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ESTABLISHMENT OF A SPECIAL FUND FOR RURAL WELFARE

I. Antecedents and General Objectives

More than half the total population of Latin America lives in rural areas, largely on scattered farms and in communities of less than 2,000 population. Even when considering the factors of industrial and general economic development, for generations to come, there will always remain a large proportion of rural population in Latin America whose needs will have to be taken care of. The welfare of this important segment of the population has long been a primary concern of the Pan American Health Organization.

Although the rural population is just as important as the urban one, as a general rule, the rural population has been the last group to benefit from national programs for improved health and welfare. In the less developed countries of the Hemisphere, owing to the lack of financial resources and the isolation and tenuous linkage with the market economy of many rural people, social welfare programs have tended to find their greatest application in urban centers even when they have originally been conceived to cover the whole of the population.

The First Annual Meeting of the Inter-American Economic and Social Council at the Ministerial Level (Mexico City, October 1962) recognized the need for intensified effort to improve the conditions of life in rural areas, and Resolution A-11 on Health and Economic and Social Development (Appendix I) stressed the need for international credits in order to carry out a variety of programs, including rural community development and water supply.

Recommendation A-6 of the Task Force on Health at the Ministerial Level, Washington, April 1963, (Appendix II) as confirmed by Resolution IV of the 48th Meeting of the PAHO Executive Committee (Appendix III) further recommended that the Pan American Health Organization study the possibility of establishing a special fund, which might be called the Special Rural Welfare Fund, which would make it possible to carry out environmental sanitation and other health projects with the cooperation of organized communities, priority being given to water supply projects. The present

study was carried out by the Pan American Sanitary Bureau in response to the recommendations of the Task Force on Health, and of the 48th Meeting of the PAHO Executive Committee, and is being submitted herewith to the PAHO Directing Council.

In interpreting the spirit of above recommendations and as implied by its title, it was considered that the Special Rural Welfare Fund should involve not only rural water supply and sanitation but also such other projects that will increase general rural welfare.

II. The Rural Community in Transition

The rural community in much of Latin America today is in a period of transition. Basically still traditionally oriented, with its major values unchanged for many years, the rural community is being exposed increasingly to modern technology and to the appeal of the city with its promise of the amenities of modern living.

The cityward migration in many Latin American countries has developed more rapidly than have urban job opportunities and urban housing, creating slum areas in and around the major cities where unemployment, inadequate housing, disease and social unrest prevail.

Orderly economic growth can only occur when the flow of population to urban areas matches at least approximately the increasing job opportunities and the physical absorption capacity of the cities, and when sufficient productive workers remain on the land to provide food both for themselves and for the growing urban population.

Rural unemployment and poverty provide an incentive to leave the land even when urban job opportunities do not exist, and development planners are increasingly concerned with creating new productive job opportunities in farm and village, both to mitigate urban unemployment and overcrowding and to stimulate agricultural production.

Economic incentives alone are not enough to hold people on the land when they imagine that life is more pleasant elsewhere, and it is now generally recognized that the rural community must offer more attractive living, more of the characteristic urban amenities, if the outflow of population is to be held to reasonable proportions.

Experience in a number of Latin American countries has shown that facilities such as water supply, housing, schools, community buildings and the like cannot be imposed effectively from above. When facilities are provided as a gift, the population tends to expect that maintenance services will also be given, and the new installations quickly fall into disrepair. It has been demonstrated that only by stimulating community interest, by mobilizing community resources of labor and materials as well as money, can a sense of participation and a direct incentive to improve operation and maintenance be created.

Community self help not only creates interest and awareness, but can also tap hitherto unutilized local resources. In areas where underemployment is prevalent, a contribution of labor time does not jeopardize other activities. Locally available wood, sand, gravel and other building materials may be conveniently exploited. Both a psychological and a material stimulus to development is thus provided.

For above indicated reasons, it is felt that rural welfare works in the Americas should depend as far as possible on the resources of local communities, and be based on their active participation with intervention by provincial and national Governments only to the extent necessary to make up the difference, and with international resources called on only to the extent that local and national resources are clearly not adequate to achieve the desired result by themselves.

So far, in Latin America, a series of sanitation and rural welfare projects have already been executed successfully with community participation. However, under the proposal contained in this document to the PAHO Directing Council not thousands but many millions of people would be involved.

Rather than supplement national and local effort by grants or by loans on commercial terms, the more flexible instrument of international financing of national revolving funds for direct loans to local communities would appear most logical. While, for reasons discussed below, attention would be concentrated on rural water supplies in the first instance, the revolving funds --once they become selfsustaining-- could supplement community self-help for constructing or improving housing, for excreta and refuse disposal, for food storage and processing facilities, as well as for other undertakings designed to improve the level and attractiveness of rural life.

Finally, as a by-product, the community, once properly organized and with a habit already created, might well see fit to finance in a similar fashion other worthwhile projects with Governments providing the necessary initial funds.

III. The Need for Initial Emphasis on Water Supply

Healthy communities require a healthful environment which is impossible to obtain without adequate water supply. Water is essential to housing, school and food hygiene, health centers, industrial activities, recreational facilities and many others, in addition to the needs for personal cleanliness and comfort.

By common consent, water occupies a first priority due to its necessity to sustain life, due to its influence upon health and disease and due to its bearing upon the economy and standard of living.

It is scarcely necessary to detail the relationship of water supply to public health. Gastro-intestinal infections such as typhoid and dysentery are transmitted by water, as are certain virus diseases such as infectious hepatitis. The lack of abundant water for bathing and cleansing is closely related to the prevalence of many infections transmitted by contact with contaminated fomites.

Reports of Member Governments to the Pan American Health Organization for 1962 show that in most Latin American countries enteritis and diarrhea were the main causes of death in the 1-4 year age group. This points up the contribution of a water supply program to the objectives of the Alliance for Progress to raise average life expectancy by 5 years and reduce infant mortality in the 0-5 year group by 50 per cent in a decade.

The Alliance for Progress proposes to stimulate economic growth harmoniously with social development. The bed-rock for this desired accomplishment is the health and welfare of the people who are to be both the participants and the beneficiaries of this venture. The first necessity of good health is for the people to have good water in sufficient amounts for drinking and other domestic purposes.

Furthermore, a good water supply is also required for the uses of commerce and for industry itself. Water is required for a multitude of uses, and unless it is available for the support of processes, as well as to provide health and convenience to the workers, industry will not develop. Records are replete with the case-histories of places that have burgeoned and grown under the stimulus of water supply and of those which have withered and died from its lack. Many communities even in remote places, have been pulled out of social and economic doldrums by the aid of water supply and transformed into thriving, enlightened, commercialized, industrialized and progressive communities.

In the developing countries there are usually limited financial resources and great competition for the available money. The great problem is deciding with confidence upon sound priorities. There are many advisers on the expenditure of this money --possibly too many at times-- with many points of view. Governments must see to it that in their development programs adequate provisions are made for this vital infrastructure of water supply for the people.

Money spent on water supplies, however, purchases more than improved health. The provision of readily accessible water is part of a higher level of living. It allows women and children to devote to other activities the time which would otherwise be spent day in and day out carrying water. A one-inch pipe can deliver as much water to a community as 150 women carrying jars for eight hours a day.

Water pays great economic dividends not only in reducing lost man hours of labor due to debilitating illness but also in making the community more stable and attractive to capital investment. In the case of light industry in small communities using local agricultural products as raw material, the undertakings often do not have the technical and economic resources to solve the problems of water supply for themselves, and community water services thus provide a stimulus to small-scale, decentralized industrialization.

Above all, adequate water service at reasonable cost is an attainable objective for the rural community. If it has not yet been attained, it is only because the national Governments and local communities of the Americas have not committed themselves to the task. The single most difficult step in a water supply program is to get it started; in countries where it has been possible to get a program under way, it has usually prospered and expanded. International aid can play a true catalytic role in the initiation of rural water supply programs in the knowledge that efficiently mobilized local and national resources will soon result in self-sustaining growth.

In summary, the justification for rural water supply as the first endeavor of a special fund for rural welfare is based on the following:

1. It satisfies a human want as well as an objectively verifiable need.
2. Experience has shown it to be completely feasible.
3. It requires relatively small outside assistance and rapidly becomes self-sustaining.
4. It yields returns in health, comfort, and economic development.
5. It involves the whole community and contributes to its development.
6. It rests on a sound and scientifically accepted technical base.

IV. Alliance for Progress Objectives

In the Charter of Punta del Este, the American countries pledged themselves to make potable water and sewage disposal facilities available at least to 70 per cent of the urban and 50 per cent of the rural population in a decade. It is to be noted that during the past two years remarkable developments have been achieved particularly with the financial aid of the Inter-American Development Bank (IADB) and the United States Agency for International Development (AID) which have approved over \$200,000,000 in loans for the development of water supplies in Latin America. However, the Pan American Health Organization views with concern that the problem of rural water supplies still remains largely unsolved. The

recommendations of the Task Force on Health clearly indicate the interest of the Governments to the effect that the rural water supply problems be solved in a similar fashion as the urban ones.

While some funds for rural water supply have been given by the IADB, the AID (U.S.A.) and by UNICEF, and technical assistance has been provided by AID and PAHO, the amounts thus far assigned to complement locally available funds are far from sufficient to fulfill the obligation assumed at Punta del Este. Calculations of the Pan American Sanitary Bureau, shown in Table I, indicate that 56,530,000 of the rural population of Latin America will have to be provided with water in a decade if this obligation is to be met.

If the present attitude toward rural water supply continues, 10 years hence there will be little achievement towards the goals established by Alliance for Progress. Previous attempts have so far not been of a sufficient magnitude; it is imperative that a bold new approach be designed in order to get the rural water supply programme moving on a continent wide scale.

The present proposal for a Special Rural Welfare Fund represents a new approach towards solving the rural water supply problem on a vast scale in Latin America, with active community participation on a self-sustaining basis, involving concepts of sound fiscal administration and operations management, to continue after construction is completed. The proposal does not intend to replace but rather to supplement other national and international efforts already existing. During a second cycle the Special Rural Welfare Fund could finance other rural welfare projects.

For the initiation of the program, it will be advisable to select those communities where the greatest number of people might benefit and which offer the most favorable conditions. The results obtained in these communities during the initial stage of the program will no doubt stimulate action in other communities in the countries concerned.

Small and poor communities require simple and modest solutions to their water problems. Spigots and water units may be considered as a first step, and every effort should be made to provide service connections into the homes or adjacent courtyards. For this, it is important to consider that there be no rigidly transplanted standards from more developed countries. Flexible solutions, related to the legal and institutional structure of the Latin American countries, to the customs and traditions of local communities, should be adopted.

While the figure of \$10 per capita has been mentioned for some years as an average estimate for the construction of rural water supplies, it is more likely that the average cost will approach \$15 over the next ten years. Depending on local conditions, whether adequate ground water supply is readily available or whether surface water has to be carried by pipelines over long distances with treatment facilities to be provided, cost figures

ranging from less than \$8 to more than \$25 per capita have been encountered in recent experience. The aggregate cost estimate of about \$900,000,000 on the basis of an average cost of \$15 per capita, shown in Table I; therefore, represents a wide range of possible costs for individual projects.

It should also be borne in mind that there is a certain minimum expenditure involved in the construction of wells, storage tanks, etc., which can serve varying numbers of persons. The greatest number of persons can be served at lowest per capita cost by starting with larger communities at the beginning of the rural water program.

In view of the many claims on national resources in the development programs of the Alliance for Progress, it is hardly likely that the countries of the Americas will be able to bear the entire burden of rural water supply from local community contributions and Government budgets. Although it is essential that the local communities to be benefited make some contribution, the amount they can supply is limited by the low incomes of the rural population. The present proposal, therefore, is based on the assumption that local communities will make some contribution of labor, materials and money within their ability to pay, and that some grants in aid for rural water services will have to be made by national Governments.

Furthermore, an international loan mechanism involving long and interest free terms to countries which establish a National Revolving Fund would be called for. The National Revolving Funds in turn would re-lend to local communities half of the construction costs necessary for the water supply systems. The need for international credits would cease before the end of a decade, as the National Revolving Funds become self-sustaining. However, the basis of the whole proposal would consist in the motivation and willingness of communities to improve their lot.

V. Proposed Financing Mechanism for Rural Welfare Projects

Since conventional loans within the various countries necessarily have rather strict conditions, a Special Rural Welfare Fund (SRWF) is proposed as a source of international loans in order to finance National Revolving Funds for rural welfare projects.

As indicated in Table I, the construction costs of rural water supplies over a ten year period covering nearly 60,000,000 people at \$15 per capita, would amount to about \$900,000,000. It is proposed that half of this amount be financed through National Revolving Funds (NRF's) in 10 equal yearly amounts of \$45,000,000 each. The NRF's in turn would be assisted over an 8 year period by the SRWF with a total of about \$202,000,000 in loans toward construction costs. This amount as well as the loans to be allotted by the SRWF to each country, is indicated in Table IV.

The suggested mechanism of financing can best be visualized by referring to Table II. Column 1 represent the loans which would be needed by the communities for the construction of rural water supplies. These loans, totaling \$450,000,000 would be disbursed evenly over a 10 year period. The money would be loaned to the communities of a given country through a National Revolving Fund (NRF) to be established in each country. The communities in turn would repay the loans to the NRF over a 10 year period.

The NRF on one hand would obtain external funds through loans from the SRWF and on the other would obtain each year successively increasing funds due to repayments of principal and interest from the communities. The NRF therefore would need to borrow each year decreasing amounts of money from the SRWF.

For illustrative purposes, national terms for the loans made by NRF to communities have been assumed at 6 per cent interest on the unpaid balance, with one year of grace and repayment of principal and interest in years 2 through 11. These assumptions were used in the calculation of column 2, which represents the annual payments of principal and interest from all the communities to the various NRF's.

Since there would be a one year period of grace for the communities, during the first year the NRF's would have to borrow from the SRWF \$45,000,000 in order to meet the annual demand for construction loans to the communities. However, since during the second year \$6,114,060 in repayments from the communities that have already received loans will be flowing into the NRF's, the latter in order to satisfy a new loan demand of \$45,000,000 for other communities, would have to borrow during the second year from the SRWF only \$38,885,940 (\$45,000,000 - \$6,114,060).

The ever decreasing annual direct loans from the SRWF to the NRF's are indicated in column 3. In the ninth year, \$48,912,480 (Col. 2) in repayments to the NRF's from the communities that have already received loans, would exceed the \$45,000,000 (Col. 1) necessary to satisfy loan demands for construction in new communities by \$3,912,480. Thus, the NRF's from that year on would become self-sustaining and need to borrow no more from the SRWF. The surplus of \$3,912,480 would be applied toward paying the \$1,500,000 annual operations charge (presented in column 5) and the remaining \$2,412,480 indicated in column 6, would represent the cash on hand in the NRF's.

In order to set up the SRWF as well as to cover the annual costs of fiscal and technical administration, a certain amount of money will be needed. It is assumed that a once only "loan commission" or "creation charge" of 0.75 per cent on \$200,000,000 (which would be approximately the total amount to be committed by the countries to the SRWF) plus an "annual operations charge" of 0.75 per cent on the same amount until the beginning of amortization would suffice. Once amortization starts, during year 11, the annual operations charge would only be 0.75 per cent on the amount of loan outstanding. These amounts indicated in column 5, would represent

during the first year a total of \$3,000,000, being composed of the \$1,500,000 creation charge (0.75 per cent of \$200,000,000) plus the same amount again for the annual operations charge.

As presented in column 7, the total balance due from the NRF's to the SRWF would amount in the first year to \$48,000,000 (column 3 plus 5). Thereafter, the balance due would be increased by the direct annual loans (Col. 3) plus operations charges (Col. 5) until at the end of the 8th year, the balance due would reach a maximum of \$202,306,320 (approximately \$200,000,000 on which the original creation fee would be charged). These \$202,306,320 would have to be committed over an 8 year period by the countries of the Americas in order to set up a revolving fund capable of loaning \$450,000,000 over a 10 year period.

As already pointed out, starting the 9th year, the annual operations charge (Col. 5) would not be accumulated to the balance due (Col. 7) but rather be paid directly by the NRF's to the SRWF from the ever increasing surplus coming from the repayments received by the NRF's from the communities (Col. 2) over construction loans disbursed (Col. 1).

The last construction loans within the framework of the first cycle of operations, would be disbursed during the 10th year (Col. 1). Thereafter, cash on hand in the NRF's (Col. 6) pending normal development increase quite substantially.

Conditions of loans made by the SRWF to the NRF's would be such that no interest be charged as such, with the exception of the 0.75 per cent creation fee and 0.75 per cent annual operations charge already referred to. Furthermore, following a 10 year grace period, amortization would be at the rate of 1 per cent of the principal per annum for years 11 through 20 and 3 per cent per annum for years 21 through 50.

As indicated in column 7, starting with year 11, amortization of the \$202,306,320 balance due from the NRF's to the SRWF would proceed at the rate of 1 per cent per annum. The corresponding amounts of \$2,023,070 are indicated in column 4. At the end of the 20th year, \$20,230,700 (Col. 4) would have been amortized and the balance due from the NRF's to the SRWF reduced to \$182,075,620 (Col. 7).

Interests vary widely in Latin America and run to 15 per cent per annum and more in countries which are experiencing substantial inflation. The 6 per cent used in the present study is an arbitrary figure chosen to approximate prevailing interest rates expressed in constant prices. It is obvious that the interest rate for loans to communities will determine the date when the NRF becomes self-sustaining, but the desirability of a rapid move to self-sustaining status must be weighed against the ability of the communities to pay. Detailed studies will be necessary in each country to decide on the appropriate general rate of interest and on the special provisions which may have to be adopted for individual hardship cases.

During the one year grace period to be accorded by the NRF to a local community, the latter would be expected to make an initial contribution to their project equivalent to 30 per cent of total construction costs. Experience shows that this contribution can be largely covered by locally available labor and materials. The financing scheme suggested for a local community, shown in Table III as an example, can be seen to be consistent with the ability to pay of an agricultural laborer earning 50 U.S. cents per day, as is common in much of Latin America, as well as with a repayment schedule which permits the NRF to become self-sustaining after the 8th year.

The entire structure of financing by source is shown in Figure I. For a 10 year cycle of operations, the catalytic contribution of international loans would represent 22 per cent of total project costs while Government grants in aid combined with total efforts on the part of rural communities would amount to 78 per cent.

The ever increasing cash on hand in the NRF's (Col. 6) could serve to finance the second cycle of future loans to extend water supply to the rest of the rural population, to undertake other environmental sanitation activities, and to support rural health and welfare in general. If desired, part of this money could be used to repay the Government totally or in part for the grants in aid previously provided to communities or to amortize the SRWF at a faster rate, with the remainder devoted to new projects.

The countries of the Americas would be invited to subscribe to the SRWF as an investment in their own development. Suggested quotas, based on individual country needs for rural water supply systems, are shown in Table IV. The same table also indicates in column 3 the total amounts of loans which would be available to the individual countries from the SRWF. For illustrative purposes it is assumed that the Latin American countries would contribute to the SRWF a sum total of \$10,000,000 payable in 8 equal yearly installments (Table II, col. 9) and that the Government of the United States of America would provide \$192,306,320 distributed in 8 yearly decreasing installments as indicated in Table II, column 8.

The SRWF might be administered by an international lending agency such as the Inter-American Development Bank, while PAHO would assume technical approval and supervision of the program. Funds for the fiscal and technical administration would come from the initial \$1,500,000 "creation charge" and the 3/4 per cent annual operations charge previously discussed and could be prorated between the financial and technical supervisory agencies on an actual cost or other agreed basis.

PAHO would have to assist the Governments by providing them the consultants necessary for setting up organizations at the central directing level, for the training of key national personnel as well as for special consultants in the engineering and social science fields. Experience will show if the funds allotted to PAHO for these obligations will suffice.

VI. Organization and Administration of the Special Rural Welfare Fund at the National Level

The implementation of the rural welfare program at the national level would be through the instrumentality of suitable organizations within the Ministries of Public Health, which through NRF's would have control of the funds made available to the countries by the Special Rural Welfare Fund, in order to make loans to communities that are suitably organized and for which adequate plans have been prepared.

The Ministries of Public Health would have primary responsibility for the programming and execution of rural welfare projects through the formulation of sound programmes including the aspects of design, construction, organization, financing, administration, operation and maintenance of services. To this end, they should have the authority to obtain loans from the SRWF as well as responsibility for establishment of the NRF's.

In order to undertake administrative, financial, operational as well as community organization activities for rural welfare projects it will be necessary that pertinent divisions or departments be established within the Ministries of Public Health. These divisions should however, have the authority and administrative flexibility necessary for the performance of their functions. Furthermore, they should require only a relatively small staff at the central directing level, since administrative and technical decentralization through regional offices would be necessary in order to maintain close and continued contact with local communities.

At the beginning, rural water supply projects would be undertaken. For this purpose, it will be necessary for sanitary engineering staff to be expanded and given a proper status at the highest level within the organizational structure of the Ministries of Public Health. The sanitary engineers would be responsible for the design and construction of local water supply systems including for instructing the communities in the operation of the systems as well as for extending technical assistance for their maintenance.

Once construction of a system is completed, title would pass to a local committee or other community organization which would be responsible for operation, maintenance and repayment of loans.

Existing facilities such as local commercial banks, credit unions or cooperatives could be used for the collection of loans repayments, for a nominal fee, thus rationalizing administration and minimizing overhead expenses.

In order to ensure the success of the program, it will be necessary to undertake continuous educational campaigns, to create a favorable attitude on the part of the people toward the program and the necessary

payments. This effort will require specialized personnel such as health educators, sociologists, anthropologists and other specialists in community organization and development.

The detailed organizational framework at the national level should, however, be in accordance with conditions prevailing in each country.

This, then, in brief, represents the report by the Director on the request by the Executive Committee to present to this Directing Council a proposal to establish a Special Rural Welfare Fund. It has been declared by the Task Force on Health and confirmed by the Executive Committee that there is a real and urgent need to assist the rural community in the betterment of their lot. Through the mechanism of the Fund indicated above, employing the competence available in each country, stimulated by local community desire and primary effort, guided by international technical advice, this program is feasible and can be achieved. The resultant achievement would mean a large stride forward in the realization of the objectives of Punta del Este and the Alliance for Progress.

Table I

Estimated Rural Population to be Provided with Water (*)

Country	Persons to be provided with water	Total cost in thousands of dollars (**)
Argentina	3,297,000	\$ 49,455
Bolivia	1,378,000	20,670
Brazil	24,150,000	362,250
Chile	905,000	13,575
Colombia	1,802,000	27,030
Costa Rica	206,000	3,090
Dominican Republic	902,000	13,530
Ecuador	1,770,000	26,550
El Salvador	927,000	13,905
Guatemala	801,000	12,015
Haiti	2,370,000	35,550
Honduras	750,000	11,250
Mexico	10,180,000	152,700
Nicaragua	579,000	8,685
Panama	352,000	5,280
Paraguay	610,000	9,150
Peru	3,810,000	57,150
Uruguay	325,000	4,875
Venezuela	1,416,000	21,240
TOTAL	56,530,000	\$ 847,950 (***)

(*) 50% of total rural population to have water at end of decade.

(**) At \$15 per capita.

(***) For further computations, this total will be assumed to be equal to \$900 million, 50% of which to be financed through the Special Rural Welfare Fund in 10 equal annual installments of \$45 million each.

Table II

General Financial Plan: First Cycle of Operation

Year	Loans to communities from NRF	Repayment of principal and interest from communities to NRF	Direct loans from SRWF to NRF	Amortization from NRF to SRWF	Operations charges from SRWF to NRF (0.75% per annum)	Cash on hand in NRF	Balance due from NRF to SRWF	Contribution to SRWF from	
								U.S.A.	Latin American countries
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	\$ 45,000,000	\$ --	\$ 45,000,000	\$ --	\$ 3,000,000 *	\$ --	\$ 48,000,000	\$ 46,750,000	\$ 1,250,000
2	45,000,000	6,114,060	38,885,940	--	1,500,000	--	88,385,940	39,135,940	1,250,000
3	45,000,000	12,228,120	32,771,880	--	1,500,000	--	122,657,820	33,021,880	1,250,000
4	45,000,000	18,342,180	26,657,820	--	1,500,000	--	150,815,640	26,907,820	1,250,000
5	45,000,000	24,456,240	20,543,760	--	1,500,000	--	172,859,400	20,793,760	1,250,000
6	45,000,000	30,570,300	14,429,700	--	1,500,000	--	188,789,100	14,679,700	1,250,000
7	45,000,000	36,684,360	8,315,640	--	1,500,000	--	198,604,740	8,565,640	1,250,000
8	45,000,000	42,798,420	2,201,580	--	1,500,000	--	202,306,320**	2,451,580	1,250,000
9	45,000,000	48,912,480	--	--	1,500,000	2,412,480***	202,306,320	--	--
10	45,000,000	55,026,540	--	--	1,500,000	10,939,020	202,306,320	--	--
11	--	61,140,600	--	2,023,070	1,500,000	68,556,550	200,283,250	--	--
12	--	55,026,540	--	2,023,070	1,486,950	120,073,070	198,260,180	--	--
13	--	48,912,480	--	2,023,070	1,471,780	165,490,700	196,237,110	--	--
14	--	42,798,420	--	2,023,070	1,456,610	204,809,440	194,214,040	--	--
15	--	36,684,360	--	2,023,070	1,441,430	238,029,600	192,190,970	--	--
16	--	30,570,300	--	2,023,070	1,426,260	265,150,570	190,167,900	--	--
17	--	24,456,240	--	2,023,070	1,411,090	289,606,810	188,144,830	--	--
18	--	18,342,180	--	2,023,070	1,395,910	301,095,850	186,121,760	--	--
19	--	12,228,120	--	2,023,070	1,380,740	309,920,160	184,098,690	--	--
20	--	6,114,060	--	2,023,070	1,365,567	312,645,583	182,075,620	--	--
TOTAL	450,000,000	611,406,000	188,806,320	20,230,700	30,836,337			192,306,320	10,000,000

* Includes \$1,500,000 creation charge (0.75% loan commission on \$200,000,000).

** Through year 8, operations charges are added to balance due to SRWF.

*** From year 9, operations charges are met from cash on hand in NRF.

Table III
Illustration of a Water Loan for a Community of
1,000 Population

Year	Amortization of loan including principal and interest	Payments for amortization of government loan (NRF) per family	
		Yearly	Monthly
	\$	\$	\$
1	-	-	-
2	1,019.01	5.10	0.43
3	1,019.01	5.10	0.43
4	1,019.01	5.10	0.43
5	1,019.01	5.10	0.43
6	1,019.01	5.10	0.43
7	1,019.01	5.10	0.43
8	1,019.01	5.10	0.43
9	1,019.01	5.10	0.43
10	1,019.01	5.10	0.43
11	1,019.01	5.10	0.43

Payments by the community and individual families in a community of 1,000 population (200 families) for a local water supply system provided at a cost of \$15,000, with a government grant of \$3,000 (20% of construction costs), a government loan (NRF) of \$7,500 at 6% annual interest and an initial community contribution equivalent to \$4,500 (30% of construction costs).

The government loan has a 1 year grace period without payment of principal and interest. Thereafter, amortization of principal and interest is in 10 equal annual installments.

Note that the monthly payments for loan amortization per family amounts to slightly less than 1 day's pay per laborer.

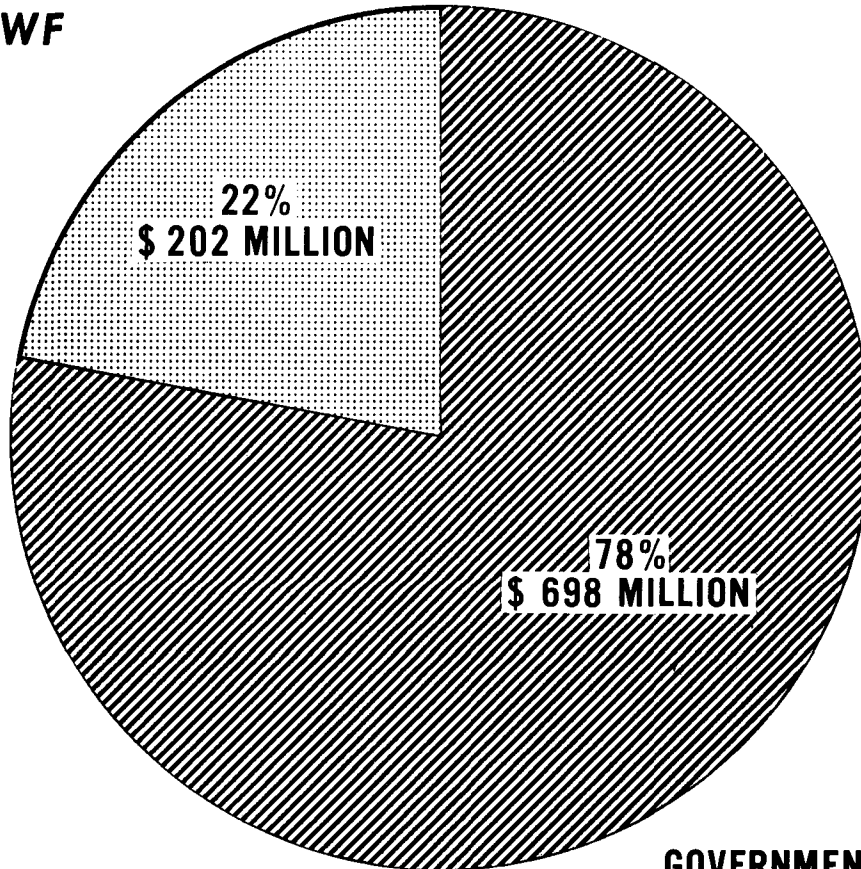
Table IV

Country	Suggested Contributions to the SRWF		Loans to be allotted during 1st cycle of operations by the SRWF
	Total	Per annum for 8 years	
Argentina	\$ 600,000	\$ 75,000	\$ 11,012,000
Bolivia	200,000	25,000	4,602,000
Brazil	3,500,000	437,500	80,659,000
Chile	200,000	25,000	3,023,000
Colombia	400,000	50,000	6,019,000
Costa Rica	200,000	25,000	688,000
Dominican Republic	200,000	25,000	3,013,000
Ecuador	300,000	37,500	5,912,000
El Salvador	200,000	25,000	3,096,000
Guatemala	200,000	25,000	2,675,000
Haiti	200,000	25,000	7,916,000
Honduras	200,000	25,000	2,505,000
Mexico	1,800,000	225,000	34,000,000
Nicaragua	200,000	25,000	1,934,000
Panama	200,000	25,000	1,176,000
Paraguay	200,000	25,000	2,037,000
Peru	700,000	87,500	12,725,000
Uruguay	200,000	25,000	1,085,000
Venezuela	300,000	37,500	4,729,000
Subtotal, Latin America	\$ 10,000,000	\$1,250,000	\$188,806,000
USA	\$192,306,320	(*)	
TOTAL	\$202,306,320		

(*) See Table II, column 8 for contribution schedule.

FIGURE 1

**ORIGINAL COUNTRY
CONTRIBUTIONS TO
SRWF**



**GOVERNMENT GRANTS IN
AID COMBINED WITH TOTAL
RURAL COMMUNITY EFFORT**

**RELATIVE SIZE OF CONTRIBUTIONS TO SPECIAL
RURAL WELFARE PROGRAM DURING FIRST
10 YEARS OF OPERATION, BY SOURCE**

First Annual Meeting of the Inter-American Economic
and Social Council at the Ministerial Level
(Mexico, D.F., October 1962)

FINAL REPORT

Resolution A-11

Health and Economic and Social Development

The First Annual Meeting of the Inter-American Economic and Social Council at the Ministerial Level,

CONSIDERING:

The objectives with reference to health, and the Ten-year Public Health Program of the Alliance for Progress, which appear in Resolution A.2 appended to the Charter of Punta del Este;

The progress achieved by the countries, as described in the document, "The Alliance for Progress: Its First Year, 1961-1962";

The oft-repeated statement that public health programs, besides having social effects, represent an investment in human resources, resulting in increased productivity; and

The need for international credits, as shown by national experience, carrying out a variety of health programs, as, for example, those of rural, community development, in addition to those for urban water supply,

RESOLVES:

1. To point out to the governments the advisability of formulating national health plans, together with related programs and projects, for the purpose of investing the resources of the countries and the international organizations in the solution of the problems of the greatest economic and social significance.

2. To recommend to the governments that, from the outset, national or regional development programs include the health measures that are indispensable for assuring the highest levels of production and community welfare.

3. To recommend to the national and international credit institutions that they include in their investment policy a variety of health programs in addition to those of urban, suburban, and rural water supply, and that they adopt a flexible system of financing to cover the various items of these programs.

Task Force on Health at the Ministerial Level

Washington, D. C., April 1963

Recommendation A.6

Environmental Sanitation

1. Among health programs the highest priority should be given to environmental sanitation and, within this field, to water supply and sewage disposal systems in urban and rural areas of Latin America. This priority should be reflected in the programs of national development, particularly as regards the allocation of funds and the establishment of the agencies necessary to achieve the objectives set forth in the Charter of Punta del Este.

2. Programs for the construction of water supply and sewage disposal systems should be intensified to the maximum in urban areas; they should be self-financing through the establishment of rational water rates and should be well organized and administered. The ministries of public health should stimulate and coordinate their activities with those of other national or local agencies in charge of urban water supply and sewage disposal services.

3. In order to fulfill the objective of the Charter of Punta del Este in rural areas, the Pan American Health Organization should study the possibility of establishing a Special Fund, which might be called the Special Rural Welfare Fund, to be financed by contributions from the countries themselves, from the Alliance for Progress, and other international agencies. This Fund would make it possible for Governments to draw up and carry out environmental sanitation projects, with the cooperation of organized communities, priority being given to water supply projects.

The ministries of health will be those responsible for the programming and execution of rural sanitation courses. They could lend or assign organized communities the necessary funds for such works. It is believed that with a suitable installment system a high percentage of the capital outlay could be recovered and used as a revolving fund that could benefit other communities.

4. Rural environmental sanitation programs should be initiated in areas where there is the greatest concentration of population and where the system could serve groups of houses. When the economic condition of the community permits, it would be possible to carry the water lines into the houses; the ministries of health could be responsible for the domiciliary connections.

5. It is recommended that environmental sanitation units be given sufficient authority to permit them to exercise their proper advisory functions within the ministry of health, and also those of coordination and supervision of all governmental bodies that are also responsible for such works.

6. The ministries of health should take an active part in the planning and execution of housing programs sponsored by the Governments, especially those that are developed in rural areas and, in the matter of the construction or improvement of housing, should encourage self-help efforts and the development of cooperatives to achieve this objective.

7. The ministries of health should intensify occupational health programs as well as those for the control of water and air pollution. Special attention should be given to the protection of the health of the agricultural worker, particularly to the danger inherent in modern agricultural practice. Industrialization programs should include industrial safety and health measures.

8. It is suggested that international banking agencies include in their loan contracts to public or private enterprises a clause making it an obligation to take measures to reduce work hazards in accordance with the legislation of each country. It is requested that the Pan American Sanitary Bureau undertake the pertinent negotiations.

9. The urgent need for training of professional and sub-professional personnel in the field of environmental sanitation is recognized to be of the utmost importance. It is recommended that the international agencies award the largest possible number of fellowships for this purpose and collaborate in the training of experts in the countries.

48th Meeting of PAHO Executive Committee

Washington, D. C., April 1963

Resolution IV

The Executive Committee,

Considering that, among the efforts the Governments of the Americas are making to raise the level of health, the improvement of environmental conditions is one of the measures that call for the most urgent attention;

Bearing in mind that it is of the utmost importance to pay maximum attention to the improvement of the level of living of the rural population of Latin America, one of the fundamental factors for the success of the development program of the Alliance for Progress;

Bearing in mind that one of the fundamental requirements of environmental sanitation is an adequate supply of potable water to the rural and urban population;

Considering that, in order to guarantee the success of any water supply and rural welfare program, it is necessary to finance it on the basis of self-financing, in part or in whole, and to give it an organization based on sound administrative principles;

Considering that the solution of the financial problem inherent in a sanitation program could to a large extent be solved by the establishment of a special rural welfare fund financed by contributions from the countries, the Alliance for Progress, and international organizations, since it would permit the direct contributions of the interested communities and of the Government to be duly supplemented;

Considering that potable water supply, which is one of the objectives of the Ten-Year Public Health Program of the Alliance for Progress, has been designated in recommendation A.6 of the Task Force, composed of the Ministers of Public Health of the Americas, as one of the needs that require a high priority; and

Considering that the above-mentioned recommendation suggests that the Ministries of Health should be responsible for the control of the funds made available to the countries by the Special Fund, and should make loans to communities that have previously been duly organized, either direct or through the instrumentality of suitable organizations, and on reasonable terms and with reasonable repayment periods that make it possible to create a revolving fund that can be used for the benefit of other communities,

RESOLVES:

1. To invite the Director of the Pan American Sanitary Bureau to study the various aspects of the establishment of a Special Fund that will be used for making loans to Ministries of Health on the best possible terms as to interest rates and repayment periods, so as to enable them to make available to suitably organized communities the supplementary funds necessary for the execution of potable water supply and other rural welfare projects in such a way as will allow of the establishment and maintenance of a revolving fund.

2. To invite the Director to make a report to the Directing Council on the above-mentioned study, including such specific measures as he deems appropriate for putting the recommendations of the Task Force on Health in practice.