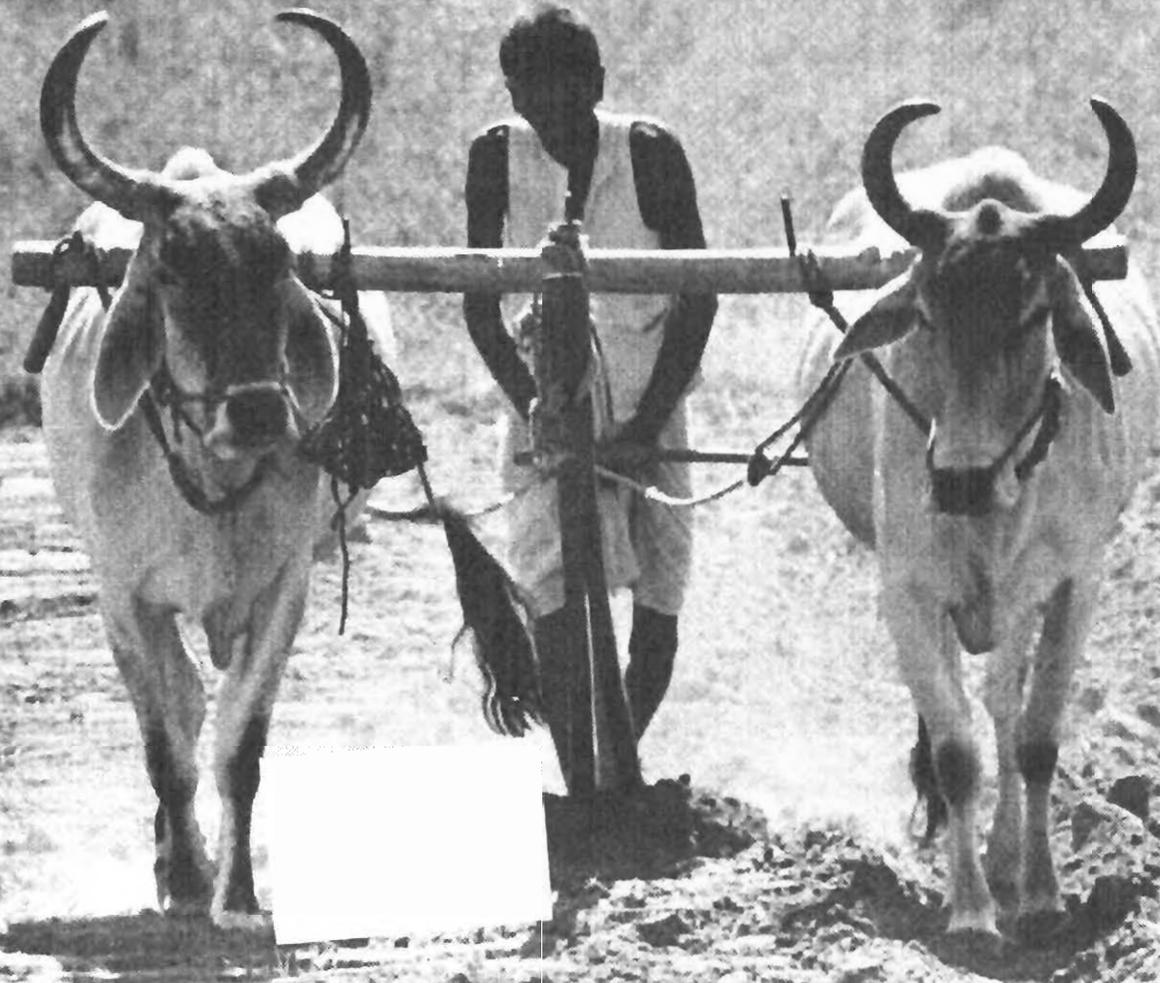


AGENCY FOR INTERNATIONAL DEVELOPMENT



**Introduction to the FY 1973
Development and Humanitarian Assistance
Program Presentation to the Congress**

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NEW DIRECTIONS IN DEVELOPMENT ASSISTANCE

I. Call for Reform

In April 1971, President Nixon proposed a major reform of the U.S. foreign assistance program. After hearings on the proposed legislation, the Congress decided to extend the present Foreign Assistance Act through FY 1973. However, both Houses of Congress clearly endorsed the need to re-examine and reform foreign assistance.

A.I.D. undertook an extensive review of its program during FY 1972. On January 24, 1972, the Administrator announced a series of major reforms -- the first major changes in structure and emphasis of the program since A.I.D.'s inception in 1961. These changes are designed to concentrate A.I.D.'s economic assistance on basic human needs in the developing countries and improve administrative efficiency and management of A.I.D.'s programs.

II. Basic Human Needs

A.I.D. will focus its loan and technical assistance programs on the primary development problems basic to human development in the poor countries and devote increased attention to the problems restricting more equitable distribution of the rewards of progress.

A.I.D. will strengthen its programs of humanitarian assistance, improve its disaster relief capability, and establish closer working relations with non-profit and voluntary organizations engaged in relief and rehabilitation, particularly those which have potential for an expanded role in development activities.

People are the heart of development. Development is meaningful only if it can be translated from impersonal measures of GNP growth into better food, more education, improved health, and more jobs for all people. Recent experience in the developing countries has clearly indicated that rapidly rising national income, while vital, is often not enough to ease the deprivations of poverty. Overcoming the problems of limited food and malnutrition, mass unemployment, population

growth, poor health and low levels of education requires better understanding of the dynamics of the development process, new types of public and private institutions, new techniques for delivering services, new policies for allocating resources, and, in some cases, new technologies. Major emphasis must be given to innovation, research and joint efforts with the LDCs to help solve the basic problems of their people in the years ahead. New attention should be given to translating increases in national incomes into improved quality of life and widening social justice for their people.

In this context, A.I.D. is instituting three major changes in its program. These include: (1) focussing its resources on a limited group of priority development problems; (2) undertaking improved programs of humanitarian assistance; and (3) giving increased attention to the broader distribution of the benefits of development.

(1) Focus on Priority Problems. A.I.D. will increasingly concentrate its resources as an agency on a limited group of human problems common to many less developed countries. These include agriculture and food production, with emphasis on human nutrition; population control; health care; and low-cost education. Research and pilot programs designed to yield better solutions to the priority development problems will be expanded.

Loan and technical assistance programs in individual countries will be focussed on a limited number of these priority problems and projects and programs in unrelated areas will be phased down or eliminated.

At the same time A.I.D. will expand its program of grants to U.S. universities and non-profit organizations to allow them to strengthen their capacity to provide assistance to developing countries in the major problem areas.

In sum, A.I.D. intends to become less of a general purpose assistance organization and more of a specialized agency. It will seek to combine loans, technical assistance, research, and other resources to address a relatively limited group of basic human problems where U.S. technical skill and experience can make a significant contribution.

(2) Focus on Humanitarian Assistance. The pervasiveness and durability of poverty in the less developed countries requires new attention to humanitarian programs. A.I.D. has established a new Bureau of Population and Humanitarian Affairs to serve as the focal point for responding to basic humanitarian assistance needs, disasters and emergencies, hunger, and the pressures of population on an environment with limited resources.

In recent years American voluntary agencies have expanded their capabilities and activities beyond their traditional role of providing humanitarian relief. Their potential for development activities, in addition to broadened relief and rehabilitation capabilities, has not been fully realized. In addition to directing the expanded population activities of A.I.D., this Bureau will direct a broad range of assistance programs to reinforce the humanitarian efforts of the United States, both public and private, and will formulate and support a more collaborative working relationship with non-profit and voluntary organizations engaged in disaster relief, general relief and rehabilitation.

The Bureau will also be responsible for upgrading the Agency's disaster relief capability. Experience this past year in dealing with assistance for the Bangladesh disasters demonstrated the need for higher level policy direction within the U.S. Government, better means of coordinating public and private responses, and, when appropriate, operational approaches to coordinate U.S. relief activities with or through the United Nations or other international organization.

(3) Focus on More Equitable Income Distribution. The developing countries confront increasingly complex problems of translating aggregate national income growth into improved welfare for the mass of their citizens. Population growth in many countries continues at rates just below the rise in national income so that--while the income pool is widening--

the number of claimants on the pool is growing almost as fast. Moreover, in many countries inequalities in income distribution appear to be widening. The LDCs as a whole are facing a monumental crisis -- unemployment which is a growing social problem and an obstacle to development. There are 75 million unemployed today and there will be 225 million new job seekers looking for employment in the next decade.

Rapid development remains a principal imperative for the developing countries. But development planners are increasingly compelled to look beyond aggregate growth and give greater attention to questions of income distribution, employment creation, and adjusting the growth patterns in ways which maximize the benefits to people. As an example, a major problem is not simply to increase food production, but to increase it on millions of very small farms, which provide jobs for rural people, and thus stem the flow of unskilled workers into the cities.

A.I.D. will make a major effort in FY 1973 and FY 1974 to improve our understanding of the problem of employment creation. We will also give increased attention to using food resources in rural public works and other programs aimed directly at improving the "quality of life" in the LDCs.

III. Improved Management

Reforms to focus A.I.D.'s program on basic human needs have been accompanied by reforms to reduce the size of the Agency and improve its management efficiency.

A new Bureau for Program and Management Services has been established to consolidate and centralize support functions throughout A.I.D. staffs and responsibilities for these functions are being consolidated in the new Bureau from the regional and other bureaus and offices. This service-oriented Bureau will include centralized services in training, contracts, procurement, and engineering. It will also include central offices for controller, management analysis, computer services, and other administrative support functions.

Centralizing these support functions will permit flexibility in responding more quickly to service requirements throughout the Agency, and achieve more efficient use of manpower through the consolidation of similar and, in some respects, duplicating functions and staffs and thus eliminate unnecessary overhead costs. Moreover, it will permit a significant reduction in the number of positions required.

A.I.D. is also reducing its presence overseas. The size of Mission staffs is being reduced. Loan monitoring functions have been centralized in Washington. As a result, the direct-hire staff of A.I.D., which has already been reduced by approximately 30% since July 1968, will be reduced another 10% overseas by the end of FY 1973. We believe that the increasing concentration of A.I.D.'s program and the centralization of management functions will permit final personnel reductions of 20-25% over time.

IV. More Collaborative Assistance Style

The recipients of aid have changed markedly in the past decade. They have increased their capacity to manage their resources, their ability to plan, their perception of development aims and their sources of external advice. This growing capacity of the less developed countries means that assistance projects financed by A.I.D. will be increasingly planned and designed by the host country. A.I.D.'s role will still include the responsibility to coordinate U.S. inputs and to assure that they are being used for agreed purposes. In FY 1973 and FY 1974 A.I.D. will introduce many

new techniques on a pilot basis which are intended to insure that the host country takes the lead in project design and implementation. These will include program grants to selected countries to hire technicians and provide training in certain sectors; direct host country contracting with U.S. private organizations for assistance; and host country responsibility for sector analysis and project design.

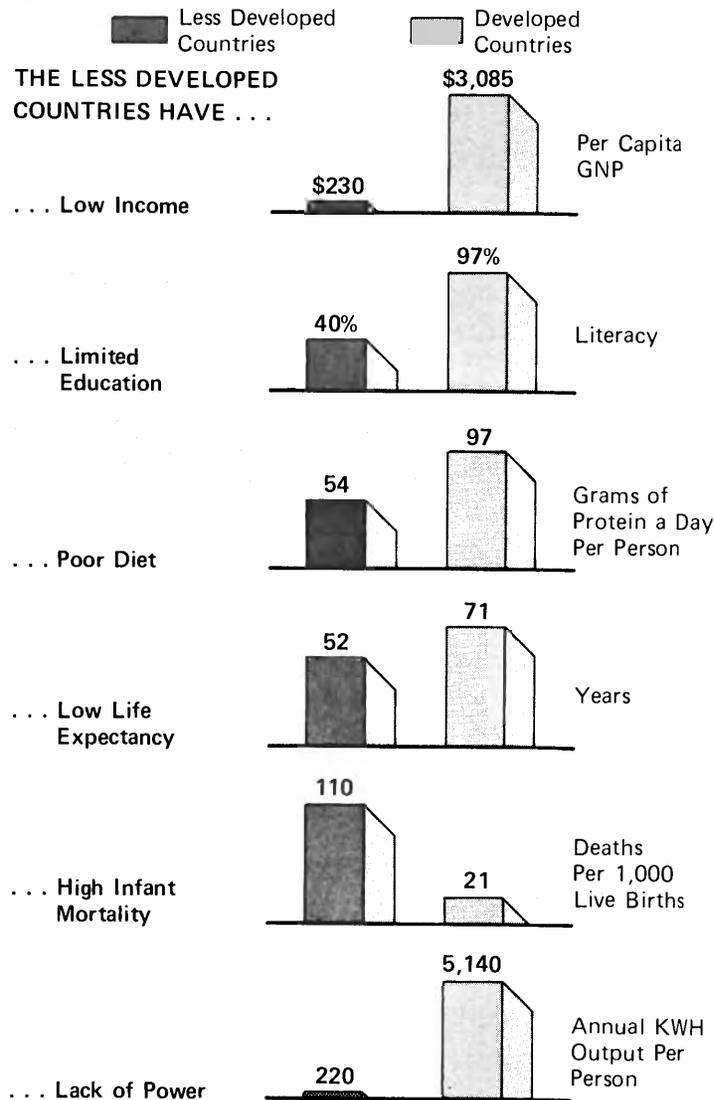
We are strengthening our staff capacity to coordinate U.S. bilateral aid programs with multilateral and other bilateral donors at policy, program, and operational levels. As A.I.D.'s program becomes more specialized, expanded consultation with other donors is vital to ensure a coordinated division of labor in attacking development problems generally and in specific countries or regions.

V. Summary

A.I.D. will emphasize a more specialized economic assistance program focussed on problems of basic human need. It will strengthen its programs of humanitarian assistance. It seeks an administratively streamlined program with tighter, more centralized management through gradual reductions in personnel overseas and in Washington. It plans a more collaborative assistance style which recognizes the increasing competence of LDCs to plan and operate meaningful development programs.

The primary objective of A.I.D. must be to help the people and governments of the LDCs move in the direction of harnessing their total resources for the improvement of the "quality of life" for all of their people.

THE DEVELOPMENT GAP



I. WORLDWIDE PROBLEM, WORLDWIDE EFFORT

Most of the people in the world -- more than two-thirds of them -- live in over 100 less developed countries.

This two-thirds of mankind enjoys only about an eighth of the services provided and goods produced in the world.

This is a statistical way of saying that most of them are desperately poor -- poor beyond the imagining of most Americans.

In the non-communist industrialized countries -- the United States, Western Europe, Japan, Australia, New Zealand -- the average annual gross national product is \$3,085 per person; in the less developed countries, it averages only about \$230 apiece -- and in many it is below \$100.

Those raw numbers are merely suggestive of the enormous disparity in well-being that exists between the economically developed and less developed countries.

Behind the statistics lie the realities of living and dying in the developing countries -- widespread disease and malnutrition, high infant mortality, low life expectancy, extensive unemployment, wholesale illiteracy -- the whole catalogue of physical and social ills, of human frustration and misery, that go hand in hand with underdevelopment.

-- Malnutrition or undernourishment affects most of the children in the less developed countries. In a few, as many as half the children die before they reach the age of five -- primarily because they are malnourished and highly susceptible to "simple" infections and "childhood" diseases such as measles and whooping cough.

FY 1973 ECONOMIC ASSISTANCE REQUEST AND PROPOSED PROGRAMS UNDER THE FOREIGN ASSISTANCE ACT
(In millions of dollars)

Assistance Category	FY 1973 Authorization Level <u>a/</u>	FY 1973 Appropriation Request (NOA)	FY 1973 Proposed Program <u>b/</u>
DEVELOPMENT AND HUMANITARIAN ASSISTANCE PROGRAMS			
Development Loans	530.0 <u>c/</u>	415.5	565.4
Technical Assistance	175.0	166.4	179.5
Alliance for Progress	(295.0)	(295.0)	(386.9)
Development Loans	206.5	206.5	295.2
Technical Assistance	88.5	88.5	91.7
Population Programs	125.0 <u>d/</u>	125.0	125.0
International Organizations	(172.0)	(167.8)	(167.8)
Grants	154.0	149.8	149.8
UN and Other Programs	(139.0)	(124.8)	(124.8)
Indus Basin Grants	(15.0)	(25.0)	(25.0)
Indus Basin Loans	18.0 <u>e/</u>	18.0	18.0
South Asia Relief and Rehabilitation	100.0 <u>f/</u>	100.0	100.0
American Schools and Hospitals	30.0	15.6	15.6
International Narcotics Control	42.5 <u>f/</u>	42.5	42.5
Contingency Fund	30.0	30.0	30.3
A.I.D. Administrative Expenses	50.0	50.0	58.8
TOTAL - DEVELOPMENT AND HUMANITARIAN ASSISTANCE	1,549.5	1,407.8	1,671.8
SECURITY ASSISTANCE PROGRAMS			
Supporting Assistance	844.0 <u>f/</u>	844.0	874.5
State Department Administrative Expenses	4.8 <u>g/</u>	4.8	4.9
TOTAL - SECURITY ASSISTANCE	848.8	848.8	879.4
TOTAL A.I.D.	2,398.3	2,256.6	2,551.2

a/ Includes items already authorized and those for which authorization is being requested.

b/ Proposed program is the total of funds that would be available to carry out programs under the Foreign Assistance Act, consisting of the new appropriations requested and additional funds available for use in FY 1973, such as repayments on prior loans, reimbursements, and uncommitted or deobligated funds from prior years.

c/ Includes \$280 million authorized in prior years but unappropriated.

d/ \$125 million of FY 1973 economic assistance funds provided to carry out the Foreign Assistance Act is earmarked for population programs.

e/ \$51.22 million authorized in Foreign Assistance Act of 1967. Amount shown is level of FY 1973 appropriation request.

f/ Authorization being requested.

g/ Permanently authorized. Amount shown is level of FY 1973 appropriation request.

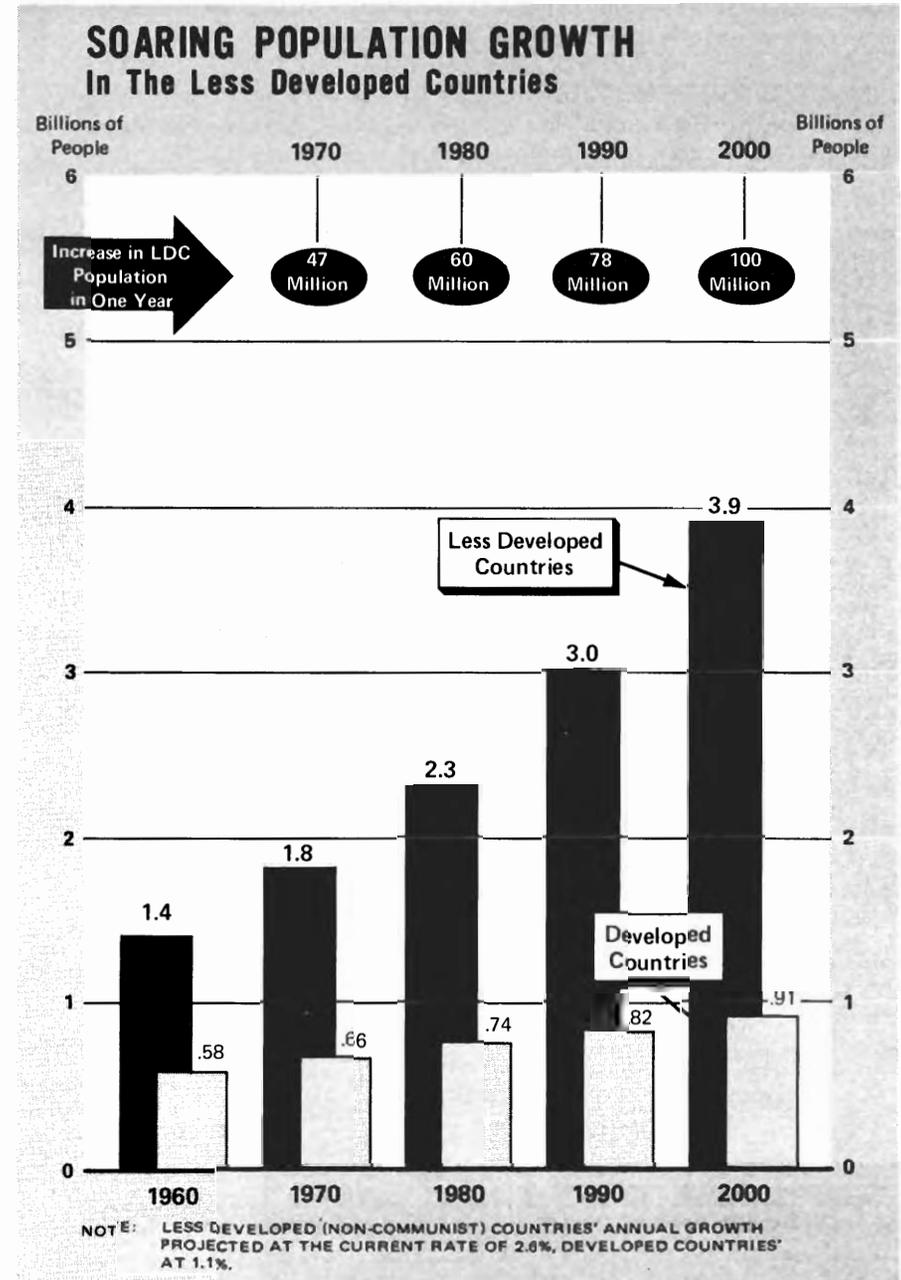
- In some of these countries, there is only one doctor for every 20,000 or 30,000 or in extreme cases 50,000 people, compared to one for every 620 people in the United States.
- A fifth of the entire male labor force either has work that does not pay a living wage or has no job at all.
- Over half the adults are illiterate. Some 300 million school-age children get no schooling at all.

The enormous problems that afflict the people in the less developed countries are not theirs alone -- for the world's problems can no longer be contained by national boundaries. Neither can the sense of injustice, frustration and bitterness which will accrue if people in the less developed world are unable to see progress toward a better life.

For in a world where the poor, seeing affluence around them, are no longer resigned to perpetual poverty, violence is likely to be the result of economic stagnation and social indifference. And violence, too, flows across national borders.

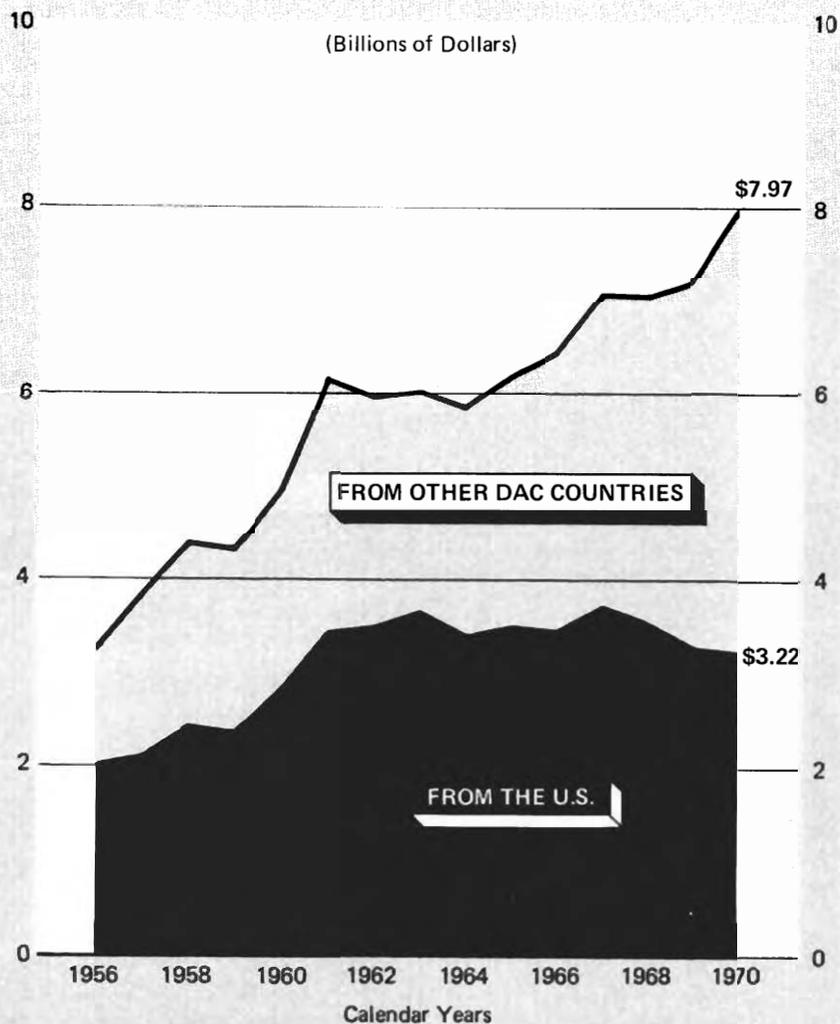
There are now about 3.7 billion people in the world -- three times the population of 100 years ago. In another 100 years, at the present growth rate, there could be 30 billion people on the earth. Even if, by the year 2000, each family had on the average of no more than two children (not an easy goal to achieve by any means), the world population still would not stabilize until it reached 8.2 billion -- more than double the present population and an immense drain on the earth's limited resources.

We cannot ask ourselves where the rich countries will be in the years ahead without asking where the whole world will be. And we cannot imagine that as the world's increased population places an ever greater burden on the earth's resources -- and on man's capacity to live at peace with his fellow man -- we few in the economically developed countries can live comfortably here while across the continents of Asia, Africa and Latin America billions struggle desperately to eke out a



NET OFFICIAL FLOW* OF FINANCIAL RESOURCES

From the U.S. and Other DAC Countries



* OFFICIAL FLOW TO LESS DEVELOPED COUNTRIES AND MULTILATERAL AGENCIES BASED ON THE DAC DEFINITION OF RESOURCE FLOWS, WHICH INCLUDES, FOR THE U.S., ALL ECONOMIC ASSISTANCE PROGRAMS (A.I.D., PL 480, PEACE CORPS, AND CONTRIBUTIONS TO MULTILATERAL BANKS) PLUS SUCH OTHER RESOURCE TRANSFERS AS EXPORT-IMPORT BANK LOANS. DATA FOR OTHER COUNTRIES ARE ON A COMPARABLE BASIS.

meager existence. There can be no assured peace for the rich countries unless we develop a world order based on social and economic progress.

The rich nations of the non-communist world have responded to these stark facts by joining in a broad international aid effort to help the poorer countries meet the critical problems of development. Recognizing the self-interest, as well as the simple humanity involved, they have provided increasing amounts of assistance over the years to help the developing countries fulfill in greater measure the aspirations of their people for a better life.

The development assistance effort has now become a worldwide cooperative effort to which every major industrial nation contributes -- compared to 15 years ago, when the United States provided the bulk of the aid.

The developing countries, too, are putting more money, talent and political muscle into the effort. Their contribution to their own development far surpasses all the help they receive from other countries. On the average, they are investing eight dollars from their own resources for every dollar which comes to them through foreign assistance.

The result has been a sizeable measure of economic growth. The developing countries have increased their Gross National Product at a rate of more than 5% a year over the past decade. This is considerably faster than the growth rates estimated for the presently industrialized countries in the early stages of their development. This progress has not been confined to particular regions or to countries with particular resources, topography, or population.

A number of former aid recipients -- Taiwan, Argentina, Mexico, Iran, Greece -- no longer need bilateral economic assistance. Korea and Turkey are expected to join this group in a few years.

But the record of growth among developing countries is uneven. Major problems remain. Most countries will require some concessional foreign assistance for the next decade, or more. However, on the basis of the record of the past 20 years, there is hope that the developing countries' aspirations for

a better, more productive life for their citizens can be achieved.

While significant progress has been made, the struggle to raise living conditions to acceptable levels has a long way to go.

The U.S. Role

For over 20 years the United States has played a leading role in the international development effort. We should continue to play a major role, for economic and social progress in the less developed world remains important to us, as it does to other industrialized countries and to the developing countries themselves. But the world has changed, and the United States no longer needs to play the dominant role.

In many of the poorer countries, the capability for planning and setting priorities has been improved to the point where they no longer need -- and are rejecting -- extensive guidance in development from others. They need access to new technology, and they need capital assistance, but they are increasingly capable of using these resources themselves.

Moreover, the growth of worldwide cooperation in development assistance has brought increased requirements for international and regional leadership. Many multilateral institutions have responded with strengthened capacities for the guidance of bilateral assistance programs such as ours and for the operation of truly international assistance programs.

Thus, today our contribution can best be made as part of the common effort in which the international agencies and the developing countries themselves increasingly take the lead.

The U.S. role in the international development effort takes several forms, of which foreign aid is the most obvious and direct. But only part of the total U.S. foreign aid program is designed to further development; foreign aid is also used to meet immediate human needs and to help other countries achieve greater security.

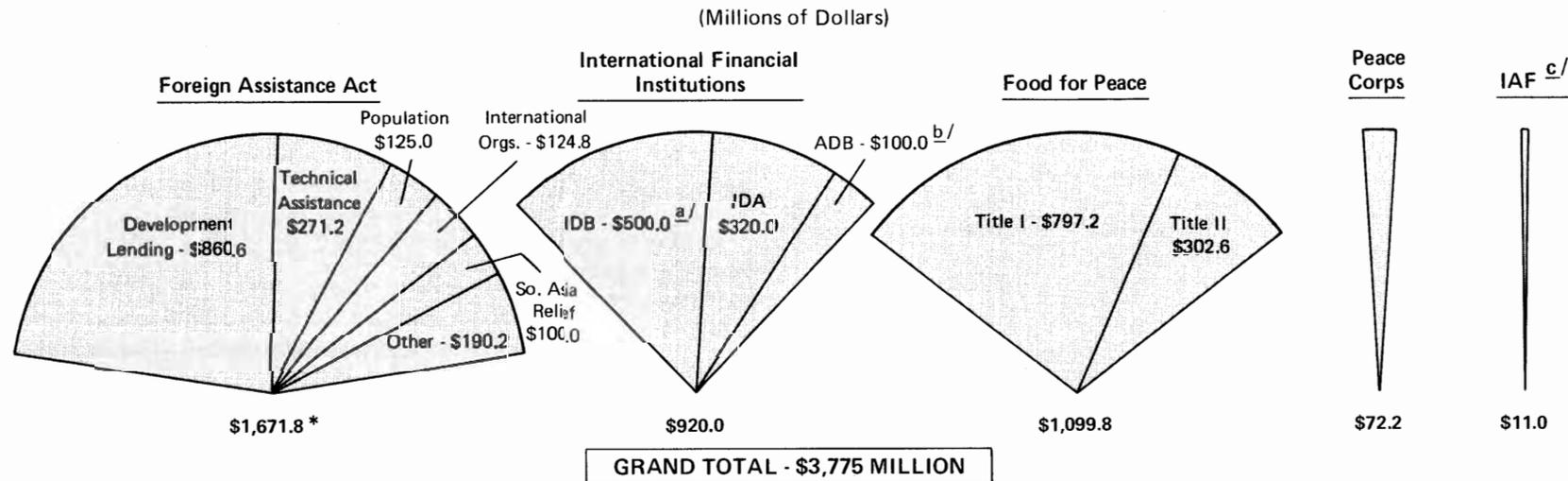
What is Development Aid? Development aid is provided to assist the economic and social development of less developed countries -- to increase their economic growth and distribute available goods and services more widely. The provision of development aid may result in increased security or direct and immediate relief of human suffering, but those are not its main purposes. Similarly humanitarian aid and security aid often contribute to development, even though they are provided for other reasons.

Development aid is meant to support economic and social change -- to increase agricultural and industrial production, to educate and train people, to help prevent population growth from outrunning economic growth, to build lasting institutions, to reduce economic disparities and promote wider distribution of the benefits of economic progress.

The aims of development aid are fundamentally long-term; its goals can seldom be achieved quickly. It is not a very good instrument to try to achieve short-term political purposes, and it should not be measured against that standard.

In the long run, what happens in the developing world will determine in large part the fate of mankind. Our future cannot be separated from the future of the rest of the world. Development aid is a long-term investment in both.

U.S. DEVELOPMENT AND HUMANITARIAN ASSISTANCE PROGRAMS PROPOSED FOR FY 1973



* INCLUDES ALL A.I.D. PROGRAMS EXCEPT SUPPORTING ASSISTANCE (\$874.5 MILLION) AND STATE DEPARTMENT ADMINISTRATIVE EXPENSES (\$4.9 MILLION).

^{a/} \$450 MILLION CONTRIBUTION TO FUND FOR SPECIAL OPERATIONS AND \$50 MILLION SUBSCRIPTION TO PAID-IN ORDINARY CAPITAL.

^{b/} \$100 MILLION CONTRIBUTION TO SPECIAL FUNDS.

^{c/} INTER-AMERICAN FOUNDATION, FORMERLY THE INTER-AMERICAN SOCIAL DEVELOPMENT INSTITUTE. FIGURE REPRESENTS REQUESTED LIMITATION ON THE AMOUNT OF FUNDS THAT MAY BE OBLIGATED IN FY 1973.

II. U.S. DEVELOPMENT AND HUMANITARIAN ASSISTANCE PROGRAMS

The United States provides development and humanitarian aid under a variety of programs.

Authority for many of these programs is contained in the Foreign Assistance Act. This volume contains the basic Congressional presentation materials for those programs, most of which are administered by The Agency for International Development.

Authority for other programs, such as contributions and subscriptions to international financial institutions, Food for Peace (P.L. 480), the Peace Corps, and the Inter-American Foundation -- is contained in other legislation and is presented to the Congress by other agencies.

Some development and humanitarian assistance programs are bilateral -- although often provided in a multilateral framework. Others -- contributions to UN activities and to international banks -- are entirely multilateral.

BILATERAL PROGRAMS

FOREIGN ASSISTANCE ACT

New Directions in the A.I.D. Program. The bilateral economic assistance program authorized by the Foreign Assistance Act is administered by the Agency for International Development (A.I.D.). In January 1972, the A.I.D. Administrator announced a number of major reforms designed to concentrate A.I.D.'s development assistance efforts on basic human needs in the developing countries and improve its administrative efficiency and management. Many of these proposed changes are reflected in this Congressional Presentation for FY 1973; others will take longer to be brought about.

People are the heart of development. Development is meaningful only if it can be translated from impersonal measures of GNP growth into better food, more education, improved health, and more jobs for all people. This requires better understanding of the development process, new types of public and private institutions, new techniques for delivering services, new policies for allocating resources and, in some cases, new technologies. New attention should be given to translating increases in national incomes into improved quality of life and widening social justice for the people of the developing countries.

In this context, A.I.D. is making major changes in its approach. These include (1) focussing its resources on selected development problems, (2) undertaking improved programs of humanitarian assistance, and (3) giving greater attention to the broader distribution of the benefits of development.

1. A.I.D. will focus its development loan and technical assistance programs on a selected group of problems which are basic to human development in the poor countries. These include agriculture and food production, population control, health care, human nutrition and low-cost education. On-going projects and programs in areas unrelated to the priority development problems being addressed by the Agency will be phased down or eliminated.

2. A.I.D. is strengthening its programs of humanitarian assistance and improving its disaster relief capability. For this purpose, a new Bureau for Population and Humanitarian Assistance has been established to serve as a focal point for responding to basic humanitarian assistance needs, disasters and emergencies, hunger, and the pressures of population on an environment with limited resources. It will reinforce the wide range of public and private U.S. international humanitarian assistance efforts through improved coordination and cooperation with voluntary and non-profit organizations.

3. Rapid economic growth remains the objective of our development assistance programs. But development planners today must look beyond aggregate growth and give greater attention to questions of income distribution, employment opportunities, and participation of the maximum number of people in the benefits of development. These considerations will increasingly influence A.I.D.'s programs.

The problems of development are complex and interrelated. In order to identify problems within a particular sector of the economy, such as agriculture or education, and to develop effective programs to solve them, it is helpful to analyze the entire sector to see the effects various factors may have on each other. A.I.D. is placing greater emphasis on this kind of sector analysis, not only in planning and carrying out A.I.D. programs, but in the planning done by countries receiving development aid from the United States. Strengthening the capability of countries to engage in this kind of analysis will enhance their ability to manage their own development programs effectively.

The increased capacity of the developing countries to direct their own development makes it incumbent upon A.I.D. to play a more limited and specialized role in these countries, to shift to a more collaborative relationship with recipient nations. For example, in the relatively more advanced countries, A.I.D. will experiment with new arrangements intended to insure that the host country takes the lead in project design and implementation.

Reforms to focus A.I.D.'s program on basic human needs have been accompanied by reforms to reduce the size of the Agency

and improve its management efficiency. Concentration of A.I.D.'s program and the centralization of management functions should permit personnel reductions of 20-25% over time.

The following are the major activities carried out by A.I.D.

Technical Assistance

People -- their skills, their productivity, and the institutions they build and administer -- are the primary business of technical assistance. Technical assistance is the major means of helping the people of the developing countries to acquire, adapt and generate the knowledge, skills and institutions they need for economic and social growth and modernization. It is designed to accelerate the process by which people are educated, skills transferred and attitudes changed so that people can more effectively help themselves.

Self-sustaining growth depends on the effective use of natural resources, capital facilities and labor. Started under the Point IV program in 1950, technical aid continues today to be a critical requirement for efficient use of a developing country's own resources or resources from abroad.

Almost every economically developed country now provides some form of technical assistance. In 1970, over 100,000 experts and volunteers were supplied and over 80,000 people from the developing countries were trained under bilateral programs. Three-quarters of this assistance was provided by countries other than the United States. In addition, multilateral organizations such as the UN provided over 12,000 experts and 15,000 training fellowships.

In the 1960's, technical assistance activities continued to emphasize the institutional bases for development -- for example, education and training systems, extension services, development banks and intermediate credit institutions, hospitals and clinics. By the end of that decade, several significant changes had occurred.

- Most developing countries had made substantial improvement in their capacity to plot their courses and carry out their own development. Many of the

institutions we helped to build in the 1950's and 60's are operational in the 1970's.

- There was increased desire that overall economic development raise the quality of the lives of individual people in the developing countries.
- The success of the Green Revolution had demonstrated the great potential of research and related technical activities.

How is technical assistance changing in response to these factors?

1. By responding to the initiatives of the developing countries on key problems they identify as the most pervasive bottlenecks in their modernization and growth. Major areas already recognized include

- inadequate quality and quantity of food;
- too rapid population growth;
- lack of low-cost ways of bringing high-quality education and health services to large numbers of people;
- inadequate training capabilities, particularly for management and technical skills;
- rising unemployment and underemployment; and
- scarcity of institutions for the adaptation of technology to specific developing country situations.

2. By mobilizing U.S. strength in science and technology. We will involve both government and non-government communities in the task of adapting and applying modern methods and technologies to specific problems.

3. By focussing attention on sector analysis and program management and evaluation, to build institutional capacity for the long-term tasks of development.

4. By improving coordination with other donors through collaboration with and support of multilateral technical assistance activities.

Technical assistance is of several types --

Research. Increasingly, U.S. research competence in both the social and physical sciences is being directed toward the solution of development problems, primarily to build institutional capacity for research within the developing countries to be directly applied to their problems.

Institution building is the most lasting and far-reaching function of technical assistance. It is not accomplished quickly, but it is being accomplished. U.S. advisers, overseas training for foreign nationals, organizational and program planning insight, imagination and time have helped developing countries establish institutions or improve existing ones. When the effort is successful, the institutions develop momentum and a capacity to evolve and renew themselves; they become able to respond to new problems.

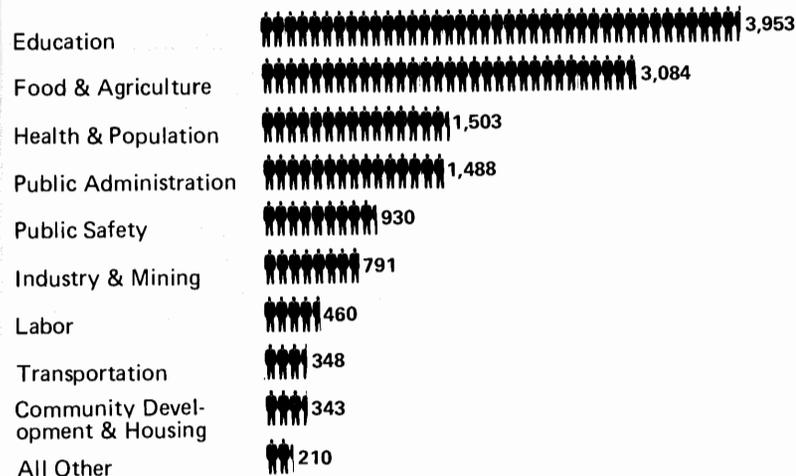
Training is a direct investment in the people of the developing countries. It includes formal education, on-the-job training in skills from crop spraying to computer technology, and accumulation of all kinds of experience in modern ways of doing things. Technical assistance is most effective when it trains people who are willing and able not only to use their new skills, but to pass them along to others.

Since the program began, about 155,000 foreign nationals have received technical training in the United States and third countries under the U.S. economic assistance program. Over 99.5% have returned to their own country to use their training. In FY 1971 the number of participants in training was 13,110, of whom 7,198 were new arrivals; about the same number is expected in FY 1972.

Advisory Technical Services. For the foreseeable future, developing countries will need help in formulating development policies and programs, in defining investment and planning priorities and in improving the operations of government ministries and enterprises. They will also continue to need

PARTICIPANTS IN TRAINING TOTALLED 13,110* in FY 1971

FIELD OF ACTIVITY



* 9,526 IN THE U.S. AND 3,585 IN OTHER COUNTRIES; INCLUDES PARTICIPANTS FUNDED FROM SUPPORTING ASSISTANCE.

technical assistance to the private sector in the areas of research and institution building. In some cases the United States may clearly be the best source of the relevant skills, and it will be important to be responsive to such needs where there are significant opportunities to assist a country's development program.

Technical assistance projects are, by their very nature, normally of several years duration and involve multi-year commitments by the developing countries as well as the donors. Changes in program emphasis or style are, therefore, gradual and have their greatest impact on new projects. In the early years of the program, technical assistance projects were designed in such a way that major managerial authority and

responsibility were assumed by the donor rather than the developing country. In many cases, this was justified because of the lack of trained or experienced people in the developing countries. Now this style of management has become increasingly irrelevant and, in some countries, counter-productive. A.I.D. is making a major effort to put the recipient countries in the center of the development process by adopting a more collaborative style of management which will place primary responsibility for program determinations on the developing country. As part of this effort, in the least developed countries special emphasis will be given to improving planning and implementation capability.

A.I.D. will continue its efforts to take full advantage of the competence and resources of U.S. and multilateral organizations, public and private, outside of A.I.D., to plan and implement development projects in cooperation with developing countries. Practically all technical assistance projects are now carried out through the active participation of intermediary organizations. Increasingly, implementation of projects will be primarily through other organizations, with A.I.D.'s role limited to monitoring these activities.

Population Programs. A.I.D. carries out its programs to reduce population growth rates primarily in the form of technical assistance (provision of commodities such as contraceptives being the main exception). In past years most of the funds for population programs were normally included in the budget requests for the technical assistance accounts. In FY 1972, however, a separate funding category was established for population programs.

The FY 1973 appropriation request for technical assistance, including population programs, is \$380 million.

Development Lending

Development loans finance a wide range of commodities and related technical services which less developed countries need for such facilities as schools, clinics, irrigation

works and roads. They finance the import of products such as fertilizer, farm equipment, trucks, iron and steel, chemical and rubber products, industrial and electric machinery, raw materials and spare parts necessary for agricultural and industrial development.

Loans can have an impact on development greater than the actual amount of funds provided might suggest. Backed by development loans, borrowing countries are able to introduce new policies for more effective use of all resources, control inflation, remove import restrictions, expand investment opportunities for private enterprise, and reallocate their own funds to emphasize vital sectors such as education, agriculture and population. Our loans may also stimulate the flow of resources from other bilateral and international lending agencies.

The proposed development lending program for FY 1973 totals \$860.6 million.

There are three basic types of loans -- project loans, program loans and sector loans.

Project loans finance specific undertakings. They are used for capital investments necessary to build infrastructure such as roads, schools, power dams, railways, sewage systems or irrigation systems. The machinery and equipment required for a particular project and related technical services and training to make the capital investment effective are a part of the loan financing. Project loans may also be used to support intermediate credit institutions, such as industrial development banks or rural credit programs. They may also finance the services of teams of technical specialists who carry out research or help government agencies implement major development programs in irrigation and water resource development or power distribution.

Program loans finance the import of commodities needed to sustain overall economic development activity. Imports may include raw materials, industrial equipment and machinery, components and spare parts, and agricultural supplies such as fertilizer, pesticides and pumps. Program loans are sometimes associated with fiscal or monetary reforms or other steps.

designed to affect the entire economy of the borrowing country. They have been an important aspect of U.S. bilateral development assistance because (1) they promote the effective utilization of existing productive capacity by helping close the gap between the amount of foreign exchange a country is able to earn in the short term and the import requirements of an expanding economy, (2) they stimulate new private investment by helping meet the import needs of the multitude of private entrepreneurs who comprise the main productive capacity of most developing countries, even those with large government enterprises, and (3) they help the borrowing country to avoid or minimize government controls on the economy which might otherwise be necessary, and permit adoption of sound economic policies.

Sector loans provide both capital and technical resources needed to help a country carry out an integrated program in one particular sector of the economy, such as education or agriculture. Like the other types of development lending, sector loans finance imports. The imports may be of two types -- those required for use only in the sector involved, or general imports from whose sale the local currency proceeds are allocated for use in the particular sector. Sector loans often provide, in addition, for technical assistance services which may be essential to the development of the sector. Sector loans contribute to the introduction of new policies or reforms by the borrowing country in the particular sector. The reforms may involve improved sector planning and increased allocation of host country resources to the sector.

Development loans are repaid to the United States in dollars, with interest. Interest rates charged to the borrowing country on development loans are lower than commercial rates, and maturities are longer. If they were not, the loans would not be aid at all.

Formerly 3/4% for the life of the loan, interest rates have gradually hardened and are now 2% during the grace period and 3% thereafter. While the United States has been hardening its loan terms, most of the other member countries of the OECD's Development Assistance Committee (DAC) have been softening theirs.

U.S. development lending is coordinated with the lending of other donors through consortia and consultative groups led by the World Bank and other international agencies, as well as through mechanisms such as the Inter-American Committee on the Alliance for Progress (CIAP). In the future, it is expected that the trend towards multilateral coordination of development lending will be further expanded, with the United States looking to international institutions to provide the framework for U.S. lending programs. And as the multilateral lending institutions have assumed major responsibility for the large capital transfers required to build physical infrastructure for development, A.I.D. has explored new ways of using U.S. development lending for programs designed to develop human resources and respond more directly to human needs.

Disaster Relief and Reconstruction

General. The United States, through A.I.D., responds over 50 times a year to calls for help from around the world in the wake of devastation caused by earthquakes, typhoons, floods, epidemics and other natural and man-made disasters.

Aid to the victims of disasters is provided with A.I.D. funds and P.L. 480 food. A.I.D. coordinates the efforts and resources of other U.S. Government agencies that may be brought to bear and works closely with U.S. voluntary agencies providing assistance.

A.I.D. is strengthening its capacity to respond quickly and effectively to disasters through such means as higher-level policy direction; better coordination of the activities of the U.S. Government, other governments, private agencies and international organizations; greater pre-disaster preparedness by establishment of additional stockpiles and provision of disaster preparedness training; and study of possible uses of modern technology in disaster relief operations.

South Asia Relief. One of the greatest disasters in modern times has vitally affected the development progress of the two largest nations in South Asia. India absorbed, in less

than a year, some 10 million Bengali refugees who fled East Pakistan following the disturbances that began in March of 1971. These refugees have now returned to Bangladesh, the new nation that emerged from the chaos in East Pakistan. The people and Government of Bangladesh confront an extraordinary task in rebuilding their nation.

The United States has provided humanitarian assistance to both countries. Before the Indo-Pak War in December 1971, we made funds available for relief activities both directly and through grants to the UN and other relief organizations. The \$200 million appropriated by the Congress for FY 1972 for South Asia relief and rehabilitation is being used by A.I.D. for non-food aid requirements. Of that amount, \$27.7 million was obligated for these pre-war relief activities. Approximately \$20 million was used to aid the Bengali refugees in India, and the balance of \$7.7 million was provided for use in East Pakistan.

Following the war, our assistance to Bangladesh has been channeled both directly to the Government of Bangladesh and through the United Nations and U.S. voluntary agencies. The United Nations Relief Operation in Dacca (UNROD) is the principal relief organization in Bangladesh. The assistance we have provided to UNROD is expected to be used for re-establishing the transportation system as well as providing an interim logistics capability and for procuring relief commodities for housing, agriculture and other basic needs. The grants we have made to voluntary agencies are being used for housing, nutritional, health, educational and transportation needs. The bilateral grant assistance provided to the Government of Bangladesh covers a wide variety of urgent rehabilitation and reconstruction needs.

In addition, we have provided thus far \$76.5 million worth of food supplies through the P.L. 480 program to prevent famine.

Additional grants of both food and non-food aid are expected to be made as requirements are more clearly defined. These grants will be made to the UN, World Bank and voluntary agency programs in Bangladesh, as well as directly to the Government of Bangladesh for urgent rehabilitation

needs.

When the immediate tasks of relief and rehabilitation are completed, the long-term challenge of reconstruction and economic recovery must be confronted. The requirements and costs of reconstruction have recently been assessed, and the United States expects to contribute towards meeting these needs.

Our post-war assistance under the \$200 million appropriation has reached a level of \$141,582,000, bringing the total U.S. non-food aid provided to date (mid-June) to \$169,282,000. This leaves less than \$31 million in the FY 1972 appropriation available to meet additional needs over the next few months. The \$100 million requested for FY 1973 under the special authorization for South Asia relief and rehabilitation will enable us to continue to contribute to this vital humanitarian effort.

American Schools and Hospitals Abroad

The American Schools and Hospitals program enables private, non-profit institutions overseas, sponsored or founded by U.S. citizens, to maintain high standards and to operate in a manner which reflects favorably on the United States. To the extent that these U.S. institutions abroad help to convey the best elements of U.S. education and medicine, they attract the students that will ultimately emerge as leaders in their societies and contribute to the economic and social progress of the areas where they are located.

Each institution receiving assistance has its own organization, plant, and private funds (raised here and abroad), and contributes a quality of leadership which the U.S. Government could not begin to command with the funds requested for FY 1973. Accordingly, in terms of cost, the United States gets much more than a dollar's value for each dollar of assistance given.

For FY 1973, we are requesting \$15,575,000 for the American Schools and Hospitals program.

Housing Investment Guaranty Program

The Housing Investment Guaranty program provides a full U.S. Government guaranty to U.S. private investors making housing loans in the developing world. Authority to issue guaranties has been expanded annually and now amounts to \$780.1 million, encompassing a worldwide program. A fee is charged for guaranties, and the income produced by this fee is available to meet administrative expenses and claims. The program operates without cost to the U.S. taxpayer.

The original authority to finance pilot demonstration projects was broadened in 1965 to include projects involving housing finance institutions, trade unions, cooperatives and lower-income housing. An increasingly large percentage of new guaranteed loans are now being granted to central housing finance institutions for relending to local savings and loan and other mortgage finance institutions. The effect of this policy has been to strengthen these local financing institutions.

INTER-AMERICAN FOUNDATION (Renamed From The Inter-American Social Development Institute)

The Congress created the Inter-American Foundation as a public corporation in the Foreign Assistance Act of 1969. The Foundation represents a special effort to work toward a new approach to development in the Western Hemisphere, to satisfy the need for experimentation and innovation in development and to place increased emphasis on the social aspects of the development process.

During the past year, the first full year of its existence, the Board of Directors of the Foundation has set forth the criteria, guidelines and operating procedures under which the Foundation will operate, a staff has been recruited and a number of projects have been funded.

The major purpose of the Foundation is to increase sharing by individual Latin Americans in development benefits and decisions. Working largely through private organizations, it seeks

- to strengthen the bonds of friendship and understanding among the people of this hemisphere;

- to support self-help efforts designed to enlarge opportunities for individual development;
- to stimulate and assist effective and increasing participation of the people in the development process;
- to encourage the establishment and growth of democratic institutions, both private and governmental, appropriate to the requirements of the individual sovereign nations of this hemisphere.

The Foundation is actively consulting with Latin American and Caribbean experts to continually sharpen its own methods and approaches to development problems.

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

OPIC is a U.S. Government corporation established in 1971 to manage incentives to the investment of U.S. private capital and know-how in the developing countries. These incentives include

- insurance against the political risks of expropriation; currency inconvertibility; and war, revolution or insurrection;
- financial guaranties of loans or equity investment against default or loss from any cause other than fraud or misrepresentation by the investor;
- direct loans in dollars or local currency;
- pre-investment assistance in the form of information, counseling and financial cost-sharing.

Inheriting the overseas investment incentive programs previously administered by A.I.D., the corporation was created to operate on a businesslike basis, with a joint public-private Board of Directors. Its legislative charter charges OPIC to be financially self-sustaining in its financing

FOOD FOR PEACE (P.L. 480)

operations and to apply the principles of risk-management to its insurance program. To be eligible for OPIC assistance, projects must be new (or expansions), financially sound, competitive, welcome in the host country and responsive to the needs of social and economic development.

OPIC earned \$15.2 million in the first half of FY 1972, its first full year of operation. Some \$300 million worth of expropriation coverage is being reinsured by Lloyd's of London.

Insurance written since the beginning of the program in 1948, and currently in force as of December 31, 1971, was \$2.5 billion for expropriation, \$2.1 billion for war, revolution and insurrection, and \$900 million for inconvertibility. In FY 1973, OPIC plans to commit \$450 million for inconvertibility insurance, \$650 million against expropriation, and \$200 million covering war, revolution and insurrection, for a total maximum contingent liability of about \$650 million.

The total of financial guaranties outstanding is \$187.5 million, and \$50 million more is planned for FY 1973. Also, the first direct loans, amounting to approximately \$6 million, were made in FY 1972. Local currency (Cooley Fund) loans outstanding total 218, the dollar-equivalent amount of which is \$164 million.

Some 370 investment surveys, including those conducted as part of a special program for agri-business pre-investment assistance, have resulted in 56 projects involving a total planned investment of \$111.5 million. In FY 1973, approximately \$750,000 is planned for pre-investment assistance.

In addition, OPIC operates a Community Credit Guaranty program for small local currency loans to agricultural and urban community development projects. As of December 31, 1971, 8 guaranties had been issued covering \$1.9 million in local currency loans.

The abundant agricultural productivity of the United States is used under the Food for Peace program for a number of purposes -- encouraging economic development in the developing countries, combating hunger and malnutrition, developing and expanding international trade, and otherwise supporting U.S. foreign policy.

This program was authorized in 1954 by the Agricultural Trade Development and Assistance Act (Public Law 480). Assistance under P.L. 480 may take the form of long-term credit sales to foreign governments at low interest rates repayable in dollars or convertible local currencies (Title I) or donations to governments, multilateral institutions and private U.S. voluntary agencies (Title II).

Since the inception of the program, about \$22 billion worth of agricultural commodities has been provided -- about \$15 billion under concessional sales programs and \$5 billion in donations. FY 1973 program commitments are estimated at \$1.1 billion -- almost \$800 million in sales and the remainder in donations.

Title I Sales

Most developing countries are giving high priority to increasing food production. While there has been considerable progress, many countries must continue to import food and fiber to meet the needs of their expanding population. Concessional sales of agricultural commodities under Title I of the Food for Peace program help these countries meet their food needs and minimize diversion of scarce foreign exchange from development purposes, by helping fill the gap between domestic agricultural production and the amounts which countries can afford to buy commercially. Sales are made on credit terms repayable in dollars over periods of up to 40 years. Where feasible, Food for Peace sales may fulfill part of a U.S. share of assistance coordinated by an international consortium or consultative group. Wheat,

cotton, vegetable oil and other commodities provided are sold within the recipient countries, and the local currency proceeds of the sales are used to finance development efforts.

Title II Donations

Food is donated under Title II of P.L. 480 to meet famine or other extraordinary relief requirements, to combat hunger and malnutrition, especially in children, and to promote economic and community development.

U.S. non-profit voluntary agencies, including CARE, Catholic Relief Services, Church World Service and other church-related organizations, sponsor a wide variety of people-to-people Food for Peace donation programs. The greatest emphasis is placed upon using donated food, including especially formulated high-protein blended foods, to supplement and enrich the diet of children. Maternal and child health, school feeding and other programs benefit about 47 million children. Food is also used in community self-help and other incentive programs as part payment for work by unemployed and underemployed needy people. Similar programs are also carried out in cooperation with friendly governments. A recent innovation in which four West African countries are participating is a five-year regional grain stabilization program to alleviate cyclical drought-induced food shortages.

Grants of food are an important part of U.S. assistance in emergency situations -- natural disasters, civil strife and refugee problems. In response to global appeals by the UN, the United States provided substantial amounts of food to help India in feeding the Pakistani refugees. UNICEF mounted a child feeding program in India and Bangladesh using Title II blended foods with added sweetener financed by A.I.D. Stocks of food used by U.S. voluntary agencies during the emergency in South Asia are being replaced. Other emergency programs include drought relief in Afghanistan, Jordan and refugee programs in Vietnam and Laos.

The World Food Program (WFP) is a multilateral food assistance organization to which the U.S. contributes food,

including ocean transportation financed under Title II, and a small amount of A.I.D. funds. Established in 1962 on an experimental basis, WFP has substantially increased its global operations, and the number of donor countries has more than doubled. WFP provides food at the request of developing countries for emergency relief and a variety of economic and social development projects. The program is scheduled to reach \$340 million for the two-year period 1973-74. The U.S. plans to contribute on a matching basis up to 40% of the commodities required, compared to 50% during the preceding two years.

PEACE CORPS

Peace Corps volunteers are part of the U.S. development assistance effort. They contribute services requested by the host countries, improve the knowledge of the United States in these countries, and broaden American understanding of the less developed world.

There are now about 8,000 volunteers in 57 countries, working in agriculture and rural development, business and public management, education, health, and urban and municipal development. They generally perform middle level activities, although, at the request of host governments, an increasing number of volunteers with advanced degrees and skills are being placed overseas.

Education remains the principal occupation of volunteers, with agriculture increasingly important as a secondary activity.

Returned volunteers play an important role in American communities. About half of the estimated 50,000 returned Peace Corps volunteers are active in education, social action and foreign aid.

The proposed FY 1973 program (net of supporting operations) for the Peace Corps, which is now the International Operations branch of ACTION, is \$72.2 million.

MULTILATERAL PROGRAMS

Multilateral cooperation in providing development assistance to the less developed countries is one of the fundamental tenets of U.S. aid policy. This policy reflects the principles that the industrialized countries must share the responsibilities and costs of the development effort, that pooling or coordinating use of resources and ideas can increase the effectiveness of aid, that international institutions should now take the lead in the worldwide development

effort, and that international channels are especially advantageous in sensitive fields such as population programs. Multilateral aid coordination can heighten efficiency, minimize overlap and strengthen integration of aid from many sources to a particular recipient. It also helps strengthen international institutions which are essential to a more peaceful and progressive world.

One type of multilateral cooperation is embodied in the international agencies through which the United States provides a substantial amount of development assistance.

ASSISTANCE FROM INTERNATIONAL ORGANIZATIONS TO LESS DEVELOPED COUNTRIES
COMMITMENTS BY U.S. FISCAL YEARS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS							
	1964	1965	1966	1967	1968	1969	1970	1971
TOTAL.	<u>1,214</u>	<u>1,639</u>	<u>1,973</u>	<u>1,813</u>	<u>1,814</u>	<u>2,771</u>	<u>3,388</u>	<u>3,732</u>
World Bank (IBRD).	560	704	689	569	830	1,346	1,571	1,813
International Development Association (IDA).	248	306	284	350	106	380	602	584
International Finance Corporation (IFC)	19	25	35	46	46	87	96	101
Inter-American Development Bank (IDB)	122	234	363	445	391	496	678	660
Asian Development Bank (ADB)	-	-	-	-	5	70	95	238
African Development Bank (AFDB).	-	-	-	-	5	*	16	19
European Development Funds (EEC/EIB)	64	149	319	182	190	141	98 ^{a/}	6
United Nations Agencies ^{b/}	201	223	282	221	241	250	231	310

NOTE: Detail may not add to totals due to rounding.

* Less than \$500,000.

^{a/}Nine months only.

^{b/}Some data are for the calendar year ending in the fiscal year.

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

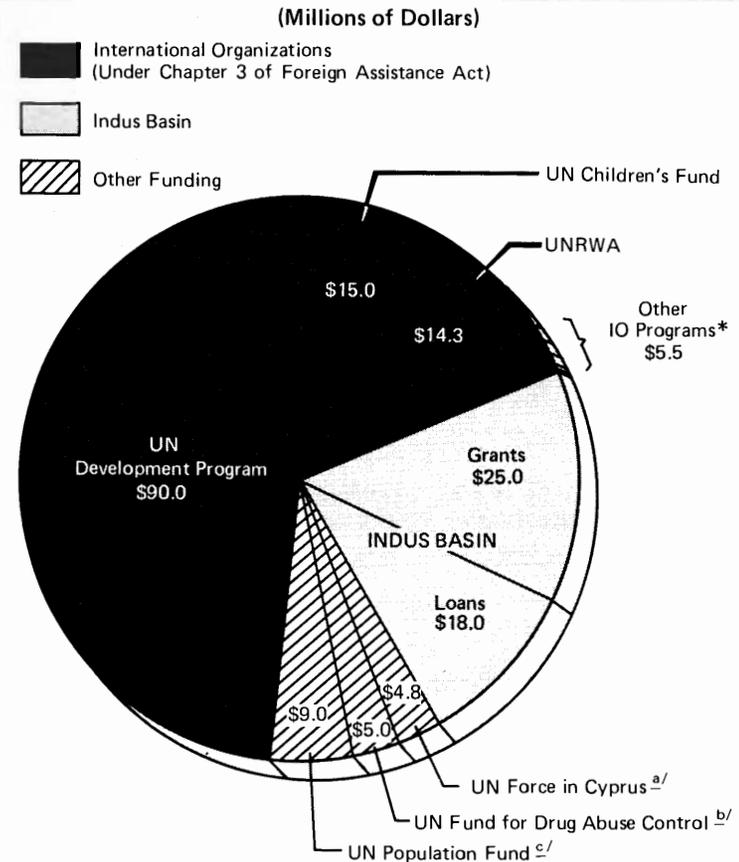
Under the Foreign Assistance Act, contributions are proposed for UN-related programs and for the Indus Basin Development Fund.

Multilateral Assistance Through the United Nations

The amount requested for FY 1973 for these activities is \$143.6 million. The programs assisted include --

- UN Development Program (UNDP). The UNDP is the focal point for the efforts of the whole UN system to provide assistance to developing countries. For FY 1973, \$90 million is requested for the U.S. contribution to UNDP activities, which include surveys to attract investment capital, aid for development of institutions for economic and social growth, and technical advice.
- UN Children's Fund (UNICEF). UNICEF provides supplies, equipment and training to help improve the health and welfare of children and mothers in over 100 developing countries.
- UN Fund for Population Activities (UNFPA). UNFPA is a central coordinating and financing body for activities throughout the UN system which helps UN member countries identify and cope with population problems.
- UN-FAO World Food Program. The World Food Program uses food aid on an international basis to improve nutrition, pay for work on development projects and feed victims of natural disasters.
- UN Fund for Drug Abuse Control. This is a new program to provide technical aid in controlling

PROPOSED FY 1973 VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS & PROGRAMS



TOTAL FY 1973 PROGRAMS
\$186.6 Million

* INCLUDES THE FOLLOWING:

International Atomic Energy Agency - \$1.75
 World Meteorological Organization - \$1.5
 UN FAO World Food Program - \$1.5
 UN Institute for Training & Research - \$0.4
 WHO Medical Research - \$0.3
 International Secretariat for Volunteer Services - \$0.07

a/ Funded from Supporting Assistance
 b/ Funded from International Narcotics Control Account
 c/ Funded from Population Programs Account

narcotics production and traffic, disseminating information on drug abuse, and treating and rehabilitating addicts.

- UN Relief and Works Agency (UNRWA). Contributions to UNRWA help feed, house, educate and provide health services for Palestine refugees.

During the past decade the annual rate of commitments by the UN development agencies has more than tripled. At the same time contributing nations, especially the members of the Development Assistance Committee (DAC), have increased their support at a substantially higher rate than the United States.

Indus Basin Development Fund

The Indus Basin Fund was established by international agreement and is administered by the World Bank. It is financing construction of dams and other facilities to provide an equitable distribution of the waters of the Indus Basin between India and Pakistan. Begun in 1960, the project helped remove one serious source of friction between the two countries and is providing irrigation to over 50 million people.

The United States, seven other countries and the World Bank contribute to the \$1.5 billion Fund. Estimated U.S. contributions in FY 1973 are \$25 million in grants and \$18 million in loans.

CONTRIBUTIONS TO MULTILATERAL BANKS

The United States contributes directly, under separate legislation, to international financial institutions such as the International Bank for Reconstruction and Development (IBRD) and its affiliate the International Development Association (IDA), the Inter-American Development Bank (IDB), and the Asian Development Bank (ADB), which pool contributions from

member countries to provide capital assistance to developing countries.

A total of \$920 million (not including \$337 million in callable capital) is requested for such contributions in FY 1973, all against amounts already authorized by the Congress. In addition a request is under consideration for authorization of a \$300 million three-year replenishment of the Asian Development Bank's ordinary capital, 20% to be paid in and the rest callable, with \$100 million to be appropriated in FY 1973.

Institutions such as these now supply over one-fourth of total official aid commitments from non-communist countries.

The World Bank Group of financial institutions -- the International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), and International Finance Corporation (IFC) -- is the largest multilateral channel for aid.

IBRD loans made on hard terms increased substantially from \$847 million in FY 1968 to \$1.4 billion in FY 1969 and to \$1.9 billion in FY 1971. In 1970 the United States supported a \$3 billion increase in the capital of the Bank. Of the U.S. share of \$246.1 million, \$24.6 million was for paid-in capital, the balance being callable capital to be kept in the U.S. Treasury as backing for the Bank's bonds. Only half the \$246.1 million requested has been appropriated.

IDA credits rose from \$385 million in FY 1968 to \$606 million in FY 1970 and declined to \$584 million in FY 1971. During 1970 the United States participated in international negotiations that led to agreement in principle on doubling donor inputs to IDA during FY 1972-FY 1974. Legislation authorizing the U.S. contribution was passed by the Congress early this year. The U.S. share of the total \$2.4 billion third replenishment would remain 40%, or \$960 million over the three-year period (\$320 million a year), while other countries would contribute the remaining 60%, or \$1.44 billion. Appropriation of the \$320 million second installment of the U.S. share is proposed for FY 1973.

The Inter-American Development Bank (IDB), involving the 21 Latin American Republics and the United States, committed \$637 million for Latin American economic and social development in 1971 -- \$238 million in hard loans from ordinary capital and \$400 million from the Fund for Special Operations (FSO). The FSO makes loans on flexible terms to member countries whose balance of payments situations will not sustain loans on conventional terms, or for projects of high social importance with a delayed or indirect rate of economic return.

During 1970 the United States joined with other members of IDB in supporting an increase in the resources of the Bank. The Congress approved an \$823 million increase in the U.S. subscription of ordinary capital, of which \$150 million is to be paid in three equal installments during FY 1971-FY 1973. The balance of \$673.5 million is for callable capital, half in FY 1971 and half in FY 1973, to be kept in the U.S. Treasury as backing for the Bank's bonds. In addition, the Congress authorized the U.S. representative to the Bank to vote for a \$1.5 billion replenishment of the FSO, of which the U.S. share would be \$1 billion. Half of the \$100 million first installment of the U.S. contribution was appropriated in FY 1971. The other half was requested in FY 1972, but was not appropriated by the Congress. The remaining \$900 million would be paid in two equal installments in FY 1973 and FY 1974.

The Asian Development Bank (ADB) has 21 Asian regional members and 14 non-regional members, including the United States. Its annual loan commitments have grown to \$254 million in 1971 -- \$202.5 million in hard loans from ordinary capital and \$51.5 million in soft loans from its Special Funds. The United States has now paid in full its subscriptions to paid-in ordinary capital. Another \$100 million in callable capital to enable the Bank to market the equivalent value of its bonds has also been appropriated. A \$100 million U.S. contribution to the Bank's Special Funds for concessional lending has been authorized, and appropriation of the full \$100 million is being sought in FY 1973. As noted above, a \$300 million U.S. subscription to a three-year replenishment of ordinary capital is under consideration.

The African Development Bank (AfDB) has a membership of 31 African countries. By the end of 1970, the AfDB had made loans totalling \$39 million. Negotiations are well under way for the creation in the Bank of a Special Fund for concessional lending. The United States and other non-member countries are currently considering contributions to this fund.

MULTILATERAL COORDINATION

The major bilateral and multilateral development aid programs described above are coordinated internationally through consortia and consultative groups for individual developing countries and through various arrangements for general consultation on assistance matters.

Multilateral Coordination of Aid To Individual Developing Countries

Consortia, consultative groups and similar mechanisms, normally led by the World Bank or other multilateral agencies, are the primary means used by donor countries and international institutions to coordinate development aid programs to individual countries. These coordinating groups provide a framework to assess the problems, requirements and performance of particular developing countries and a means of assuring donors that they are supporting consistent development goals and that aid resources are used efficiently.

Such groups, in which both donor countries and international agencies participate, link bilateral and multilateral financial assistance, but have had limited concern with technical assistance. The World Bank is a member of all the groups, while the International Monetary Fund (IMF), the UN Development Program (UNDP), the European Economic Community (EC) and the regional development banks participate as appropriate.

The coordinating groups have varying forms and procedures. The India Consortium and the Pakistan Consortium under the sponsorship of the World Bank and the Turkey Consortium under the auspices of the Organization for Economic Cooperation and Development (OECD) are highly structured groups. As a coordinating body, a consortium assesses the development plans and foreign exchange requirements of the recipient and obtains from donor members indications of levels and kinds of assistance; then commitments are made. Consortia have also been effective in focussing both donors' and recipients' attention on the development policies of the recipient government; for example, the Consortium for Turkey played a major role in encouraging the Turks to undertake their economic reforms of August 1970.

Consultative groups, which are less formally structured than consortia, do not require donors to indicate the amount of assistance to be provided. There are 14 active consultative groups under World Bank sponsorship for 13 less developed countries and one region -- Ceylon, Colombia, Ethiopia, Ghana, Korea, Malaysia, Morocco, Nigeria, Peru, Philippines, Thailand, Tunisia, Zaire and East Africa (Kenya and Tanzania).

The Indonesia aid coordination group has some of the features of a consortium. Chaired by the Netherlands, it receives staff support from both the World Bank and the IMF.

Multilateral Consultations

The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) is the main mechanism for general coordination of bilateral aid. The 16 members of the DAC -- including the United States -- provide over 90% of total worldwide official aid; the members consult frequently on volume, terms, methods and criteria, and review each other's aid programs every year. The United States actively participates in the DAC's work.

Other DAC members, in part as a result of U.S. encouragement, substantially expanded the volume and improved the terms of their aid programs over the past decade.

The United States also participates actively in the Inter-American Committee on the Alliance for Progress (CIAP), which reviews development problems and progress and identifies resource gaps in Latin American countries.

ASSISTANCE FROM COUNTRIES AND INTERNATIONAL FINANCIAL INSTITUTIONS
PARTICIPATING IN CONSORTIA, CONSULTATIVE AND OTHER COORDINATION GROUPS
CY 1970 GROSS COMMITMENTS
(Millions of U.S. Dollars)

DONOR	COORDINATING GROUP																
	CONSORTIA ^{a/}		CONSULTATIVE GROUPS ^{a/}													OTHER AID COORDINATION GROUPS	
	IBRD	OECD	IBRD													IBRD	NETHERLANDS
	RECIPIENT																
	INDIA	PAKISTAN	TURKEY	COLOMBIA	EAST AFRICA ^{b/}	GHANA	ETHIOPIA	KOREA	MOROCCO	NIGERIA	PHILIPPINES	PERU	THAILAND	TUNISIA	ZAIRE	CEYLON	INDONESIA
Australia	2.1	0.5			0.3	0.5	*	1.1		*		7.7			0.3	19.6	
Austria	2.0	0.5	0.6		0.2		*					0.2	0.1				
Belgium	3.5	1.5	1.5							1.0						2.5	
Canada	79.2	47.1	6.7		23.0	9.0	0.2	0.1	4.4	3.9	0.1		1.3	8.4	0.9	5.0	
Denmark	4.1	0.4	2.7	0.2	6.4			0.1	0.1		*	0.1	*	1.4		3.3	
Finland					n.a.						n.a.		n.a.				
France	20.0	8.1	18.4	-	-	1.3	-	-	41.7	-	-	6.5	-	27.9	0.1	-	
Germany	76.0	36.7	59.8	10.9	9.2	6.5	2.2	12.7	34.7	11.6	1.4	12.9	4.4	26.9	2.5	1.4	
Italy		40.0	15.0	0.1	0.8	0.1	2.7	*	0.7	0.1	*	0.1	*	0.2	0.1	*	
Japan	57.8	82.4	*	*	0.6	*	*	98.6	-	8.7	40.0	0.6	11.0	-	-	-	
Kuwait														n.a.			
Libya														n.a.			
Netherlands	22.8	9.1	1.0		1.0		0.1	1.0		0.8				2.0		33.8	
New Zealand												n.a.					
Norway	6.4	1.2	0.5		9.1	0.1	0.2	*		0.5				0.3	0.2	0.1	
Spain				n.a.					n.a.					n.a.			
Sweden		13.3	2.0		22.3		16.5	3.8					11.9		0.4		
Switzerland	5.4	0.8	0.4	0.2	0.6					0.1		0.3	0.1	0.4	0.1	0.8	
Taiwan								n.a.									
United Kingdom	111.5	42.5	8.4	0.5	-	-	-	0.1	-	20.8	0.2	0.3	1.2	-	-	9.3	
United States	275.3	274.6	82.6	100.1	16.9	33.0	16.3	143.6	33.7	55.0	34.6	19.2	29.8	29.7	11.6	20.1	
EEC			44.4							0.3		1.7			0.4	1.1	
IBRD	40.0	19.2	40.4	127.6	113.9			40.0	68.3	35.6			46.5	10.0	14.5		
IDA	172.5	99.4			25.2	14.8	6.6	15.0	7.3				10.5	5.0	14.5	104.9	
Asian Development Bank		36.8						44.7			25.6	19.0				13.4	
African Development Bank					4.5				2.8								
Inter-American Dev. Bank				54.3								67.6					
TOTAL	878.6	714.1	284.0	293.9	234.0	65.3	44.8	360.8	193.7	137.4	102.9	109.2	121.3	128.3	22.3	554.0	

NOTE: *Donor contributed less than \$50,000. - Dash means that a donor did not participate in CY 1970. n.a. Data not available.
^{a/}The consultative groups for Sudan and Malaysia and the consortium for Greece are inactive.
^{b/}Includes commitments to Kenya, Tanzania, Uganda, and the East African community.

Sources: DAC Annual Assistance Review, annual reports of international financial institutions, and reports of consortia and consultative groups.

III. HOW MUCH DEVELOPMENT AID DOES THE UNITED STATES PROVIDE?

The amount of development assistance being provided by the United States is modest compared to this country's economic capacity and to the efforts of other economically developed countries.

A.I.D. Development and Humanitarian Assistance Programs. The \$1.4 billion appropriation request for development and humanitarian assistance programs to be carried out under the Foreign Assistance Act amounts to

- little more than one-half of one percent (0.5%) -- one two-hundredth -- of the Federal Budget, and
- only about 1/10th of one percent (0.1%) -- one thousandth -- of our Gross National Product (GNP).

The Total U.S. Development and Humanitarian Assistance Program. The total U.S. development and humanitarian aid program proposed for FY 1973 -- both bilateral and multilateral-- amounts to \$3.8 billion, or about 1-1/2% of the Federal Budget and less than one-third of one percent (0.3%) of our GNP.

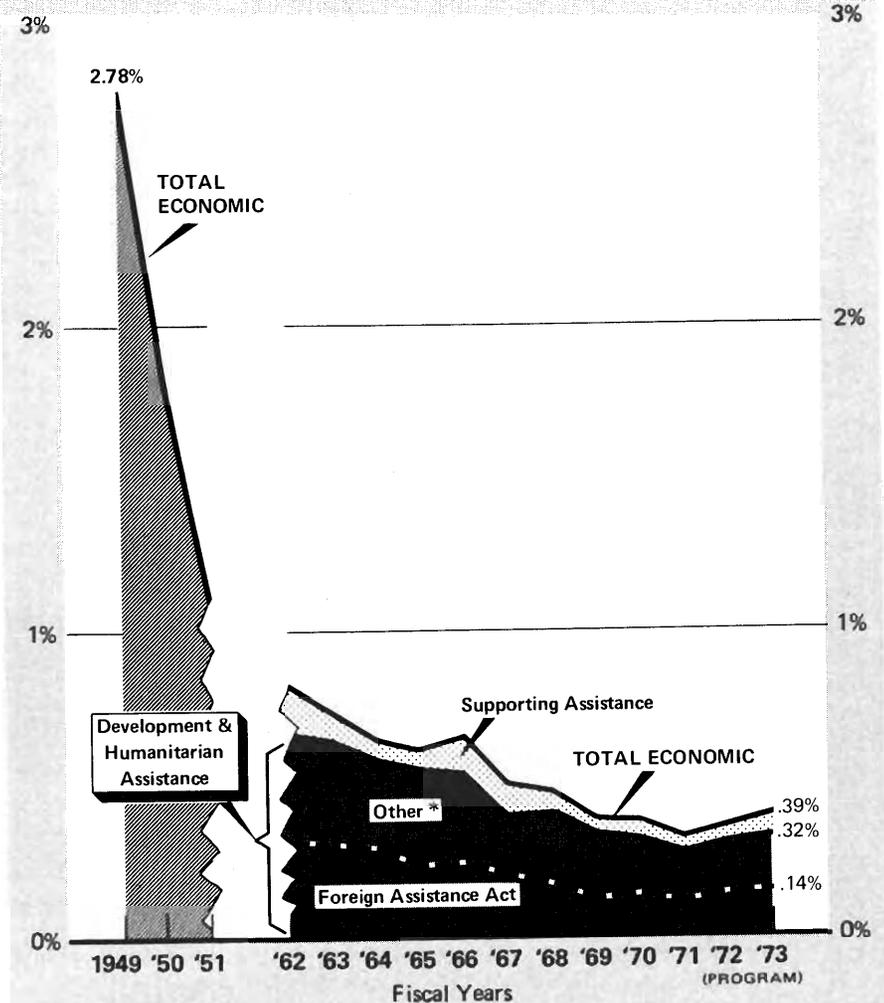
All U.S. Foreign Economic Aid. The total of all U.S. foreign economic aid proposed for FY 1973 -- whether development, humanitarian or security aid -- amounts to less than \$4.6 billion. This is less than 2% of the Federal Budget and well under 1/2 of 1% of our GNP, compared to about 6 times those percentages during the beginning of the Marshall Plan.

HOW THE UNITED STATES COMPARES WITH OTHER COUNTRIES

The United States -- with a GNP about equal to all the other DAC members combined -- now contributes well under half the economic aid going to less developed countries and multilateral agencies, with other countries' contributions expected to continue rising during the 1970's.

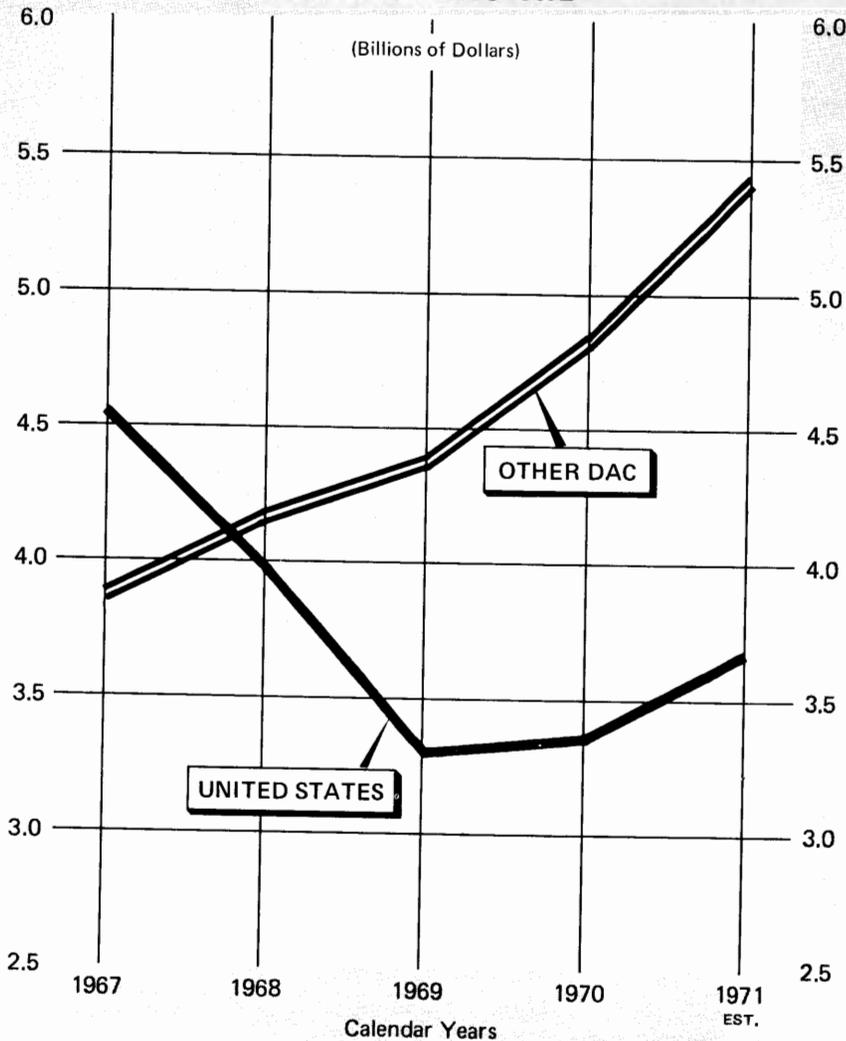
U.S. ECONOMIC ASSISTANCE as a PERCENT OF GNP

Net Obligations and Loan Authorizations



* INCLUDES FOOD FOR PEACE (PL 480), CONTRIBUTIONS TO MULTILATERAL FINANCIAL INSTITUTIONS, PEACE CORPS, INTER-AMERICAN FOUNDATION, AND SOCIAL PROGRESS TRUST FUND.

OTHER COUNTRIES PROVIDE ABOUT 60 PERCENT OF ALL DAC AID*



* COMMITMENTS TO LESS DEVELOPED COUNTRIES AND MULTILATERAL AGENCIES BASED ON THE DAC DEFINITION OF OFFICIAL DEVELOPMENT ASSISTANCE (ODA), WHICH INCLUDES, FOR THE U.S., ALL ECONOMIC ASSISTANCE PROGRAMS (A.I.D., PL 480, PEACE CORPS, AND CONTRIBUTIONS TO MULTILATERAL BANKS), BUT EXCLUDES SUCH OTHER RESOURCE TRANSFERS AS EXPORT-IMPORT BANK LOANS. DATA FOR OTHER DAC COUNTRIES ARE ON A COMPARABLE BASIS.

There are several ways of measuring foreign assistance -- not all of them very meaningful. The DAC and the UN have set 1% of Gross National Product as a goal for the industrialized countries, but count toward that target flows of private funds, as well as official government resource flows, and the latter include everything from hard-term export credits to outright grants. Six of the 16 DAC member countries exceeded the 1% target in calendar year 1970, the latest year for which figures are available. Many DAC countries have five-year plans to reach the target. The United States has subscribed in principle to the 1% target, but has not set any time in which to achieve it. By this standard of total financial resource flows as a percent of GNP, the United States ranked next-to-last among DAC member countries in 1970.

Official Development Assistance. In the last few years, the DAC has been using a more meaningful concept, called "official development assistance" (ODA), which excludes not only private funds, but also most hard-term credits and financing provided primarily to finance exports rather than to benefit developing countries. By this standard (which is approximately equivalent to total U.S. economic assistance) the United States ranked in 12th place in 1970 in assistance provided as a percent of GNP.

Even the concept of official development assistance is an imperfect measure of foreign aid, primarily because while it contains only assistance provided on concessional terms, the terms nevertheless vary considerably from grants to a few quite hard loans. (The DAC has this year agreed in principle to exclude hard loans from ODA -- specifically those with a concessional element below 25%.) The United States also ranked 8th among the DAC countries in relative softness of the terms of aid provided in 1970.

In short, the United States, which has more, gives less, and our proportion of the economic aid provided by all countries is still declining.

IV. COSTS AND BENEFITS OF AID TO THE U.S. ECONOMY

Most foreign aid does not consist of giving money to other countries. Development assistance in particular is heavily weighted in favor of loans and credits, which are repayable with interest in U.S. dollars -- and which are being repaid. P.L. 480 Title I sales are now made for dollars or convertible local currencies, and over half of the \$1.7 billion development and humanitarian assistance program proposed for FY 1973 under the Foreign Assistance Act consists of dollar loans.

U.S. Procurement

The A.I.D. program for the most part sends U.S. goods and services to the developing countries. A.I.D. dollars buy goods from over 4,000 American companies and pay some 1,000 private institutions, firms and individuals in all 50 states for technical and professional services to carry out projects overseas.

- Commodity procurement. In FY 1971 A.I.D. funds bought \$972 million worth from all over the United States, accounting for over 99% of A.I.D.-financed commodity procurement.
- Technical services contracts. As of June 30, 1971, A.I.D. had 1,261 active technical service contracts with private institutions, companies and individuals, valued at \$682 million.
- University contracts. Of these, 134 colleges and universities held 362 contracts worth \$274 million.

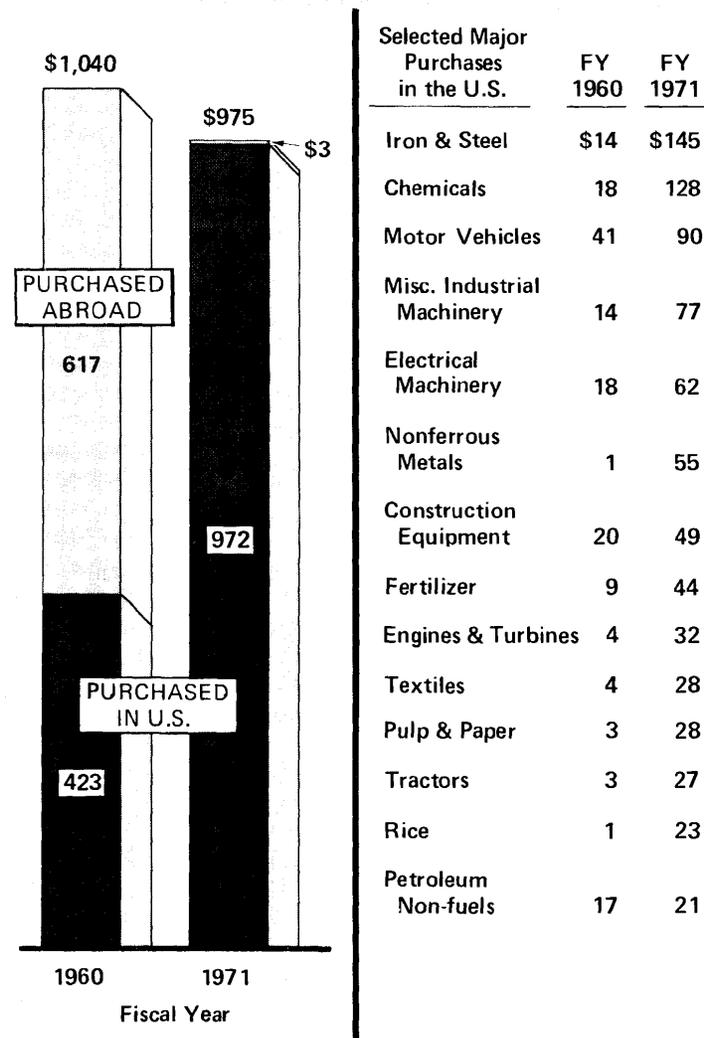
In addition, American carriers earned about \$78 million in FY 1971 transporting A.I.D.-financed products to the less developed countries.

A.I.D.-FINANCED COMMODITY EXPENDITURES

MAJOR COMMODITIES PURCHASED IN THE U.S.

FY 1960 vs. 1971

(Millions of Dollars)



To increase the effective value of aid to recipient countries and eliminate political frictions caused by tied aid, the President has proposed the untying of bilateral development loans on a fully reciprocal basis. Virtually all the industrialized countries have agreed to the principle of untying. However, we are holding further action on untying pending the completion of ongoing adjustments in international monetary arrangements.

Balance of Payments

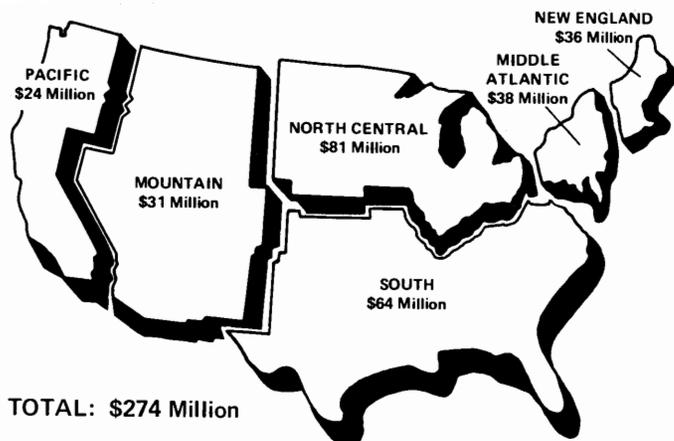
This nation's balance of payments and gold outflow problems result primarily from our large defense expenditures, U.S. investments abroad and tourist spending overseas -- not from the foreign aid program. In FY 1971, 87% of A.I.D.'s expenditures were for U.S. goods and services. The remaining 13% spent for foreign goods and services -- only \$255 million out of total expenditures of \$1,909 million -- was more than offset by \$306 million of net receipts of principal and interest on prior-year loans paid to the United States by other countries.

Creating Future Markets

U.S. development assistance programs help build long-run demand for U.S. exports.

- U.S. aid programs strengthen countries economically, making them better customers for U.S. exports.
- U.S. products often are exported to countries for the first time through aid financing, paving the way for later commercial sales of those products.

134 U.S. COLLEGES AND UNIVERSITIES WORK ON A.I.D. PROGRAMS IN 35 COUNTRIES



VALUE OF A.I.D. TECHNICAL SERVICE CONTRACTS BY REGION, JUNE 30, 1971.

V. PROGRAM EMPHASES

AGRICULTURAL AND RURAL DEVELOPMENT

Today we face two major challenges in agricultural development.

- We must sustain and further the technological and production gains achieved thus far.
- The benefits of the agricultural revolution must be shared to the greatest extent possible by all the rural people in the developing countries.

In order to meet these challenges, we are evolving new approaches while continuing the assistance activities that have made a major contribution to the agricultural revolution.

As a result of those efforts and the technological breakthrough which resulted in the "Green Revolution", impressive gains in food production have been made in the past five years. These breakthroughs were achieved in cereal food grains as a result of research financed by the Ford and Rockefeller Foundations and various aid donors, including A.I.D. Improved varieties of wheat and rice were developed; these varieties resulted in significant production increases in certain climates, with particular resource environments and management, and with necessary accompanying government policies. Countries where these conditions were present experienced impressive increases in cereal grain output; these countries include India, Pakistan, Turkey, Philippines and Mexico.

Although the increase in production of basic food grains is of major proportions, significant problems remain. Agricultural production must continue to increase; research capabilities must be reinforced and expanded; restraints on marketing systems must be removed; and an adequate supply of trained specialists must be assured.

U.S. assistance to developing countries plays an important role in helping developing countries confront these problems. A.I.D. is helping to finance a wide variety of essential inputs, including the new high-yielding seed varieties, other crops, fertilizer, irrigation facilities and pesticides, in order to increase agricultural production.

Our research program is part of a worldwide effort to concentrate research directly on agricultural problems, particularly those relevant to the small producer-- on crops or stock that he can grow or raise with technology he can use. In this regard, greater attention will be directed toward the development of a network of interrelated research centers throughout the world. We are also financing programs aimed at modernizing and creating more responsive marketing systems. Over the past twelve years, we have trained over 14,000 agricultural participants in the United States and assisted in developing or modernizing more than 100 agricultural schools in the developing countries. However, more technical specialists, particularly in research, must still be trained.

In order to meet the second challenge of agricultural development, we are increasing our emphasis on such problems as income distribution and rural employment while continuing our efforts at solving the problems discussed above. The new emphasis is not limited to specific activities, but rather is an objective that will be reflected to an increasing extent in the agricultural projects and programs we finance. We are relying to a greater extent on sector analysis as the principal tool to enable both recipient countries and A.I.D. to evaluate the effects of policies and programs on agricultural production, rural employment and income distribution. For example, this technique enabled us to alter elements in a sector loan so as to increase substantially the number of jobs created by the activities that the loan financed. Such benefits are expected to increase in the future.

POPULATION AND HEALTH

The quality and quantity of human life are inseparable aspects of the problem of development. Improvement in the quality of life is simply not possible if a rapidly increasing quantity of people intensify demands on already scarce resources. Rapidly increasing population is perhaps the most overriding long-run problem facing mankind, and it affects directly all attempts to solve other development problems.

The effects of debilitating disease and malnutrition will be magnified unless the excessive expansion of population is curtailed. Even if enough nutritious food is available, malnutrition will persist as long as intestinal diseases prevent the retention of protein. Conversely, health programs to cure serious diseases offer little hope for the people of poor countries if some later die of starvation. Improved nutrition and health are necessary to a reduction in infant mortality, which is a pre-condition for large-scale reduction in fertility. Because of the integral relationship between population, health and nutrition, A.I.D. programs in the three fields overlap in conception and in implementation. For example, A.I.D. is assisting maternal/child health programs which provide at one time services and information on family planning, nutrition and health.

Population

The magnitude of the problem of rapid population growth is widely known; its full implications for every aspect of society, and thus for general development, are now beginning to be fully appreciated. This has resulted in a greater sense of urgency throughout the world and a new awareness of the need for comprehensive programs.

Yet the means to cope with this critical problem are not fully developed. Contraceptive technology still has a long

way to go; simple, low-cost contraceptives have yet to be developed; and effective techniques for motivating couples to plan smaller families are still being devised. There are shortages of qualified doctors, nurses, administrators and planners. Population programs in most developing countries are only in their early stages -- although some countries like Korea, Taiwan and Singapore have made notable progress.

In recent years, the A.I.D. program has given high priority to assistance to help reduce population growth rates. The program has grown from \$2 million in FY 1965 to \$125 million proposed for FY 1973. The United States has played a significant role in assisting less developed countries to analyze their population problems, to develop their own family planning policies, and to design and implement action programs. These programs will continue, as will the search for improved contraceptives and distribution systems.

In addition, A.I.D. population programs beginning in FY 1973 will pay increasing attention to the "demand" side of the problem. Numerous variables -- social, economic, religious and legal -- may influence individuals' desired and actual family size or their "demand" for family planning. However, the body of knowledge about the relationship of these factors to family size is small; additional research is necessary. Less developed countries must also determine what official policy changes and action programs will influence people to have fewer children, including possible modification of laws regarding age at marriage, child labor, and social security programs.

Health

Without good health, the individual and the society cannot get full benefit from more food and material goods, schools and other services, or new technology. Nor can they make development gains if energy is sapped by debilitating illness. Disease is still a massive problem in many developing countries. To help control disease over the past decade, A.I.D. programs emphasized the development of a modern health technology, malaria and smallpox control programs

were extremely successful, and health training facilities and programs were expanded in many countries. We plan to continue these efforts in disease control and eradication, as well as programs to establish and operate safe water and sewerage systems.

Further study is needed to determine the relationship of health to development as a basis for action programs which can materially improve the quality of life for more people in developing countries. In particular, A.I.D. assistance will stress the integration of health planning with national development planning, and the development of multi-purpose low-cost systems to deliver basic family planning, health and nutrition services. The relationship of environmental pollution to health problems will also receive increasing attention -- efforts will be made, in cooperation with various international organizations, to improve awareness of the extent of the problem and what can be done about it.

Nutrition

Malnutrition is the most important direct and indirect cause of child mortality in many developing countries. For those infants who survive, malnutrition can cause permanent mental retardation, thus limiting opportunities for future education and productive work. Recent research has shown that since parents often have many children to guarantee security in old age, a reduction in child mortality rates is a necessary condition for the reduction of birth rates.

The pervasive nature of malnutrition dictates a coordinated approach to its eradication. Opportunities to improve nutrition must be sought in the course of other programs in education, health and agriculture, as well as in specific projects aimed at combatting malnutrition. A.I.D.'s current technical assistance programs in nutrition are largely exploratory attempts to find new ways of dealing with these massive problems. Increasing attention will be given to efforts to encourage broad national planning to attack malnutrition, embracing all relevant fields of activity.

We will also support research to develop new inexpensive protein products and fortified cereals, as well as nutrition education and training programs.

EDUCATION AND MANPOWER TRAINING

The development of human resources -- the education and training of people -- is both the means and the objective of national development. Education in a broad sense is the way in which people obtain the knowledge, skills and motivation needed to improve the quality of their own lives and contribute to a more creative and productive society.

General social progress cannot be achieved by a small elite commanding a huge constituency of illiterate and disoriented people. Suitable education is essential to development of the individual and the nation.

Intense efforts were made by the developing countries in the 1950's and 60's to improve and expand their educational systems and meet the demands for improvement of human skills. Expenditures of their own funds for education increased from \$1.5 billion in 1950 to roughly \$12 billion in 1970. In some instances, as much as two-thirds of a country's annual growth in revenues was spent on education. Latin American governments spent twice as much on education as on agriculture.

The increased priority given to education during that period resulted in substantial progress in meeting manpower requirements. During the period, primary enrollments more than doubled while secondary and higher education enrollments quadrupled. As a result, a nucleus of high-level manpower required for nation-building now exists in most developing countries. The United States has made a vital contribution to this progress in the form of substantial technical and capital assistance. We share the pride of the developing countries in the accomplishments, but along with them we recognize that traditional education still does not reach half of the children of the world and falls far short of responding to the actual needs of their societies.

Continued linear expansion of traditional school systems will not produce the kind and amount of education needed for development at this juncture. Indeed, unsuitable education is a severe drain on scarce resources and may impair rather than benefit development. Bold new approaches are needed to solve problems presented by increasing numbers of unemployed and underemployed, shortages of skilled craftsmen and technicians, and rural to urban migration.

Immediate solutions to these problems must be sought. While seeking new answers, A.I.D. must continue to support developing nations in their efforts to build schools, develop better teaching materials, and train more teachers. Moving beyond these tested measures, better planning and analysis of the entire education sector must be undertaken to determine the relationships and linkages of the elements affecting the system. Research and experimentation with curricula, teaching methodology, and educational technology is urgently needed. Perhaps most important, experimentation with new non-formal education approaches must be tried if more children are to be taught at reduced costs.

Emphasizing non-formal education does not necessarily mean de-emphasizing formal education. But a new dimension to education must be realized which will provide modern learning experience for a much larger proportion of the population in the course of its daily life and work. Although recognition of the need to give greater status to out-of-school education has increased, knowledge about its possibilities is still limited. A.I.D. will increase its efforts to learn more about existing and potential non-formal education for developing countries.

Recent analyses have underscored the need to experiment with use of modern communications techniques and with programmed learning to try to spread quality education to more people at a feasible cost. New technology can supplement the job of existing teachers -- many of whom are poorly educated themselves. Mass communication can assist in both formal and non-formal education (e.g. in agricultural advice for farmers). A.I.D. is also financing experiments in programmed learning. Finally, application of sector analysis to educational finance and planning helps developing countries make

the most efficient use of modern communications technology as well as of other expensive resources.

INDUSTRY, TRANSPORTATION AND URBAN DEVELOPMENT

Industry and Transportation

Industrialization is a symbol as well as an essential element of development. If the industrial sector is to contribute to overall economic advancement, it requires the concurrent development of physical infrastructure, especially the transportation network; capital resources; imported raw materials and equipment; appropriate industrial policies; an adequate supply of trained manpower; and earnings from exports and tourism.

Our assistance to capital resource development takes many forms. We lend to development banks and intermediate credit institutions in less developed countries, which use loan funds provided by the United States to make subloans to local entrepreneurs. This system of lending, which expands existing credit institutions and establishes new ones, allows for lending on a small scale to small businessmen and permits the application of these institutions' local knowledge to the business of investment. Assistance is also provided to other financial institutions to mobilize capital for development.

In recent years, there have been increased efforts to promote private industrial enterprise in the developing countries (1) by encouraging direct private investment from the United States, now through Overseas Private Investment Corporation (OPIC), (2) by advising on the development of local capital markets and supporting credit institutions, and (3) by assisting in tourism and identifying products which can be manufactured in the developing countries for export sales.

Recognizing that the policies and strategies that a developing country pursues determine the extent to which industrialization contributes to overall development, we seek

to ensure that aid recipients are cognizant of the effects of the policy options that they consider in formulating development strategy. We also acquaint these countries with the results of research efforts on relevant problem areas.

The development of a supply of trained manpower is assisted by a variety of approaches. We furnish technical assistance to intermediate credit institutions and other organizations that provide skills and services for private industry. We also assist a variety of educational institutions whose training efforts range from graduate business administration to basic industrial skills. We also help developing countries make contractual arrangements with private U.S. firms for assistance in technical and management skills.

In transportation, our assistance is directed towards capital development inputs for constructing roads and highways; upgrading and maintaining existing rail facilities; communications, navigational aids, and operational management for air transportation facilities; and capital improvements for ports and harbors.

Urban Development

Urbanization appears to be an inevitable complement to modernization and industrialization. As such, it places additional demands on development.

In the past our assistance efforts have been concentrated on a guaranty program for housing loans, with limited emphasis placed on infrastructure such as roads, sewage and water facilities and transportation.

Today we are directing our assistance in the urban area along the lines of the sector approach. This technique allows us to provide capital and technical assistance in an integrated manner to attack problems such as deficiencies in planning and administrative capacity; lack of basic infrastructure such as roads, sewage and water facilities, and transportation systems; shortages in housing for low-

income families; and urban employment.

Already well established in Latin America, our assistance in the housing loan area through the housing guaranty program will be expanded through new activities in Asia and Africa.

Science and Technology

Science and technology are an integral part of and make major contributions to the development process. Increased production, proper management of natural resources, alternative employment opportunities, and better physical infrastructure are all possible through the correct application of modern science and technology.

Our assistance efforts have used talent from the scientific and technical fields for many years. But the scope of the efforts has been narrow and the impact short in duration, usually leaving no indigenous scientific or technical capability.

U.S. expertise in these fields represents great potential for solving the problems of the developing countries. A.I.D. has begun a systematic effort to bring together and direct to development needs the resources of U.S. institutions. The purpose of this effort is to strengthen the capacity of developing countries to acquire and use science and technology more effectively.

We shall continue to support promising centers of excellence that form the basis for expanding local competence and can assist in the development of national science policies in the developing countries.

As the developing countries increase their awareness of the necessity to use scientific and technological resources more effectively, we feel that a collaborative style of assistance can make significant contributions to sustained economic development. The National Academy of Sciences, with A.I.D. support, has developed collaborative programs with a number of developing countries to assist them in integrating local scientific and technological activities

into overall development efforts. A.I.D. is also involved in collaborative activities with various international agencies, as we look to these agencies to provide the framework within which specific A.I.D. activities can contribute to multilateral efforts.

PRIVATE ENTERPRISE

Private resources and individual energies must be applied to the task of development. Economic progress has been greatest in countries which have allowed private enterprise to flourish and enabled the individual to participate actively in the development process.

U.S. development aid programs strengthen private initiative in the developing countries in a number of ways. For example --

- Technical Assistance helps strengthen individual skills and knowledge and equips the individual to participate more effectively in the development process.
- Technical Assistance helps private enterprise directly through projects in, for example, management training, small industries development, tourism and development of local credit institutions.
- Technical Assistance supports private U.S. groups such as the International Executive Service Corps (IESC) and a number of U.S. cooperatives and other associations which

provide technical, advisory and other services to private businessmen and organizations in developing countries.

- Development Lending often permits governments to adopt sound economic policies which liberalize import and other restrictions hampering private economic growth and create a favorable climate for private investment.
- Development Lending finances the importation of goods needed by private businessmen and farmers
- Development Lending helps build the power plants, roads, dams and other basic facilities required to support expanding private activity.
- Development Lending provides resources for intermediate credit institutions, which are an important source of capital for businessmen, farmers and homeowners in developing countries.
- Both Technical Assistance and Development Lending help develop capital markets by providing assistance to financial institutions to mobilize capital for economic expansion which can increase investment in development.
- Both Technical Assistance and Development Lending are used to help less developed countries identify and manufacture products for which a world market exists and which can, therefore, increase countries' foreign exchange earnings through expansion of exports.

POPULAR PARTICIPATION IN DEVELOPMENT

Title IX of the Foreign Assistance Act emphasizes the importance of increasing popular participation in the development process. Central to the legislation is the proposition that the people of the developing nations should be involved in decisions that affect their own lives and should fully share in the benefits of development that we are assisting.

Popular participation can be increased by such activities as taxation to improve income distribution, land reform and other government policies to assist the small farmer or businessman, and motivational leadership and management training. It also requires development or strengthening of a wide variety of institutions which perform economic, social and civic functions at all levels of society. These institutions, including rural cooperatives, labor unions, women's and youth groups, credit unions, legislatures and legal institutions, and many others, enable people to articulate their demands and perform their tasks more efficiently, and cause governments to respond more effectively to the needs of the people.

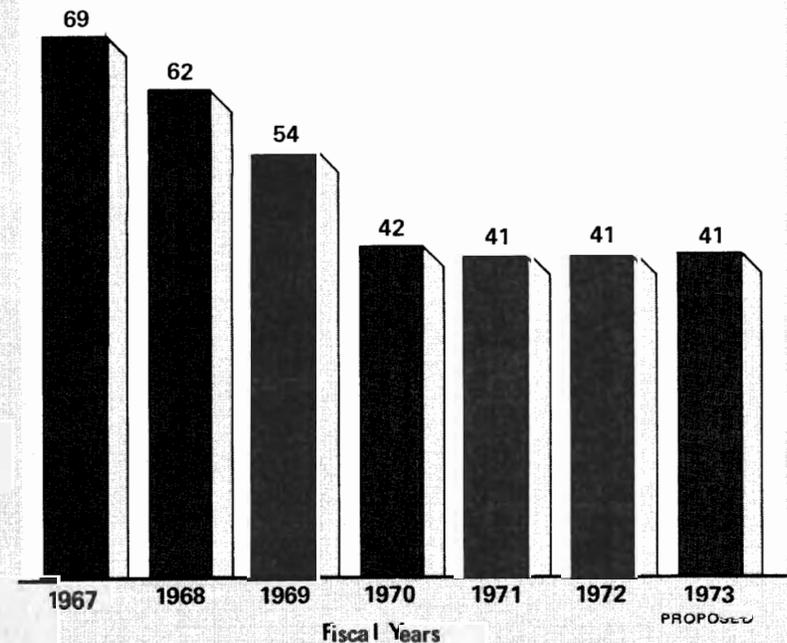
Through the development assistance program, we are trying to help developing countries move toward fulfillment of these purposes. We are currently analyzing existing operations, to define more precisely the inter-relationships between economic, social and civic development, to identify specific activities and institutions which are most effective in broadening possibilities for participation, and to devise development strategies which maximize popular participation. We aim to apply these analyses operationally -- to develop planning, programming, implementation and evaluation techniques which focus on participatory factors. Simultaneously we are encouraging the growing trend toward giving increased attention throughout the programming process to the employment and income distribution effects of U.S. development assistance activities in all their forms. These techniques are being applied to increase opportunities for popular participation in existing programs and to design new programs which involve people in the tasks and the rewards of development.

VI. WHERE DOES DEVELOPMENT ASSISTANCE GO?

U.S. development assistance goes to less developed countries in the non-communist world.

Many of the countries in Europe and elsewhere which the United States assisted at one time since 1946 have not received aid for years. And no communist country receives

TOTAL NUMBER OF COUNTRY PROGRAMS* DEVELOPMENT ASSISTANCE



* INCLUDES ALL COUNTRIES RECEIVING ANY AMOUNT OF DEVELOPMENT ASSISTANCE (DEVELOPMENT LOANS, TECHNICAL ASSISTANCE, POPULATION PROGRAMS) UNDER THE FOREIGN ASSISTANCE ACT, EXCEPT THOSE RECEIVING ONLY SELF-HELP FUNDS RANGING NORMALLY FROM \$5,000 TO \$100,000 PER COUNTRY PER FISCAL YEAR (2 AFRICAN COUNTRIES IN FY 1967, 1 IN FY 1968, 11 IN FY 1969, 22 IN FY 1970, 24 IN FY 1971, 23 IN FY 1972 AND 25 IN FY 1973), OR CAPITALIZED INTEREST ON PRIOR YEAR LOANS.

foreign aid from the United States, except for limited emergency assistance to relieve human suffering in time of natural disasters.

Number of Countries Receiving Development Aid

The total number of countries receiving some form of development assistance under the Foreign Assistance Act will drop from 71 in FY 1967 to 66 in FY 1973. Over one-third of the FY 1973 total (25) are African countries which, apart from regional programs, will be eligible only for self-help funds ranging normally from \$5,000 to \$100,000 apiece.

Excluding the African countries receiving only self-help funds, the total number of countries where there are bilateral programs will drop from 68 in FY 1967 to 41 proposed for FY 1973.

Regular bilateral Technical Assistance programs will have dropped during the same period from 65 to 37 (45 to 19 outside Latin America). Development Loan programs will have gone from 38 in FY 1967 to 30 in FY 1973 (23 to 15 outside Latin America).

Development Assistance Program by Region

Most development assistance funds are used directly for the three regions of the world in which programs are carried out.

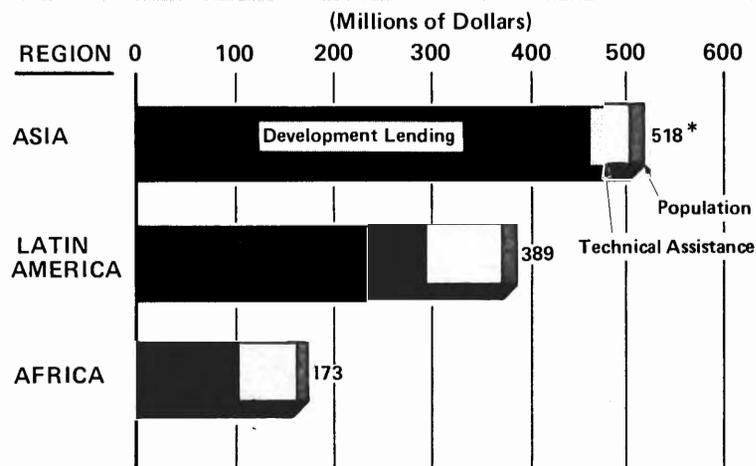
Latin America. The FY 1973 program proposed for Latin America amounts to \$389 million. Of this sum \$241 million is proposed for Colombia, Central America, and Inter-American and regional activities.

Asia. The proposed FY 1973 development assistance program for Asia is \$518 million. Over half the funds are for major programs in four countries -- India, Indonesia, Pakistan and Turkey -- where two-fifths of the people in the non-communist developing world live.

Africa. The proposed program for Africa is \$173 million. Bilateral activities are proposed for FY 1973 for 10 African countries. Twenty-five others will be eligible for self-help funds, ranging normally from \$5,000 to \$100,000 apiece, for one-time contributions to local projects, as well as for regional aid (for which \$56 million or 32% of the total program is proposed).

Other. In addition, development assistance funds are used for activities not directly connected with a particular country or region. These include contributions to worldwide international organizations and programs, administrative expenses, and program activities such as research and support for private organizations involved in overseas development work.

**PROPOSED FY 1973
DEVELOPMENT ASSISTANCE BY REGION**



* EXCLUDES \$16 MILLION FOR NARCOTICS CONTROL, \$17.7 MILLION ADMINISTERED BY THE SUPPORTING ASSISTANCE BUREAU, AND \$100 MILLION SOUTH ASIA RELIEF.

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VOLUNTARY CONTRIBUTIONS TO
INTERNATIONAL ORGANIZATIONS AND PROGRAMS
(In thousands of dollars)

	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
<u>International Organizations Funding</u> (FAA Chapter 3)			
UN Development Program	86,268	86,000	90,000
UN Children's Fund	13,000	15,000	15,000
International Atomic Energy Agency- Operational Program	1,521	1,550	1,750
World Meteorological Organization- Voluntary Assistance Program	1,500	1,500	1,500
UN/FAO World Food Program	1,500	1,500	1,500
UN Institute for Training and Research	400	400	400
World Health Organization- Medical Research	150	312	312
International Secretariat for Volunteer Service	70	73	73
Special Contributions for Vietnam	950	-	-
UN Relief and Works Agency	13,300 ^{a/}	14,300	14,300
UNRWA Arab Refugee Vocational Training	1,000	-	-
Total, Chapter 3 UN and Related Programs	119,659	120,635	124,835
Indus Basin Grants	4,925	16,512 ^{b/}	25,000
Total, Chapter 3 Grants	124,584	137,147	149,835
Indus Basin Loans	6,980	13,750 ^{c/}	18,000
Total, Chapter 3	131,564	150,897	167,835
<u>Other Programs</u>			
UN Fund for Population Activities	14,000 ^{d/}	20,000 ^{e/}	9,000 ^{e/}
UN Fund for Drug Abuse Control	2,000 ^{f/}	2,000 ^{g/}	5,000 ^{h/}
UN Force in Cyprus	4,800 ^{a/}	2,400 ^{a/}	4,800 ^{a/}
Total, Other Programs	20,800	24,400	18,800
TOTAL	152,364	175,297	186,635
(Subtotal, UN and Related Programs	140,459	145,035	143,635)
(Subtotal, Indus Basin Development Fund	11,905	30,262	43,000)

a/ Funded from Supporting Assistance account.

b/ Of which \$10 million funded from Indus Basin Grants account and \$6,512,000 from overall International Organizations account.

c/ Of which \$12 million funded from Indus Basin Loans account and \$1,750,000 from Development Loan account.

d/ Of which \$10.5 million funded from Development Loan account and \$3.5 million from International Organizations account.

e/ Funded from Population Programs account.

f/ Funded from International Organizations account.

g/ Funded from Development Loan account.

h/ Funded from International Narcotics Control account.

INTRODUCTION

The changes and reforms begun by President Nixon in our foreign assistance programs have continued. In his third annual report to the Congress on the state of U.S. Foreign Policy in February 1972, the President stated: "We fully support a strengthened international effort for development through our membership in the multilateral institutions ..., through UN specialized agencies and the UN Development Program... The assistance we provide through the multilateral institutions is of special importance to the development effort. These institutions have made outstanding progress in providing vitally needed aid and in assuming an effective leadership role."

Multilateral programs have several distinct advantages:

- they promote and encourage a wider sharing of development costs among donor nations;
- they reduce the political frictions that can arise from reliance on bilateral contacts in areas of special domestic sensitivities, such as population and family planning, the production of and traffic in dangerous drugs, and surveys of minerals with strategic implications;
- they create a multiplier effect on world capacity to aid the developmental effort by pooling the skills and experience of many countries for dealing with development problems;
- they can operate in areas where political tensions are great, such as, in the Middle East and in South Asia during the period of tension between India and Pakistan, under circumstances where individual donors find it difficult to function, even in providing essential humanitarian aid.

A contribution of \$90 million in FY 1973 is proposed for the UN Development Program (UNDP), which is the focal point of the efforts of the entire UN system to assist the developing countries. Reform of the UNDP, begun in

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1970, has made good progress. The UNDP Secretariat has been reorganized, a country programming exercise coordinating all UN assistance given to a country has already been applied in 19 countries, and a review at the highest levels of professional skills within the UNDP is now under way. These actions resulted from a study of the capacity of the UNDP which was undertaken largely at the initiative of the United States. The changes already effected and others to follow will lead directly to enhancing the UNDP's capacity to act as the leader in and coordinator of the development activities of the entire UN system. They should markedly increase its capacity to administer a much higher level of resources.

These reforms and improvements are already bearing fruit, and under the vigorous direction of the new American Administrator of the UNDP, steady improvement in the quality of the UNDP's performance can be expected as well as prompt and comprehensive reporting on the expenditure of funds.

Other programs for which contributions are proposed include:

- the UN Children's Fund, the highly respected international agency which assists the poorer countries in improving the health and welfare of children and mothers and in meeting emergency needs;
- the World Food Program, which utilizes food on an international basis to promote better nutrition, to pay for labor on development projects and to feed victims of natural disaster;
- the Operational Program of the International Atomic Energy Agency, which enables less-developed countries to benefit from the peaceful uses of the atom;
- the Voluntary Assistance Program of the World Meteorological Organization, under which poorer

countries are assisted to improve their capabilities to contribute to the World Weather Watch;

- the International Secretariat for Volunteer Service, which encourages the initiation and development of volunteer organizations comparable to our Peace Corps and VISTA.
- the World Health Organization's International Agency for Research on Cancer, whose world-wide studies on external and environmental causes of cancer make a valuable contribution to the work of the U.S. National Cancer Institute.
- the UN Fund for Population Activities, a central coordination and financing body for activities throughout the UN system which helps member states in identifying and coping with population problems;
- the UN Fund for Drug Abuse Control, a program designed to provide technical assistance in controlling production and traffic in narcotic drugs, in alerting actual and potential users of the dangers of drug abuse, and in providing treatment and rehabilitation of addicts;

FY 1973 Program

The President has proposed the appropriation of \$143,635,000 for voluntary contributions to UN and related international organizations and programs for FY 1973. The request consists of the following:

- International Organizations. Contributions to the UN Development Program, the UN Children's Fund, six other UN technical assistance programs, and the regular budget of the UN Relief and Works Agency are proposed in the amount of \$124,835,000.
- Population Programs. \$9 million of the amount requested to be appropriated for Population Programs is for a proposed contribution to the UN Fund for Population Activities.

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- International Narcotics Control. \$5 million out of the appropriation request for International Narcotics Control will go to the UN Fund for Drug Abuse Control.
- Supporting Assistance. A \$4.8 million contribution is proposed out of Supporting Assistance funds for the UN Force in Cyprus.

In addition, the President has proposed an appropriation of \$43 million for the Indus Basin Development Fund in FY 1973--\$25 million for grants and \$18 million for loans.

UN DEVELOPMENT PROGRAM

The UN Development Program (UNDP) came into being January 1, 1966, as the result of a UN General Assembly resolution calling for a merger of the UN Expanded Program of Technical Assistance (EPTA), which had existed since 1949, and the UN Special Fund, which began operations in January 1959. The EPTA's numerous small-scale advisory and training projects and the Special Fund's larger pre-investment, research, resource-survey and training projects complement each other in assisting developing nations to prepare the ground for, and to attract, development capital assistance from a variety of bilateral and multilateral sources. Both types of projects are what is normally described as "technical assistance," and the distinction between the former Special Fund and EPTA has been fully abandoned by UNDP as of this year. American initiative played a large role in the creation of the UNDP, and its first Administrator, Mr. Paul Hoffman, was replaced in January 1972 by another distinguished American businessman and public servant, Mr. Rudolph Peterson.

The UNDP is at the center of all technical assistance activity within the UN system. With a calendar year 1972 program budget of approximately \$290 million (not including overhead, support and administrative type costs), it accounts for some 70% of all technical assistance expenditures within the system.

The UNDP's smaller training and advisory projects (formerly

"technical assistance" projects) average approximately \$35,000 each in cost and are usually completed in a period of a few months up to three years.

Normally about 4,000 such projects are in various stages of execution, with approximately 1500 being completed and a similar number begun each year. Currently more than 4,000 persons receive training each year under fellowships granted within these projects.

The major part of UNDP activity is in larger projects (formerly called "Special Fund" projects) in agriculture, education, health, transport, resource surveys, and similar basic fields. These projects average approximately \$2.3 million each in cost and two to five years in duration. Through 1971 over 1400 such projects had been approved with a total projected cost to the UNDP of about \$1.4 billion and to the recipient countries of nearly \$2 billion. Over 700 projects of this type were actually in progress during 1971. The number of projects by economic sector approved through 1971 was agriculture 516, industry 368, public utilities 211, education and science 119, public administration and services 69, housing and physical planning 26, health 22, and social welfare 7; 90 projects were multi-sectoral in scope.

Projects are requested by recipients and, once approved by the UNDP, have been executed either by the UN, one of the Specialized Agencies, the World Bank, one of the regional development banks, the International Atomic Energy Agency or, in a few cases, by the UNDP itself. The largest numbers of large scale projects have been carried out by the Food and Agriculture Organization (FAO), 510; the UN, 251; the International Labor Organization (ILO), 178; UNESCO, 174; and the UN Industrial Development Organization (UNIDO), 69. The World Bank has executed 75 large-scale projects.

Participation in the UNDP is open to all nations or territories which are members of the UN, the Specialized Agencies or the International Atomic Energy Agency. 130 countries presently contribute to the program, with 105 of them receiving UNDP project assistance during 1971. In

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In addition to projects for individual countries, there are also regional and inter-regional projects funded by the UNDP, as well as research projects which benefit all nations.

The regional distribution of these large-scale projects through 1971 was 528 for Africa, 348 for Asia and the Far East, 328 for Latin America, 113 for the Middle East and 100 for Southern and Eastern Europe. Nine were inter-regional and two were research benefitting all nations.

Policy decisions in the UNDP are made by a Governing Council which meets semi-annually in January and June and is composed of delegates from eleven African nations, nine Asian nations, seven Latin American nations and 21 developed countries (including four from Eastern Europe). The United States has been a member of the Governing Council since the inception of the UNDP.

UNDP Reform

In June 1968 the UNDP Governing Council requested the UNDP Administrator to undertake a study of the administrative capacity of the UNDP to handle a greatly enlarged program. Sir Robert Jackson of Australia was appointed by the UNDP Administrator to carry out the project, and his report, "A Study of the Capacity of the UN Development System", was completed in November 1969. In general, the report concluded that the ad hoc development of the UN economic and social system had resulted in cumbersome machinery, and it recommended a wide-ranging series of reforms to ensure the creation of a centralized policy-making body located in a reorganized and strengthened UNDP.

The June 1970 session of the Governing Council endorsed a substantial portion of the recommendations of the Jackson Capacity Study and called for their implementation. With only minor reservations the United States agreed with the Governing Council's endorsement. A very significant change was the adoption of a country program approach for UNDP assistance to less developed countries. Where formerly individual projects were requested by recipient

governments and approved and implemented by the UNDP on a one-by-one basis, the new system calls for each recipient to formulate a coherent plan coordinating UNDP inputs with other bilateral or multilateral assistance in the country's overall economic development plans. Each recipient is given an Indicative Planning Figure for a five-year period which, although not a firm commitment, allows for reasonably accurate projection of resources which will be available from the UNDP. At the January 1972 session of the Governing Council, 19 country programs were presented and approved. Over the next two years the remaining recipient nations will complete their country programs and present them to the Governing Council.

The dropping this year of the distinction between "Special Fund" and "Technical Assistance" categories of projects was preceded by the abolition at the beginning of 1971 of full-funding of projects. Whereas in the past funds had been earmarked to cover the full cost of each project at the time of approval, projects now are funded out of current income. This was felt reasonable in view of the size to which the UNDP had grown and its successful achievements. Assets which had previously been tied to specific ongoing projects were thus released to form a reserve which amounted to \$343 million. These assets were not all liquid funds and were in part in non-convertible currencies. To provide for responsible financial management and to assure that inescapable or firm obligations could be met in the event of severe cutbacks in contributions or activities, the Governing Council established an Operational Reserve in the amount of \$150 million to be drawn from the freed assets. The Governing Council suggested that the remaining \$193 million be gradually injected into UNDP's program spending over a period of a few years, with the expectation that increasing contributions would then allow the program to continue at the higher levels made possible by the injections. The success of the UNDP in speeding the implementation of its program will utilize all the freed assets much more rapidly than first anticipated. In 1971 expenditures exceeded receipts by \$43 million, and for 1972 they are expected to exceed receipts by \$67 million. By the early part of 1974 all the surplus funds will have been used,

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and unless there is a substantial increase in voluntary contributions, the rate of program delivery may well have to be cut back. At the end of 1971 the total amount of all obligations was approximately \$600 million -- or twice the \$300 million in assets held by the UNDP -- and about \$200 million of that sum consisted of firm obligations.

During the past year the headquarters of the UNDP has been reorganized on a regional bureau basis, with an additional bureau for Program Analysis and Policy Planning. Changes are also under way in the financial reporting and management system of the organization, and a number of key personnel changes are expected as the new UNDP Administrator settles into his job. Efforts are being made to further strengthen the role of the Resident Representatives as the leaders of all UN operations in countries where the UNDP has a program.

Financing

UNDP financial resources come almost entirely from voluntary contributions pledged by member nations and assessments against recipient countries for certain local costs. Recipients also make counterpart contributions in manpower, housing, utilities, equipment and other necessary inputs. These counterpart contributions average 55% of the total cost of projects, with UNDP financial assistance making up the remaining 45%.

The United States contribution has been limited by statute to 40% of the total in any one year of all voluntary contributions and assessed local costs. Prior to merger of the EPTA and the Special Fund, U.S. contributions to the Special Fund were at or near the statutory maximum. In 1966, 1967 and 1968 the U.S. contribution averaged 37.1% of total new resources. It has declined to 30.3% in 1972 as a result of a steady growth in overall contributions while the U.S. contribution has remained at a level of \$86.3 millions since 1970. The \$90 million proposed U.S. contribution for FY 1973 would be only 29.3% of the estimated total. Other major donors in 1972 include the Scandinavia countries, \$56.6 million; the U.K., \$19.8 million; Canada, \$18 million;

Germany, \$14.5 million; and the Netherlands, \$13.1 million. Twelve other member nations contributed amounts ranging from \$1 million to \$8 million.

UN CHILDREN'S FUND

Careful analysis and efficient administration, combined with an ability to remain outside the political arena, have in the last three years placed UNICEF in the foremost position in UN efforts to meet major international disasters and emergency situations. Recent emergency relief work in Nigeria, India, and Bangladesh have served to reinforce the world-wide respect accorded this agency. These crises activities are carried on in addition to UNICEF's regular long-range development assistance programs, whose focus is on the developing countries' major human resource--their children. Included among the organization's major efforts are:

1. Family Planning in countries where there is a growing realization that health, welfare and the development of children are deeply affected by responsible parenthood and family size.
2. Child Feeding and Nutrition to assist in the prevention of malnutrition in the one-to-five-year age category, which, if ignored, can cause irreversible physical and mental damage.
3. Family and Child Welfare, where UNICEF seeks new ways of delivering simple health services--often the basic problem in maternal and child health care. The health services are very closely linked with family planning services.
4. Education and Vocational Training through the development of non-formal educational systems which can eventually be integrated into a country's national school system.
5. Multi-purpose Services or integrated efforts which combine several closely related activities, such

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as nutrition and family and child welfare.

In its efforts to reach the objectives in the most efficient manner, UNICEF has in recent years moved away from discrete projects to comprehensive programs involving the coordination and involvement of country ministries and benefiting children and adolescents as part of the mainstream of national development.

At its 1971 Executive Board meeting UNICEF approved commitments for programs and projects totaling \$63 million. Of these commitments 47.8% are for health; 7.4% for nutrition; 7.3% for family and child welfare; 28.3% for education; 1.6% for pre-vocational training; 3.5% for integrated services; 1.5% for country planning and other activities and 2.6% for emergency aid. The last is for immediate purchasing for emergency aid programs and as a contingency reserve.

Contributions from governments are the essential financial base for UNICEF. In 1971, 138 governments made donations to UNICEF's general resources in the amount of \$38 million, of which \$13 million or 34% was contributed by the United States. The U.S. contribution to the regular budget is exclusive of nongovernmental ("Trick or Treat") contributions and special relief contributions. In addition \$4.7 million was provided by governments for specific projects, including emergency relief. \$1.1 million was donated by the United States for disaster relief in Nigeria and over \$40 million directly and indirectly for relief for the victims of the conflict in South Asia. Under P.L. 480 the United States also transferred foodstuffs to UNICEF valued at \$5.4 million for ongoing nutrition programs and emergency relief in Nigeria. Additional income is realized by UNICEF from nongovernmental sources through greeting cards sales and public collection ("Trick or Treat"). In the United States the amount realized from such sales and collections totaled \$8.7 million.

INTERNATIONAL ATOMIC ENERGY (IAEA)

The IAEA Operational Program provides technical assistance

to developing countries to advance the peaceful uses of atomic energy. The United States played a leading role in initiating this program.

The IAEA is now implementing the important safeguards provisions of the Nuclear Non-Proliferation Treaty (NPT) to prevent the diversion of nuclear materials from peaceful uses to the production of nuclear weapons. NPT safeguards administered by the IAEA are financed from that Agency's assessed budget. Many of the less developed countries have no nuclear materials to be safeguarded and have little interest in the safeguards program, regarding it as of benefit largely to the states which have nuclear weapons and an expense which should be borne by the states which have accepted IAEA safeguards over their nuclear material. By supporting the IAEA technical assistance activities of direct benefit to the less developed countries, the United States contributes to the economic and social objectives of these countries and also helps to gain and maintain their support for the vital safeguards program.

The IAEA Operational Program, which is funded primarily by voluntary contributions from member states, provides fellowships for training in nuclear science and experts and equipment for technical assistance projects, including the use of modern nuclear technology in hydrology, industrial processes, energy generation, medical diagnosis and treatment, and food preservation. During 1970 the program financed the assignment of 113 experts and visiting professors to member states, the award of 368 fellowships, and 18 international or regional training courses and seminars.

A contribution of \$1,750,000 to the Operational Program is proposed for FY 1973, \$200,000 more than in 1972. Approximately \$945,600 would be in cash and the remainder, \$804,400, in kind.

In the last several years, the United States pledged a sum equal to its share of the target at its assessed rate, subject to the provision that its contribution not exceed 40% of the total unrestricted cash contributions of all member states. In 1970-1972 total contributions of all

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countries have been sufficiently high, however, that the 40% limitation has been inoperative, and the United States has in effect contributed toward the target at its assessed rate. It is proposed that the pledge henceforth be made on the basis of the assessed base rate (probably 31.52% in FY 1973). The IAEA target for FY 1973 is expected to be \$3 million, an increase of \$0.5 million over FY 1972.

Increased support for the 1973 program is particularly desirable (1) because of the obligation the United States has assumed in Article IV of the NPT to further the development of the applications of nuclear energy for peaceful purposes with due consideration for the needs of the developing countries; (2) in order to maintain a healthy balance of programs within the Agency as NPT safeguards costs continue to grow (safeguards costs will probably increase by 25% in 1972 over 1971 to almost \$2.5 million, and substantial growth will continue thereafter); and (3) in response to the increasing contributions of other countries to the IAEA's operational program.

Most industrialized countries have responded positively to the Agency's request to contribute voluntarily to the operational program at the same percentage rate as they are assessed for the IAEA regular budget. In 1971, 47 countries, including the United States, contributed to the target at a rate equal to or exceeding the equivalent of assessed shares. Altogether 66 countries pledged cash contributions. Additionally in 1971, 54 countries, including the United States, contributed more than \$2 million in in-kind or special cash donations.

In 1972, the U.S. contribution is \$945,600 in cash and \$604,400 in kind. The \$200,000 increase recommended for 1973 would be used to augment the U.S. in-kind program, bringing it to \$804,400. The in-kind program is administered without regard to the level of in-kind contributions of other countries. It is designed to assist projects and programs of particular value or interest to the United States and usefully serves to broaden the familiarity of the foreign science community with U.S. techniques and manufactures in the field of atomic energy.

Contributions-in-kind at the \$804,400 level would provide \$402,200 for about 50 fellowships to train scientists and technicians from developing countries in the United States. This fellowship program is administered by the National Academy of Sciences. This level of contribution would also provide \$402,200 for assistance to other activities of interest to the developing countries, specifically for advisory services of U.S. experts to the IAEA or its developing member states; for training courses, study tours, seminars and other technical meetings, including those held in the United States; and for small grants of equipment purchased from American firms for the IAEA's laboratories and technical assistance projects. This portion of the program is administered by the U.S. Atomic Energy Commission.

WORLD METEOROLOGICAL ORGANIZATION (WMO)

The WMO Voluntary Assistance Program, funded by voluntary contributions, was established by the World Meteorological Organization Congress in April 1967. At this same Congress, the WMO launched the World Weather Watch, a system which is designed to bring the global atmosphere under surveillance and provide for the rapid collection and exchange of weather data. The Voluntary Assistance Program is closely geared to the overall objectives of the World Weather Watch. This plan should improve weather forecasting for end-users, including agricultural producers and the construction, transportation and fisheries industries. The World Weather Watch was reviewed and further endorsed by the Sixth WMO Congress, which met in 1971.

The successful global implementation of the World Weather Watch is important to the United States. Adequate weather data has been unavailable for over 80% of the earth's surface, primarily the oceans and the less developed countries.

WMO operates on a 4-year budget cycle. Its programs and priorities for FY 1973 remain essentially unchanged from FY 1972.

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Under the World Weather Watch, each of the 136 Members of the WMO is called upon to implement needed improvements in observations, data processing and communications in their territories. To the extent that less developed countries lack foreign exchange resources to obtain equipment required for the implementation of the World Weather Watch in their territories, the WMO Voluntary Assistance Program has assisted them with the necessary equipment such as rawinsonde ground equipment, observation balloons, radiosondes, and receiving and transmitting communications equipment. The assisted countries are expected to provide local facilities and personnel.

The WMO Voluntary Assistance Program has a total annual target of \$5 million and is in two parts: (1) an Equipment and Services Program, to which member countries make contributions-in-kind; and (2) a Voluntary Assistance Fund, administered by the WMO, to which members make cash contributions.

Under the Equipment and Services Program, advanced countries provide technical equipment and services for projects which they select from a list approved by the WMO. The United States assists projects which we believe are most important to this country. The Voluntary Assistance Fund permits the WMO to provide equipment and services for high priority projects which need assistance but are not undertaken directly by advanced countries.

An appropriation of \$1.5 million in FY 1973 is proposed as a U.S. contribution to the Voluntary Assistance Program. This estimate would provide a U.S. cash contribution of \$150,000 to the Voluntary Assistance Fund for CY 1973, 40% of the anticipated total unrestricted cash contributions of member nations. The remainder, \$1,350,000, would be used for contributions-in-kind to the Equipment and Services Program. These in-kind contributions will consist of U.S. equipment, experts and services, and the training in the United States of persons from less developed countries in the field of meteorology. This program will be administered by the National Oceanic and Atmospheric Administration, which will be reimbursed from this

appropriation for administrative costs estimated at 6% of project costs.

The amount requested for FY 1973 would permit a U.S. contribution at the same level as in the previous three years. The United States believes that this program has been established on a sound basis and that the U.S. contribution is necessary to enable the WMO to implement its plan for the World Weather Watch.

WORLD FOOD PROGRAM

The World Food Program (WFP), a joint undertaking by the United Nations and the Food and Agriculture Organization, was established experimentally in 1962 and placed on a continuing basis in 1965. Its resources consist mainly of voluntary contributions from member nations, principally of food but also including cash for the purchase of food and for services such as ocean transportation.

U.S. support for and leadership in WFP is consistent with U.S. interests in providing assistance to developing countries through multilateral channels. Moreover, it reflects the viewpoint of the Congress as expressed in Section 205 of P.L. 480:

"It is the sense of the Congress that the President should encourage other advanced nations to make increased contributions for the purpose of combatting world hunger and malnutrition, particularly through the expansion of international food and agricultural assistance programs. It is further the sense of the Congress that as a means of achieving this objective, the United States should work for the expansion of the United Nations World Food Program . . . "

The WFP has grown steadily during the first decade of its operations, both in resources and programs. Contributing membership has grown from 29 to 74 member nations during this period. The level of pledges and contributions has progressively increased from \$85 million contributed for

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the initial three-year period 1963-1965 to the level of \$266 million already pledged for the two-year period 1973-1974. Aggregate pledges have reached \$1.06 billion through 1974. The growth of programs has kept pace with the increase in resources. As of December 1971, total commitments for development and humanitarian assistance amounted to approximately \$1.2 billion for 657 projects. Of this total, 220 projects valued at \$138 million have been completed and 437 projects valued at \$1,057.5 million are still in operation. These totals include emergency operations in connection with disaster relief. One hundred five of these emergency operations valued at \$79.6 million have been completed, and another 42 emergency operations valued at \$33 million are still in operation.

WFP assistance for economic and social development and humanitarian aid has four principal objectives: direct development assistance, development of human resources, improvement of economic and social infrastructure, and emergency operations.

Almost one-half of WFP's program is for direct development projects such as land development and improvement, crop diversification, promotion of animal husbandry, fisheries and forestry development and for industrial and mining projects. These projects are currently reaching 2.9 million beneficiaries, including 736,800 farmers and workers and their families.

Over one-third of WFP's commitment for development has been allocated for development of human resources. These programs use food aid to improve the nutrition of vulnerable groups in the population and to promote education and training. By the end of 1970, human resources development had reached or was reaching 3.4 million beneficiaries, including 98,700 mothers, 426,400 pre-school children, 2.3 million primary school children and 547,000 others.

About 13% of WFP resources have been allocated for projects designed to improve social and economic infrastructure through public health and housing programs,

transportation and communications programs and community development projects. The WFP has undertaken 87 projects of this type at a cost of almost \$135 million, providing food to over 4 million beneficiaries.

WFP assistance for these purposes forms an integral part of country development plans. Furthermore, by providing commodities rather than financial resources, the WFP gets food directly to the people and stimulates rural employment without generating inflationary pressures sometimes caused by direct financial assistance. The WFP also promotes the self-help principle: workers are paid fully or in part in food for work on projects usually of direct importance to their welfare, i.e., roads, land clearing, forest planting; governments must provide support services and manpower and must assume responsibility for continuation of the project after WFP assistance is terminated.

In its emergency operations, the WFP has sent food to victims of flood, drought, earthquake and other disasters and to refugees worldwide. As of December 1971, the Program had responded to 147 emergencies in 71 countries with food valued at \$110 million. Current operations include assistance valued at \$189,700 to victims of floods in Columbia, \$3.9 million to victims of drought in nine countries of West Africa, \$2.2 million to victims of drought in Afghanistan, \$10.7 million to victims of flood, cyclone and civil disturbance in East Pakistan and \$2.4 million to victims of typhoons in the Philippines. It is estimated that over seven million persons have received emergency assistance during the past year.

Against a target of \$340 million for the 1973-74 biennium, 46 countries have already pledged a total of \$266 million, including food, services and cash. This initial pledge made at the 5th WFP Pledging Conference in January 1972 represents 78% of the targeted level, with most countries substantially increasing their pledges over previous years.

The U.S. pledge for the 1973-74 biennium is for contributions up to \$136 million, subject to action by the Congress.

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This pledge includes (a) up to \$93 million in commodities subject to the condition that the U.S. contribution not exceed 40% of the total contributions of all governments in commodities and cash for the purchase of commodities; (b) \$40 million for ocean transport; and (c) \$3 million in cash toward meeting the administrative expenses of the Program. The 40% matching provision with respect to commodities in this pledge is a reduction from the 50% matching requirement contained in U.S. pledges to previous biennial targets. This reduced percentage level takes into account the increased capacity of other nations to contribute from their own resources and reflects the U.S. desire to enhance the multilateral nature of the program.

The \$1.5 million requested for FY 1973 is needed to meet the first year's increment of the cash portion of the U.S. pledge for the 1973-74 pledge period.

UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH

The purposes of the UN Institute for Training and Research (UNITAR), which began operations in 1966, are (1) to undertake operational research and analysis of problems facing the UN system and to stimulate and monitor research by others; (2) to provide in-house training of personnel in the UN system, and (3) to train personnel, particularly from the developing countries, for assignments in the UN system and for national service.

During 1971 research projects and activities under way or completed included studies of the relations between the UN and regional organizations, procedures of the UN General Assembly, the role and functions of the UN Economic and Social Council, the relationship of international youth organizations to the UN system, the migration of professionals from developed to developing countries, the peaceful settlement of disputes, and the use by media of news about the UN. Three studies on global environmental problems were completed. A recent development was the establishment by UNITAR of a Commission on the Future to identify major scientific and social trends that might require response from the UN system.

In its training role UNITAR conducted during 1971 a training program in international law, a course for senior officials of the UN system, regional programs in techniques and procedures of UN technical assistance, basic training courses in diplomacy for foreign service officials of the new countries of Africa and Asia, and seminars in New York and Geneva on the organization and functioning of the UN. UNITAR is developing proposals for a UN staff college designed to raise the level of competence in the middle and upper echelons of the UN.

The United States supports UNITAR as an important means of improving the efficiency of the UN and of exploring new solutions to problems and conflicts arising between nations. UNITAR is financed primarily by voluntary contributions from UN members; for 1971 they contributed \$1,045,330, including \$400,000 (38.3%) from the United States. The United States proposes to pledge \$400,000 in FY 1973, the same amount as pledged annually since 1967, subject to the condition that U.S. contribution not exceed 40% of total contributions from governments.

WORLD HEALTH ORGANIZATIONS - MEDICAL RESEARCH

U.S. contributions to the World Health Organization (WHO) medical research program support the work of the International Agency for Research on Cancer (IARC), which was established in 1965 by a resolution of the World Health Assembly. There are now nine members: Australia, Belgium, France, Germany, Italy, the Netherlands, the United Kingdom, the USSR and the United States.

The IARC (1) plans, promotes, and develops research on the causation, treatment and prevention of cancer; (2) collects and disseminates information on the epidemiology of cancer research and on the causes and prevention of cancer; (3) provides for the education and training of personnel in cancer research through the provision of fellowships, special training awards, courses and seminars; (4) carries out special projects such as pilot demonstrations for cancer prevention.

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The U.S. National Cancer Institute (NCI) continues to believe that the work of the IARC affords a unique opportunity to study cancer throughout the world. The NCI states that these studies are a valuable contribution to its work as they now believe 85% of cancer is caused by external or environmental factors. By making comparisons of conditions in areas where the incidence of cancer is exceptionally pronounced, the NCI is able to focus on environmental causes that are similar. This affords us data that we do not have in the United States. An example of the value of comparative studies is liver cancer, the incidence of which is increasing in this country. By using studies made by the IARC in Africa, the NCI and IARC are able to cooperate in concentrating on selected studies of environmental conditions, which are now giving a better insight as to the causes of cancer.

When the IARC was established in 1965, its statute provided that for the first five years equal annual assessments of \$150,000 should be paid by all members. Toward the end of this initial period, the Directing Council forecast a rising need for funds and voted in October 1970 to establish a system, which took effect in 1971, by which each member would pay a base contribution of \$150,000, plus an additional sum related to capacity to pay. Under that system we are requesting \$312,352 for FY 1973, approximately 14.7% of the IARC's budget. In order to slow the rate of increase for U.S. contributions, in October 1971 the United States proposed, and the Directing Council approved, an adjusted scale, to be effective in 1973, providing for 70% of the budget to be borne equally by members and the remaining 30% to be related to capacity to pay.

INTERNATIONAL SECRETARIAT FOR VOLUNTEER SERVICE

The International Secretariat for Volunteer Service (ISVS), established in 1962 and now located in Geneva, encourages the formation of volunteer service organizations, both for domestic and overseas service, and assists governments in setting up and operating volunteer programs.

Activities include the international exchange of information on administrative, legal, medical, language training and other aspects of volunteer organizations through publications and work shops; regional staff training seminars conducted by ISVS regional offices in Latin America and Asia; and the maintenance of an international registry of volunteers wishing to serve abroad.

Recently the ISVS has placed increased emphasis on facilitating international cooperation in the volunteer service field, particularly by aiding in the establishment of multi-national teams and by assisting the organization of the new UN Volunteers Program (UNV). An agreement was concluded in May of last year between the Administrator of the UNDP and the Secretary General of the ISVS giving the ISVS responsibility for coordinating the recruitment, pre-selection and training of candidates for the UNV. The ISVS established a clearing house, which commenced the processing of UNV requests in July 1971. It has also taken steps to foster a closer working relationship with volunteer organizations in the developing countries of Asia, Africa, and Latin America. As a result of these efforts qualified volunteers from the Philippines, Chile and Argentina are now serving in UNV projects in Yemen and Iran.

A total of 24 countries have responded to the UNV programs by providing applicants for the various projects through the clearing house. They are Argentina, Austria, Belgium, Chile, Denmark, Egypt, France, Finland, Germany, India, Iran, Ireland, Italy, Japan, Liberia, Norway, New Zealand, Netherlands, Philippines, Sweden, Switzerland, Tunisia, United Kingdom and United States.

The ISVS international clearing house also organized a 5-week training course, including intensive Yemeni Arabic as well as cultural, health, geographic and technical details, for the first group of UNV's scheduled to go to Yemen.

The ISVS budget for FY 1972 amounted to approximately \$267,125. Financial support is provided by about 20 governments. The United States pledged up to \$73,000,

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subject to the condition that our contribution not exceed 28% of total government contributions, and specified that our contribution be used to finance international clearing house functions.

ISVS has proposed a budget of \$269,837 for FY 1973, which would cover increased costs due to price and wage rises. A United States pledge of up to \$73,000 from FY 1973 funds is proposed, but limited to 28% of total governmental contributions to ISVS.

In addition to the United States cash contribution, the Peace Corps plans to continue to detail two staff members to ISVS.

UNITED NATIONS RELIEF AND WORKS AGENCY

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), created in 1949, provides food, housing, schooling and health services to registered Arab refugees of the 1948-49 Arab-Israel conflict and, on a temporary basis, certain services to persons displaced as a result of the 1967 war. United States support for UNRWA meets a clear, humanitarian need and is an important element in promoting political stability in the Middle East, complementing current efforts to achieve peace and helping protect our basic interests there.

At the end of 1971 the refugee population registered with UNRWA numbered approximately 1,487,096 (of whom 829,919 were receiving rations from UNRWA), distributed as follows: East Bank of Jordan, 542,549; Israeli-occupied West Bank of Jordan, 275,414; Israeli-occupied Gaza strip, 321,270; Lebanon, 181,764; and Syria, 166,099.

UNRWA is still attempting to cope with the effects of the June 1967 war, when about 250,000 persons fled to the East Bank of the Jordan from the West Bank and Gaza, most of whom were subsequently denied return by the Government of Israel. At the request of the UN General

Assembly, UNRWA is helping the Government of Jordan on an emergency basis in the administration of food, housing and health services to persons displaced by the June war who are not registered refugees.

In recent years, particularly during the crisis in Jordan in 1970, UNRWA has faced complications resulting from Arab guerrilla activities. Despite the Jordan crisis, UNRWA's services to the refugees have not been disrupted. In late 1971, the Commissioner General of UNRWA reiterated his assurances that the UNRWA is taking all measures possible in the circumstances which exist in the area of its operations to ensure that all contributed funds are used for assistance to eligible refugees, and are not diverted to subsidize military or para-military activity or for any other purposes foreign to its mandate.

UNRWA has estimated its 1972 requirements at over \$51 million or (about \$49.5 million if reimbursement payments to Arab host governments for health and education services to refugees are not included), an increase of over \$2.5 million over 1971, resulting from rising costs of materials and services and an increase in the numbers of refugee children in UNRWA/UNESCO schools. The Commissioner General pointed out to the UN General Assembly in 1971 that it would be necessary to reduce services to the refugees if the required funds were not made available. In 1970 the Assembly established a working group to study UNRWA's expenditures, to seek additional revenues, and if necessary to recommend measures to bring UNRWA's budget into balance. Approaches made in various capitals by the working group and by a special representative of UNESCO have met with some success in obtaining additional contributions, both directly to UNRWA and to UNESCO for the schools serving the refugees. The 26th General Assembly extended the mandate of the working group for a year. It appears that income for 1972 will be about \$47 million, or between \$2 and \$3 million short of projected requirements after reimbursement payments to host governments amounting to approximately \$1.4 million are deducted. Some services have already been cut back, and further reductions will be required unless additional contributions are forthcoming.

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The United States has contributed or pledged \$22.2 million to UNRWA's regular budget for FY 1971 and the same amount for FY 1972 -- \$13.3 million in dollars and U.S.-owned excess currencies and \$8.9 million in commodities available under P.L. 480. An additional sum of \$1 million will be pledged to UNRWA in FY 1972, bringing our total pledge to \$23.2 million for the year. For FY 1973 a contribution of \$23.2 million (\$14.3 million cash, \$8.9 million commodities) is also proposed. As in previous years the U.S. contributions will be limited to a maximum of 70% of total government contributions. As other governments' support of UNRWA has increased, the U.S. share has been proportionately reduced from 70% to about 55% in 1971

In addition, at the initiative of the late Congressman Fulton, the United States made special contributions to UNRWA of \$1 million each in FY 1970 and FY 1971 for technical and vocational training of Arab refugees. These funds are being used to expand facilities at several vocational training centers in Jordan, Lebanon, Gaza and the West Bank, and to provide other training designed to enhance the prospect that Arab refugees will become self-supporting.

INDUS BASIN DEVELOPMENT FUND

The Indus Basin Settlement Agreements of 1960 and 1964 provide for the establishment of the Indus Basin Development Fund to finance a construction program which ensures an equitable division of the waters of the Indus Basin between India and Pakistan and helps provide arable land for over 50 million people in those countries. The United States and eight other donors (the World Bank, Australia, New Zealand, Pakistan, United Kingdom, Canada, Germany and India) contribute to the Fund.

The Indus Basin settlement succeeded in forestalling imminent hostilities between India and Pakistan over the Indus waters. Under the agreements, India received the use of the waters of the three eastern rivers -- the Ravi, Beas and Sutlej--

and Pakistan the use of the waters of the three western rivers -- the Indus, Jhelum and Chenab. The downstream irrigated areas in Pakistan formerly dependent on water from the three eastern rivers are being supplied with water brought from the three western rivers through a series of barrages (low dams) and replacement link canals supplemented by the construction of a high storage dam on the Jhelum. In addition to replacing water diverted to India the agreements provide for a substantial element of development for Pakistan which has been identified largely with the Tarbela Dam on the Indus. This structure will impound 11 million acre feet of water for additional irrigation of the 50 million acre area and have an initial power capacity of 700 megawatts.

All of the major replacement works of the Indus Basin have been completed, including the Mangla Dam, 300 miles of link canals and 7 barrages. Only a minor amount of remedial work remains before this phase of the project is closed. The Government of Pakistan, with the approval of the World Bank, concluded a contract for the main civil works of the Tarbela Dam in May 1968. The bulk of the funds contributed to the Indus Basin Development Fund this year and in the future will finance the construction of Tarbela Dam, which is scheduled for completion in 1976.

The Indus Basin Development Fund Agreement provides that contributors make payments to the Fund according to a fixed apportionment upon semi-annual call from the World Bank. Funds are called on the basis of the expected rate of construction and expenditure.

The total commitment for Indus Basin Development, Tarbela, amounts to \$1,541.2 million in foreign exchange and rupees. The United States has pledged \$295 million in grants, \$121.2 million in loans, and \$235 million equivalent in P.L. 480 guaranteed Pakistan rupees. India is contributing \$168.8 million in foreign exchange, and Pakistan is contributing \$1.2 million in foreign exchange and \$360.5 million equivalent in rupees. In addition, Pakistan is meeting all rupee requirements for Tarbela Dam, which amount to about \$500 million equivalent.

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Funds called to date include \$578.2 million from the United States, \$168.8 million from India, \$405.1 million from Pakistan and \$296.5 million from other donors.

Although work on Tarbela was affected for a brief period by the war, between India and Pakistan, it is now proceeding at an increasingly rapid pace following the installation of a computerized conveyor system for the sorting and delivery of aggregate to the dam site. The contractor is now working 24 hours a day, seven days a week, making up for time lost during hostilities, and civil engineering works have proceeded at a steadily increasing rate. Contributions of foreign exchange for the project must therefore be available as contracts are entered into for mechanical and electrical work and manufacture or procurement of gates and bulkheads.

Based on World Bank estimates for required payments for FY 1973, we are requesting appropriation of \$25 million in grants and \$18 million in loans.

UN FUND FOR POPULATION ACTIVITIES

It is U.S. policy to encourage and assist the United Nations and its specialized agencies to develop effective population and family planning programs and activities. President Nixon stated this policy in his July 1969 message to Congress on population: "It is our belief that the United Nations, its specialized agencies and other international bodies should take the leadership in responding to world population growth."

Significant steps in the development of an effective UN population program have been taken since 1968 with funds provided by the United Nations Fund for Population Activities (UNFPA). These funds are applied to finance an expanded UN population program with the following goals:

- to extend systematic and sustained assistance to member countries desiring such assistance to assess and cope with their population problems;
- to promote an awareness of the social and economic implications of the population problem and promote consciousness of its possible solutions;
- to extend and strengthen the capabilities of the relevant agencies of the UN within the framework of their respective mandates and to provide them with the means for more efficient and effective assistance to member countries in planning, programming and implementing population projects.

With the initial U.S. contribution of \$500,000 from FY 1968 funds, a field staff of 10 population officers began early in 1968 to help developing countries identify and prepare action projects in the population field. A further U.S. contribution of \$2.5 million was made from FY 1969 funds to help finance the expansion of population programs of the UN regional economic commissions in Africa, Latin America, and Asia and the Far East; a number of UN population advisory missions to developing countries; and action projects requested by countries.

In early FY 1970 the United States contributed \$1 million to finance expansion of WHO's staff on population activities. Responding to a proposal by the UN Secretary General for funds to expand the range of population activities of the UN family of agencies, in January 1970 the United States pledged \$7.5 million toward a target of \$15 million for the calendar year 1970. The U.S. pledge was conditioned on the receipt of matching contributions from other countries. Twenty-two countries did, in fact, pledge over \$7.68 million equivalent, which with the \$7.5 million U.S. pledge enabled the UNFPA to exceed its CY 1971 fund-raising goal. The United States pledged up to \$15 million, again on a 50/50 matching basis, toward the UNFPA CY 1971 fund-raising goal of \$25 to \$30 million. Forty-five other donors pledged \$14.5 million

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equivalent toward that goal. The U.S. matching contribution of \$14.5 million brings the total of funds raised by the UNFPA for CY 1971 to \$29 million.

The UNFPA is seeking \$45 to \$50 million in pledges for CY 1972. The United States has not yet made a final decision on the level or matching basis of its CY 1972 pledge. However, the matching basis will not exceed the 50/50 formula which was used in our CY 1970 and 1971 pledges to UNFPA.

Since 1970 U.S. pledges to the UNFPA have been made on a calendar year basis, while U.S. contributions pursuant to these pledges have been funded from U.S. fiscal year obligations. Thus calendar year pledges may be met from funds made available in one or more fiscal years. \$9.5 million was obligated from FY 1971 funds to cover part of our \$14.5 matching contribution for CY 1971. \$5 million from FY 1972 population funds was used to cover the remainder of our CY 1971 contribution. We currently estimate that an additional \$15 million of FY 1972 population funds plus \$9 million of FY 1973 population funds may be needed to meet a U.S. pledge for CY 1972. However, since the level and matching basis for the CY 1972 pledge is not yet definite, the amount required is tentative. If additional funds are needed in FY 1973 to cover our CY 1972 pledge, or to meet a part of our CY 1973 pledge, a portion of FY 1973 undistributed population funds could be used.

The UNFPA allocated for population activities \$1.5 million in 1969, \$6.8 million in 1970, and \$15.9 million in 1971. The UNFPA estimates it will allocate \$43.5 million during 1972. The substantial increases in amounts allocated each year since the UNFPA's inception indicate that the organization is moving ahead at a reasonable pace to utilize funds made available by the United States and other donors in response to UNFPA fund-raising drives. It is recognized that for the next several years there may continue to be a difference between the level of funds programmed by the UNFPA for approved population activities and amounts pledged by donors. This difference is justifiable in view of the

fund's relative newness. We expect that as the UNFPA program gains momentum the difference will decrease. Recent efforts by the UNFPA to strengthen its programming capability include complete restructuring in February 1972 of the UNFPA headquarters office.

Projects financed by the UNFPA to date have included (1) large-scale support to seven country projects covering the provision of contraceptive supplies, medicine and equipment, consultants, and assistance to research, training and evaluation; (2) a major African Census project; (3) support for UN evaluation missions to a dozen countries in Africa, Asia and Latin America; (4) support for the population and family planning programs of agencies in the UN system, including UNICEF, WHO, FAO, ILO and UNESCO; and (5) grants to private agencies such as the International Planned Parenthood Federation and the Population Council.

UN FUND FOR DRUG ABUSE CONTROL

Eliminating the illegal traffic in narcotics and other dangerous drugs and combatting the abuse of such drugs are high priority objectives of our foreign policy. The Department of State, in cooperation with the Cabinet Committee on International Narcotics Control, as well as with other executive agencies, is vigorously pursuing that objective through multilateral and bilateral channels.

The UN Secretary General established the UN Fund for Drug Abuse Control in March 1971 and invited contributions from public and private sources "for the purpose of combatting drug abuse and its disastrous impact on individuals and nations." This action was a result of a U.S. initiative which had been endorsed by the UN Commission on Narcotic Drugs, by the Economic and Social Council, and by the UN General Assembly. A personal representative of the Secretary General has overall responsibility for the Fund, including its development and maintenance.

The Fund is preparing to finance short and long-term programs designed to eliminate the supply of drugs for

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purposes of abuse, the demand for such purposes, and the illicit traffic which supplies the demand. Projects under the Fund will include efforts to: (1) expand the research and information facilities of UN drug control bodies; (2) plan and implement programs of technical assistance for crop substitution purposes, for the establishment and improvement of national drug control administrations and enforcement machinery, for the training of personnel, and for setting up or expanding research and training centers which could serve national or regional needs; (3) enlarge the capabilities and extend the operations of drug control facilities for the treatment, rehabilitation and social reintegration of drug addicts; and (4) develop educational material and programs suitable for use on high-risk populations.

The United States contributed \$2 million in 1971 and will make a similar contribution in 1972. In addition to our contribution, other countries pledged or contributed one million dollars.

The largest project thus far conceived is a comprehensive country plan for Thailand. Over the next five years and with a Fund contribution of \$2 million, (matched by the equivalent or \$5 million from the Government of Thailand) the project will promote crop substitution and development operations in the mountainous tribal areas where opium poppies are now grown, new methods and facilities for addict treatment and rehabilitation, and information programs geared toward high-risk segments of the population.

Other countries may request similar comprehensive programs. As demands on the Fund increase, so will the need for larger contributions. We are proposing a \$5 million U.S. contribution in FY 1973.

UNITED NATIONS FORCE IN CYPRUS

The UN Force in Cyprus (UNFICYP) was established in 1964 to contribute to the restoration and maintenance of peace and security in Cyprus, and to a return to normal conditions. The UN Security Council has periodically extended UNFICYP's mandate, and the latest extension continues the force until June 15, 1972.

The size of the force requested in 1964 was 7,000 men. As a result of reductions made over the years, as of November 13, 1971, the force numbered 3,119 men comprised of the following national contingents:

Australia	38
Austria	105
Canada	585
Denmark	337
Finland	288
Ireland	391
Sweden	326
United Kingdom	1049

U.S. interest in the Cyprus problem reflects our goal of maintaining peace in the Eastern Mediterranean. Eruption of another round of inter-communal fighting would run the very strong risk of mutually destructive conflict between Greece and Turkey and incalculable damage to the southeastern flank of NATO. Experience has shown that UNFICYP is a stabilizing factor essential under present conditions.

The situation in Cyprus has become more critical in recent weeks and remains potentially explosive. With 20,000 armed men in close and hostile confrontation, incidents continue to occur from time to time. In the aftermath of the close brush with war that followed an outbreak of violence on the island in November 1967, intensive diplomatic efforts were made to establish a viable basis for negotiating a settlement. Since the summer of 1968 representatives of the Greek and Turkish Cypriot communities have been holding direct talks to seek a solution. In August 1971 the talks broke down. The UN Secretary General has suggested the talks be reactivated in expanded form. The United States supports the Secretary General's efforts and hopes that the talks will be resumed in the near future.

It would be unwise to make a major change in UNFICYP's role unless and until significant progress toward settlement is achieved. Although a UN force should not be stationed in Cyprus indefinitely, the UN Force is expected to be required through FY 1973.

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The larger portion of the total costs of the UNFICYP operation since 1964 has been met from a fund administered by the UN and financed by voluntary contributions from member states and other governments. The UN estimates that the costs borne by this fund since 1964 totaled \$141.0 million through December 15, 1971. Of this the United States has thus far pledged \$59.3 million for costs through June 15, 1972. The remainder of the costs to the UN are borne by other governments, which provide cash contributions.

The governments which provide military and police contingents themselves bear a substantial share of the financial burden of such contingents rather than charge the UN for expenses relating to the presence of their contingents in Cyprus. Through December 1971 such contributions-in-kind are estimated at \$39.2 million, of which the United States has furnished airlift services valued at \$1.3 million.

Contributions-in-kind through December 15, 1971.
(\$ millions)

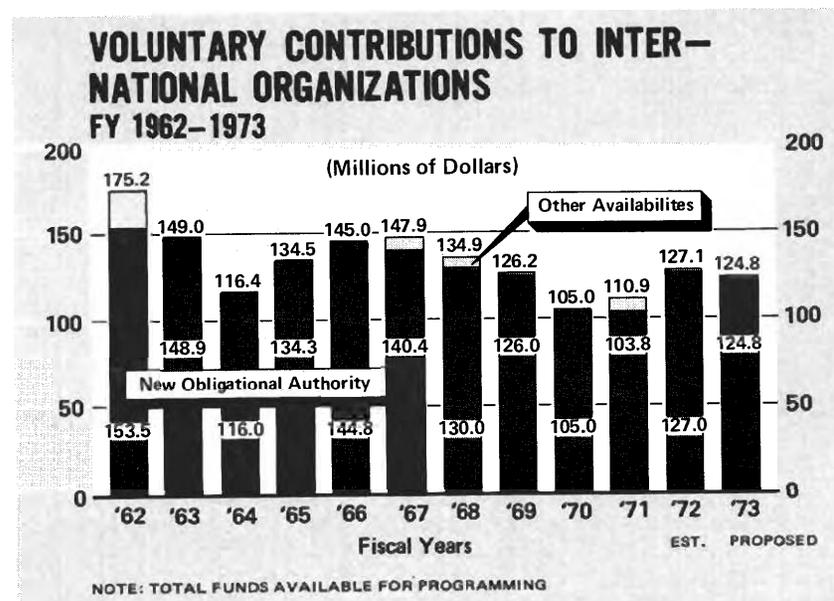
Australia	2.2
Canada	18.3
Denmark	2.5
New Zealand	0.2
Sweden	2.9
United Kingdom	11.8
	<u>37.9</u>
US airlift assistance	1.3
Total	<u>39.2</u>

Taking into account both categories of contributions, the United States has pledged or furnished about one-third of the costs to date.

UNFICYP currently faces serious financial problems with a deficit of approximately \$20 million. The United States is negotiating with other contributors in an effort to develop a new financial formula to eliminate the deficit and place future UNFICYP financing on a sound basis. The level of U.S. contributions would remain

at the \$4.8 million level annually subject to fluctuation in UNFICYP costs. The U.S. share under the new formula would be approximately 26% of total contributions in cash and in kind.

Because of a shortage of Supporting Assistance appropriated for FY 1972, only \$2.4 million is being programmed for UNFICYP out of FY 1972 funds. Since pledges to UNFICYP are made on a calendar year rather than a fiscal year basis, a one-time six-month delay in funding of half the U.S. pledge can be sustained without affecting the level of the U.S. contribution. The full amount of the annual U.S. contribution -- \$4.8 million -- is being requested for FY 1973.



U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS
AND PROGRAMS

	(\$000)					
	FY 1971 (Actual)		FY 1972 (Estimated)		FY 1973 (Proposed)	
	Voluntary ^{1/}	Assessed	Voluntary ^{1/}	Assessed	Voluntary ^{1/}	Assessed
UN Development Program	86,268		86,000		90,000	
UN Children's Fund ^{2/}	13,000		15,000		15,000	
UN Population Fund	14,000		20,000		9,000	
UN Fund for Drug Abuse Control	2,000		2,000		5,000	
IAEA, Operational Program	1,521	3,672	1,550	3,977	1,750	4,883
WMO, Voluntary Assistance Program	1,500	775	1,500	775	1,500	943
UN/FAO/World Food Program ^{3/}	1,500	10,083	1,500	10,083	1,500	12,151
UN Institute for Training and Research	400		400		400	
WHO, Medical Research	150	21,681	312	23,741	312	26,342
International Secretariat for Volunteer Service	70		73		73	
UN Relief and Works Agency (UNRWA) ^{4/}	13,300		14,300		14,300	
UN Force in Cyprus (UNFICYP)	4,800		2,400		4,800	
Special Contributions for Vietnam	950					
UNRWA-Arab Refugee Training	1,000					
TOTAL	140,459	36,211	145,035	38,576	143,635	44,319

1/ Administered by the Bureau of International Organizations Affairs, Department of State, from the following Foreign Assistance Act activities appropriations: Part I, Chapter 3 (International Organizations and Programs), Part I, Chapter 4 (Supporting Assistance), Part I, Chapter 2, Title X (Programs Relating to Population Growth), and Part I, Chapter 8 (International Narcotics Control), and Part I, Chapter 2, Title I (Development Loans).

2/ In addition, there are U.S. contributions of P.L. 480 commodities totalling \$4,299,000 in FY 1971, an estimated \$2,600,000 in FY 1972, and a proposed \$2,400,000 in FY 1973. These figures are valued at CCC costs, but do not include P.L. 480 commodity contributions for UNICEF emergency relief activities in Nigeria and Bangladesh.

3/ U.S. contributions of P.L. 480 commodities and P.L. 480 shipping costs represent U.S. pledges to WFP for two-year periods. The United States's actual pledge for FY 1971 is \$53,065,000 and \$53,065,000 for FY 1972. For FY 1973, the United States has announced a pledge of up to \$66,500,000.

4/ In addition, there are U.S. contributions of \$8,900,000 in the form of P.L. 480 commodities for FYs 1971, 1972 and 1973. The figure represents the value of the P.L. 480 commodities FOB Beirut, Lebanon. It does not reflect the cost of the commodities to the CCC.

HUMANITARIAN ASSISTANCE

A.I.D.'s new Bureau for Population and Humanitarian Assistance reflects the need to reinforce the public and private humanitarian efforts of this country. It reflects a conviction that the pluralistic strengths of this nation have untapped potential that can be directed towards assisting the humanitarian and human development priorities of developing nations. The diversity in our society, and our belief in voluntarism as an approach to helping others, suggest that there is at hand a resource that has not been adequately utilized. The private, non-profit organizations have expanded their capabilities and activities beyond traditional humanitarian relief. But the potential of these organizations is not yet fully realized.

The task confronting the Bureau is to explore and identify fresh ways of relating individual and institutional resources in our country to those in host societies.

American society is diversified; it tackles problems through multiple channels and institutions. Similarly, in other societies people create institutions of varying sizes, staying power, resources, and capabilities. Independently of, or in association with governments, these bodies participate in identifying problems and bringing about change.

A.I.D.'s role is to join in a collaborative effort with those undertaking change in host societies. Increasingly, A.I.D. will become an institution which financially supports the work of others with the objective of contributing to the evolution of capabilities and institutions within host countries that are capable of problem identification and program execution.

A.I.D. has now located within one Bureau our voluntary agency activities, disaster relief functions, programs for general relief and rehabilitation, and our formerly scattered population activities. It recognizes that among the major persistent problems today are hunger and the pressures of population on a finite environment and limited resources. By including within the Bureau our assistance to private organizations, A.I.D. acknowledges

the important role this community has to play beyond that of providing relief. Disaster relief and rehabilitation, population, and hunger will be primary areas of activity. But the ultimate concern is to improve the quality of the lives and the productive capacities of people. Program activities will thus be involved in a varied range of basic human needs.

As the nature of the problems have shifted from relief to development, the voluntary groups working toward their solution have been changing in character. They have not forsaken their humanitarian concerns, but rather, have added new forms and dimensions to their programs. Child feeding and welfare programs are being augmented by agricultural technical assistance, vocational education and even capital development. Further changes and innovations are on the horizon. And it is A.I.D.'s intention to foster and encourage this experimentation.

- We will explore new techniques for direct collaboration between these organizations and the developing countries;
- We will test programs for collaboration among the voluntary non-profit organizations;
- We will prepare a roster of private non-profit organizations interested in development work abroad, listing skills and experience, and systematically make its contents available to our missions abroad and to the developing countries;
- We will seek to enlist the support and participation of organizations not currently joined in the collaborative development effort.
- We will experiment with programs that place greater responsibility for executing development activities in the hands of private groups or that permit them to broaden the scope of their activities where they are relevant to host country needs.

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- We will, where requested, assist LDCs to develop an institutional capacity based on voluntarism to cope with relief programs and development efforts.
- The immediate disaster relief capability within A.I.D. will be upgraded and strengthened. Experience this past year in dealing with assistance for the disasters in South Asia has demonstrated the need for: higher-level policy direction within the U.S. Government, better means of coordinating public and private responses, and appropriate operational approaches to coordinate U.S. relief efforts through the United Nations.

A.I.D.'s population programs are described in the sectoral, regional and interregional portions of this volume. The Food for Peace program, which provides a vital resource in the operation of many voluntary agency programs, is described under Tab B, "Development Aid Program FY 1973".

Other parts of the A.I.D. program having particular private or public humanitarian aspects are described in this section. They are 1) private development assistance, 2) disaster relief coordination, 3) South Asia relief, rehabilitation and reconstruction assistance, and 4) American Schools and Hospitals Abroad.

PRIVATE DEVELOPMENT ASSISTANCE

A.I.D. matches development needs of LDCs with private American resource organizations and provides support to these organizations in responding to the needs. In addition to continuing to support and improve ongoing private programs, we will explore expanded opportunities for collaboration with the private organizations in order to expand their role in self-planned and self-managed development work.

Private U.S. organizations supported by A.I.D. provide assistance primarily in countries where A.I.D. has regular programs. However, to a limited extent, A.I.D. also supports the activities of private organizations operating in other developing countries.

During FY 1973 A.I.D. proposes to provide a total of \$8,610,000 in grants, plus \$4.5 million for ocean freight costs, to continue the support of private organizations, among which are the following:

The Asia Foundation is a privately managed organization which has worked since 1954 with individuals, community and professional groups, and private and public agencies in Asia. Through small grants and professional advisory services, the Foundation emphasizes social and institutional development requiring matching self-help efforts by the groups with which it works. The initiative for most projects comes from the Asian side and they usually are jointly supported. The main areas of focus are in development of education, legal studies and administration, book and library programs, science teaching, rural development, population programs, and Asian regional collaboration. In addition, increasing attention is being given to manpower and unemployment problems in Asia. The Asia Foundation will provide assistance both in countries in which A.I.D. presently has a bilateral aid program, and in certain other developing countries in Asia. In FY 1971 and FY 1972 A.I.D. supported the Foundation with general budget support grants of \$3,750,000 for each year. We are proposing to provide the same amount in FY 1973.

Private Agencies Cooperating Together (PACT) is a consortium of private voluntary organizations which was formed to increase the effectiveness of small-scale technical and capital assistance to enterprises and institutions in developing countries. A.I.D. support increases the quantity of assistance from member agencies and improves the quality of their assistance through coordination and integration of members' programs and the application of common standards of project selection and evaluation. PACT gives priority to projects (1) reaching those in the lower levels of the social and economic order, (2) using intermediate technology and other employment-generating approaches, and (3) aimed at often-overlooked sectors of society.

PACT's founding members are (1) Congregational Christian Service Committee, (2) Emerging Economies Corporation, (3) Heifer Projects, (4) International Educational Development, (5) Meals for Millions, (6) Partnership for Productivity, (7) Technoserve, and (8) Volunteers for International Technical Assistance (VITA). These agencies, and others that may join, are a developmental resource of considerable diversity and experience.

PACT will coordinate member activities and raise private funds for grant and loan assistance to specific projects. During FY 1972 A.I.D. intends to provide grant support up to \$156,000.

Volunteers for International Technical Assistance (VITA) is a private organization of volunteers devoted to responding to technical inquiries and adapting technical information to every-day needs in developing countries. Its roster of 6,000 volunteers form a far-flung source of expertise and ingenuity found in business, industry, universities and professions. These volunteers give of their own time in providing information and advice by mail in response to inquiries from all over the world. Responses in many fields are made to some 2,400 inquiries a year.

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Local "counterparts" are being fostered with VITA's help in the Philippines, Dominican Republic, and to serve the Central American countries. These indigenous agencies depend heavily on local volunteers and support.

Major private support for VITA comes from U.S. companies, foundations and individuals. This voluntary organization is a significant part of a large network of agencies which generate and use technical information. VITA cooperates with 150 public and private organizations in the US and abroad. A.I.D.'s contribution to VITA represented approximately 25% of its international budget in FY 1971, and FY 1972 A.I.D. provided \$85,000.

Technoserve assists persons in African and Latin American countries in starting locally-owned, profit-making enterprises that benefit the communities in which they are located. Projects are selected on the basis of community need, stressing agricultural and employment-generating projects of moderately small scale.

Technoserve seeks to encourage and respond to local initiative and to serve as a catalyst in bringing together the necessary technical, managerial and financial support needed. This is accomplished principally through long-term field volunteer businessmen. Capital is provided when needed from a \$300,000 revolving fund from private contributions. The A.I.D. grant support would help Technoserve to more than double the scale of its operations. Countries eligible for support under the grant are Ghana, Kenya, Uganda, Zambia, Barbados, Guatemala, Haiti, Honduras, Jamaica and the West Indies Associated States. A.I.D.'s relationship with Technoserve is very recent. A grant of \$75,000 was made to the organization in FY 1972.

International Voluntary Services, Inc. (IVS) is a private non-profit voluntary organization with 18 years' experience in volunteer development assistance. Its fundamental purpose has been to combat poverty, disease and illiteracy in less-developed countries. It has operated in 15 countries of Asia, Africa and the Middle East with programs in agriculture, health and education.

As a private organization, it has been a channel through which young people could express their concern and churches, foundations, corporations, and individuals could contribute to and be informed about development activities.

Having contact with numerous organizations and some 600 alumni in a range of occupations, professions and industries, IVS has been able to recruit volunteers, not only for its own programs, but for other US and international voluntary agencies. These volunteers serve overseas for two years and offer an inexpensive means of providing middle-level technical assistance. In the past this cost has been met largely through U.S. Government contracts.

A.I.D. support would permit IVS to investigate opportunities for further volunteer participation in ongoing or planned host country programs, develop program proposals, and conduct funding negotiations with host governments. An A.I.D. grant of \$100,000 is planned during FY 1972.

International Executive Service Corps (IESC) is a non-profit membership corporation directed by leading American businessmen. IESC meets the requests of overseas companies for experienced management help. Since 1965 IESC has enabled 2,500 volunteer American business executives to help locally-owned enterprises in 48 developing countries. These executives serve without pay but are provided travel and living expenses. An A.I.D. general support grant provides for these expenses and for the expenses of IESC country directors residing overseas and represents approximately 51% of the overall IESC budget. IESC negotiates a fee for the services of its volunteers with the client enterprises. A share of administrative costs in the U.S. are met by donations from the U.S. business community,

Assistance is given to many types of businesses--agriculture and food processing, manufacturing, transportation, service and communications industries, chemical production and processing, wood and paper products, wholesale and retail trades, insurance and banking, tax administration and hospital management. We expect to explore with IESC the possibility of expanding its assistance in the public sector.

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IESC provides assistance both in countries in which A.I.D. presently has a bilateral aid program, and in certain developing countries where A.I.D. has phased out its operations or does not carry out a bilateral assistance program. Last year IESC provided 600 volunteers to overseas companies. A.I.D. has made grants to the IESC during FY 1971 and FY 1972 of \$3.2 million each year, and proposes \$3,500,000. for FY 1973.

The YMCA has for several decades conducted in the U.S. a broad array of training activities, operating out of local YMCA's developed in response to local needs. The national YMCA has also helped foreign YMCAs to establish similar programs. These have proved successful in several countries such as Taiwan, Lebanon, Greece, and the Philippines. The YMCA has requested assistance to expand these efforts into Africa and Latin America by developing local programs in management and vocational training. The strength of the YMCA approach lies in (1) an infrastructure of locally-staffed YMCAs in the developing countries, which reaches into the smaller cities; (2) the YMCA's well-developed methodology for developing programs in response to surveyed local needs and for mobilizing local financial support and participation; and (3) high returns in increased productivity expected from inexpensive, predominately non-formal educational programs.

The YMCA has requested funds to help them plan and develop, in selected countries, new training programs designed to become self-supporting. A.I.D. is considering grant assistance to help them in this effort.

The Institute for International Development, Inc. (IID), based in Washington, D. C., is a newly-formed private, non-profit organization whose purpose is to help establish indigenous businesses and promote investment in the developing countries as a means of alleviating poverty and unemployment. It was formed out of the concern of church groups for promoting small enterprises overseas.

IIDI receives and screens project proposals. Voluntary committees of businessmen review proposed projects and help locate interested investors.

While IID does not become involved in investment decisions or the financing or operating aspects of enterprises, it plays a vital supportive role by providing counsel, training, and staff assistance to promote the success of projects in unfamiliar cultural and economic situations. Agency support is proposed at one-third of the IID first year budget. The balance will be raised from foundations, corporations and individuals. A.I.D. assistance to the IID is under consideration and may begin during FY 1972.

Cooperative Development Programs

During FY 1973 A.I.D. proposes to provide a total of \$755,000 to continue support to the following cooperative organizations through grants and contracts:

Volunteer Development Corps (VDC) provides specialists from United States cooperatives to overseas cooperatives asking for assistance. Those who go out are volunteers -- mid-career executives of U.S. cooperatives or retirees. The pattern of recruitment and assignment is similar to the International Executive Service Corps (IESC) volunteers, but with the focus on helping cooperatives in the developing countries to deal with pressing problems of growth and efficiency. This can involve any phase of organization, management, financing, plant operation, member relations, training and venture analysis.

Technicians from cooperatives on short-term assignments have worked in cooperative housing management in Chile; credit union development in Ethiopia; seminars for cooperative training on rural development in Zaire (formerly called Congo); a credit union data gathering system in Lima, Peru; a system for importation of bulk fertilizer to be bagged in Honduras; and in Jamaica, cooperative housing management, a retail market for dairy products, a one-stop farm service system, and development of farm supply cooperatives.

The support now being given by American cooperatives to this new mode of delivering technical assistance is still limited. A.I.D. hopes that ultimately they and cooperatives

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overseas will together contribute the major share of the organization's costs. During FY 1971 and FY 1972, A.I.D. provided annual grants of \$100,000.

The Agricultural Cooperative Development International (ACDI), a group composed of 23 major US cooperatives, assists in improving the production, supply, marketing, credit functions and the training of the staff and management of agricultural cooperatives. Programs are under way in Honduras, Guatemala, Thailand, Philippines, Nepal, Uganda, Vietnam and Tanzania. Some of these projects are assisting the Government of Uganda to develop a national multipurpose credit, marketing, and supply cooperative federation for all cotton and coffee producers; helping Honduras and Guatemala develop national agricultural cooperative federations to provide credit, marketing and processing services to small farmers; and revitalizing of Vietnam farmers' cooperatives into viable federations primarily for efficient distribution of fertilizer and farm supplies, and ultimately for marketing of rice and other farm products.

Cooperative League of the U.S.A. (CLUSA). Supported by numerous U.S. cooperatives, the League provides assistance in insurance, development of consumer cooperatives, agribusiness, and the organization, management, and finance of producer cooperatives. Through its own programs and through programs contracted by A.I.D., CLUSA has worked in many countries. It is now assisting programs in Chile, Ecuador, Panama, Peru and India.

Some typical projects are establishment in northwest Ecuador of a cooperative rice federation to furnish small farmers with land tenure, credit, production, marketing and processing services; and provision of consultants to assist government agencies in Peru and Chile in developing and expanding cooperatives.

An important recent step in CLUSA's work is to do more to promote growth of cooperatives internationally through assistance to the International Cooperative Alliance (ICA).

ICA is the major international cooperative confederation, with world-wide membership in 60 countries, and headquarters in London. CLUSA, the U.S. member of ICA, serves on ICA Standing Committees, and supports ICA through annual dues and special contributions. Currently CLUSA is helping a special research project of ICA designed to enhance worldwide trade, and unify and strengthen cooperatives through improved legislation and communications between national members. This project is co-sponsored by the Food and Agricultural Organization (FAO), the International Federation of Agricultural Producers (IFAP), and the International Labor Organization (ILO). A small grant is proposed to assist this program.

The Credit Union National Association (CUNA), a national organization of U.S. credit unions, specializes in helping organize local credit unions and their member federations which mobilize capital and extend credit in both urban and rural areas. Since 1962 CUNA has assisted in the organization or development of many of the credit unions in Latin America, which now have one million members with savings of \$105 million in 16 countries. A regional program is now under way in Africa to develop and service credit unions in 19 countries.

These two broad efforts in Latin America and Africa have helped to foster two regional credit union confederations -- a significant evolutionary step in creating indigenous agencies in this field, which have a challenging future task to extend varied services to their members. One facet of this is to involve credit sources in productive relations with the marketing and farmer-supply cooperatives in each country, and thus develop channels for moving private and government investment funds to small farmers. U.S.-guaranteed loans from American credit unions to credit unions in Less Developed Countries are expected to flow from a new OPIC/A.I.D./CUNA program.

National Rural Electric Cooperative Association (NRECA), draws on its 1,000 U.S. member organizations for technical resources to help build rural electric cooperatives in

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developing countries. American technicians serve overseas as advisors and as trainers. Often, assistance is needed after a local cooperative has been going for some time, and NRECA, therefore, also offers short-term accounting, management and other services. Programs are presently under way in Afghanistan, Bolivia, Nicaragua, India and the Philippines.

As the central non-government channel of American experience and talents in this field, NRECA responds to requests from the governments of developing countries, the World Bank, the Inter-American Development Bank and UN agencies, as well as A.I.D.

New and Expanded Support of Private Development Programs

During FY 1973 A.I.D. will explore new opportunities to involve and give support to other privately-managed development programs which are responsive to the needs and requests of developing countries.

SUPPORT FOR REGISTERED VOLUNTARY AGENCIES

The relief effort to cope with the East Pakistan cyclones, the flight of refugees from East Bengal to India, and the Bangladesh rehabilitation program are good examples of voluntary agency performance. During 1972 these agencies contributed over \$2 million toward the relief and rehabilitation programs which were interrupted by civil strife in March 1971. With U.S. Government assistance, the voluntary agencies distributed \$8.6 million in P.L. 480 food. They used \$4.6 million in cash grants and about \$860,000 in Indian rupees. By the end of December, they raised from the American public \$11 million in cash and kind for the Bengali refugees.

On a global basis during 1971, registered voluntary agencies raised \$325 million in private contributions. They received private donations of commodities and equipment valued at \$84 million in addition to \$205 million from the U.S. Government. They carried out worldwide development and relief programs in 133 countries.

Ocean Freight

In response to the Congressional mandate contained in section 635(c) of the Foreign Assistance Act, one of the ways in which A.I.D. encourages private overseas development and technical assistance programs of registered non-profit U.S. voluntary agencies is through reimbursement of the transportation costs of their program supplies. These supplies include purchases and donations from the public and U.S. Government domestic and foreign excess property.

In FY 1972 the program supported the activities of 29 voluntary agencies and the American National Red Cross in some 129 countries and areas. Eight of these voluntary agencies also participate in the P.L. 480, Title II, food donation program for which transportation costs are funded with City Credit Corporation funds administered by A.I.D.

It is important for A.I.D. to encourage broader participation by U.S. private nonprofit groups in the practical work of development. Over the years A.I.D. has supported private humanitarian and development programs of registered

voluntary agencies by allocating funds to these agencies for transportation of supplies needed to maintain their overseas programs. The A.I.D. allocation of freight funds to registered voluntary agencies is made on a worldwide basis, thus providing the voluntary agencies flexibility in their programming. The funds required for overseas freight fluctuate from year to year. There are a number of variables. In years of severe disasters there is an increased requirement for overseas freight funds to transport supplies for long-range reconstruction and rehabilitation programs required after the immediate disaster has passed. Other factors, for example, are the dock strike in 1971-72 which made it impossible for voluntary agencies to ship supplies overseas according to schedule, and the tax reform act, which limited tax deductions to manufactured costs. This greatly affected donations of pharmaceuticals and other supplies to voluntary agencies. Such factors will influence the utilization of overseas freight funds in FY 1972.

It is estimated that \$4.5 million will be required in FY 1973 for Overseas Freight funds for non-P.L. 480 commodities.

The Technical Assistance Information Clearing House (TAICH) TAICH facilitates and encourages the exchange of information, maintains updated data on nonprofit organizations operating overseas, advises and assists in developing programs, provides technical and resource materials, and compiles and produces special reports as well as regional and worldwide directories of U.S. nonprofit voluntary agencies, missions and foundations. In addition, its Reference Services are widely used by business firms and the public.

The present A.I.D. contract with TAICH is for the preparation of manuscript copy and other requirements for the production of a worldwide directory.

It is expected that during FY 1973 TAICH will undertake the in-depth study of selected functional fields and prepare, publish, and distribute these reports.

DISASTER RELIEF COORDINATION

More than 50 times a year--an average of once a week--the United States Government, cooperating with American voluntary agencies, responds to calls for help from around the world--for earthquakes, typhoons, floods, volcanic eruption, famine and disease, and a variety of man-made calamities. Some make international headlines and are counted among the world's greatest catastrophes--others barely make the back pages.

In all, there were 102 disasters in the past two years, which took a staggering toll. There were 65 million victims--more than 580,000 died. Total U.S. Government contributions during these two years exceeded \$280 million. In addition, American voluntary agencies and the American public contributed from their own resources cash and supplies valued at \$28 million.

During just the last two years:

- In Costa Rica severe rains flooded the country's eastern slopes and coastal plains displacing 5,200 people. Within hours of a request from the Government of Costa Rica, U.S. assistance arrived. Our helicopters from Panama flew 314 sorties evacuating flood victims and delivering food and clothing.
- In Romania swollen rivers inundated one and a half million acres, taking 215 lives, flooding 90,000 homes and leaving 240,000 people without shelter. Within 4 days following the floods, the United States had delivered 2,500 blankets and 1,000 tents. Other aid from the United States totalled \$12.7 million, of which \$12.6 million was provided by the U.S. Government and \$307,000 came from American voluntary agencies.
- In Peru an earthquake lasting only 45 seconds toppled buildings, erased entire villages, breached dams and caused lakes to overflow the countryside. Over 60,000 people died; 143,000 were injured and more than half a million were left homeless. Within 48 hours the U.S. Government airlifted the first of 44 planeloads of supplies. The aircraft carrier "USS Guam" was ordered

to Peru so that its helicopters could engage in rescue and relief missions. Mrs. Nixon's visit to Peru during the height of the relief operations demonstrated to the world our concern for the plight of the people of Peru. U.S. contributions during the emergency and rehabilitation period was \$26.8 million, of which \$16.4 million came from the U.S. Government and \$10.4 million from private sources.

- On November 13, 1970 East Pakistan suffered the worst cyclone of the century. The storm, along with a tidal surge reaching 25 feet, decimated the coastal regions and off shore islands; 300,000 people died and over three and one-half million were left destitute. The following day A.I.D. authorized U.S. voluntary agencies in the country to distribute Food for Peace commodities to the disaster victims. In the brief two weeks that followed, 34 American commercial and military flights delivered tents, blankets, boats, prepared foods and vegetable seed. Ten helicopters included in these cargoes were engaged in rescue and relief operations by November 21. Aid continued for several months. Our total assistance was valued over \$16 million.

In the ensuing man-made disaster in East Bengal, additional massive American help was channeled to Bengali victims through the UN.

The Agency for International Development coordinates the resources of the U.S. Government available for disaster relief. A.I.D. calls on any and all of the departments and agencies of the federal government with resources and services which can, if needed, be brought to bear in cases of emergency. These include the Armed Forces, the U.S. Public Health Service, the Department of Agriculture, the National Oceanic and Atmospheric Administration, the U.S. Geological Service, and others. We also work closely with American voluntary agencies. Costs to the U.S. Government of these emergency responses are normally borne by the Contingency Fund and the P.L. 480 budget.

In the recent reorganization of A.I.D., one important objective has been to strengthen A.I.D.'s disaster relief effectiveness by providing higher-level policy direction and better

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coordination of public and private responses to emergency requirements, and by achieving increased competence in effectively coordinating U.S. activities through the UN and other international agencies. Increased emphasis will be placed on pre-disaster planning and preparedness, including technical assistance to governments of disaster-prone countries, advance preparedness measures aimed at reducing both cost and reaction time, and systematic study of the possible applications of modern technology to disaster relief.

We expect to use program funds and contingency funds to finance such activities as

- the establishment of additional disaster relief stock-piles;
- disaster investigation, analysis and research by participating agencies and contractors;
- planning and carrying out international disaster preparedness training (for which \$40,000 is proposed for FY 1973);
- planning and creating a Disaster Relief Operations Center and Information Exchange; and
- conferences designed to bring together principals of the U.S., foreign, and multinational disaster relief community to improve coordination efforts leading to better responsiveness and greater cost effectiveness.

SOUTH ASIA RELIEF, REHABILITATION AND RECONSTRUCTION ASSISTANCE

The people and government of Bangladesh face a major task in rebuilding their nation. Bangladesh authorities estimate that it will cost \$3 billion - including at least \$1 billion in food and non-food imports - to get the country to where it was prior to 1971

The UN has assumed a leading role, working with Bangladesh in assessing needs and priorities, and in calling for and coordinating the international response. Initially, the UN concentrated on the more immediate relief requirements -- particularly food, but also road and river transportation and interim logistic support, shelter, fuel, fertilizer and other essential agricultural inputs. The UN preliminary assessment totals over \$600 million needed during the balance of this year. A joint UN/IBRD rehabilitation survey has established further urgent needs amounting to some \$650 million in additional assistance requirements through June, 1973.

U.S. Assistance

Of the \$200 million appropriated by the Congress in FY 1972 for South Asia Relief and Rehabilitation, \$169,282,000 has been used to date (mid-June). Of that amount, \$27.7 million was obligated prior to the December, 1971 Indo-Pak war. These funds were used for relief of civil strife victims following the onset of disturbances in East Pakistan, now Bangladesh, beginning March 25, 1971. The bulk of this assistance, approximately \$20 million, was used to aid the nearly 10 million Bengali refugees who fled to India. The funds helped meet basic medical and shelter needs of the refugees in India. The balance of \$7.7 million was provided for use in East Pakistan, primarily to augment the disrupted transport system and avert the possibility of famine. These funds were made available in the form of cash grants to relief agencies and direct U.S. procurement actions in support of relief activities.

In response to the UN Secretary General's appeal for contributions on February 15, 1972, our postwar assistance committed under the \$200 million appropriation has reached a level of \$141,582,000, much of which has been channeled through the UN or U.S. voluntary agencies. The UN Relief

Operation in Dacca (UNROD) is the largest and most important relief organization in Bangladesh. UNROD's role is to support the relief and rehabilitation efforts of the Bangladesh Government, marshal worldwide contributions, and help coordinate the myriad activities of voluntary agencies. In addition, \$76.5 million in P.L. 480 food supplies have been authorized.

Non-Food Support for the UN Program. Initial U.S. Government assistance for the UN program was a \$300,000 grant for administrative expenses of UNROD's relief operations. In response to a UN report outlining the urgent relief and rehabilitation needs in Bangladesh, a second grant of \$35 million was made to UNROD -- \$31 million was turned over to the UN in cash, and the balance of \$4 million is being used by the U.S. Government to procure additional relief commodities as the UN may request. This grant helped alleviate UNROD's urgent need for cash to be used for a wide variety of purposes, including chartering aircraft, minibulkers, tugs and barges; procuring vacuators and other cargo handling equipment; funding local costs involved in the repair of port facilities; paying stevedores; and procuring relief commodities such as roofing materials, cement, fuel, fertilizer, power tillers, irrigation pumps, high-yield variety rice seeds and other basic needs. The \$35 million grant, along with contributions of other nations, gives the UN Relief Operation in Dacca the resources and flexibility it needs at this stage of the overall relief effort.

Aid to Voluntary Agencies. U.S. Government support of the voluntary agencies program in Bangladesh now exceeds \$10 million in grants. The first of these was a \$650,000 grant made to CARE for a village housing demonstration project, and to continue research on cyclone-resistant shelters--a past, present, and future need of Bangladesh.

In addition, a grant of \$3 million was made to Catholic Relief Services (CRS) to purchase and transport metal roofing sheets for use in Bangladesh. The roofing is part of a program to house an estimated 200,000 returned refugee and displaced families -- some one million persons.

To aid 9,000 former college students made destitute by the recent fighting, many of whom were Mukti Bahini guerillas, a \$1.17 million grant was made to the International Rescue

SOUTH ASIA RELIEF, REHABILITATION AND RECONSTRUCTION ASSISTANCE Committee (IRC) for college scholarships. This will enable 9,000 students to resume their college education. In the field of health, a grant of \$450,000 was made to IRC for emergency financing of the local costs of the Cholera Research Laboratory, which operates a hospital in Dacca and another in Matlab Bazaar. In addition, the grant funds will assist the Laboratory to provide emergency preventive and therapeutic health services.

To support a comprehensive medical, nutritional, and housing program in the Chittagong area, a grant of \$900,000 was made to Medical Assistance Programs, Inc.

A grant of \$1.5 million has also been made to the Foundation for Airborne Relief for airlifting food and supplies within Bangladesh.

The most recent grant was \$1 million to assist Church World Service implement a housing relief program encompassing some 18,000 units.

The United States has also made a bilateral grant of \$90 million to the Government of Bangladesh. The grant will finance high-priority rehabilitation projects: repairing coastal embankments, restoring power supplies, rebuilding roads and bridges, and providing educational supplies and reconstructing school facilities. In addition, the grant will provide for the importation of urgently needed commodities such as fertilizer, cotton, and tallow.

As a result of these obligations of \$141.59 million in non-food post-war assistance provided to the UN, voluntary agencies, and the Government of Bangladesh, plus a total of \$27.7 million incurred before December of last year for refugees in India as well as needs in Bangladesh, less than \$31 million of the \$200 million FY 1972 appropriation for South Asia relief and rehabilitation remains available to meet additional requirements.

In making our contributions, we are guided by the Congressional recommendation that the U.S. share should not exceed

40% of the total from all sources, if reasonably possible. In view of the significant contributions already made by many nations, including India, the Soviet Union, and Great Britain, we expect that U.S. participation in the amount already provided by the Congress will be within this concept of "fair share". The \$100 million request for FY 1973 will enable us to continue to provide our fair share of this vital effort of expanding dimensions, which we expect to continue through the middle of next year.

Additional Assistance. Additional grants to support the UN and voluntary agencies programs in Bangladesh are expected to be made as needs are more clearly identified and added assistance is deemed necessary. We also expect to provide additional funds directly to the Government of Bangladesh in the form of grants for urgent repair and rehabilitation needs, as well as supporting an IBRD initiative in reconstruction.

As its relief and rehabilitation needs are being met, Bangladesh will face the longer-term task of reconstruction. A team of UN and World Bank experts has recently completed an assessment of reconstruction needs and costs. After moving to counter the immediate threat of hunger, attention is being given to the reconstruction of basic infrastructure -- restoring telecommunications, rehabilitating jetties and inland waterways facilities, procuring tugs and barges, repairing navigational aids, and meeting a wide range of other urgent requirements. Some of these requirements will be met, in accordance with the provisions of Section 491 of the Foreign Assistance Act, by international organizations, such as the UN and the World Bank, to which U.S. and other contributions will be made for use in accordance with the procedures of the administering organization.

P.L. 480 Food. The U.S. response to relief and rehabilitation needs in Bangladesh is an integrated effort encompassing a full range of assistance, including the provision of urgently needed food supplies through the P.L. 480 program. Food stocks in Bangladesh have remained at the dangerously low level of approximately 200,000 metric tons in the aftermath of the war. In response to UN requests for food

assistance, the U.S. Government has authorized a total of 550,000 metric tons of wheat, rice and vegetable oil for Bangladesh, with a total value of approximately \$76.5 million, including freight. Deliveries of this food are being rushed. The first shipments have already arrived. On the basis of available information the 550,000 tons of Title II food commodities in the pipeline, plus some 1,200,000 tons from other governments (programmed for early delivery) will meet current food requirements at least through August. Of this total, India, favorably situated to move grain overland and possessing an historically high level of stocks, has agreed to provide 750,000 tons of wheat and rice to Bangladesh and is working to move this

food by summer and by early April had reached the level of 7,000 tons daily.

In addition to foodgrains and vegetable oil, high protein food blends for children granted by the U.S. last year are being made available as needed. Some 25,000 tons of this highly nutritious food recently arrived in Bangladesh, enough to give vital food supplements to 3 million children for 3 months. While the need for added international food assistance to Bangladesh is still great, the threat of serious famine has been alleviated for the time being. The major need for imported food will be in the fall when a traditional food deficit occurs in Bangladesh prior to harvesting of the rice crop.

U.S. GOVERNMENT COMMITMENTS FOR
RELIEF AND REHABILITATION IN BANGLADESH
as of June 1972

<u>CASH GRANTS TO THE UNITED NATIONS</u>		(\$ Million)
Repair and expansion of transportation network, relief import financing, and UN operating costs		\$ 35.3
<u>GRANTS TO U.S. AND INTERNATIONAL VOLUNTARY AGENCIES</u>		
<u>CARE</u>	Low-cost housing	.65
Catholic Relief Services	Metal roofing sheets	3.0
International Rescue Committee	Emergency education assistance	1.17
International Rescue Committee	Cholera Research Laboratory (Dacca)	.45
International Committee of the Red Cross	Cash grant	1.0
International Committee of the Red Cross	Charter of C-130 cargo plane	.5
Medical Assistance Programs, Inc.	Comprehensive relief program	.9
Foundation for Airborne Relief	Airlift of food and relief supplies within Bangladesh	1.5
Church World Services	Low-cost housing	1.0
TOTAL GRANTS TO VOLUNTARY AGENCIES		\$ 10.17
Bilateral Grant to Bangladesh Government		\$ 90.0
Non-Grant Relief Assistance		6.12
TOTAL NON-FOOD AID		\$ 141.59
<u>FOOD FOR PEACE UNDER PUBLIC LAW 480</u>		
<u>COMMODITY</u>	<u>METRIC TONS</u>	<u>DATE</u>
Wheat	350,000	2/28, 3/17/ & 5/24
Vegetable Oil	50,000	3/10 & 3/21
Rice	150,000	2/28 & 3/30
TOTAL FOOD	550,000	\$ 76.50
<u>TOTAL U.S. GOVERNMENT COMMITMENTS</u>		\$ 218.09

PROGRAM SUMMARY (In millions of dollars)			
	FY 1971 Actual	FY 1972 Estimated	FY 1973 Proposed
Amer. Schools & Hosp. Abroad	13.4	20.0	15.6
(U.S.-owned excess local currencies)			(5.4)

AMERICAN SCHOOLS AND HOSPITALS ABROAD

During the past year the Congressional Committees concerned with foreign assistance have increasingly voiced concern about the proliferation of applicants for grants provided through the American Schools and Hospitals Abroad program. (Section 214 of the Foreign Assistance Act). This year's budget request focuses on the objectives of Section 214 and the policies and administrative considerations which A.I.D. believes should govern the selection of projects for U.S. Government financial support. The most direct statement on the matter was contained in Senate Report 92-432 of November 8, 1971:

".....Congress should not put itself in the position of picking and choosing among proposals for individual school, hospital, or library projects in foreign countries. This is not the task of Congress. Nor is Congress best equipped to initiate such projects.

"The role of Congress, in this instance, is to render an overall judgment about the value of the entire program based on testimony and evidence presented by AID and State Department officials and other witnesses. It is the responsibility of Executive-Branch officials to weigh the relative merits and weaknesses of each specific project, subject of course to overall Congressional review."

A.I.D.'s desire to review program policies rather than project details with the Congress has been reinforced by the realization that the practice of discussing the funding

requirements under consideration for individual institutions in the Congressional presentation unfortunately has led those institutions to assume that the amounts shown will automatically be given to them. Publication of these figures has impaired A.I.D.'s relations with potential grantees despite explanations that the budget request is "illustrative" and in no way commits the Agency to grant specific amounts if subsequent examination indicates that the amount is not, in its view, justifiable, when measured against other deserving potential grantees.

Examination of the present program confirms that a thoroughgoing reexamination of the basic rationale for this program is required. This presentation is directed toward that objective and should make it possible to transform the program over the next few years along lines which the Congress and the Executive Branch believe are desirable and in the public interest.

Basic Rationale

Section 214 is unique among AID programs in that development assistance, per se, is not its objective. Congressional committee reports have stated that the primary purpose of Section 214 "is not to take care of the education and health needs of foreign countries, but to demonstrate to their people, on a selected basis, American ideas, practices, and advances in the fields of education and medicine." Other reports have urged wider and more equitable geographic distribution than now characterize the program, and a re-emphasis of its statutory goal of assisting those American-founded or sponsored institutions which serve as "study and demonstration centers for ideas and practices of the United States."

Fundamentally, A.I.D. believes the basic purpose of the American Schools and Hospitals Abroad program is to provide support to those U.S. founded or sponsored institutions abroad which are positively and continuously identified as being American (rather than local/national in nature) and which act as showcases for the United States. As we view it, the program objective is to ensure that selected institutions serve as centers capable of demonstrating the

AMERICAN SCHOOLS AND HOSPITALS ABROAD

best features of American education or medicine. Assistance to these institutions is not necessarily related to local economic development objectives or to the educational or medical priorities of the countries where they are located. Accordingly, this particular program is not confined to underdeveloped countries.

Given the overall limitation on funds which can be allocated to this program, it is evident that the needs of every American-sponsored institution abroad seeking assistance cannot be met. The number of American-sponsored institutions in any one country receiving support under Section 214 must be restricted to those needed to achieve U.S. demonstration objectives. Neither the poor financial condition of an institution nor its plans for expansion are adequate justification for Section 214 funds.

The same overall financial limitations and demonstration objectives make it mandatory that Section 214 grants be extended only after thorough qualitative examination of each institution seeking help. When an institution has been identified as an appropriate Section 214 grantee, sufficient support should be provided over a period of time to enable the institution to serve as a first-class demonstration center capable of bringing credit to the United States.

Finally, institutions receiving Section 214 grant assistance should be geographically dispersed to achieve our objective adequately in various part of the world. In response to recent Congressional initiatives, a number of institutions have been assisted in the Near East, particularly in Israel. However, some movement in the direction of wider geographic dispersion has been possible during FY 1972, and initial grants have been or will be made to the American hospitals in Rome and Paris, the Cheng Hsin Hospital in Taiwan, Sogang University in Korea, and the University of the Americas in Mexico. In addition to these projects, subject to the appropriation of necessary funds in FY 1973, AID will support other smaller projects in the Far East, Latin America, Africa, and Europe.

Accordingly, the Agency proposes henceforth to:

- (1) give priority to applications from U.S. sponsors of eligible American schools and hospitals located in the Far East, Africa, and Latin America.
- (2) limit the number of institutions in any country or region to the number which in A.I.D.'s judgment is needed to insure attainment of U.S. objectives; and
- (3) wherever possible and within a reasonable period of time phase out grants to institutions in the Near East which have a limited capacity to demonstrate U.S. educational or medical ideas or practices.

Project Management

In the course of project reviews, A.I.D. will ensure that budgetary support is the minimum amount required to carry out mutually agreed upon goals. In this context, American Schools and Hospitals Abroad grants are considered as inputs to the overall budgets and programs of the grantee institutions. Accordingly, A.I.D. intends to examine all prospective activities by grant recipients to determine their budgetary impact over the long run. Institutions assisted should understand that A.I.D. will wish to be consulted on such matters so long as Section 214 grants are provided. In short, a continuing joint total resource analysis will be carried out by the recipient institution and A.I.D. Although continuing to be private in nature, each institution seeking help should be aware that acceptance of an American Schools and Hospitals Abroad grant involves a limited financial partnership relation with the U.S. Government. Finally, it should be understood that no institution receiving a grant should assume that Section 214 grants will continue indefinitely.

Project Selection Criteria

In response to continuing Congressional criticism, A.I.D. has looked critically at its own procedures and responded by

AMERICAN SCHOOLS AND HOSPITALS ABROAD

developing project selection criteria which are set forth at the end of this presentation. These criteria reflect A.I.D.'s understanding of the nature and objectives of Section 214. Grants recommended by A.I.D. in the future will be only for those institutions which are eligible, because they render a public service as U.S. demonstration centers. With the information it can obtain, A.I.D. will exercise its best judgment in determining how the limited Section 214 budget should be allocated. U.S. foreign policy, technical and program considerations will determine which American sponsored or founded institutions overseas will receive grants.

In addition, as a general rule, educational institutions at a primary grade level will not be considered for support. Expenditures in this area would bring minimal returns in terms of the U.S. objective of demonstrating the best in U.S. medical and educational practices. Moreover, because of the great expense involved in maintaining institutions of higher education and the tendency in many countries to resist foreign influence or participation in higher education, measured against comparable impact which can be achieved at less cost at the secondary level, A.I.D. will favor applications from institutions at the secondary level. This does not mean that A.I.D. will exclude grants to universities, but it will be A.I.D.'s policy to limit grants to not more than one university in any country and preferable to one university serving regional requirements in each culturally homogeneous area.

Both the Congress and the Agency feel that it is most important to make every effort to limit assistance to institutions clearly and visibly identified with the U.S. All institutions founded or sponsored by U.S. citizens are welcome to submit applications for consideration. However, many "U.S.-sponsored" institutions cannot be objectively defined as American demonstration centers abroad and, in fact, several recommended to the Congress are not identified as American institutions in the public mind either in this country or abroad. Such a restriction on the selection of qualified institutions is necessary to ensure that Section 214 objectives are served. Overseas institutions which do not meet these criteria but

whose basic purpose is to furnish general education and welfare services to the citizens of the countries in which they are located should be supported by private donations or the government of those countries.

To insure full public understanding of the American Schools and Hospitals Abroad program, A.I.D. has prepared selection criteria. It is the Agency's hope that the Congress will support A.I.D. in its efforts to apply these criteria uniformly, since they will help achieve sound, fair and systematic judgments concerning prospective grants.

The text of the American Schools and Hospitals Abroad selection criteria follows:

Section 214 authorizes financial support, on a selected basis in view of the limited total resources available and in keeping with U.S. foreign policy considerations, to schools and hospitals outside the United States which serve as study and demonstration centers for American ideas and practices in the fields of education and medicine. While such institutions contribute to meeting educational and health needs in the countries where they are located, Section 214 support is not designed primarily to provide schooling, treatment, or research, as such. Where appropriate, assistance to meet such needs should be provided within the framework of other economic assistance programs administered by A.I.D. or other international donor agencies.

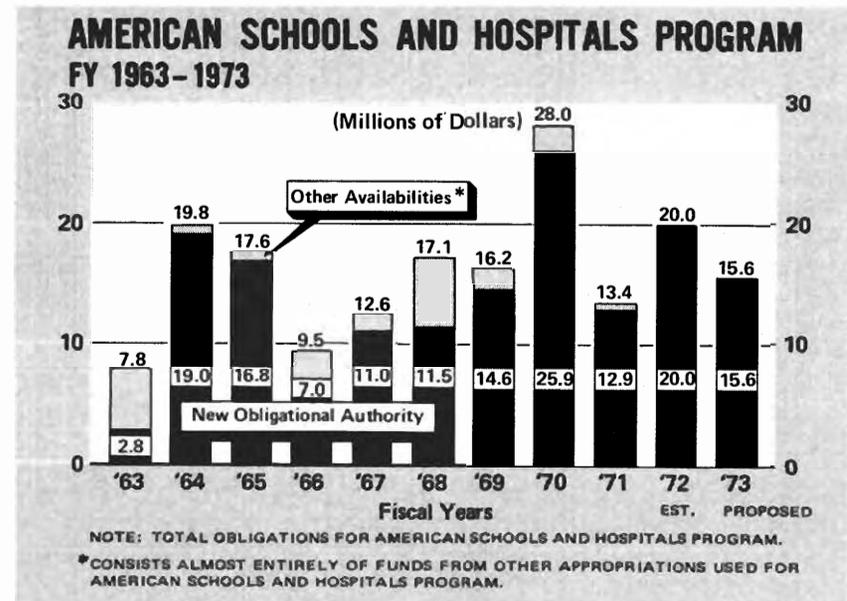
In light of statutory provisions and agency policy determinations related thereto, the following criteria have been adopted and are to be applied to all applications:

1. All institutions for which assistance is requested must be located abroad, and must have been founded or be sponsored by United States citizens. The Agency construes founding and sponsorship as requiring a preponderance of United States citizens in the founding or sponsoring group and an identification of the institution with the United States.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

2. The institution must be a private, non-profit organization, not under the direct control or management of any government, or governmental organization.
3. The sponsors must participate in the management of the institution and contribute to its financial support. No applications for assistance will be considered for ventures entirely dependent upon a grant under Section 214 for their initiation.
4. The institution should be open to all regardless of race, creed or color. No portion of the grant may be used to promote religious activities.
5. Schools must have a student body comprised of a majority of citizens from countries other than the United States.
6. In the case of medical institutions, the majority of students, nurses, and other medical personnel receiving training shall not be U.S. citizens.
7. The faculty or staff must include United States citizens or other nationals trained and graduated from United States institutions and thus be able to reflect American theory and practices in education, medicine and/or medical research.
8. Full time schools will be expected to provide instruction in an American studies program designed to include aspects of American history, geography, cultural, political and economic subjects. English should be used in instruction or taught as a second language.
9. Vocational and sub-professional training institutions should be planned to meet the needs of the host country.
10. The institution must demonstrate competence in instructional skills, management, and financial operations.

11. Each application must include the information required to permit a firm estimate of the total costs of the project to the U.S. Government and to demonstrate the capacity to ensure effective use of the assistance requested.



FOREIGN ASSISTANCE ACT ECONOMIC PROGRAMS - SUMMARY OF PROGRAM BY AREA AND COUNTRY
Fiscal Years 1971, 1972 and 1973

(in thousands of dollars)

COUNTRY	TOTAL			DEVELOPMENT LOANS			TECHNICAL ASSISTANCE			POPULATION			OTHER		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
LATIN AMERICA - TOTAL	331,150	325,826	389,416	247,705*	232,900	295,000	80,618	78,811	80,016	(15,245)**	12,115	14,400	2,827	2,000	--
Inter-American Programs	12,594	14,861	16,880	--	--	--	12,594 ^{f/}	14,861	16,880	--	--	--	--	--	--
Latin America Regional.....	20,590	32,490	31,992	7,951 ^{b/}	15,000	10,000	12,639	12,275	13,457	(7,951)	5,215	8,535	--	--	--
Caribbean Regional	8	10,050	20,350	--	10,000	20,000	8	50	350	--	--	--	--	--	--
Central American Common Market Central America Regional Programs (ROCA) O	3,534	13,090	27,700	209 ^{b/}	9,900	25,000	3,325	3,190	2,700	(209)	--	--	--	--	--
Costa Rica	6,432	1,655	1,060	4,613 ^{b/}	--	--	1,819	1,350	844	(403)	305	216	--	--	--
El Salvador	2,452	8,958	14,150	439 ^{b/}	7,000	12,000	2,013	1,500	1,700	(439)	458	450	--	--	--
Guatemala	14,178	13,400	24,350	10,477	9,500	20,500	3,656	3,200	3,200	(977)	700	650	45 ^{a/}	--	--
Honduras	5,180	5,325	18,242	2,520	2,000	15,000	2,660	2,750	2,650	(520)	575	592	--	--	--
Nicaragua	12,478	11,660	7,500	10,297	9,100	5,000	2,181	2,000	2,000	(397)	560	500	--	--	--
Argentina	509	--	--	--	--	--	509	--	--	--	--	--	--	--	--
Bolivia	3,675	35,573	18,214	335 ^{b/}	30,000	14,500	3,340	3,264	3,485	(335)	309	229	--	2,000 ^{c/}	--
Brazil	79,379	9,350	8,300	67,500	--	--	11,879	9,350	8,300	--	--	--	--	--	--
Chile	1,510	1,022	850	30 ^{b/}	--	--	1,480	1,000	850	(30)	22	--	--	--	--
Colombia	83,990	91,530	78,600	81,017	88,000	75,000	2,973	2,850	3,000	(417)	680	600	--	--	--
Dominican Republic	13,472	6,815	11,600	10,900	5,000	10,000	2,572	1,815	1,600	--	--	--	--	--	--
Ecuador	15,346	4,596	14,543	12,031	--	10,000	3,315	3,250	3,450	(1,281)	1,346	1,093	--	--	--
Guyana	1,250	12,500	10,100	--	11,300	9,000	1,250	1,200	1,100	--	--	--	--	--	--
Haiti	2,782	2,960	6,000	--	--	3,000	--	2,960	3,000	--	--	--	2,782 ^{a/}	--	--
Jamaica	20,937	1,218	10,849	20,580	--	10,000	357	426	400	(580)	792	449	--	--	--
Panama	11,120	15,825	22,295	7,670	12,100	19,000	3,450	3,150	2,900	(670)	575	395	--	--	--
Paraguay	6,941	6,681	7,094	4,571	4,000	4,000	2,370	2,275	2,600	(471)	406	494	--	--	--
Peru	6,888	24,062	13,747	3,350	20,000	10,000	3,538	3,890	3,650	(350)	172	97	--	--	--
Uruguay	4,932	1,355	24,500	3,190 ^{b/}	--	23,000	1,742	1,355	1,400	(190)	--	100	--	--	--
Venezuela	975	850	500	25 ^{b/}	--	--	950	850	500	(25)	--	--	--	--	--

* Includes development loan funded grants for population programs under Title X of the Foreign Assistance Act.

** Funded from development loan funds.

a/ Supporting Assistance.

b/ Population only.

c/ Contingency Fund.

f/ Includes \$368,000 of worldwide Technical Assistance funds.

FOREIGN ASSISTANCE ACT ECONOMIC PROGRAMS - SUMMARY OF PROGRAM BY AREA AND COUNTRY
Fiscal Years 1971, 1972 and 1973

REGION: ASIA

(in thousands of dollars)

TABLE I

COUNTRY	TOTAL			DEVELOPMENT LOANS			TECHNICAL ASSISTANCE			POPULATION			OTHER		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
ASIA - TOTAL	969,858	936,540	1,387,061	391,348*	295,800	465,000	66,692	45,377	49,982	(19,272)**	15,963	21,079	511,818	579,400	851,000
Asia Bureau - Subtotal	432,501	340,660	533,369	387,086	292,700	465,000	43,915	36,122	38,132	(15,010)	11,838	15,237	1,500	--	15,000
Afghanistan	8,766	26,560	6,720	1,740 ^{b/}	20,000	--	7,026	6,285	6,300	(1,740)	275	420	--	--	--
India	205,918	9,575	99,590	196,540	--	90,000	9,378	8,325	8,600	(540)	1,250	990	--	--	--
Indonesia	78,507	121,140	122,975	72,459	115,500	115,000	6,048	3,940	5,475	(1,759)	1,700	2,500	--	--	--
Korea	60,617	25,325	28,600	56,660	21,500	25,000	3,957	3,025	2,800	(1,660)	800	800	--	--	--
Nepal	2,587	2,532	1,883	706 ^{b/}	--	--	1,881	1,730	1,550	(706)	802	333	--	--	--
Pakistan	7,095	62,485	79,800	2,078 ^{b/}	60,000	75,000	5,017	2,200	2,300	(2,078)	285	2,500	--	--	--
Philippines	11,089	29,400	20,565	5,376	20,000	10,000	4,213	4,000	5,030	(5,000)	5,400	5,535	1,500 ^{d/}	--	--
Turkey	53,602	58,945	58,000	50,078	55,700 ^{e/}	40,000	3,524	3,245	2,700	(78)	--	300	--	--	15,000 ^{e/}
Near East Regional/CENFO	4,320	4,698	5,236	1,449 ^{b/}	--	--	2,871	3,372	3,377	(1,449)	1,326	1,859	--	--	--
Unallocated	--	--	110,000	--	--	110,000	--	--	--	--	--	--	--	--	--
Supporting Assistance Bureau - Subtotal	537,358	595,880	853,692	4,263	3,100	--	22,777	9,255	11,850	(4,500)	4,125	5,842	510,318	579,400	836,000
Cambodia	70,000	37,100	75,000	--	--	--	--	--	--	--	--	--	70,000 ^{d/}	37,100 ^{d/}	75,000 ^{d/}
Israel	--	50,000	50,000	--	--	--	--	--	--	--	--	--	--	50,000 ^{d/}	50,000 ^{d/}
Jordan	6,000	45,550	41,200	--	--	--	1,000	550	1,200	--	--	--	5,000 ^{d/}	45,000 ^{d/c/}	40,000 ^{d/}
Laos	48,935	48,600	51,370	925 ^{b/}	1,100 ^{e/}	--	6,560	--	--	(925)	500	870	41,450 ^{d/}	47,000 ^{d/}	50,500 ^{d/e/}
Thailand	22,541	18,000	28,745	1,395 ^{b/}	1,500 ^{e/}	--	4,150	--	--	(1,395)	1,500	2,145	16,996 ^{d/}	15,000 ^{d/}	26,600 ^{d/e/}
Vietnam	376,656	385,825	585,846	--	500 ^{e/}	--	--	--	--	(238)	325	346	376,656 ^{d/}	385,000 ^{d/}	585,500 ^{d/e/}
East Asia Regional	13,226	10,805	21,531	1,943 ^{b/}	--	--	11,067	8,705	10,650	(1,943)	1,800	2,481	216 ^{d/}	300 ^{d/}	8,400 ^{d/}

* Includes development loan funded grants for population programs under Title X of the Foreign Assistance Act.

** Funded from development loan funds and \$238,000 from Supporting Assistance for Vietnam.

^{a/} Supporting Assistance.

^{b/} Population only.

^{c/} Contingency Fund.

^{e/} Narcotics funds.

^{h/} Includes \$15.7 million Narcotics funds.

FOREIGN ASSISTANCE ACT ECONOMIC PROGRAMS - SUMMARY OF PROGRAM BY AREA AND COUNTRY
Fiscal Years 1971, 1972 and 1973

(in thousands of dollars)

COUNTRY	TOTAL			DEVELOPMENT LOANS			TECHNICAL ASSISTANCE			POPULATION			OTHER		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
AFRICA - TOTAL	176,141	163,074	173,209	99,622 [*]	93,400	100,000	58,136	55,300	62,725	(7,782) ^{**}	10,674	10,484	18,383	3,700	--
Regional Programs:															
Africa Regional	15,514	15,239	21,855	5,602	--	--	9,912	13,305	16,075	(5,602)	1,934	5,780	--	--	--
Central & West Africa	14,734	29,900	24,085	6,000	19,900	15,000	8,734	7,500	9,000	--	2,500	85	--	--	--
East Africa	9,043	5,805	1,600	7,600	4,500	--	1,443	1,305	1,600	--	--	--	--	--	--
Southern Africa	11,141	14,435	8,200	8,700	12,000	5,000	2,221	2,135	3,200	--	--	--	220 ^a	300 ^a	--
Country Programs:															
Ethiopia	20,380	19,425	16,550	14,930	15,000	11,000	5,450	4,385	5,350	(30)	40	200	--	--	--
Ghana	18,580	17,440	32,370	16,683	15,000	30,000	1,897	1,790	1,370	(643)	650	1,000	--	--	--
Kenya	2,138	2,150	2,835	141 ^b	--	--	1,997	1,660	2,450	(141)	490	385	--	--	--
Liberia	5,470	4,710	3,709	222 ^b	--	--	5,248	4,450	3,600	(222)	260	109	--	--	--
Morocco	12,289	1,605	17,055	10,889	--	15,000	1,400	1,190	1,580	(89)	415	475	--	--	--
Nigeria	32,611	24,830	23,870	5,000	13,000	15,000	9,448	8,430	8,500	--	--	370	18,163 ^a	3,400 ^a	--
Somalia	283 ^g	--	--	--	--	--	283 ^g	--	--	--	--	--	--	--	--
Tanzania	3,061	1,900	6,400	800	--	4,000	2,261	1,900	2,400	--	--	--	--	--	--
Tunisia	12,954	17,200	3,150	10,858	11,000	--	2,096	2,250	2,150	(858)	3,950	1,000	--	--	--
Uganda	2,861	5,355	2,530	100 ^b	3,000	--	2,761	2,120	2,100	(100)	235	430	--	--	--
Zaire	13,350	1,380	6,950	12,000	--	5,000	1,350	1,380	1,550	--	--	400	--	--	--
Self-Help Programs:															
Botswana	63			4 ^b	--	--	59			(4)					
Burundi	189			62 ^b	--	--	127			(62)					
Cameroon	80			--	--	--	80			--					
Central African Republic	100			--	--	--	100			--					
Chad	130			--	--	--	130			--					
Dahomey	127			27 ^b	--	--	100			(27)					
Gabon	50			--	--	--	50			--					
Gambia	23			--	--	--	23			--					
Guinea	63			--	--	--	63			--					
Ivory Coast	25			--	--	--	25			--					
Lesotho	37			--	--	--	37			--					
Malagasy	90			--	--	--	90			--					
Malawi	100			--	--	--	100			--					
Mali	62			2 ^b	--	--	60			(2)					
Mauritania	15			--	--	--	15			--					
Mauritius	52			2 ^b	--	--	50			(2)					
Niger	100			--	--	--	100			--					
Rwanda	25			--	--	--	25			--					
Senegal	50			--	--	--	50			--					
Seychelles	--			--	--	--	--			--					
Sierre Leone	93			--	--	--	93			--					
Swaziland	50			--	--	--	50			--					
Togo	100			--	--	--	100			--					
Upper Volta	98			--	--	--	98			--					
Zambia	10			--	--	--	10			--					
Total Self-Help	(1,732)	1,700	2,050	(97) ^b	--	--	(1,635)	1,500	1,800	(97)	200	250	--	--	--

a/ Supporting Assistance.
b/ Population only.
c/ Contingency Fund.
d/ Included in Self-Help total.

* Includes development loan funded grants for population programs under Title X of the Foreign Assistance Act.

** Funded from development loan funds.

g/ Funds programmed only for necessary expenses of winding up programs terminated under Section 617 of the Foreign Assistance Act.

FOREIGN ASSISTANCE ACT ECONOMIC PROGRAMS - SUMMARY OF INTERNATIONAL ORGANIZATIONS AND PROGRAMS
Fiscal Years 1971, 1972 and 1973

(in thousands of dollars)

	TOTAL			DEVELOPMENT LOANS			POPULATION			OTHER		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
<u>INTERNATIONAL ORGANIZATIONS AND PROGRAMS</u>	152,364	175,297	186,635	10,500 *	3,750	-	(14,000) **	20,000	9,000	141,864	151,547	177,635
UN RELATED PROGRAMS	140,459	145,035	143,635	10,500	2,000	-	(14,000)	20,000	9,000	129,959	123,035	134,635
International Atomic Energy Agency Operational Program	1,521	1,550	1,750	-	-	-	-	-	-	1,521	1,550	1,750
International Secretariat for Voluntary Services	70	73	73	-	-	-	-	-	-	70	73	73
Special Contributions for Vietnam	950	-	-	-	-	-	-	-	-	950	-	-
UN Children's Fund	13,000	15,000	15,000	-	-	-	-	-	-	13,000	15,000	15,000
UN Development Program	86,268	86,000	90,000	-	-	-	-	-	-	86,268	86,000	90,000
UN Food and Agriculture Organizations World Food Program	1,500	1,500	1,500	-	-	-	-	-	-	1,500	1,500	1,500
UN Force in Cyprus	4,800	2,400	4,800	-	-	-	-	-	-	4,800 <u>a/</u>	2,400 <u>a/</u>	4,800 <u>a/</u>
UN Fund for Drug Abuse Control	2,000	2,000	5,000	-	2,000 <u>e/</u>	-	-	-	-	2,000	-	5,000 <u>e/</u>
UN Fund for Population Activities	14,000	20,000	9,000	10,500	-	-	(14,000)	20,000	9,000	3,500	-	-
UN Institute for Training and Research	400	400	400	-	-	-	-	-	-	400	400	400
UN Relief and Works Agency	14,300	14,300	14,300	-	-	-	-	-	-	14,300 <u>a/</u>	14,300	14,300
World Health Organization-Medical Research	150	312	312	-	-	-	-	-	-	150	312	312
World Meteorological Organization-Voluntary Assistance Program	1,500	1,500	1,500	-	-	-	-	-	-	1,500	1,500	1,500
INDUS BASIN DEVELOPMENT FUND												
GRANTS	4,925	16,512	25,000	-	-	-	-	-	-	4,925	16,512	25,000
LOANS	6,980	13,750	18,000	-	1,750	-	-	-	-	6,980	12,000	18,000

* Includes development loan funded grants for population programs under Title X of the Foreign Assistance Act.

** \$10.5 million funded from development loan funds and \$3.5 million from International Organizations funds (here included in "Other").

a/ Supporting Assistance

e/ Narcotics funds

"The failure of this, the world's richest nation, to assist adequately the world's poor nations in their development efforts today and in the decade ahead would be one of the great human tragedies of history. At a time when we are asking all nations to share in the responsibility for building world peace, we must do our part to ensure that all nations share in the world's prosperity."

Richard M. Nixon

PRESIDENT

February 9, 1972