



**U. S. FOREIGN AID
IN THE
NEAR EAST AND SOUTH ASIA**

PROPOSED FISCAL YEAR 1971 PROGRAM
AGENCY FOR INTERNATIONAL DEVELOPMENT

GENERAL NOTE

This is an excerpt from the Agency for International Development's Program Presentation to the Congress outlining the President's foreign aid request for fiscal year (FY) 1971.

The terms "foreign assistance" or "economic assistance," as used in this volume, usually refer only to economic aid programs conducted under the Foreign Assistance Act and exclude other foreign assistance such as the Food for Peace Program under Public Law 480, the Peace Corps and the Military Assistance Program, as well as other economic programs such as those carried out by the Export-Import Bank.

Figures for fiscal years prior to 1970 are actual commitments. FY 1970 figures are estimates made at the time this volume went to press in March 1970. FY 1971 figures are illustrative proposed programs based on the FY 1971 appropriation request and anticipated receipts and recoveries.

Countries in the Near East and South Asia, where AID proposes programs for FY 1971 are shaded on the cover map.

**U.S. FOREIGN AID
IN THE
NEAR EAST AND SOUTH ASIA**

Proposed Fiscal Year 1971 Program

Agency for International Development

U.S. FOREIGN AID IN THE NEAR EAST & SOUTH ASIA

INDIA

PROGRAM SUMMARY (In millions of dollars)				
	FY 1968 *Actual	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Development Loans	285.0	194.0	195.4*	266.7*
Technical Assistance . . .	8.6	8.6	8.0	9.8
Supporting Assistance . . .	7.3*	.7*	-	-
Total A.I.D. Assistance	300.9	203.4	203.5	276.6

*Includes grants of \$7,321,000 in FY 1968, \$730,000 in FY 1969, \$450,000 in FY 1970 and \$700,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

The United States is seeking to help India:

- achieve self-sufficiency in food grain production in the early 1970's by expanding the use of fertilizer, water and better seed;
- speed up and strengthen its family planning program to bring population into better balance with food and other resources;
- improve industrial efficiency and export performance, essential if India is to pay its own way;
- increase employment opportunities and per capita income, with emphasis on disadvantaged groups within the economy.

In the last few years India has undertaken major economic policy reforms, encouraged by the World Bank-led India Consortium, in which other donors provide more than 50% of the aid. These reforms have reduced cumbersome administrative controls and resulted in increased reliance on market forces as the major means of improving resource allocation, mobilizing individual initiative, and broadening competitive participation.

India's economic performance and prospects have substantially improved. The new agriculture technology is spreading rapidly, with wheat output especially at historically high levels. Industrial production is accelerating in a more competitive domestic environment, and reforms initiated in 1966 should continue to bring more economic use of India's industrial capacity. But India has been unable to exploit fully the unprecedented overall growth opportunities presented by these development, primarily

because of uncertainty and Indian lack of confidence in aid prospects. India has responded to lower aid levels by pursuing cautious fiscal policy and informal restraint of essential industrial imports to protect its balance of payments from a foreign exchange crisis. As India enters the second year of its Fourth Five-Year Plan, the government is starting to increase investment expenditure plans and to relax restrictions on imports. This recent moderately more expansionary approach is in response to pressures building up in the economy, including shortages of industrial raw materials, and rising rural pressures for faster progress in spreading the green revolution and accelerating social change.

U.S. Assistance in FY 1971 will help provide essential imports to preserve the momentum of recent growth and help the Indian Government meet domestic economic and social demands. However, a major development effort able to realize the new potential for increased production, aimed at and commensurate with the scale of India's rural poverty and employment problems, would need substantially more assistance.

While the base was being created for faster growth than at any time previous, Indian democracy has been entering a new period of political change. After more than two decades of independence and political stability, the Congress Party has lost its predominance on the political scene, and has split into two parliamentary groups. In anticipation of the 1972 elections, Indian political debate is giving renewed attention to basic problems of poverty and social equity, particularly in rural areas.

Prime Minister Gandhi has used Bank nationalization as the main plank of her political platform. Nationalization of the 14 largest domestic banks was aimed at wresting control over commercial credit from India's major industrial families and at faster expansion of the banking system into rural areas. Mrs. Gandhi's program also includes a number of constructive steps to increase the participation of the rural poor in the development process. Specific measures include special programs to help small farmers with credit and irrigation, improve dry farming technology, rural public works for the underemployed, land reform and child nutrition. Such programs hold promise of economic betterment for small farmers and economically disadvantaged groups.

PROBLEMS AND PROGRESS

Agriculture

The dramatic breakthrough in Indian agriculture is now in its third year. After the bad droughts of 1965 and 1966, which masked the spread of the new agriculture strategy, foodgrain production rose to nearly 100 million tons with the excellent rains of 1967/68. In 1968/69, with only moderately good rain, output dipped slightly but was still second highest in Indian history. This year the rains have been uneven, but foodgrain

production may still exceed 100 million tons, setting a new high. The solid technological and policy foundation on which Indian agriculture now rests is largely due to a reappraisal of its national priorities triggered by rising food shortages and resulting inflationary pressures in the mid-sixties. With the help of the United States, the World Bank and other interested donors, India developed new development policies which placed top priority on investment in agriculture and called for the use of market forces to direct inputs -- such as fertilizer, improved seeds, pesticides and better tools -- to the most efficient farmers. Government-supported incentive prices for grain helped the farmers to buy these inputs. The new policies also called for improved research and agricultural education as well as increased extension and irrigation services.

Family Planning

The objective of India's family planning program is to cut the birth rate roughly in half by 1978. Family planning expenditures have risen from less than \$2 million equivalent in 1963/64 to a budgeted \$56 million in 1969/70. In absolute numbers, the program's infrastructure accomplishments are substantial -- 30,000 rural family planning centers and sub-centers are now in operation, as well as about 800 mobile units for sterilization and IUD insertion. Over 6.5 million sterilizations have been performed and over 3 million IUD's inserted since 1965. Sales of condoms have shown a marked increase since the start of the subsidized distribution scheme begun in 1968.

But while the Government's efforts may have brought about a slightly reduced birth rate, primarily in urban areas, most observers agree that the net effect on the country-wide growth rate is still small.

Last year at the request of the Indian Government and the Consortium, the UN sponsored an evaluation of the Indian program. The UN report concluded that substantial further expansion was required to make the scale of the program commensurate with India's population problem. The report pointed out a number of administrative and organizational problems, and urged that management improvements were needed to facilitate the required expansion in the program. Besides administrative problems, the family planning program has been constrained by the resource limitations that have been restricting the growth of all elements of India's development program. In view of the low direct foreign exchange costs of a larger program, external aid for an expansion of family planning would have to be largely for financing local costs, thereby meeting the indirect impact of program expansion on India's overall external resource needs.

A.I.D. has been discussing with the Indian Government a proposed program expansion beyond the Fourth Plan targets, which might be related to U.S. financial assistance. The discussions have also covered the substantial administrative improvements (recommended

by the UN) which would be needed to carry out such an expansion effectively.

Significant progress can be achieved in family planning only after a longer period of sustained effort. However, if the needed administrative improvements can be made, and the program can maintain its fast growth rate to date, the long run out-look for attainment of the program's objectives could be improved substantially.

Export Growth

India's efforts to achieve self-sustaining growth will be dependent on the long-term growth of its exports. The Indian Government's target for export growth over the next several years is an average of 7% per year. Exports are estimated to have grown 13% in 1968/69, an increase which confirms the effectiveness of the 1966 devaluation and other governmental inducements. Initial reports indicate that overall export growth in 1969/70 has slowed significantly because of declining prices for agri-based exports. However, exports from the modern manufacturing sector, such as mechanical equipment and chemicals, were up about 20%.

In recent months raw material shortages have begun to slow this export growth, emphasizing the importance of a sustained flow of imports and of foreign aid for achievement of the 7% target over the next few years.

Defense Spending

The Indian Government recognizes the need for restraint in defense spending, clearly seeing the dangers posed by an arms race with its neighbors. At the same time, India feels it must maintain a defense posture adequate to discourage possible Communist Chinese aggression in South Asia. Limits on defense expenditures are indicated by the fact that they have declined slightly over the past six years as a percentage of GNP, from about 4.3% in 1963/64 to 3.6% in 1969/70.

FY 1971 PROGRAM

A Development Loan program of \$266.7 million including a \$700,000 grant under Title X for family planning and a Technical Assistance program of \$9.8 million is proposed for FY 1971. About \$191 million in sales of P.L. 480 Title I food and other agricultural products is also proposed. In addition, the Export-Import Bank may lend India about \$55 million. Other donors including the World Bank will provide about \$620 million. Communist countries also provide assistance.

In the past two years of industrial recovery, the Indian Government pursued a cautious fiscal policy because of its concern about the long-run shortage of foreign exchange necessary to carry forward the development program. The effort to hold imports within

immediate foreign-exchange availabilities had serious effects: investment growth was sluggish and industrial production, (of which over 85% is in the private sector) was well below maximum achievable levels.

In recent months continuing industrial recovery has pressed against these policy constraints. With emerging shortages of steel and other imported raw materials now affecting both exports and domestic industrial production, industrial import licensing was increased 30% over the 1968/69 level.

In addition, as the Fourth Five-Year Plan moved into its second year and rural pressures for more rapid growth developed, the Indian Government has started to expand the development program more rapidly to take advantage of the opportunities created by the new agricultural dynamism.

The 1970/71 government investment budget is planned to increase 15-18% over 1969/70. New or expanded programs to be initiated are designed to increase the earning potential of landless laborers and of very small and dry-land farmers, groups which have not yet shared sufficiently in the benefits of the green revolution. However, the cost of these programs will add to the government's budgetary and foreign exchange problems. The \$266 million requested for India for FY 1971, though it is \$71 million more than is expected to be provided in FY 1970, is significantly below the level required to take full advantage of the growth potential of the Indian economy. The requested level for 1970/71 would provide about 34% of Consortium assistance, still well below past shares which were closer to 40%.

The Indian economy is now capable of sustained rapid growth. A policy framework for rapid development - consisting of emphasis on agriculture, exports, and on continuation of the liberalization of industrial imports - is now in place. Agricultural growth at a rate which will mean food self-sufficiency in the near future is within reach, if foreign inputs are available. This can lift the whole economy and assure food supplies at reasonable prices to the urban population. The government will be able to strike out on a sustained, vigorous development course, and to carry out programs designed to improve the income-generation potential of those groups that have been left behind by the green revolution. This kind of a larger development effort is needed, and is possible, if adequate foreign exchange is available.

Industrial Production and Exports

A major part of the proposed program will be used to support increased levels of private industrial production. These imports of industrial raw materials components and spare parts will also continue to foster more efficient use of existing plant capacity. Rapid private industrial growth will generate the corporate savings needed to finance further industrial development. Despite recent political events there have been no major changes in the liberalized

import licensing system introduced in 1966 which placed more reliance on market forces.

Agriculture

Fertilizer. India's use of fertilizer must continue to rise sharply if the new agricultural policies are to succeed. Every dollar's worth of fertilizer used means \$4 worth of additional grain production.

Fertilizer consumption, which had been growing at the remarkable rate of 22% annually, has now slowed to around 12%, reflecting marketing and other problems. In order to maximize the growth of fertilizer consumption the Indian Government has removed restrictions on fertilizer distribution. India produced 1,075,000 nutrient metric tons of fertilizer in 1969/70 and hopes to boost this to about 4,500,000 tons in 1973/74. The Indian Government recognizes that so great an expansion of productive capacity calls for foreign private investors who can provide capital as well as production, management and marketing experience.

Numerous plants have been and are being constructed, several of which involve American private investment. The Indian Government recently gave its approval for a large fertilizer plant to be put up by U.S. Steel and the Indian Birla family interests. A.I.D. will provide a local currency "Cooley" loan and an Investment Guarantee in support of this project. In 1969/70 \$15 million of A.I.D. funds, matched by \$15 million of United Kingdom aid, is being loaned for construction of a 390,000 ton plant for the Indian Farmers Fertilizer Cooperatives. Management assistance is to be provided by the Cooperative Farmers International of the United States.

Despite these new plants, India will still need substantial fertilizer imports for the next several years. Fertilizer will be one of the major commodities to be financed from FY 1971 assistance.

Technical Assistance

The A.I.D. Technical Assistance program will continue to be closely coordinated with the overall priorities of India's development program. Highest priority is placed on agriculture and family planning in keeping with overall priorities for India's development. Technical assistance is also offered in other high-priority areas, such as nutrition, education and exports. \$10.6 million is requested for FY 1971 financing of technical assistance projects, including \$700,000 for family planning.

Agriculture. A.I.D. technical assistance in agriculture (\$6.5 million in FY 1971) is directed at developing and strengthening the institutions and organizational arrangements for providing key agricultural inputs crucial to the continuing success of India's new agricultural strategy. Major agricultural projects

supporting this strategy are: assistance (from U.S. land-grant colleges) to Indian agricultural universities, whose tasks in the new technology are in manpower training, research and assistance in extension activities; assistance in establishing effective coordination between state government agricultural extension staffs and the state agricultural universities (or other research facilities); assistance in the expansion of irrigation facilities, as adequate water supplies are required for use of the new high yielding varieties of wheat and rice; and assistance in increasing the supply and use of other key inputs (i.e. fertilizer, pest control, and seeds) required by the new agricultural technology.

Family Planning. FY 1970 is in a sense a transition period between the initial U.S. effort to provide adequate supplies of contraceptives and other commodities to India's family planning program, and the current effort resulting from the UN report to expand the size of the Indian program. No large quantities of contraceptive supplies are programmed in FY 1970 as in previous years since there are sufficient supplies on hand to meet demand.

In FY 1970 A.I.D. plans to spend about \$450,000 for continued support of demographic training and research, family planning training centers, and the mass-mailing scheme. The FY 1971 program calls for about \$700,000 to support expanded efforts in research and evaluation as well as getting underway an intensive districts activity. The ultimate size of the FY 1971 program will depend to a great extent on the outcome of on-going discussions regarding prospects for an expanded program.

Other Technical Assistance

In the field of education A.I.D. is proposing a program of \$1.3 million. Primary emphasis is on science and engineering. Projects include: assistance, through the U.S. National Science Foundation, in upgrading the teaching of science and mathematics and in curriculum development; and assistance in development of the Indian Institute of Technology at Kanpur, now one of India's leading higher educational institutions.

To get at India's massive problems of malnutrition, A.I.D. has a nutrition project (\$400,000 in FY 1971) aimed at fortification of popular food items with protein and vitamins, creating more nutritious foods for child-feeding programs and for commercial sale, and acting as a catalyst to encourage Indian Government and private organization and industry programs to reduce malnutrition.

PAKISTAN

PROGRAM SUMMARY (In millions of dollars)				
	FY 1968 *Actual	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Development Loans	125.2	95.5	89.5*	119.3*
Technical Assistance . . .	6.2	5.9	6.0	5.8
Supporting Assistance . . .	0.8*	2.3*	-	-
Total A.I.D. Assistance	132.2	103.7	95.5	125.1

* Includes \$782,000 in FY 1968, \$2,297,000 in FY 1969, \$2,500,000 in FY 1970 and \$2,300,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

A.I.D. assistance is intended to support Pakistan's efforts to give high priority to its economic development; to distribute more widely the fruits of development; and to give the people of Pakistan greater participation in decisions affecting their welfare.

President Yahya, who succeeded President Ayub in March 1969, is seeking to reshape the constitution and government of the country and to place greater emphasis on social welfare objectives as an essential aspect of economic development. At the same time, the new Government recognizes that economic growth and efficiency are essential to its objectives and it continues to stress:

- increased agricultural production aimed at foodgrain self-sufficiency through economic incentives and the ready availability and widespread use of modern technology, such as improved seeds and fertilizer;
- expansion of private sector industrial production, with a central role for the free market system; and
- reduced population growth rates through a vigorous family planning program.

U.S. assistance for Pakistan's current program -- along with the assistance of other donors, most importantly the ten-nation Consortium led by the World Bank -- will help the Government to meet these objectives.

PROBLEMS AND PROGRESS

Pakistan's development strategy has produced a rapid increase in the total output of goods and services. The benefits of economic growth have been unevenly distributed, however, and recent social disturbances make it clear that Pakistan will have to deal more effectively with its social and income disparity problems. The

problem is particularly acute for East Pakistan. President Yahya has recognized that Pakistan's future depends on developing a more representative political and economic order which is more responsive to the social and economic needs of East Pakistan and of the people at large. The development of a greater resource base and a continued rapid growth rate is essential if the Government is to have room for maneuvering in addressing these issues.

Political Leadership. The new Government has moved decisively to address Pakistan's problems. President Yahya has paved the way for parliamentary elections, which are scheduled for fall 1970. He has specifically addressed the problem of East Pakistan representation by agreeing that elections for the national assembly will be on basis of population rather than on the previous basis of East-West parity. He also announced the breakup of the Punjab dominated provincial government in West Pakistan, in order to give greater autonomy to local government. In addition, measures have been taken to meet the growing pressures for social reform. For example, the new Government has:

- launched a new labor policy, with a long overdue major increase in the minimum wage to about \$25 per month, while providing for more equitable resolution of labor disputes;
- announced guidelines for major reforms in education;
- introduced a budget which includes measures that provide a significant increase in support for housing and education, the poor, and further assistance to East Pakistan;
- extended financing for agriculture and small and medium sized industry, particularly in the less developed areas of Pakistan;
- introduced anti-monopoly legislation; and
- suspended Government officials suspected of corruption.

These measures are important steps toward meeting popular grievances.

The political uncertainties of the last year contributed to an economic slowdown characterized by stagnation in some areas of the industrial sector, and accompanied by a decline of about 10% in total exports. The situation was aggravated by uncertainty over economic assistance prospects and the resulting cautious fiscal and import policies pursued by the Government. In the last few months, however, the new Government's actions have had a beneficial effect in building confidence. The downward trend in the economy appears to have been reversed. The recent expansion of private credit and the announcement in January of a new liberal and larger import policy is expected to generate increased production and exports.

Overall Economic Performance. During the past ten years Pakistan's economic growth has been impressive, well above the rate of population growth. In FY 1969, Pakistan achieved an overall economic growth rate of about 5%, although this progress was less rapid than the prior year, when a gain of over 7 percent was achieved.

Within one year (FY 1968-1969) West Pakistan was able to convert a food grain deficit of 1.4 million tons to a surplus 0.4 million tons. The key factors in the unprecedented growth of agricultural production have been the technological breakthrough in seed development and the availability of adequate agricultural inputs. In FY 1969 weather conditions seriously affected agriculture, particularly in East Pakistan. Even with poorer than average weather the wheat harvest in West Pakistan was about 5 percent larger than the previous year.

Disparity between East and West Pakistan. Unfortunately, the agricultural revolution now taking place in Pakistan has thus far been confined largely to the farmers of the West Wing. East Pakistan is not only more dependent on weather because of limited irrigation facilities, but the new high-response rice varieties can only be grown during the dry season on a relatively small percentage of its cultivated land because of the flood-waters.

In other areas of development, East Pakistan has also lagged behind the West Wing. In recent years disparity in personal income between the two wings has increased. This has created a major problem of national integration with the result that increased economic growth of East Pakistan has become a political imperative.

In addition to seeking ways to increase East Pakistan's agricultural production, the Government is also searching for a means to promote industrial expansion. Past growth strategy emphasized the development of industries based on processing domestic agricultural raw materials, particularly jute. However, world markets for jute and jute products are limited and the demand for natural fiber is being reduced by the entry of competitive synthetic materials.

Aside from jute manufacturing, there is very little industrial activity in East Pakistan. In recent years, the Government has attempted to stimulate industrial growth through public investment and through fiscal incentives to investment in private industry. These efforts, however, have only been partly successful. Private investors (from both East and West Pakistan) have preferred to undertake industrial projects in the more developed West Wing. Consequently, in the mid-1960's only one-fourth of production and less than one-third of the employment in large scale private industry was located in East Pakistan. The Government is actively exploring ways to accelerate industrial growth in East Pakistan including additional support to financial institutions helping small-sized industries, tax incentive schemes, and other measures to improve the relationship of costs and profits.

Economic Policy Reforms. The Government continues to improve existing policies that played a major role in Pakistan's rapid development. Fertilizer continues its key role. During FY 1969 the Government allocated sufficient foreign exchange to permit a 25 percent increase in fertilizer consumption. Pakistan is encouraging foreign investors to help develop domestic fertilizer production, and is transferring the distribution of fertilizers and pesticides to the private sector. A dramatic increase in fertilizer sales has already resulted. The Government continues to rationalize its trade policies. The price of imported goods now more closely reflects real values, and the Government has relaxed administrative controls over imports. These measures permit greater reliance on pricing and market forces to assure better use of imports.

Defense Expenditures. The Government of Pakistan has demonstrated restraint in its budget allocations for defense. Defense expenditures in FY 1970 will be 3.5% of GNP, showing no increase over FY 1969 and FY 1968.

FY 1971 A.I.D. PROGRAM

U.S. assistance to Pakistan is provided through a Consortium, which includes ten donor nations and the World Bank. Consortium meetings -- chaired by the Bank -- are a forum for review and discussion of Pakistan's economic policies, progress and assistance requirements. The average U.S. development loan share was about 45% in the past but was reduced sharply in FY 1969 and FY 1970. The proposed program for 1971 will put the U.S. share at about 30 percent.

For FY 1971 a loan program of \$117 million is proposed to finance industrial and agricultural raw materials in support of private sector development, to finance power projects in East Pakistan and assist with salinity control in West Pakistan. Technical assistance is planned at a level of \$5.8 million. In response to the problems of East Pakistan, special emphasis is being placed on agricultural technical assistance in the East to help develop agricultural research, to advise on ways to improve rice production, and to strengthen the management of supplies of fertilizer and pesticides. In the West, A.I.D. will continue to assist in improvement of agriculture extension and research, and to advise the government in the critical area of agriculture policy in order to sustain the production increases of the past few years and to diversify the farm economy. A.I.D. projects in the education sector will finance continuation of assistance to summer science teaching workshops in East Pakistan and will permit the application of new educational techniques to Pakistan's needs in education. In public administration and industry, A.I.D. will seek to train civil servants in modern management methods, and to stimulate small business by providing assistance to an East Pakistan institution which encourages the development of small industries. In both wings we will continue to provide extensive support for the family planning program.

Because of the slow growth of foodgrain production in East Pakistan, and the continuing increase in population, we anticipate in FY 1971 a PL 480 Title I foodgrain requirement of about 700,000 tons (\$40 million). In addition, Pakistan has requested under PL 480 non-foodgrain Title I commodities totalling an estimated \$53 million.

Industrial output which was adversely affected by the low FY 1969 import levels now needs additional raw material imports. The Government has recently increased the foreign exchange allocations for the private sector by 20%, to a level higher than at any time in the last three years. In order to support this increase, Pakistan looks both to foreign aid and to a significant drawdown in its foreign exchange reserves. In FY 1971, with the proposed U.S. aid level of \$117 million and the estimated assistance from the Consortium and other donors, Pakistan should be able to maintain the current overall growth rate of about 5%.

Agriculture

Pakistan currently is in a transition period, moving from past heavy dependence on food aid to a position of being able to meet its own foodgrain requirements in the near future. A.I.D. is providing development loan funds and technical assistance to support Pakistan's goal to achieve self-sufficiency in foodgrain production.

High-yield Seeds. The adoption of new high-yield wheat and rice seeds, which began as a movement among large farmers in West Pakistan, is now being extended to the small cultivators. In 1965, 12,000 acres were planted in the new high-yield wheat types. This increased to 6.2 million acres by 1969. Wheat and rice production in West Pakistan increased by almost 50% and 62% respectively between 1967 and 1969. Although earlier developed strains of "miracle" rice were not suited to East Pakistan, promising new rice varieties, particularly IRRI-20 are now being tested and a technologically more adaptable variety is expected to be commercially available within the next few years.

Fertilizer. Pakistan's agriculture strategy requires sharp increases in the use of fertilizer. Consumption has risen 13 times from the 65,000 metric tons used in FY 1960 to an estimated 845,000 metric tons in FY 1969. Nevertheless, fertilizer consumption is still short of recommended levels, particularly for the new high-response wheat and rice seeds.

Over the past five years, A.I.D. has provided about \$128 million in development loans for fertilizer imports with the understanding that Pakistan would move rapidly to expand domestic production and shift distribution to the private sector. Two projects for urea plants are being established with private U.S. partners.

Irrigation. The expansion of rice production in East Pakistan will depend to a great extent on improving water supply for the

dry-season crop, 20 percent of which is now in IRRI variety. In many areas the introduction of a small pump can make it possible for a farmer to plant an additional crop during the dry winter season. A.I.D. is helping to finance imports for the construction of tubewells as well as spare parts for pump maintenance.

Pesticides. In a normal year, Pakistan loses an estimated one-fifth of its potential agricultural output to various kinds of pests and diseases. In FY 1970, A.I.D. will provide \$6 million to finance imports of pesticides. Based on the recommendations of a U.S. pesticide study team, the Government has moved the pest control programs to the private sector. This has resulted in a considerable improvement in the flow of pesticides to the farmer.

A.I.D. is reviewing its policy toward pesticide financing in light of possible ecological problems resulting from the misuse of certain DDT derivatives.

Research. In order to sustain long-run agricultural growth, Pakistan will have to strengthen its research effort, not only in areas of such technical importance as new seed varieties but also with regard to the coordination and proper dissemination of the results of research. A.I.D. is providing technical assistance to strengthen adaptive research programs and training at agricultural universities.

Looking to the Future. The sudden increase in food grain production in Pakistan has placed great strains on agricultural storage, marketing functions, transportation, and processing. In order for the agricultural sector to continue to grow, significant improvements will have to be made to modernize the physical and institutional infrastructure. This means greater emphasis on improving the distribution of agricultural inputs.

A.I.D. plans to provide technical assistance to improve policy planning and administration related to the second generation aspects of such problems as agricultural subsidies, taxation, pricing and crop diversification.

Industry

Despite the difficulty of developing an industrial base in East Pakistan, the record of the industrial sector for the country as a whole has been impressive. Starting from nothing two decades ago, industrial production now accounts for 12% of Pakistan's aggregate output of goods and services, and industrial investment represents one-fourth of total fixed capital formation. Between FY 1960 and FY 1968, industrial output rose at almost 12% per annum, faster than the average in either the developing or the developed countries.

During the last decade Pakistan has achieved a substantial diversification of the production structure with manufacturers other than jute goods and cotton textiles increasing at a very fast rate.

This was the case with chemicals, paper, and paper products, and above all, engineering goods. Between FY 1960 and FY 1968 the output of the engineering industries rose at almost 19 percent per year compared to the overall growth rate of industry of 12 percent. The fastest increase was recorded in the output of machinery, both non-electrical and electrical, followed by processing of basic metals.

The distinctive feature of much of Pakistan's industrial growth has been its export orientation. Between 1960 and 1968 aggregate exports rose at 7.9% per year. Almost all of this export growth was due to the expansion of sales of manufactured goods; and today manufactured exports account for one-half of Pakistan's aggregate merchandise exports.

Pakistan's current balance of payments position permits only a relatively small amount of raw material industrial imports. Before the government can allocate appreciable amounts of foreign exchange to imported industrial raw materials, it must first meet many fixed foreign exchange requirements such as debt service, essential non-luxury consumer goods and agricultural imports. These requirements have grown significantly in recent years with the dramatic increase in fertilizer imports. Thus better use of existing industrial capacity -- and, in turn, Pakistan's ability to increase exports -- depends heavily on the amount of foreign assistance available. The recent decline in aid levels and the associated shortage of imported raw materials have resulted in a decline in the growth rate of the manufacturing sector from 12 percent to about 7 percent during FY 1969.

Family Planning

Without a family planning program, Pakistan's population would double in about 20 years. The current program, started on a full scale in 1965, aims to reduce the birth rate 20% between 1965 and June 1970 which is commensurate with 5 million couples practicing family planning. As of July 1969, 3.4 million out of a total of 20 million fertile couples in Pakistan were reported to be practicing family planning, and the Government expects the 5 million target will almost be attained by June 1970.

The current program provides a variety of contraceptive methods, although the IUD and sterilizations have received the main emphasis. There are almost 100,000 people employed by the program and over 3,000 clinics are in operation. The program has received strong government financial support and the Fourth Plan (1970-1975) budget of \$120 million equivalent will be almost double the allocation for the Third Plan (1960-1965.)

Since 1963 the program reached many couples who were easily convinced of the importance of family planning. In an effort to extend family planning services beyond this segment of the population to the people more difficult to reach and those who are more reluctant to accept the services, the Government is planning during the next five-year period to intensify efforts for modify-

ing social attitudes and practices. A number of research studies and experimental projects are planned in an effort to influence attitudes.

In FY 1971, A.I.D. plans to provide \$2.3 million for contraceptive supplies, clinical and training equipment, technical advisors, and training of Pakistani personnel in the U.S. Pakistan is also receiving support from the Ford Foundation in research, evaluation, and training; transportation equipment from UNICEF: contraceptive supplies, as well as technical assistance in communications and training from Sweden.

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TURKEY

PROGRAM SUMMARY (In millions of dollars)				
	FY 1968 Actual	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Development Loans	68.0	40.0	40.0	50.0
Technical Assistance	4.2	3.5	3.7	4.2
Total A.I.D. Assistance	72.2	43.5	43.7	54.2

U.S.AID OBJECTIVES

A.I.D. is working with the other members of the Organization for Economic Cooperation and Development (OECD)-led Turkey Consortium --who now provide over 80% of all Consortium aid--to help Turkey become an economically self-sustaining nation within a free and democratic society.

The A.I.D. program supports Turkish efforts to sustain a high level of economic growth with relative price stability and helps Turkey concentrate on the major problems now preventing that

growth momentum from becoming self-sustaining. The major areas of concern are:

- increased foreign exchange earnings from tourism and exports, particularly livestock and fresh fruits and vegetables;
- increased agricultural output to provide for domestic needs and realize the export potential of the country's varied agricultural resources;
- modernization of business, industry and government management practices by introducing new managerial and organizational techniques, providing U.S. training to private and governmental leaders, and assisting educational institutions and other organizations to train a labor force needed for continued industrialization.

PROBLEMS AND PROGRESS

The Turkish economy has done remarkably well in recent years. The record since the early 1960's sharply contrasts with Turkish performance in the late 1950's when rampant inflation and political turmoil retarded economic growth.

The Turkish Government's determination to bring about social and economic improvements took form in the First Five-Year Plan (1963-1967). With greater political stability, economic development progressed at a rapid rate and private enterprise began to grow.

The Demirel Government, first elected to office in 1965, and returned to power in the national elections held in October 1969 is currently faced with a parliamentary crisis over its 1970 budget. While this makes uncertain the near term outlook, it should not prevent the strengthening of democratic institutions which has characterized Turkish political development in the 1960's.

The Second Five-Year Plan which began in 1968 places heavy emphasis on private enterprise, and continues the work begun under the First Plan. Preliminary figures for 1969 (the second year of the Second Five-Year Plan) show that Turkey is sustaining the high rate of economic progress achieved during the First Five-Year Plan.

- Fixed investment rose 12%, which is approximately the average rate of increase of the First Plan.
- Domestic savings rose to over 18% of GNP and financed 91% of fixed investment, whereas at the start of the First Plan domestic savings were only 12% of GNP and financed only 73% of fixed investment.
- Government revenues increased by 22%, rising to 20% of GNP, compared with only 15% of GNP in 1964.

--Exports increased by \$34 million, whereas they had declined in 1968.

--Industrial production increased 9% compared to the First Plan average of 9.6%.

--GNP increased 6.8% in 1969, equal to the First Plan average.

Despite this rate of progress, some stubborn economic problems persist. They are largely the product of such rapid growth. Between 1962 and 1967 wholesale prices rose approximately 4.4% per year. In recent years Government efforts to realize the Plan's investment target increased the strain on domestic resources and increased the inflationary pressures. New legislation increasing import and corporation taxes was passed in March 1969 to reduce the budget deficit but, nevertheless, wholesale prices rose approximately 6% in 1969.

As the domestic investment program has gained momentum, the shortage of foreign exchange has become a major deterrent to continued economic progress. Imports must increase at a relatively rapid rate for Turkey to sustain a high rate of economic growth, but foreign exchange earnings have not kept pace with the country's demand for imports, despite an almost \$50 million improvement in export earnings and workers' remittances in 1969. As a result, in November 1969 the Turkish Government had to suspend for the second consecutive year issuance of import licenses on a variety of items in order to finance the backlog of licenses previously issued.

FY 1971 PROGRAM

For FY 1971 a Development Loan program of \$50 million and a Technical Assistance program of \$4.2 million are planned.

U.S. assistance will continue to be a part of the multilateral effort of aid donors in the OECD-sponsored Consortium (in 1969, for example, the U.S. contributed \$40 million to a total Consortium commitment of \$280 million) and will relate to Turkish efforts to sustain the development momentum and to increase export earnings.

A proposed \$40 million production loan will provide imports of essential raw materials, spare parts and investment goods. This loan, added to similar assistance from other donors and to the expected increase in Turkey's own earnings, will support the increase in essential imports needed to use to best advantage Turkey's growing industrial and agricultural capabilities. Without this loan support, imports cannot expand sufficiently to meet growth needs for both production and investment. Inflationary pressures would increase. The pace of development will decline thus delaying Turkey's progress toward independence of outside aid.

Although the other Consortium members, particularly the IBRD, are giving increased attention to project assistance, some U.S. project lending will be required. Loans for development banks, the Eregli Steel Mill and fruit and vegetable processing are among those to be considered.

The proposed Technical Assistance program will continue to concentrate on agriculture and education. In agriculture, the focal point will be increased production of foodgrains, while in education, emphasis will be on longer term manpower development.

Agriculture

Uneven performance in the agricultural sector continues to be one of the critical restraints on Turkish development. In spite of many technical and managerial improvements, bad weather the last two years has forced the importation of wheat under PL 480 and any repetition of such conditions would necessitate additional imports.

A.I.D. assistance concentrates on increasing cereals output by the introduction of new seed varieties and improved practices and diversifying and expanding agricultural exports by developing new marketing techniques, increasing farmer participation in development programs and encouraging agro-business enterprise.

The 1968 harvest from the A.I.D.-assisted new wheat seed program vividly demonstrated to thousands of farmers the potential benefits of adopting new agricultural inputs and techniques. Credit policies were revised; fertilizer usage was increased; new equipment was introduced and research was accelerated. The lessons learned by farmers and government will have a lasting effect on Turkish agricultural development.

The seed varieties commercially introduced by the wheat program were only applicable to the irrigated and high rainfall areas of Turkey where approximately 20% of Turkish wheat is grown. This program is essentially self-sustaining now and our attention has turned to the Anatolian Plateau where 80% of Turkish wheat is grown. This is an arid winter wheat area requiring more extensive modification of farming practices and seed testing than was necessary to introduce the warm weather varieties to the coastal area. In FY 1971, a three-man Oregon State University contract team will continue to work with A.I.D. advisors and Turkish agriculturists in adapting new wheats to the Plateau. Primary emphasis will be on devising and adapting new techniques and equipment to conserve moisture and control weeds.

If successful, the program of improved practices and better seeds could make it possible to produce a wheat crop annually in many parts of the Plateau where farmers now leave fields fallow in alternate years. This Technical Assistance activity, which will cost \$224,000 in FY 1971, will be coordinated with long-range research programs of the regional wheat breeding center which the Rockefeller Foundation is establishing in Turkey.

Efforts to increase private enterprise and farmer participation in development also characterize the On-Farm Water project, which will cost \$183,000 in Technical Assistance in FY 1971. This activity focuses on training Turkish technicians to help farmers prepare their fields for optimum use of irrigation water. A.I.D. technicians have developed prototypes of simple land-shaping equipment, and a number of private firms have begun to manufacture and sell this machinery. Farmers participate in both the planning and application of these new techniques which have reduced land-levelling costs by almost two-thirds. The concept of farmers' participation has been so enthusiastically adopted by both the Government and the farmers that the project is to be extended from the pilot region to an additional six regions (out of a total of 16) in March, 1970.

Stimulation of private enterprise is also the focus of A.I.D.'s efforts to diversify and increase fresh fruit and vegetable exports. With A.I.D. advisory assistance private Turkish groups have conducted market surveys, developed production standards, production facilities, and transportation and marketing operations necessary to compete in the European markets. Preliminary estimates indicate foreign exchange earnings increased approximately \$2.8 million during a five month period in 1969 over 1968. As a direct result of this success, research on new and improved varieties of fruits and vegetables is being carried out, additional marketing cooperatives are being formed and several private enterprises to can fruits and vegetables are being established.

Manpower Development

Increasing productivity requires a growing supply of skilled manpower, development of new and improved managerial techniques and strengthening of the institutional apparatus. Technical Assistance funds will provide foreign training, consultants and contract services.

The primary emphasis is on developing professional and technical skills by assisting education at the university level. The Middle East Technical University and Hacettepe University will continue to receive assistance to train faculty, develop curriculum and improve facilities. These universities are a major source of technical, scientific, and medical manpower. Since 1967 A.I.D. Development Loans totaling \$9 million and Technical Assistance grants of \$1,677,000 have been provided to these institutions to cover the foreign exchange costs of advisory services, visiting professors, training of Turkish staff in the United States and procurement of books and equipment. In FY 1971, an additional \$625,000 of Technical Assistance is proposed to continue this program.

The Academies of Economics and Commerce, similar to U.S. business schools, will also continue to receive Technical Assistance amounting to \$548,000 in FY 1971 with the emphasis shifting from foreign

advisory services to faculty development through training in the United States. The Academies are almost the only source of middle-level managerial talent in Turkey.

A.I.D. is helping improve the Government's capacity to guide manpower development through a project focused on developing new planning and budgeting techniques within the Ministry of Education. Technical Assistance totaling \$257,000 is proposed for this purpose in FY 1971.

Training of private business and industrial leaders will be supported by broadening government participant training programs to include more private participants selected by the Turkish Educational Foundation. A.I.D. will help the Foundation provide U.S. training in various business fields for young Turks who will return to assume management positions. Other leadership training programs, including trade union leadership, will continue. In FY 1970 these training programs received \$736,000 in Technical Assistance and in FY 1971, \$674,000 is planned.

A portion of the Technical Assistance program is also concentrated on strengthening the managerial capacity of governmental agencies. Increased emphasis will be given to improving budget processes. Tax administration improvement will continue. In addition, A.I.D. will continue to support the State Institute of Statistics in its effort to apply modern techniques of data gathering and evaluation.

OTHER NESA PROGRAMS

AFGHANISTAN

PROGRAM SUMMARY (In millions of dollars)				
	FY 1968 Actual	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Development Loans	0.7	1.3	0.1*	0.3*
Technical Assistance . . .	7.9	7.4	6.4	6.5
Supporting Assistance . . .	-	0.1*	-	-
Total A.I.D. Assistance	8.6	8.8	6.6	6.7

*Includes grants of \$87,000 in FY 1969, \$130,000 in FY 1970, and \$265,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

A.I.D. assistance to Afghanistan emphasizes increasing agriculture productivity, improving and expanding education from the primary through the university level, and improving financial management and general government administration. The program also supports the emerging private business sector.

PROBLEMS AND PROGRESS

Afghanistan's leaders, working through evolving democratic institutions, are trying to meet the nation's basic economic and social needs. The government has limited capability to increase private and public resources rapidly. The writ of government does not yet run deeply in a society which has only recently begun to adopt modern ideas of management, planning, and program implementation which will make possible national economic progress.

Afghanistan also does not have a sufficient number of experienced managers and technicians to translate such ideas into economic growth. The Afghanistan government, with the help of the United States and other donors, is facing these problems while progressing in the slow process of building technical and managerial foundations upon which to base sound developmental programs. The present successful wheat production program indicates that when the limited quantity of talent is focused on specific, urgent problems, goals can be met.

The country's political institutions continue to develop. The adoption of a new Constitution in 1964 established a national parliament and a national judiciary. These efforts to establish democratic processes continue to receive the country's highest priority.

Foreign aid provides the source of most development expenditures. However, the new government elected in late 1969 is making a determined effort to mobilize economic resources and write legislative reforms which will increase the government's revenue base and provide the domestic resources which will enable Afghanistan to make a major contribution to its own development. In the private sector, there has been a remarkable increase in the number of Afghan private citizens entering into private business ventures.

FY 1971 PROGRAM

A technical assistance program of \$6.5 million is proposed to continue to support the Afghanistan development program. Agriculture projects represent just under a third of this total, and these are oriented primarily toward Afghanistan's goal of cereal production sufficiency in the early 1970's. Afghanistan, with U.S. help, is reaching this goal through the adoption of new seed varieties, the application of modern research and extension methods, increases in application of fertilizers and pesticides and by the continued development of irrigation systems which bring more land under cultivation. In 1971 Afghanistan, with U.S. help, will begin allocating a larger proportion of available resources to agricultural program goals centered on crop diversification, agri-industry development and marketing. These programs will bring more of the nation's agricultural population into the money economy, thereby increasing farmer incomes and their ability to purchase from newly developing industries.

Approximately \$1.4 million of the 1971 program will be used to continue the development of Afghanistan's education sector. The United States has been assisting Afghanistan for a number of years in the development of its national university and its major secondary technical school. These projects are achieving successful results. Afghanistan and the United States will continue to work together in the field of primary education and are studying the possible need for assistance to secondary education curriculum development.

The remaining technical assistance funds are being used in projects designed to assist senior levels of the Afghanistan government in strengthening public and business administration, including planning and finance. To assist the private sector, A.I.D. provides technical advisors to Afghanistan's Cabinet-level Investment Committee and to the newly created Investment Advisory Center. This latter institution was created in 1969 to assist private entrepreneurs to establish new businesses and industries in Afghanistan.

\$265,000 will be provided to assist the Family Guidance Association in a modest family planning program. While receptivity to family planning is growing in the few urban areas, the attitudes of the predominately rural population are unknown. Following the completion this year of an A.I.D. assisted survey to determine knowledge and attitudes concerning family planning, the Government of Afghanistan will be able to identify the priorities to be assigned to the various activities comprising a comprehensive population program.

Afghanistan remains eligible for development lending.

CEYLON

PROGRAM SUMMARY (In millions of dollars)				
	FY 1968 Actual	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Development Loans	-	5.0	5.0	7.0

U.S. AID OBJECTIVES

The A.I.D. loans support Ceylon's development efforts, particularly to increase food production. These loans and P.L. 480 food imports provide the U.S. share of a combined aid donor effort initiated by the IBRD in 1965.

PROBLEMS AND PROGRESS

In 1965, Ceylon's economic future looked bleak. World prices for its exports had been declining for some years, while demand for

imports, particularly of food, continued to rise. Development had been sacrificed as capital goods and raw material imports were squeezed out. Investment was low and GNP and population grew at about the same rate.

In the last two years the investment level has been raised -- to over 16% of GNP last year -- while the GNP growth rate has been nearly 7% in each of the last two years, well over twice the rate of population increase. The market for Ceylon's exports, however, continued to worsen.

Almost 90% of Ceylon's exports are made up of three traditional commodities (tea, rubber and coconuts) for which world market prices were declining. Ceylon could not develop new exports to counterbalance anticipated trade losses in the short run. Ceylon's best hope for short run relief for its balance of payments problems lay in import substitution, which means growing more of its food at home.

In 1967, the Government of Ceylon launched a highly successful campaign to grow more food which has substantially increased agricultural production and farmer incomes. Overall agricultural production has risen an average of 6% in the past three years and rice production has had a 13% yearly rise.

This successful agricultural program required the introduction of economic policies that very often were highly politically sensitive. While farmers were given incentives to increase domestic food production, subsidies to food consumption were reduced. The subsidized rice ration was halved and other rations reduced considerably. Imports of many food commodities were curtailed sharply. These actions created the needed incentive for the agricultural production drive.

Industrial production was spurred by a set of far-reaching policies which included formal devaluation in 1967, a preferential import-export rate in 1968, and a revised import policy which restricted consumption imports in favor of those needed for production. As a result of these policies, private investment has been expanding at about 15% a year, and industrial production has risen better than 12% a year.

A number of critical problems still exist and some have been created in part by the above successes. Growing inflationary pressures in the economy must be controlled by increasing the rate of domestic savings and by reducing government expenditures on non-developmental programs. Agricultural production efforts need continued support, and programs of crop diversification, particularly to reduce food imports, must be accelerated. Incentives for non-agricultural exports need to be strengthened, and economical import-substitution industries must be encouraged through increased incentives and by freeing additional foreign exchange for imports of raw materials and capital goods. Aid donor support for the policies to overcome these problems and to continue the good

growth of the recent past is warranted.

FY 1971 PROGRAM

The United States has contributed \$67 million of the \$310 million committed by the IBRD-led group of aid donors since 1965. The U.S. contribution included \$20 million in Development Loans; the balance was P.L. 480 Title I assistance to be repaid in convertible currency.

To help support Ceylon's development efforts, particularly in expanding agricultural production, A.I.D. has programmed a \$5 million development loan in FY 1970 to help meet a portion of Ceylon's fertilizer import requirements.

To continue support for the Ceylonese development program, a loan of \$7 million is required in FY 1971 to finance essential raw materials and capital goods, including fertilizer. The loan will supplement FY 1971 P.L. 480 Title I sales of wheat flour projected at about \$15 million.

JORDAN

PROGRAM SUMMARY (In millions of dollars)				
	FY 1968 Actual	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Technical Assistance . . .	2.0	1.5	1.6	1.9
Supporting Assistance . . .	10.2	-	-	-
Total A.I.D. Assistance	12.2	1.5	1.6	1.9

U.S. AID OBJECTIVES

The maintenance of moderation and stability within Jordan is basic to the U.S. effort to achieve a constructive resolution of the problems which stem from the continuing Arab-Israeli confrontation. Although Jordan's West Bank, representing nearly half the economy, has been occupied by Israel, the Government of Jordan has been able to continue to improve the standard of living of its people. This has been done despite the influx of refugees who, along with the displaced persons, now comprise nearly half the population of the East Bank.

The A.I.D. program seeks to encourage Jordanian economic development initiatives, emphasizing increased agricultural productivity, the encouragement of private and governmental capital investment, and the strengthening of developmental-oriented managerial and administrative talent.

PROBLEMS AND PROGRESS

Jordan's economy has been seriously distorted by the occupation of the West Bank and the consequent disruption of the tourist

industry and agriculture production, but the economy is beginning to adjust and expand again. The Government receives payments of over \$100 million a year from Saudi Arabia, Kuwait and Libya under the Khartoum Agreement of 1967. These payments help make up for the loss of West Bank tourism and other foreign exchange earnings, and have covered Jordan's budget deficit. East Bank economic development has revived significantly. Housing construction has resumed, and limited plant expansion in light industry is occurring. Active public works projects in urban and rural development are continuing to stimulate economic activity and provide employment.

U.S. - supported activities include agricultural production programs, the training of managers, and feasibility studies to probe the prospects for expanded activity in agriculture and water resource development and private sector industry.

FY 1971 PROGRAM

A \$1.9 million Technical Assistance program will emphasize increased agricultural production and strengthened development administration capabilities. Under P.L. 480, support will be provided to voluntary agency activities in the areas of rural public works, economic and community development, and relief. Depending on the crop situation and the supply of food from other sources, a P.L. 480 Sales program may also be needed. Jordan remains eligible for development lending.

With the loss of West Bank agricultural land and sporadic armed conflict in the Jordan Valley, the focus in agricultural development activities has shifted to increasing production in the highlands, concentrating on wheat needed for domestic consumption and vegetable crops for export and domestic markets. Assistance to the Ministry of Agriculture to carry out agricultural economic analysis and planning will also be provided.

Training in management and administration will be continued in order to provide qualified staff for economic developmental programs and activities. Feasibility studies will also continue to be undertaken to stimulate private and government capital investment.

NEPAL

PROGRAM SUMMARY (In millions of dollars)				
	FY 1968 *Actual	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Development Loans	-	-	0.3*	0.5*
Technical Assistance . . .	2.3	2.7	1.9	2.1
Supporting Assistance . . .	0.05*	0.2*	-	-
Total A.I.D. Assistance	2.4	2.9	2.2	2.6

* Includes \$45,000 in FY 1968, \$222,000 in FY 1969, \$341,000 in FY 1970, and \$492,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

A.I.D. assists national programs with three major goals: building infrastructure for agricultural production; upgrading and expanding the education system; and creating a public program for family planning. Other A.I.D. activities focus on malaria eradication and modernization of government administration.

PROBLEMS AND PROGRESS

Increased food grain production is Nepal's priority development objective. Progress has been uneven, however. Over 85% of Nepal's food grain production is in rice and corn, yet increases in these crops have been marginal. However, wheat, Nepal's third crop, has shown good results with annual production rising from only a few thousand tons a decade ago to an estimated 225,000 tons last year.

U.S. efforts have been most successful in development of infrastructure for a national agriculture program. A.I.D. has assisted the development of research stations, extension services, and supply, storage and distribution facilities. Over 260 Nepalese technicians, financed with U.S.-owned Indian rupees, are being trained in India. These participants will provide skilled manpower for Ministry of Agriculture central and field offices.

A.I.D. assistance in education has focused on primary and secondary education, teacher training, vocational education and educational materials. Enrollment in primary schools has steadily increased in recent years. Graduates from the secondary schools in 1969 increased 29% over the 1968 total. New text material, locally prepared, will be available this year for most of the primary grades.

The government recognizes the serious consequences of unchecked population growth and is developing a national family planning program. However, the dissemination of information and con-

contraceptives over rugged and difficult terrain has slowed program expansion.

Malaria control has been achieved in several areas of Nepal. Locales once largely uninhabitable are now productive agriculture centers. Total eradication is a remote possibility in some parts of the country. Therefore, emphasis has shifted from eradication to containment in those areas.

Nepal continues to seek new sources of revenues for development and regular programs. However, although domestic revenues have increased by 60% in four years, a large part of the national budget depends on foreign assistance.

FY 1971 PROGRAM

The proposed \$2.6 million technical assistance program will concentrate on agriculture, education, family planning and malaria control. Also, approximately \$8 million equivalent in excess U.S.-owned Indian rupees will fund local costs of development projects and pay for training technicians in India.

In agriculture, based on infrastructure built by technicians trained under past programs, A.I.D. in the next two years will concentrate on upgrading research and extension centers, developing water resources and improving organization and management. This will enable the government to focus on introduction of new seed varieties and fertilizers, crop diversification, and adoption of better agricultural practices.

A.I.D. will assist the upgrading and expansion of education by providing a Southern Illinois University education team. The focus will be on vocational training. A.I.D. also will assist in improving curricula and textbooks and administrative practices. The Government of Nepal is interested in developing an agriculture college, and A.I.D. will assist by making a feasibility study.

In family planning A.I.D. will finance participant training, largely in India and Pakistan through programs funded with U.S.-owned local currencies. U.S. advisors will assist the government to establish a strong central organization capable of providing effective training and supplying information and evaluation services to a growing cadre of field technicians. Contraceptives will be purchased in India with U.S.-owned rupees.

The malaria program is a continuation of FY 1970 activities and includes spraying, surveillance and consolidation of cleared areas. For the second consecutive year, the Government of Nepal is expected to provide foreign exchange for DDT purchases.

U.S. public administration advisors will provide training in management and accounting procedures and the operation of a national data processing center. Other technical assistance will be for local-level development projects and the Western Hills Road, funded largely with U.S.-owned local currency.

CENTO AND REGIONAL PROGRAMS

PROGRAM SUMMARY (In millions of dollars)				
	FY 1968 Actual	FY 1969 Actual	FY 1970 Estimated	FY 1971 Proposed
Development Loans	-	-	0.7*	0.9*
Technical Assistance . . .	3.6	2.8	3.2	3.3
Supporting Assistance . . .	0.7*	1.0*	-	-
Total A.I.D. Assistance	4.3	3.8	3.9	4.2

* Includes grants of \$665,000 in FY 1968, \$976,000 in FY 1969, \$695,000 in FY 1970, and \$925,000 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

The objective of the regional Technical Assistance program is to encourage nations of the region to cooperate by discussing matters of mutual interest, solving problems through joint action and making it possible for students from the various countries to live and study together.

A.I.D. also provides regional advisors who conduct surveys, studies and research and pilot programs to test the effectiveness of projects for the region. Many activities are channeled through the Central Treaty Organization (CENTO) and the American University of Beirut (AUB).

Advanced Training: In recent years, A.I.D. has funded a scholarship program for 400-500 students which has helped to fill the need for trained manpower and has encouraged the use of AUB as a regional institution of higher education. The scholarship program enables many future leaders of the region to meet and work with each other. Courses of study offered at AUB are of higher quality than those available in most other universities in the region. The United States has encouraged AUB, with good results, to offer courses in fields of study that are critical for development such as agriculture, education, engineering and public administration.

Over the past few years, one-fifth of A.I.D.-financed training for students from the region was for study at AUB. In the 1970 school year, the Near East-South Asia regional program is financing 478 students from Jordan, Pakistan, Afghanistan, Turkey, Iran, Lebanon, Cyprus, Nepal, and South Yemen. Over half the students are being trained as public school teachers and agricultural scientists. The remainder are studying engineering, public health and business and public administration. The estimated obligation for AUB regional training in FY 1970 is \$2.3 million, as is the requested amount for FY 1971.

Regional Activities: A.I.D. conducts pilot programs and special studies within the NESAs region applicable to development efforts in countries in the region. A regional study of programmed instruction, a new educational learning technique developed in the United States, is presently under way. This technique promises to extend the effectiveness of existing educational programs by providing students with texts designed for self-study and testing. It will also improve classroom teaching through the use of logical, programmed instructional guides, and by opening up new possibilities for education of adults and school drop-outs outside the formal classroom. Another study is evaluating the water resources potential of the Near East area and the means for further water resources development. A regional conference on irrigation practices will bring together experts from the United States and NESAs countries to discuss one of the principal roadblocks to increased agriculture production. A.I.D. also provides short-term consultants for special studies preceding loan or technical assistance negotiation.

In FY 1971, A.I.D. proposes a regional conference, involving U.S. and local experts, on unemployment, which is becoming a critical problem as migration increases from rural to urban areas. Also proposed are selected studies on minerals and water and the application of new technologies to development. A.I.D. would also consider providing assistance on regional health problems if the need arises.

Regional Family Planning Activities: Under regional family planning, A.I.D. finances studies and projects which are relevant to the population problems of the entire region. An estimated \$595,000 will be obligated in FY 1970 and \$825,000 is requested for FY 1971.

A number of surveys and studies on population problems in the region are now under way, and more are planned for FY 1971. The Research Triangle Institute (North Carolina) will assist A.I.D. in the gathering and analysis of information on population problems in NESAs countries. Access to relevant and current data will enable A.I.D. to respond more effectively to the problems of planning and implementing population programs throughout the region. Another prospective study is an examination of the means to strengthen research institutions and capabilities for family planning in South Asia.

A.I.D. also finances some of the activities of voluntary organizations in support of family planning within the region. The Population Council will receive grants to extend its efforts in the training of population workers, improvement of family planning information programs, and establishment of post-partum programs. The Pathfinder Fund will continue its work with local private groups involved in family planning activities. Johns Hopkins University, under contract with A.I.D., will continue to perform basic field research in India to determine the cost effectiveness of various types of family planning delivery systems. A.I.D. will also finance the services of the Colombo Plan Population Advisor, Ceylon.

CENTO Programs. A.I.D. proposes to contribute \$600,000 in FY 1971 for technical assistance to CENTO, which encourages greater regional economic cooperation among Turkey, Iran, and Pakistan.

The CENTO Multilateral Technical Cooperation Fund finances the exchange of experts among the regional countries; provides scholarships at leading regional institutions for students from the regional countries; and supports other regional technical cooperation activities through special training programs such as geological mapping, civil aviation, and family planning.

Another part of the CENTO program, the Multilateral Science Fund, supports inter-regional study panels and institutes on such subjects as food production and distribution; food and nutrition; materials testing; and repair and maintenance of electronic equipment.

Regional conferences will be held on various aspects of regional development, including agriculture, education, equity investment, and minerals research.

Various aspects of family planning will be emphasized. In 1970 a series of workshops on Teaching of Public Health Practices will stress family planning; in FY 1971 a similar series of workshops will be held on the clinical aspects of family planning. \$100,000 is budgeted for FY 1970 and FY 1971.

PROPOSED FY 1971 PROGRAM

(Thousands of Dollars)

Country	Type of Assistance			
	Total	Develop- ment Loans	Technical Assistance	Supporting Assistance
<u>NEAR EAST AND SOUTH ASIA</u>				
<u>TOTAL</u>	<u>\$478,307</u>	<u>\$444,682</u>	<u>\$33,625</u>	<u>--</u>
Afghanistan	6,728	265 ^{a/}	6,463	--
Ceylon	7,000	7,000	--	--
India	276,550	266,700	9,850	--
Jordan	1,886	--	1,886	--
Nepal	2,591	492 ^{a/}	2,099	--
Pakistan	125,147	119,300	5,847	--
Turkey	54,220	50,000	4,220	--
CENTO ^{b/}	606	100 ^{a/}	506	--
Regional Programs . . .	3,579	825 ^{a/}	2,754	--

^{a/}Grants for population programs under title X of the Foreign Assistance Act.

^{b/}Central Treaty Organization.

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