



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

JUN 8 1971

INTERNATIONAL DIVISION

B-153772



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Director, OPSS

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Dear Mr. Kleiner:

In October 1967, the Agency for International Development (AID) made an agricultural sector loan to Chile to help support its agricultural development program. The aim of the loan was to make more financial resources available to the sector while eliciting from Chile certain "self-help" measures deemed necessary for providing agricultural production incentives and for accelerating growth.

We reviewed performance under the loan to see whether the self-help steps produced by Chile were undertaken and were effective. We also checked on the use of commodities imported with loan funds.

We found that:

- ...some self-help measures were not undertaken.
- ...some were undertaken but were short-lived because new sector loans were not made.
- ...some of the reforms the U.S. asked for may not have been too well founded because it was uncertain what their effect would be.
- ...a high proportion of the commodities imported under the sector loan had not been used properly.

The effect of these things on agricultural productivity cannot be measured because there were severe droughts in Chile during 1967 and 1968. It is reasonable to assume, however, that the loan did not stimulate as much increased production as was hoped for and might have been achieved with better performance.

Because of recent developments in Chile, we understand that AID has no plans at the present to authorize new agricultural sector loans to Chile. The age of the loan and the altered U.S.-Chilean relationship lead us to conclude that a useful purpose would not be served by issuing a detailed report on our findings. The factual analysis upon which we based our conclusions will be made available to you at your request.

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We would like to express our appreciation for the cooperation and assistance furnished to us by the Agency for International Development during this review.

Sincerely yours,

Gilbert F. Stromvall

Gilbert F. Stromvall
Associate Director

Mr. Herman Kleins
Deputy U.S. Coordinator
Alliance for Progress