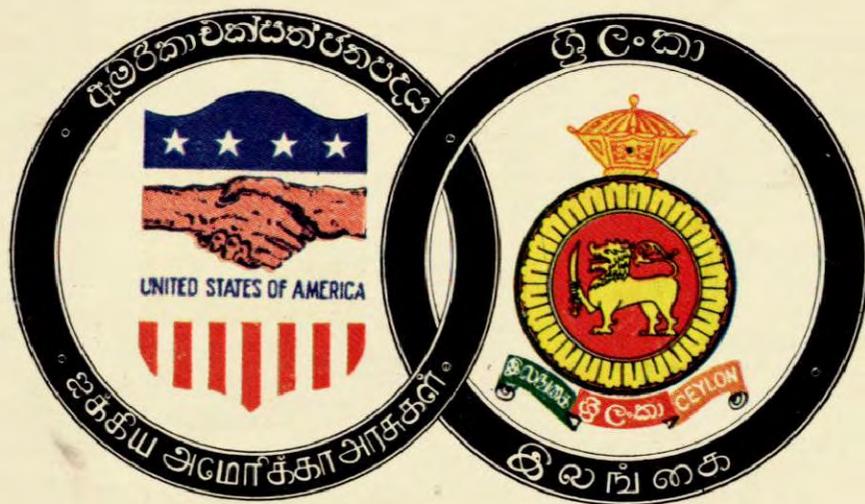


20 YEARS

OF U.S. AID

PROGRAM IN CEYLON



1950

1970

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NOTE FROM THE AMBASSADOR



Dear Ceylonese Friends:

The American and Ceylonese people have been friends for years. The proof of this, on both sides, is strong and evident, I am very happy to say. Since becoming the American Ambassador here a year ago it has been my very great pleasure and privilege to visit many parts of your beautiful

country, and to meet many of you on a personal and individual basis. In those meetings, however, and on those travels, I have observed that some of you did not have any idea of the tangible United States contributions to the economic life of Ceylon and that, in fact, some had an inaccurate understanding of it. For this reason, we have put together this little pamphlet which contains the facts of twenty years of Ceylon and American economic cooperation, so that all may know them!

All the best.

*Robert Strausz-Hupé
American Ambassador to Ceylon
Fourth of July 1971*

A BRIEF HISTORY



The late Prime Minister S.W.R.D. Bandaranaike addresses Ceylon-American Aid celebration on April 28, 1959.

A SHORT TIME AGO an anniversary passed very quietly in the United States and Ceylon. It marked twenty years of Ceylonese and American economic cooperation. The story began November 7, 1950. In these two decades about \$200,000,000 was presented to Ceylon in the form of grants and loans. That sum converted at today's official exchange rate would amount to 1,855,000,000 rupees.

From a small beginning, the U.S. assistance has increased over the years. The U.S. agencies that supplied it were diverse. Different administrations in the United States have changed the names of the economic assistance agency, from Economic Cooperation Administration to the present-day Agency for International Development, and the cooperation has been given by successive U.S. Administra-

tions to successive Ceylon Administrations.

Most of the U.S. assistance has been handled in arrangements between the Governments of Ceylon and the United States. Some has also come through private voluntary agencies such as the *Cooperative for American Relief Everywhere* (CARE), and considerable additional assistance has been granted in the form of a massive support which the United States has given to multi-lateral agencies such as the World Bank, the IMF and the United Nations, toward which international organizations the United States provides substantial capital and budgetary support. In times of disaster the U.S. has been quick to respond with assistance.

Immediately after World War II, the U.S. began diversifying massive amounts of its budgets, made available by U.S.

THE U.S. AID PROGRAM IN CEYLON HAS WORKED TO:

- ★ *SUPPORT CEYLON'S ECONOMIC DEVELOPMENT*
- ★ *BOOST AGRICULTURAL PRODUCTION*
- ★ *RELIEVE FOREIGN EXCHANGE CONSTRAINTS ON CEYLON'S GROWTH*

taxpayers, to assist the rest of the world to recover from the damages wrought by the war and to enable many countries to restore their war-shattered economies.

INITIAL ASSISTANCE—The start of economic assistance from the U.S. Government to the Ceylonese Government was modest. Between the beginning in 1950, through June 30, 1952, less than \$50,000 was made available. This money, for specialized training and education, was provided under the Technical Assistance Agreement of November 7, 1950.

Later, when the United States replaced the Marshall Plan with the Mutual Security Program, the main priority was changed from rehabilitation of the wartorn countries to assisting developing nations throughout the world raise their standards of living and improve their social and economic conditions. During the nine years of the Mutual Security Program, the United States dispensed a total of \$27,371,000,000 around the world; two-thirds of this, about \$18 billion, was in free grants, the rest was in loans.

On April 28, 1956, Ceylon's Prime Minister, S.W.R.D. Bandaranaike, and the U.S. Ambassador to Ceylon signed a bilateral economic assistance agreement, under the Mutual Security Program. The United States pledged economic development and technical assistance as well as specialized training for Ceylonese technicians in the United States. This agreement still governs the U.S. Aid program in Ceylon.

Within two months of the signing of the pact, the United States granted a loan—repayable in 30 years—to purchase equipment necessary for economic and technical development. By mid-1963, when United States economic assistance to Ceylon was temporarily suspended, U.S. economic assistance to Ceylon in the various programs mentioned above had already totaled \$92,300,000.

DEVELOPMENT PROJECTS—It is worth noting that American aid projects have not been designed as one-shot spectaculars, such as a large dam or a single hydroelectric project, or a steel mill, but rather the purpose of the program has been to provide benefits across the board to the entire society, and as much as possible at the grass-roots level. Accordingly, most of the \$92,300,000 for Ceylon through mid-1963 was allocated for the purchase of food and agricultural commodities required, in the judgements of the Governments of Ceylon and the United States, for the people of Ceylon. The grant portion of this amount did not, of course, call for repayment, and the loans were designed to be paid in rupees, so Ceylon would not have to use foreign currency. A part of the repayment money, amounting to \$19,200,000 was re-loaned or given back as a grant to the Government of Ceylon to finance development projects throughout the

island. Additionally, during that period the United States gave Ceylon \$9,300,000 for emergency food relief.

Grants of \$16,400,000 for technical cooperation and development projects were made to Ceylon during the 1956-1963 period. Loans were also provided: \$5,700,000 for development projects.

At the same time, \$30,000,000 in food and agricultural commodities was given to Ceylon by American voluntary agencies, and used to feed some 2,000,000 Ceylonese children in the schools.

TECHNICAL TRAINING—Again, the spectrum of American assistance in this period was broad. Some of it helped pay for the expenses of American technicians working in Ceylon, some paid for the expenses of American academic and private institutions extending assistance to Ceylon, and some went to provide training for Ceylonese technicians and specialists in the United States. But the major portion was spent in Ceylon on wide-based projects such as agricultural extension and research, irrigation and land development, industrial productivity, industrial safety, water resources, planning, labor, airport development and administration, highway and rail traffic survey and planning, and on the eradication of malaria.

During the period of suspension from 1963-1965, the United States continued its contributions through the operation of the voluntary agencies in Ceylon. In this period the United States Government contributed more than \$7,200,000 in foodstuffs to the CARE program for free distribution in Ceylon to school children, expectant mothers, and to the aged and infirm.

An expanded United States aid program began in 1965. Since that time the program has provided Ceylon with low-interest loans for the purchase of commodities essential to her agricultural and industrial development and loans for the purchase (under U.S. Public Law 480) of American foodstuffs and agricultural commodities.

TWENTY-TWO LOANS—Since 1956, the United States has provided Ceylon with 22 economic assistance loans on concessional terms. Thirteen of the loans were for specific development projects. Six were for the purchase of fertilizer, machinery and equipment, spare parts, and other items essential to Ceylon's agricultural and industrial development. The other seven were for development projects in irrigation and land, highway and rehabilitation and airport construction. The U.S. dollar value of these 13 loans was \$39,000,000.

The nine other loans were for U.S. Public Law 480 food purchases, which included wheat, wheat flour, feed grains and rice, for a total value of \$75,200,000, including the most recent food purchase agreement signed September 27, 1970 for \$14,000,000.



The Hon. T.B. Illangaratne, Minister of Commerce, Trade, Food and Shipping (second from left) and the then American Ambassador, Mr. Bernard Gufler, sign food agreement.

PUBLIC LAW 480—For a number of years Ceylon has benefited substantially from the U.S. Food for Peace Program—the so-called P.L. 480 Program—which is now in its 17th year.

One of the objectives is to use U.S. food and other agricultural production to combat hunger and malnutrition and encourage economic development, principally in agriculture, in developing countries.

The foreign assistance objectives of the U.S. P.L. 480 Program are accomplished in a number of ways. One is through concessional sales agreements with the governments of developing countries which need food assistance. Another is through government-to-government donations of foods in the case of floods and other natural disasters. Another is through gifts of food to religious and charitable organizations such as CARE for free distribution in developing countries. Another is through human and animal food gifts to multilateral organizations such as the World Food Program (WFP) for free distribution in developing countries.





CARE donated wheat flour and powdered milk to Ceylon's cyclone victims.

The late Prime Minister S.W.R.D. Bandaranaike thanks helicopter crews who participated in emergency food distribution and rescue operations during December 1957 flood in Ceylon.



Fifteen of the 22 economic assistance loans to Ceylon since 1956 are repayable in Ceylon rupees. The other seven are repayable in U.S. dollars. Of the nine U.S. P.L. 480 loans made to Ceylon, four are repayable in dollars and five in Ceylon rupees. All P.L. 480 loans are repayable in 19 years, but they have a grace period of two years in which no payments of the principal are required. The interest on these loans varies from two and one-half to four and five-eighths per cent on the unpaid balances, rates significantly below those charged by private lenders.

The Government of Ceylon has already repaid one rupee-repayable development loan. Of the 12 outstanding development loans, nine are repayable in rupees and three in dollars. Three loans have a time duration of 40 years, four have a life of 30 years, two have 25 years and three are to be retired in 20 years. The rates of interest range from two and one-half to five per cent on the unpaid balances. All have a grace period of 1 to 4 years.

CARE PROGRAM—Since 1956, the United States has provided CARE with wheat flour, dried milk, cooking oil and corn-soya mix for distribution in Ceylon without charge to the Government of Ceylon or to the recipients of the food. Through June 30, 1969, the U.S. contributions to Ceylon through CARE have had a value in excess of \$45,500,000. This includes the ocean freight charges which also have been borne by the United States, except in 1969 when the Government of Ceylon paid 10 per cent of the ocean freight costs of CARE commodities for distribution in Ceylon. An additional contribution of food, valued at approximately \$4,800,000 is being made available to Ceylon by the United States through CARE for the period of July 1, 1969 through June 30, 1971. Thus the total amount of food donated to Ceylon through CARE by the Government of the United States will, by June 30, 1971, total \$50,300,000.

The flood relief food gifts given in the past few years to Ceylon by the United States Government, plus World Food Program grants, have a total value of \$13,800,000 through the calendar year 1969. This does not include the dollar value of 4,000 metric tons of wheat flour, 200 metric tons of non-fat dried milk, and 15,000 metric tons of maize, donated through the World Food Program in calendar year 1970 for distribution in Ceylon.

The CARE program gift aid to Ceylon from the United States will total something in excess of \$85,800,000 by June 30, 1971. Converted into Ceylon currency, this amounts to more than 500 million rupees. This plus the total of official loans provided by the U.S. Government to the Government of Ceylon—\$114,400,000—places the sum of American contribution to Ceylon's economic development in the past two decades at more than \$199 million.

HIGHLIGHTS

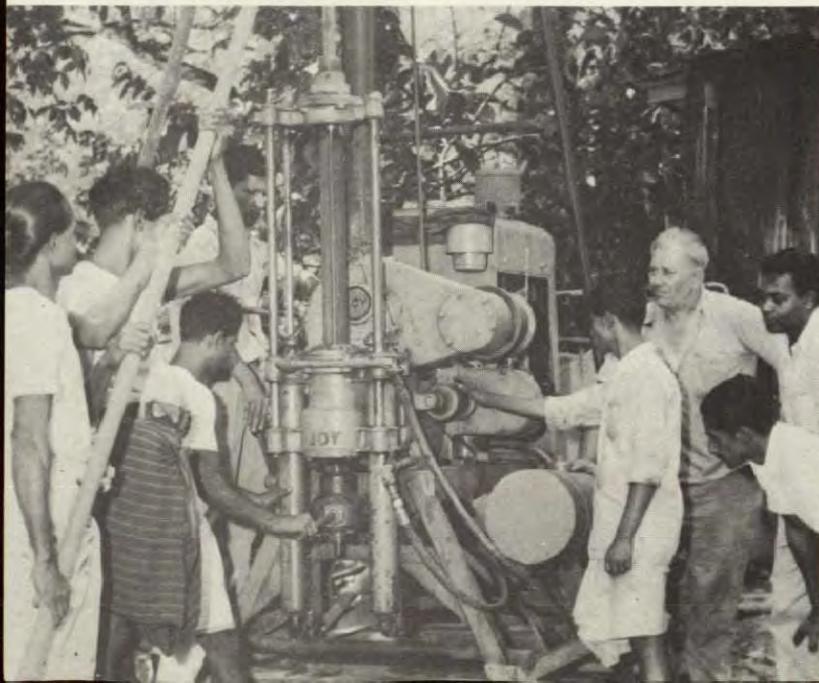


Ceylon technicians use U.S. gifted microscopes in Ceylon's malaria eradication campaign.



Tractors presented by U.S. to the Land Development Department to help increase food production in Ceylon.

Mobile diamond core drilling equipment supplied by U.S. to facilitate Ceylon's search for underground minerals.



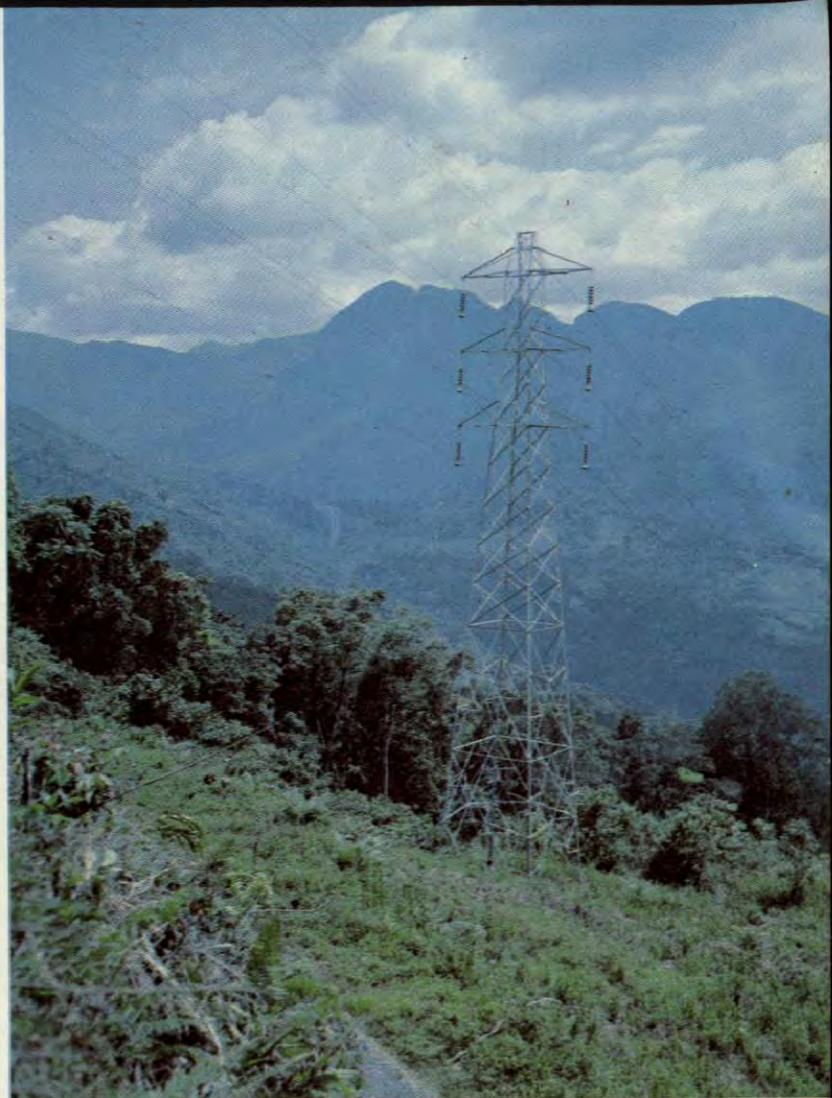
- ★ Trucks and drill rigs and other assistance in support of a 1957 Mineral Exploration Project.
- ★ In the period 1956-1962, 370 Ceylonese participants received training in the United States at a cost to the United States of \$1,403,600.
- ★ In 1957, the U.S. provided Ceylon with a number of jeeps, a twin-engine plane and photographic equipment to support a Physical Resources Survey of Ceylon.
- ★ Immediately after the signing of the Bandaranaike-Crowe Aid Agreement on April 28, 1956, a total of \$4,429,500 of U.S. aid funds were obligated for 7 projects in Ceylon as follows:

University of Ceylon	\$524,200
Public Administration	1,800
Agricultural Extension, Research and Education	75,000
Irrigation and Land Development	1,821,000
Industrial Development	35,000
Colombo Railway Services	1,875,000
Technical Support	97,500

- ★ Several of Ceylon's telecommunication experts were sent to the U.S. for training in the operation and maintenance of colored-lights signaling systems for suburban railways.
- ★ To improve the general science curriculum in Ceylon's High Schools, four Ceylonese science teachers were sent in 1961 to Cornell University and Ohio State University in the United States.
- ★ A number of Ceylon's labor union leaders were sent to the United States on all-expenses-paid trips to study labor relations in the U.S.
- ★ A Ceylonese Agricultural Expert spent 10 months at Texas A & M College studying dry-land farming under the U.S. Aid Program.
- ★ 10 officials of Ceylon's Public Works Department underwent training in the United States in highway engineering and the organization, administration, planning and financing of highway programs.

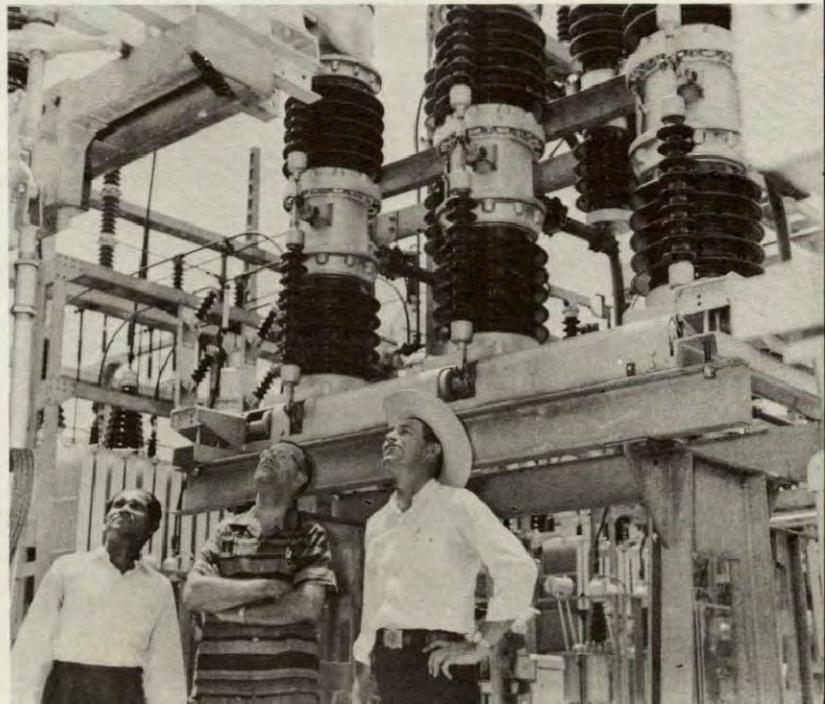
OF U.S. AID

- ★ An Assistant Engineer in the Public Works Department of the Government of Ceylon was given a 9-month training course in advanced highway engineering at Purdue University.
- ★ CARE School Feeding Program since 1956 consists mostly of food given to CARE by the Government of the United States as a free gift.
- ★ The United States Navy rushed to Ceylon's aid during the major flood disaster in December 1957. In the December 1969 floods also the U.S. came to Ceylon's assistance.
- ★ On June 28, 1966, the U.S. presented Ceylon with Rs.37,121,649 for the construction of roads and bridges, improvement of irrigation tanks and the Highland Colonization Scheme in Kandy. This was the largest single grant yet made by the U.S.
- ★ The Huruluwewa Tank was restored with U.S. assistance.
- ★ On-the-job training was provided at the Central Irrigation Repair Shop.
- ★ The footbridge across the Mahaweli Ganga at Peradeniya connecting the engineering school with the main campus is a U.S. Aid Project.
- ★ Provided 42 vehicles to Ceylon for use in Ceylon's anti-malaria campaign. Granted substantial rupee support to finance the purchase of DDT.
- ★ Assisted Ceylon's salvinia eradication program.
- ★ A seed testing laboratory was established at Kandy to improve the quality of rice production.
- ★ Provided specialized equipment and an Agricultural Engineer to help organize the Government Agricultural Implement Factory at Welisara, to design and manufacture improved agricultural implements.
- ★ Provided Agricultural Extension Advisors to teach veterinary science, soil conservation, land and water utilization, tractor operation and agricultural techniques.



U.S. engineers studied and prepared reports for hydro-power development in Ceylon.

Ceylonese electrical engineers were given training in electrical distribution systems.





U.S. assisted Ceylon's Fisheries Department to set up a loan scheme so fishermen could buy mechanized boats.

Salvinia Control: A self-help method devised by Ceylonese technicians and American aquatic biologist to control salvinia in rice fields.





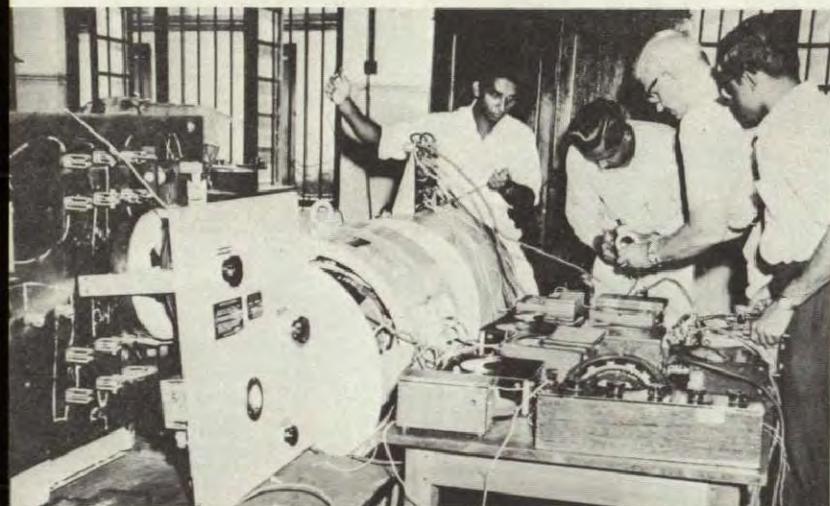
To help increase passenger capacity, speed, convenience and safety of Ceylon's railways, U.S. provided power coaches.



American experts requested by Ceylon's Tea Research Institute developed techniques for detecting worm-resistant tea clones.



America provided technical specialists, books, supplies and equipment for Ceylon Institute of Scientific and Industrial Research.



America provided \$15,000 power equipment to Ceylon University Faculty of Engineering.

Benchwork for welding was provided to the Ceylon Central Vocational Training and Trade Testing Center.



American animal nutrition expert assisted the Ceylon Department of Agriculture to improve livestock.

- ★ U.S. Rural Youth Advisers helped young girls to learn dressmaking, embroidery, doll making and modern cooking techniques.
- ★ Helped establish and equip the Ceylon Central Vocational Training and Trade Testing Center and provided instructors to teach trainees at the center.
- ★ Provided American pure-bred certified jersey bulls to Ceylon's Department of Agriculture for cross-breeding to improve Ceylon's dairymen.
- ★ Provided Ceylon with numerous incubators and other assistance to help Ceylon improve its poultry industry.
- ★ Provided modern equipment, mechanized vessels, and training assistance to help improve Ceylon's fishing industry.
- ★ Provided instructors and other assistance for a health and physical education course for primary school teachers at Nugawela Central School.
- ★ Financed a survey of Ceylon's tourism potential and the development of a Ceylon Tourism Plan which was presented to the Ceylon Tourist Board in December 1967.
- ★ Gifted Ceylon a number of railway coaches and diesel engines to help relieve rail congestion in and around Colombo and modernize Ceylon's rail transportation facilities. The U.S. also aided Ceylon improve its railway signaling systems.
- ★ Financed a comprehensive traffic survey of the highway and rail systems of Ceylon.



U.S. highway equipment to work on the Alutnuwara-Padiyatalawa pilot road project.

- ★ Helped Ceylon improve its airport facilities at Ratmalana and Katunayake.
- ★ A team of U.S. engineers made studies and prepared reports for hydropower development on the Maskeliya Oya and Upper Welawi Ganga.
- ★ Provided loans to help support a project to supply electricity to rural villages and communities in Ceylon.
- ★ Contributed toward the cost of expanding the housing and related facilities of the Gal Oya Board's Technical Training Institute.
- ★ Provided police advisors to help Ceylon's police upgrade their methods and procedures for fighting crime in Ceylon.
- ★ Assisted in the construction of a 22-mile highway between Alutnuwara and Padiyatalawa. Not only did this pilot project provide on-the-job training for highways construction and maintenance personnel, but it also reduced the distance between the hill capital of Kandy and the beautiful East coast port of Batticaloa by almost 100 miles. Some people still call it "The American Friendship Highway."
- ★ Provided rupee assistance toward the construction of Ceylon's first "Industrial Estate" at JaEla.
- ★ Granted substantial financial support for the construction of a Science Teachers College and a Science Training Center in Ceylon.
- ★ Granted funds to improve teaching and living facilities at Ceylon's Technical Training Institute.

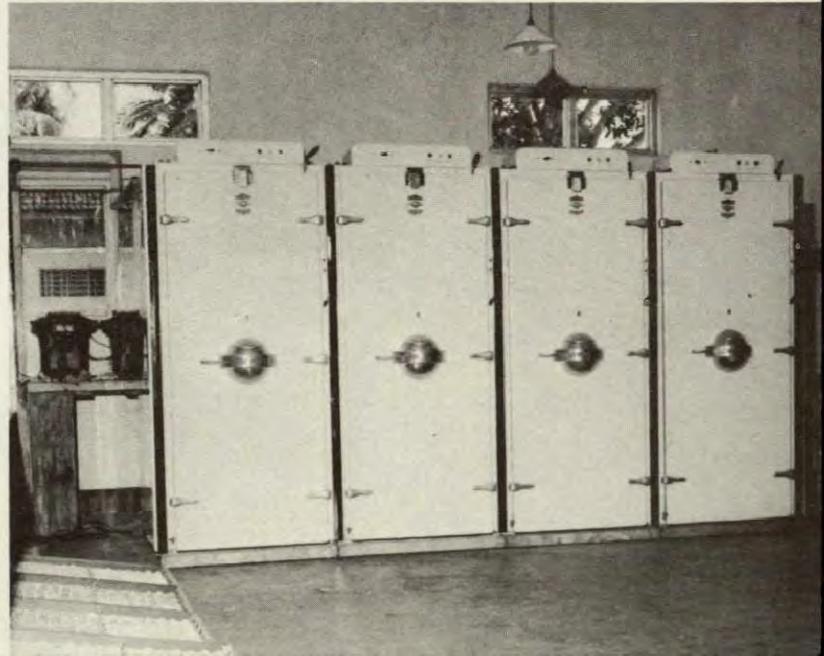


American agricultural team assisted Ceylon's research for better potato crop.



Ceylonese cultivators receive American supplied fertilizer to increase the paddy yield.

Incubators and brooders provided to stimulate production of protein-rich poultry and eggs.



APPENDIX

GRANTS

World Food Program and Emergency Grants

The U.S. since 1950 contributed more than \$13,800,000 in money and commodities for disaster relief and to the World Food Program in Ceylon. The U.S. donated 10,000 metric tons of wheat flour for relief of the December 1969 floods.

Projects and Technical Assistance Grants

From 1956 to 1962 the U.S. granted \$16,300,000 to Ceylon for

- * services of U.S. technicians (\$3,200,000)
- * training of Ceylonese in the U.S. (\$1,300,000)
- * technical services and commodities (\$11,800,000)

360 Ceylonese were trained in the United States and some 20 projects in agriculture, natural resources, transportation, public health, education, industry and labor were financed with U.S. grant aid.

Local Currency Grants for Economic Development

The U.S. has granted to Ceylon the equivalent of \$4,900,000 in local currency accumulated from repayments of previous loans. These funds were utilized to cover the local currency costs of a long list of economic development projects.

Every year since 1956 the U.S. has given American food commodities each year to CARE for

- * the School Feeding Programs
- * the aged and infirm
- * expectant mothers

1956 to 1961	—	\$21,500,000
1962	—	4,200,000
1963	—	4,300,000
1964	—	3,300,000
1965	—	3,900,000
1966	—	2,900,000
1967	—	2,700,000
1968	—	1,800,000
1969	—	900,000
1970	—	2,300,000
1971	—	2,500,000
TOTAL	—	\$50,300,000
		(Rs.299,000,000)



CARE School Feeding Program distributes mostly
U.S. Government-provided food since 1956.

APPENDIX

LOANS

Economic Development Loans

Since 1957, the U.S. has made eight U.S. dollar loans totaling \$25,700,000 to the Government of Ceylon to support economic development. Four of the loans are repayable in dollars and four in local currency. Some were for specific projects and others to enable Ceylon to import a wide range of commodities essential to economic development.

Date	No.	Description	Currency of Repayment	Amount
5/14/57	383-B-001	Commodity Assistance	Rs.	\$2,500,000
6/24/58	383-A-002	Irrigation & Land Development	Rs.	1,500,000
7/28/58	383-A-003	Highway Development	Rs.	900,000
9/3/58	383-A-004	Rehabilitation of Highways	Rs.	700,000
1/30/61	383-H-007	Airport Construction	US	100,000
2/15/66	383-H-010	Commodity Assistance	US	7,500,000
4/8/67	383-H-012	Program Loan	US	7,500,000
8/8/69	383-H-014	Commodity Assistance	US	5,000,000

Public Law 480, Title I Loans

These several loan agreements, from 1958 to 1970, total \$75,200,000. They were used to purchase wheat, rice and corn from the United States. Some were repayable in rupees, some in dollars.

Local Currency Loans

The U.S. has loaned back to Ceylon a large amount of local currency received from Ceylon as repayment of earlier loans. These loans were utilized by Ceylon for a wide range of economic development purposes.

Date	No.	Description	Currency of Repayment	Amount
6/29/56	383-G-005	Commodity Assistance	Rs.	\$2,200,000
9/23/59	383-G-006	Project Assistance	Rs.	5,500,000
9/22/61	383-G-008	Project Assistance	Rs.	1,100,000
8/31/62	383-G-009	Project Assistance	Rs.	1,500,000
8/2/66	383-G-011	Economic Development	Rs.	3,200,000
				\$13,500,000



As part of its effort to improve the transportation facilities in Ceylon, the United States assisted in the construction of a twenty-two mile highway between Alutnuwara and Padiyatalawa. Not only did this pilot project provide on-the-job training for highway construction and maintenance personnel, but it also reduced the distance between the hill capital of Kandy and the beautiful East coast port of Batticaloa by almost 100 miles. Some people still call it "The American Friendship Highway." It is symbolic of United States-Ceylon partnership for the economic progress and prosperity of Ceylon.



“I wish to communicate my Government’s conviction that Asian hands must shape the Asian future. This is true, for example, with respect to economic aid, for it must be related to the total pattern of a nation’s life. It must support the unique aspirations of each people. Its purpose is to encourage self-reliance, not dependence.

“The fostering of self-reliance is the new purpose and direction of American involvement in Asia.”

President Richard Nixon

from “U.S. Foreign Policy For The
1970’s : A New Strategy for Peace.”



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