continuing home construction and home financing institutions. Regional funds provide: 1) Costs of an Office of the Coordinator, Foundation for Cooperative Housing (FCH), to coordinate policy guidance, recruitment, administration and training of 32 FCH projects funded through 13 USAID programs. FCH provides assistance to country programs in organizing and advising cooperative housing groups and developing cooperative housing programs pursuant to the directive of Sec. 601 of the Foreign Assistance Act; 2) Staff costs, under a contract with the American Savings and Loan Institute, for direction of study program and correspondence courses to provide education and training to S&L personnel in an effort to meet the shortage of managerial and technical expertise created by the rapid development of savings and loan institutions in Latin America.

Progress to Date: The FCH continues to work with the cooperative housing groups it has helped establish throughout LA. In 1966, a full fledged cooperative housing program was initiated in Colombia and Panama. Training has been provided to some 1,000 Latin Americans and a regional training seminar has now been established in CINVA (Bogotá). In Panama, FCH has developed a prototype \$300 - \$500 house and has initiated production centers for a cooperative building materials industry. These should be the prototype for similar production centers in other countries. A Management Manual has been prepared for Venezuela which should also be the model for other countries in need of

technical guidance in an increasingly important field. In Argentina, FCH provided a substantial amount of the technical assistance needed for approval by IDB of a \$10.5 million loan and is continuing to provide technical guidance in the community development aspects.

American S&L Institute: Progress in developing a savings and loan program was retarded by personnel recruitment problems, and an underestimate of time needed for text preparations. The groundwork is now done and a solid foundation laid for a substantial education program.

It is now staffed with Spanish-speaking personnel; has produced a basic "Savings and Loan Principles" text of 600 pages in Spanish; a "Student Manual" for use in its correspondence course; and a "Customer Relations" text, as well as other text material essential for training purposes. Recruitment of correspondence course participants is now under way and the courses themselves should begin shortly. Recruitment is also under way for participants for stateside training. American S&L Institute personnel will be spending considerable time in LA developing the local chapters which, together with correspondence courses, will form the major part of the educational process.

FY 1968 Programs: To continue the above activities the major cost component will provide for the services and related costs of technicians and consultants. These costs, by activity, will be: FCH -\$110,000; American S&L Institute -\$77,000. **Technicians:** FCH -1 Regional Coordinator and 3 technical specialists in fields of cooperative development and training; American S&L Institute -2 credit training advisors. **Other Costs:** Secretarial support, travel, overhead, etc. - \$64,000.

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/ AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract Other Agency	Total	Direct AID	Contract Other Agency	Total	
Through 6/30/66	407	222	185		-	112	112	-	123	123	American S&L Institute The Foundation for Cooperative Housing
Estimated FY 67	154	135			-	-	-	-	-	-	
Estimated through 6/30/67	561	357	204	U.S. Technicians	-	-	-	-	-	-	
				Participants . . .	-	-	-	-	-	-	
				Commodities . . .	-	42	42	-	64	64	
				Other Costs . . .	-	-	-	-	-	-	
Proposed FY 68	187	617	1,365	Total Obligations	-	154	154	-	187	187	

~~These~~ areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE	Technical Assistance Housing	ACTIVITY	Community Development, Social Welfare and Housing	FUNDS	Technical Cooperation
598-15-890-451	598--15-890-464				
598-15-890-450	598-15-890-465				
PROJECT NUMBER		PRIOR REFERENCE	Page 483 of FY 1967 P.D.B.	INITIAL OBLIGATION	FY: 1965
				SCHEDULED FINAL OBLIGATION	FY: 1974

Project Target and Course of Action: Provide necessary technical support and backstopping for the expanding Latin America Housing Guaranty program. Regional funds cover the following costs:

1. Contract with the Foundation for Cooperative Housing (FCH) provides technical assistance to AID missions in selecting cooperative housing projects suitable for financing under the housing guaranty program and which meet the criteria of the Humphrey Amendment.
2. Contract with the Washington Federal Savings and Loan Association for consultation services in selection, direction and supervision of Administrators of LA financial institutions participating in the housing guaranty program.
3. Service agreement with the Department of Housing and Urban Development (HUD) provides periodic on site construction inspection of housing guaranty projects.
4. Service agreement with the Federal Housing Administration (FHA) to provide the technical expertise and underwriting services required to process applications for coverage under the Housing Guaranties Program. The LA Bureau contributes approximately 1/3 of the cost of this agency-wide PASA which is negotiated for the Agency by the Office of Technical Cooperation and Research.
5. Contract with the National League of Insured Savings and Loan Associations (NLISA) to provide periodic field inspections and surveillance of Housing Guaranty projects under construction and to assist in resolving field engineering problems during the construction period.

It is anticipated that additional housing guarantee authority will be forthcoming over the next several years necessitating extension and expansion of housing programs and program support costs beyond the termination date originally planned.

Progress to Date: FCH has prepared seven pre-feasibility reports on cooperative arrangements in five Latin American countries and is studying Community Organization in three Housing Guaranty projects in Peru. The Washington Federal Savings and Loan Association has periodically visited Administrators of projects comprising approximately 22,000 housing units with an AID Guaranty of \$124,000,000 and has provided surveillance of Administrators and given the required assistance to their institutions. It is also participating in the selection of new Administrators. HUD has provided continuing inspection of 12 of the projects. FHA is processing applications under the old program and making pre-feasibility analyses of new applications. Two inspectors under the NLISA are on board and inspecting projects. It is recruiting four additional inspectors.

FY 1968 Program: Continue the above activities through extensions of contracts and PASA's as follows:
 FCH, \$60,000 for 12 months; Washington Federal, \$150,000 for 12 months; NLISA, \$175,000 for 12 months; HUD, \$32,000 for 12 months; FHA, \$144,000 for 12 months (1/3 of total costs).
Technicians: Eleven full time technical specialists in housing, 1/3 of the costs of 33 full time FIA employees, 22 short term advisors for periods of a few weeks to 3 months, travel costs, secretarial support, and overhead expenses.
Other Costs: Rent and utilities, printing costs, communications, etc.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated							
				Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	40	--	40							Foundation for Coop. Housing Wash. Fed. S & L Assn. Dept. of Housing & Urban Development Fed. Housing Admin. Nat'l League Insured Saving Assn.
Estimated FY 67	449	306								
Estimated through 6/30/67	489	306	183		379	379		476	476	
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	561	2,180	3,230		70	70		85	85	
					449	449		561	561	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Other Government Agency Activities in Support of the Alliance 598-11-460-401; 790-416; 120-454;	ACTIVITY Various	FUNDS Technical Cooperation
PROJECT NUMBER 370-150	PRIOR REFERENCE Page 484 of FY 1967 IA P.D.B.	SCHEDULED FINAL OBLIGATION FY: 1971
	INITIAL OBLIGATION FY: 1953	

Project Target and Course of Action: To mobilize the technical resources of appropriate Federal domestic agencies to assist in the economic and social development programs of the Alliance for Progress.

Progress to Date:

The U.S. Army Corps of Engineers (EARL) will have completed by the end of FY 1967 natural resource inventions of eight LA countries. Compilations of their work will be published by December, 1967. The Inter-American Geodetic Survey (IAGS) of the Corps of Engineers has provided assistance to twelve countries and conducted four loan feasibility studies. The U.S. Department of Labor (USDL) manpower advisor has analyzed manpower and vocational training requirements in selected LA countries. The Internal Revenue Service (IRS) has trained 84 tax advisors for service in LA and now has tax advisor teams in 16 LA countries. The Federal Aviation Agency (FAA) has provided technical assistance in civil aviation to 24 LA countries in such fields as flight standards operations, air traffic control, aeronautics and telecommunications, meteorology and airport construction.

FY 1968 Program:

In FY 1968, Participating Agency Service Agreements will be continued as follows: IAGS: \$275,000 to continue assistance to country programs in natural resources and cadastral surveys and to maintain a regionally funded

Field Task Force of eleven technicians in Panama to provide short term support to USAID programs as necessary. USDL: \$31,000 for one full time manpower expert, and one secretary, to analyze country programs in terms of manpower needs in human resource development. IRS: \$225,000 to train an additional 25 tax advisors, to revise and improve existing training courses and to develop three new courses for two mobile instructor teams. Participants are USAID funded. FAA: \$275,000 for eleven full time and two short-term civil aviation advisors to provide technical advisory services to LA national and regional aviation organizations.

Technicians: \$674,000 for salaries of technicians as outlined above, plus international travel, allowances, overhead, secretarial support, etc.

Other Costs: \$92,000 for rental expenses, domestic travel, communications, local employees (maintenance and secretarial), etc.

1/ Changing program requirements have permitted revision downward in FY 1967 estimate of total costs to completion of the project.

2/ Pipeline increase due to delays in submission and payment of vouchers.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES					
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract Other Agency	Total	Direct AID	Contract Other Agency	Total	
Through 6/30/66	4,450	3,934	516								Inter-American Geodetic Survey U.S. Department of Labor Internal Revenue Service Federal Aviation Agency
Estimated FY 67	1,156	850									
Estimated through 6/30/67	5,606	4,784	8222/	U.S. Technicians	-	955	955	-	714	714	
				Participants . . .	-	74	74	-	-	-	
				Commodities . . .	-	-	-	-	-	-	
				Other Costs . . .	-	127	127	-	92	92	
Proposed FY 68	806	1,581	7,993 1/	Total Obligations	-	1,156	1,156	-	806	806	

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Leadership Development	ACTIVITY General and Miscellaneous	FUNDS Technical Cooperation	
598-13-990-100			
PROJECT NUMBER 598-15-990-109	PRIOR REFERENCE Page 485 of FY 1967 LA PDB	INITIAL OBLIGATION FY: 1963	SCHEDULED FINAL OBLIGATION FY: 1970

Project Target and Course of Action: To strengthen the capacity of selected non-governmental organizations in L.A. for responsible democratic action, develop leadership in voluntary and community agencies, and promote the development of rural leadership in democratically oriented farm organizations. These Title IX objectives for broadening participation in local democratic institutions are accomplished through contracts with the Overseas Education Fund of the League of Women Voters (OEF) and the Farmers Union International Assistance Corporation (NFU).*

Progress to Date: Under the League of Women Voters (OEF) project, a total of 51 LA women leaders have received or are now receiving formal training in group dynamics and organizational and planning skills at Pembroke-Brown University. The second year follow-up training consists of OEF field staff advisory services once the participant has returned to her professional or volunteer work in a social or community agency, such as Accion Comunal in Colombia and Instituto Educacion in Chile.

Thus far under the NFU program, training has been provided to 272 young farm leaders who have since organized consumer and credit cooperatives, rural community associations established schools and improved agriculture through development of better potato seed for Andean area and introduction of crop rotation.

FY 1968 Program: OEF will receive \$150,000 in FY 68 to extend their contract for an additional 12 months. In order to increase the number of participants in FY 1968, the OEF will restructure its program by 1) relocating the institute from Pembroke-Brown University to Boston College; 2) short-

ening the training period whereby three groups of up to 15 participants will receive training for three months rather than eight months; and 3) intensifying recruiting efforts by the LA representatives. Providing more intensive training over a shorter period of time will permit more efficient operation of the program without any loss in effectiveness. The OEF will also select a site within Latin America for its training institute to become operational in FY 1969

Under the NFU contract FY 68 funds (\$50,000) will cover the costs of providing US training in agriculture and community development for an additional 12 months for up to 40 LA participants. As currently structured, the program provides 2 1/2 weeks of orientation at Jamestown College, North Dakota, followed by 2 1/2 months in homes of NFU members (who provide free room and board) where they will participate in the daily life of a rural US family. Training is completed by a one-month special evaluation course at the University of Wisconsin. AID is working with NFU to restructure the project in FY 68 to emphasize training in the means for developing local democratic institutions oriented toward self-help development activities within the context of Title IX of the Foreign Assistance Act.

Technicians: \$104,000 for 4 full time technicians located in the US and short term and part-time consultants as required, plus secretarial support, benefits, travel and overhead.
Participants: \$80,000 for up to 45 participants under OEF program. Participants under NFU program are USAID funded.
Other Costs: \$15,000 to cover rental expenses, training materials, communications costs, etc.

1/ Differences from FY 1967 PDB in projected costs result from separation of the Teacher Scholarship portion of this project into a separate project unit (see IASPAU project data page).

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/ AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/ XXXXX	Total	Direct AID	Contract/ XXXXX	Total	
Through 6/30/66	1024	911	113		-	44	44	-	104	104	Farmer's Union International Assistance Corporation - * Formerly National Farmers Union. Overseas Education Fund of the League of Women Voters
Estimated FY 67	130 <u>1/</u>	94		U.S. Technicians	-	75	75	-	80	80	
Estimated through 6/30/67	1154	1005	149	Participants ...	-	1	1	-	1	1	
		Future Year Obligations	Estimated Total Cost	Commodities ...	-	10	10	-	15	15	
Proposed FY 68	200	250	1604 <u>1/</u>	Other Costs ...	-			-			
				Total Obligations	-	130	130	-	200	200	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE PARTNERS OF THE ALLIANCE 598-15-990-436 PROJECT NUMBER	ACTIVITY General and Miscellaneous PRIOR REFERENCE P.486 of FY 67 LA P.D.P.	FUNDS Technical Cooperation INITIAL OBLIGATION FY:1965 SCHEDULED FINAL OBLIGATION FY: 1971
---	--	---

Project Target and Course of Action: To organize the efforts of U.S. and Latin American institutions, organizations, firms, other groups and individuals toward direct citizen involvement in Partners relationships. Active private sector participation is encouraged through the joint development and implementation, by counterpart U.S. and L.A. Partners organizations, of a) small socially oriented self-help projects in rural villages and slum areas; b) educational and cultural exchanges; c) technical assistance; and d) investment and commercial ventures.

Progress to Date: In 3 years, partnerships involving 30 U.S. states and the District of Columbia and counterpart groups in 15 L.A. countries have completed scores of projects typified by: a) Two Bolivian teachers conduct a special program in Spanish language teaching for the Little Rock, Arkansas school system; b) Illinois volunteer air pollution expert works with city technicians of Sao Paulo (Brazil); c) Para (Brazil) offers 2 university scholarships for British Honduras students; e) open heart surgery in Texas for a Lima (Peru) newshoy and an Iquitos school girl; f) \$20,000 of polio vaccine for Lions Club immunization program in a small Colombian city; g) Colorado, Connecticut, Ohio, Indiana, New Jersey, Missouri, Oklahoma, Wisconsin, Texas and Pennsylvania ship hospital and school equipment exceeding \$400,000 to Partners in L.A.; h) in-service training for 3 Guatemalan port supervisors at Mobile, Alabama; i) medicine and supplies exceeding \$2 million for rural health programs in Central America; and j) exhibit of contemporary Bolivian paintings tours Utah.

FY 1968 Program: The National Association of the Partners of the Alliance, Inc., incorporated in January, 1967, with a headquarters staff of five, complements the Administrative and AID/Partners staff to develop program potential. The board consists of a representative for each U.S. state partnership from which is drawn an Executive Committee to direct the Association's affairs. Four field representatives will be stationed in Latin America.

Collaborating with AID Partners staff and financed initially by a small AID grant, the Association: a) will develop additional private resources for the program; b) will supplement the AID Partners staff by supplying four 5-man short-term Program Development teams to assist LA counterpart committees, and will make available 18 short-term project advisors to assist the state and LA committees in program implementation and coordination; and c) will provide a clearing house to state committees for implementation techniques. Other costs of the Association include domestic travel, transportation of donated equipment, rental expenses, etc.

U.S. Technicians: AID will provide 20 short-term advisors at a cost of \$28,000 for project activities. The grant of \$272,000 to the Association will fund the activities outlined in the preceding paragraph through June

The Association will require AID grant support in diminishing amounts over a 4-year period ending FY 1971.

1/Pipeline increase results from delays in billing.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES
	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/ OTHER EXPENSE	Total	Direct AID	Contract/ OTHER EXPENSE	Total	
Through 6/30/66	225	155	70							Grant to National Association of the Partners of the Alliance, Inc.
Estimated FY 67	330	120								
Estimated through 6/30/67	555	275	280	25	56	81	28	202	236	
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	300	750	1,605	163	86	249	-	64	64	
				188	142	330	28	272*	300	

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Consultants and Seminars 598-15-990-081 598-15-990-044	ACTIVITY General and Miscellaneous		FUNDS Technical Cooperation
	PRIOR REFERENCE Page 487 of FY 1967 LA P.D.B.	INITIAL OBLIGATION FY: 1954	SCHEDULED FINAL OBLIGATION FY: 1969
PROJECT NUMBER 598-15-990-044			

Project Target and Course of Action: To provide a flexible fund for activities of region-wide significance which involve small outlays of money and/or are completed within one fiscal year, and for activities of special importance which could not be foreseen prior to submission of the Congressional Presentation.

Progress to Date: Examples of the activities funded under Consultants and Seminars during the past year: Seminar on Agricultural credit; Seminar on Capital Development objectives and methods; Evaluation of Educational Television activities and prospects in Latin America; Consultant on Credit Insurance for the Latin American Cooperative movement; and short term specialists in such fields as agriculture and fertilizers, economic planning, teacher training and education, family planning, nutrition and public health.

FY 1968 Program: Through these funds, technicians' and high-level consultants services will be made available to AID/W and USAID's for short specialized projects and studies, for exploratory work and/or pilot projects, and for evaluation of regional and USAID programs. To a limited degree, funds will be used to provide consultants' services for the development of technical supporting aids, such as manuals and films. Through workshops and seminars supported under this activity, USAID and AID advisors will be able to bring together LA nationals to discuss common problems, and USAID and AID/W personnel will be able to participate in programs of regional interest.

Projects currently in the planning stages include as-

istance to conferences on Latin America Municipal Government, seminars and consultants in the fields of census and statistics in support of preparations for the 1970 world-wide census effort, a conference on nutrition, and evaluations of AID Technical Assistance efforts in Latin America.

In FY 1968 \$140,000 will be used for projects and services as described above and \$160,000 for short-term consultants as needed, drawn both from other government agencies and from private enterprise.

1/ Pipeline increase results from implementation of many activities late in fiscal year with billings for such activities arriving after June 30th.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES																																													
	Obligations	Expenditures	Unliquidated	OBLIGATIONS																																															
				Estimated FY 1967			Proposed FY 1968																																												
				Direct AID	Contract/Other Agency		Total	Direct AID	Contract/Other Agency	Total																																									
Through 6/30/66	1,910	1,510	400	<table border="1"> <tr> <td>Cost Components</td> <td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td>U.S. Technicians</td> <td>17</td><td>204</td><td>221</td><td>15</td><td>220</td><td>235</td> </tr> <tr> <td>Participants . . .</td> <td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td> </tr> <tr> <td>Commodities . . .</td> <td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td> </tr> <tr> <td>Other Costs . . .</td> <td>2</td><td>61</td><td>63</td><td>4</td><td>61</td><td>65</td> </tr> <tr> <td>Total Obligations</td> <td>19</td><td>265</td><td>284</td><td>19</td><td>281</td><td>300</td> </tr> </table>						Cost Components							U.S. Technicians	17	204	221	15	220	235	Participants . . .	-	-	-	-	-	-	Commodities . . .	-	-	-	-	-	-	Other Costs . . .	2	61	63	4	61	65	Total Obligations	19	265	284	19	281	300
Cost Components																																																			
U.S. Technicians	17	204	221							15	220	235																																							
Participants . . .	-	-	-							-	-	-																																							
Commodities . . .	-	-	-							-	-	-																																							
Other Costs . . .	2	61	63	4	61	65																																													
Total Obligations	19	265	284	19	281	300																																													
Estimated FY 67	284	185																																																	
Estimated through 6/30/67	2,194	1,695	499 1/2																																																
		Future Year Obligations	Estimated Total Cost																																																
Proposed FY 68	300	425	2,919																																																

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE PAU Special Development Assistance Fund (SDAF)	ACTIVITY General and Miscellaneous	FUNDS Technical Cooperation	
PROJECT NUMBER 598-15-990-435	PRIOR REFERENCE Page 488 of FY 1967 P.D.B.	INITIAL OBLIGATION FY: 1965	SCHEDULED FINAL OBLIGATION FY: 1972

Project Target and Course of Action: To help realize the multilateral nature of the Alliance through voluntary contributions to the SDAF. The Fund is a mechanism for developing a multilateral program of technical assistance. The Fund stimulates cash and in-kind grants from LA countries, plus in-kind grants from Free World Nations.
Progress to Date: In 1965, a total of \$6,140,675 was pledged (34% by LA Governments-66% by US). In 1966, for the 15 month budget period 4/1/66-6/30/67, \$7,691,487 was pledged at the 66:34 ratio. Progress to date is measured by qualitative accomplishments such as:

1. The Extra-continental Training Program - By end FY 67, special training programs for 270 students will have been organized to which 17 OECD and other Free World countries offer in-kind grants for training technicians. Travel/administrative expenses paid by SDAF; living expenses/tuition provided by host country; SDAF contributes 1/3 cost. (In 1966 program year SDAF contributed \$270,000 to host government \$810,000). Fellowship holders will have totalled 1207 in over 100 training projects by 6/30/67.

2. The SDAF contributes to CIAP (Inter-Amer.Committee for AFP). CIAP annually reviews LA national development activities; the findings and recommendations are key elements of US decision making in granting loans for social and economic development programs.

3. Sectoral programs in field of "New Initiatives". Illustrative programs aimed at developing permanent institutions include: a) Agriculture-contribution to Inter-Amer.Institute for Agricultural Sciences in Costa Rica and the Inter-

Amer.Center of Rural Development and Agrarian Reform in Colombia, with branches in seven LA countries, trained over 1000 professionals in the 1966 program year. b) Natural Resources Training: contribution for the training activities of the Inter-Amer.Center of Integral Dev. of Land and Water Resources in Venezuela. Training aims at proper resource development and successful operation/maintenance of ensuing projects; assisting LA governments to build institutions related to land and water development. During the 1966 program 157 professionals were enrolled. Besides contribution in-kind, Venezuelan cash contribution almost equals SDAF's. Venezuela will take over project in FY 1969.

4. Improved Fund Management. CIAP Budget-Sub-Committee successfully analyzed operations of Fund and their relationship to other funding sources and moved toward on-the-spot project evaluations.

5. The stepped up LA government payments rate is indicative of acceptance of multilateralization of the AFP technical assistance function. LA payments from 1/1/65-1/31/67 on both 1965-66 pledges totalled \$2,627,528; anticipated collections in next six months will total \$1,136,123 on both pledges.

FY 1968 Program: The U.S. intends to pledge \$4,500,000. The original FY 69 phase-out date is revised to conformance with the President's mandate to give added emphasis to agriculture and education in the context of integration and multilateralism over the next 5 years.

1/ Adjusted US pledges based on 66:34 ratio to final LA member government pledges. Decreases from amounts shown FY 67 PDB result from LA member contribution shortfalls.

U.S. DOLLAR COSTS (In Thousands)				OBLIGATIONS						PRINCIPAL CONTRACTORS/AGENCIES Pan American Union
1/ Through 6/30/66	Obligations	Expenditures	Unliquidated	Estimated FY 1967			Proposed FY 1968			
				Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
	5,192	4,067	1,125							
Estimated FY 67	4,500	4,501								
Estimated through 6/30/67	9,692	8,568	1,124							
		Future Year Obligations	Estimated Total Cost							
Proposed FY 68	4,500	4,500	18,692		4,500	4,500		4,500	4,500	
				Total Obligations	-	4,500	4,500	-	4,500	4,500

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Demographic and Population Program 598-15-990-438; 455;456;457;459;460	ACTIVITY General and Miscellaneous	FUNDS Technical Cooperation	
	PRIOR REFERENCE Page 489 of FY 1967 LA P.D.B.	INITIAL OBLIGATION FY: 1964	SCHEDULED FINAL OBLIGATION FY: 1975
PROJECT NUMBER			

Project Target and Course of Action: To increase the awareness of LA governments of the problems which rapid population growth creates for socio-economic development, and to encourage them to develop appropriate population programs. Special efforts are being made to develop the capacity within local and regional LA institutions to carry out research and action population programs.

Progress to Date: Through AID grants and contracts: CELADE (Centro Latinoamericano de Demografia) a regional demographic center in Santiago, Chile, is providing special courses for multi-disciplinary groups, participating with other LA organizations in orientation programs, conducting fertility studies in 12 LA countries and providing technical assistance to their respective governments. CELAP/DESAL, a Center for Study of Family and Population established under a grant to DESAL (Centro Para el Desarrollo Economico y Social de America Latina) has conducted 11 seminars and workshops attended by 330 priests, medical doctors, journalists, lawyers, economists, government officials and educators, defining the population problems and the roles of the state, church, educators and community leaders in the development of national population policies. IPPF (International Planned Parenthood Federation) is providing assistance to 70 family planning clinics, in 4 LA countries and has trained physicians for clinical service in 2 countries. The POPULATION COUNCIL is sponsoring research which includes high altitude effects on fertility and effectiveness of contraceptives. NOTRE DAME UNIVERSITY has provided assistance to major Catholic institutions

in 3 LA countries in the development of staff capacity for population research and in revising curriculae to include courses in population, family structure and fertility factors.

FY 1968 Program: \$1,234,000 will be allocated as follows:

IPPF -\$500,000 to continue and increase assistance to action population programs for an additional 12 months.

Notre Dame University -\$175,000 to continue assistance for an additional 12 months to LA Catholic institutions in developing staff capacity in population research and curriculae.

Population Council -\$200,000 to sponsor, for a period of 12 months, additional research by LA institutions in the fields of fertility factors and effective contraceptive techniques.

CELADE -\$150,000 to continue for an additional 12 months the development of training courses in Demography and to provide assistance to LA governments and institutions in conducting population surveys.

DESAL-\$175,000 to conduct additional seminars during CY 1968 for LA leaders on the development of national population policies.

Regional Population Officer -\$34,000 to cover the salary, allowances, travel and secretarial support costs for an AID direct-hire population officer based in Rio de Janeiro, Brazil, to provide assistance to South American USAIDs and institutions in developing population programs.

Refinements in the program, based on experience to date, has made possible significant reductions in anticipated

U.S. DOLLAR COSTS (In Thousands)							PRINCIPAL CONTRACTORS/AGENCIES				
	Obligations	Expenditures	Unliquidated	Cost Components	OBLIGATIONS						
					Estimated FY 1967			Proposed FY 1968			
					Direct AID	Contract/Other Agency	Total	Direct AID	Contract/Other Agency	Total	
Through 6/30/66	1,963	696	1,267								
Estimated FY 67	1,008	740									
Estimated through 6/30/67	2,971	1,436	1,535 ^{1/}	U.S. Technicians	20	155	175	34	135	169	
		Future Year Obligations	Estimated Total Cost	Participants ...	-	-	-	-	-	-	
				Commodities ...	-	42	42	-	25	25	
				Other Costs ...	-	791	791	-	1,040	1,040	
Proposed FY 68	1,234	4,500	8,705	Total Obligations	20	988	1,008	34	1,200	1,234	

IPPF
Pop Council
Notre Dame University
DESAL
CELADE

^{1/} Pipeline results from forward funding of some contracts signed late in fiscal year.

Some areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Demographic and Population Program 598-15-990-438;455;456;457;459;460	ACTIVITY General and Miscellaneous		FUNDS Technical Cooperation
PROJECT NUMBER	PRIOR REFERENCE Page 489 of FY 1967 LA P.D.B.	INITIAL OBLIGATION FY: 1964	SCHEDULED FINAL OBLIGATION FY: 1975

On the other hand, the magnitude of the problem, the delicate nature of this activity and the environment in which it must be implemented dictates extension of U.S. involvement considerably beyond the dates originally estimated. We are also exploring means for involving multilateral institutions in population efforts.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LA REGIONAL

PROJECT DATA

TABLE III

PROJECT TITLE Summit-related New Initiatives in Agriculture, Education and Regional Integration	ACTIVITY General and Miscellaneous	FUNDS Technical Cooperation
PROJECT NUMBER	PRIOR REFERENCE None	INITIAL OBLIGATION FY: 68
		SCHEDULED FINAL OBLIGATION FY:

These funds will be used, along with host government contributions, to initiate projects mostly of a multinational character and primarily in education following agreements expected at the Hemisphere Presidents' meeting in April. The illustrative projects below are examples of such activities now under study for which U.S. technical assistance will be required. An estimated \$5 million is reserved for these activities in FY 1968.

1. Multinational Institutes of Science and Technology. Most university-level training in the natural sciences and engineering in Latin America suffers from outmoded curricula, shortage of qualified professors, inadequate laboratory equipment, and understocked technical libraries. To more fully harness the fruits of modern science and technology to Latin American development three Multinational Institutes would be developed at the graduate level to train Latin American scientists and engineers.

2. Inter-American Agency for Export Promotion. Grant funds will be needed to finance the establishment of an inter-American agency to help identify and utilize new export lines for Latin American products. Such an agency would further stimulate existing country efforts to diversify their export trade.

3. New Educational Media. The great contrast in educational levels between the rural and urban areas, and the staggering rate of school drop-outs in Latin America call for revolutionary remedies using every available proven educational medium and technique. Educational televi-

sion programs are already being developed in several Latin American countries and U.S. assistance may be provided in setting up an educational television regional center to train local planners and technicians. Grant funds will also be needed to fulfill U.S. commitments to help introduce other modern educational techniques--correspondence courses, expansion and modernization of library services, short courses, etc. Badly needed technical assistance in the mass production and distribution of textbooks and teaching materials will be provided.

4. OAS Education Programs. Considerable expansion is both practicable and necessary in the present level of OAS activities in three education areas--the granting of scholarships and fellowships, loans to needy students and teacher exchange programs. Technical assistance on a regional level may also be provided through the OAS to individual ministries of education in educational planning, university reform, development of comprehensive secondary schools and expansion of vocational and technical training programs. The development of a regional program under the OAS to expand the teaching and application of science and technology at all levels is also contemplated.

An expanded bilateral program in scholarships for Latin American students in selected fields is programmed.

U.S. DOLLAR COSTS (In Thousands)						PRINCIPAL CONTRACTORS/AGENCIES			
	Obligations	Expenditures	Unliquidated	OBLIGATIONS					
				Estimated FY 1967			Proposed FY 1968		
				Direct AID	Contract/Other Agency		Total	Direct AID	Contract/Other Agency
Through 6/30/66	-	-	-						
Estimated FY 67	-	-	-						
Estimated through 6/30/67	-	-	-						
		Future Year Obligations	Estimated Total Cost						
Proposed FY 68	5,000	-	-	Total Obligations					