



AGENCY FOR  
INTERNATIONAL DEVELOPMENT

Summary of

**Program Presentation to the Congress  
Foreign Assistance Act of 1969  
PROPOSED FY 1970 PROGRAM**

BEST AVAILABLE

## PROPOSED PROGRAM AND LEGISLATION

### I. THE LEGISLATION

Last year the Congress directed the President to undertake a re-appraisal of all U.S. foreign assistance programs, economic and military, to make interim recommendations by June 30, 1969 and to submit a final report by March 31, 1970.\*

The interim recommendations are contained in the President's Foreign Aid Message of May 1969; in the provisions of the Foreign Assistance Act of 1969; and in this Program Presentation to the Congress:

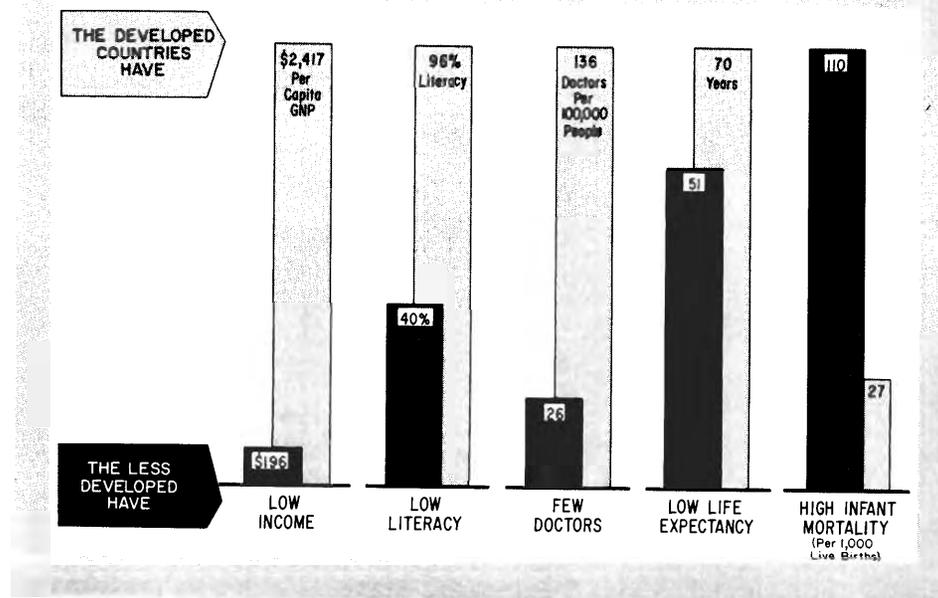
The major conclusions and recommendations are these:

- Foreign assistance remains an essential function of U.S. foreign policy and must be continued, at an adequate level, for reasons of national self-interest and collective good conscience.
- Private enterprise and individual initiative must play an even greater role in development.
- Technical assistance must be more imaginatively used, more effectively managed and more generously funded.
- Multilateral assistance should be increased to share the assistance effort and bring the experience of many donors to bear on the problems of development.
- Our highest priorities must continue to be increasing food production and reducing soaring population growth rates.

This year's foreign aid bill replaces substantial parts of the Foreign Assistance Act of 1961, which authorizes the A.I.D. program, to reflect new priorities and new directions--primarily the increased use of private enterprise in development and the greater focus on technical assistance.

- The bill creates a new Overseas Private Investment Corporation to take over most of A.I.D.'s present U.S. investment incentive programs and carry out other activities in cooperation with developing nations to increase the contribution of U.S. investment to development.
- The bill lays new stress on A.I.D.'s role as a stimulant to private enterprise abroad.
- The legislation emphasizes the important role of technical assistance in the development process by grouping in one

## THE DEVELOPMENT GAP



\*Sections 501 and 502 of the Foreign Assistance Act of 1968, sponsored by Senator Jacob K. Javits, provide:

#### "DECLARATION OF POLICY

"Sec. 501. The Congress declares that, in view of changing world conditions and the continued need to make United States foreign assistance programs an effective implement of United States foreign policy, there should be a comprehensive review and reorganization of all United States foreign assistance programs, including economic development and technical assistance programs, military assistance and sales programs, and programs involving contributions and payments by the United States to international lending institutions and other international organizations concerned with the development of friendly foreign countries and areas.

#### "REAPPRAISAL BY THE PRESIDENT

"Sec. 502. (a) In furtherance of the policy of this part, the President is requested to make a thorough and comprehensive reappraisal of United States foreign assistance programs, as described in section 501, and to submit to the Congress, on or before March 31, 1970, his recommendations for achieving such reforms and reorganization of future foreign assistance programs as he determines to be necessary and appropriate in the national interest in the light of such reappraisal. The President is requested to submit to the Congress, on or before July 1, 1969, an interim report presenting any preliminary recommendations formulated by him pursuant to this section.

(b) It is the sense of the Congress that the reappraisal provided for in subsection (a) should include, but not be limited to, an analysis and consideration of proposals concerning the establishment of a Government corporation or a federally chartered private corporation designed to mobilize and facilitate the use of United States private capital and skills in less developed friendly countries and areas, including whether such corporations should be authorized to--

- (1) utilize Government guarantees and funds as well as private funds;
- (2) seek, develop, promote, and underwrite new investment projects;
- (3) assist in transferring skills and technology to less developed friendly countries and areas; and
- (4) invest in the securities of development financing institutions and assist in the formation and expansion of local capital markets."

FY 1970 REQUEST AND PROPOSED PROGRAMS UNDER THE FOREIGN ASSISTANCE ACT  
(In millions of dollars)

Assistance Category	FY 1970 Authorization Request	FY 1970 Appropriation Request	FY 1970 Proposed Program <u>a/</u>
<u>ECONOMIC ASSISTANCE</u>			
Development Loans	675.5	675.5	763.5
Alliance for Progress Development Loans	437.5	437.5	482.7
Technical Assistance	463.1	463.1	485.5
World-Wide	(224.5)	(224.5)	(241.9)
Alliance for Progress	(116.0)	(116.0)	(121.0)
Multilateral Organizations	(122.6)	(122.6)	(122.6)
Supporting Assistance <sup>b/</sup>	514.6	514.6	577.5
Contingency Fund	40.0	40.0	50.0
Indus Basin development, grants	7.5	7.5	7.5
Indus Basin development, loans	(0.8) <sup>c/</sup>	0.8	2.5
American Schools and Hospitals Abroad	12.9	12.9	12.9
Administrative Expenses, A.I.D.	54.3	54.3	57.3
Administrative and Other Expenses, State	(3.8) <sup>d/</sup>	3.8	3.8
 TOTAL A.I.D. ASSISTANCE	 2,205.4	 2,210.0	 2,443.2
<u>OVERSEAS PRIVATE INVESTMENT CORPORATION</u>			
	(75.0) <sup>e/</sup>	75.0	<sup>f/</sup>
<u>GRANT MILITARY ASSISTANCE</u>			
	375.0	375.0	434.0
 TOTAL	 2,580.4	 2,660.0	 2,877.2

a/ The FY 1970 proposed program is the total amount of funds that would be available to carry out programs under the Foreign Assistance Act. The proposed program consists of the new appropriations requested and additional funds available for use in FY 1970, such as repayments on prior loans, reimbursements, and uncommitted or deobligated funds from prior years.

b/ Includes contributions to certain Multilateral Organizations and Programs.

c/ No new authorization is needed since the Foreign Assistance Act of 1967 authorized the appropriation of \$51.22 million for Indus Basin Loans. The amount shown is the appropriation request.

d/ The Foreign Assistance Act contains permanent authorization for appropriation of "such amounts as may be necessary". The amount shown is the appropriation request.

e/ The proposed authorization act provides for the appropriation of "such amounts as may be necessary". The amount shown is the appropriation request.

f/ The appropriation request is to provide reserves to back certain investment guaranty programs of the Corporation. No obligations or expenditures are expected.

## PROPOSED PROGRAM AND LEGISLATION

place the provisions relating to bilateral and multi-lateral technical assistance and providing a two-year funding authorization.

### II. ORGANIZATION CHANGES

Changes in legislation are accompanied by changes in the organization of A.I.D.

- A new Technical Assistance Bureau, headed by an Assistant Administrator, is being created to consolidate and strengthen the central technical assistance staff to enable it to play a stronger role in developing and implementing technical assistance activities.
- An Auditor-General, reporting directly to the A.I.D. Administrator, will be appointed with supervision over existing audit and inspection elements of the Agency. He will be charged with making sure that management systems are operating to protect against abuses in the uses of A.I.D. funds.
- With the creation of the Overseas Private Investment Corporation, A.I.D.'s Assistant Administrator for Private Resources and his staff will turn from direct management of A.I.D.'s investment incentive programs to a role of directing A.I.D.'s regular program toward stimulation of private enterprise in the less developed countries in a manner that complements the work of the Corporation.

### III. LONGER-TERM STUDY

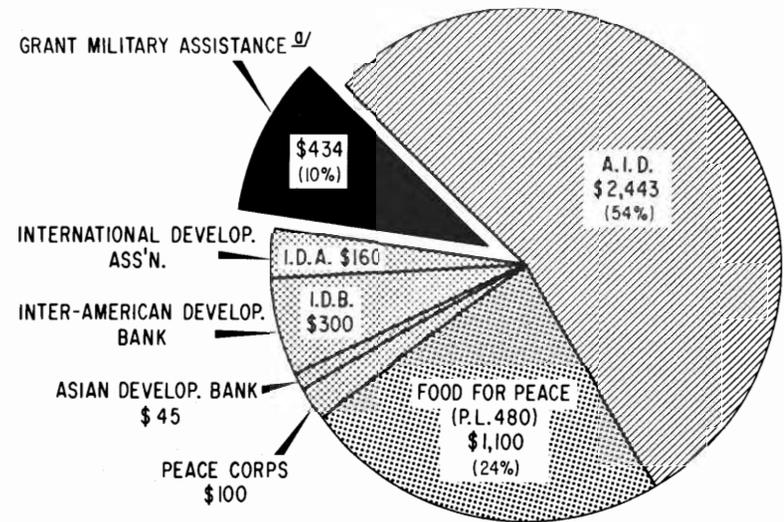
These proposed legislative and organizational changes, affecting almost exclusively the A.I.D. program, are just the first steps--but important steps--in redirecting our foreign aid programs and making them more effective.

The Executive Branch, under the President's direction, will continue an intensive review of all U.S. foreign aid activities with a view to making comprehensive proposals next year.

To help fashion these proposals, the President will appoint a Task Force on Foreign Economic and Military Assistance. This group will include representatives of business, banking, the academic community, church and social groups, industry, labor, agriculture and others.

## U.S. ECONOMIC and MILITARY ASSISTANCE PROGRAMS

PROPOSED PROGRAMS FOR FY 1970

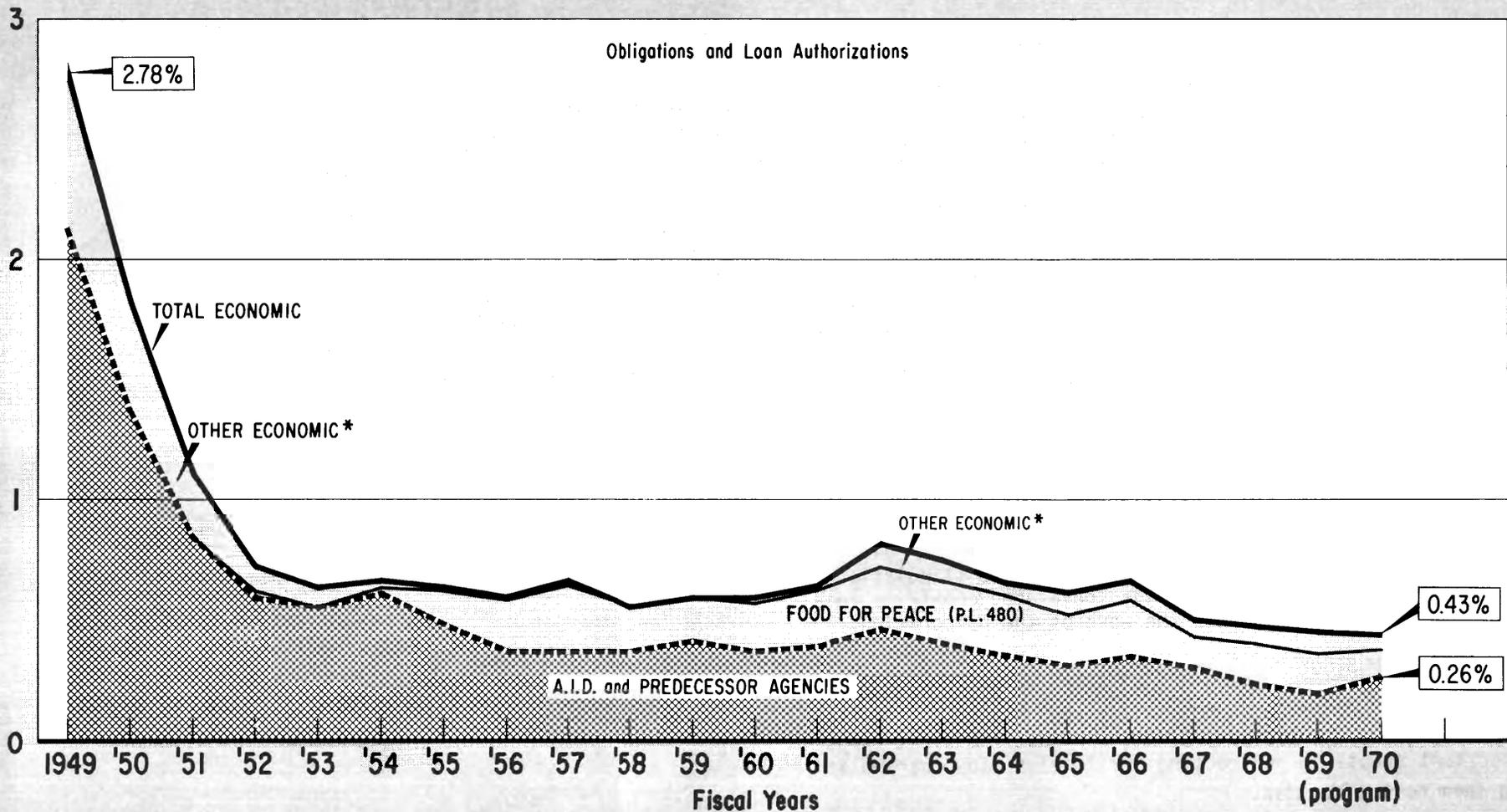


FY 1970 TOTAL . . . . \$4,582 million

(Economic Programs . . . \$4,148 million)

<sup>a/</sup> Does not include Foreign Military Sales.

# U.S. ECONOMIC ASSISTANCE as a PERCENT OF GNP



\* Includes obligations of Peace Corps, Social Progress Trust Fund (SPTF), and Subscriptions/Contributions to International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), Inter-American Development Bank (IDB), and Asian Development Bank (ADB).

PROPOSED PROGRAM AND LEGISLATION

IV. THE PROPOSED PROGRAM

What is Foreign Aid? The economic assistance program carried out by the Agency for International Development is about half of the total U.S. foreign assistance program.

Other parts of foreign aid are the Food for Peace (P.L. 480) program, the Peace Corps, subscriptions and contributions to multi-lateral lending agencies, and military assistance.

Other overseas programs, such as Export-Import Bank loans and guaranties and the Foreign Military Sales program, are not foreign assistance in the sense of concessional aid at a cost to the Treasury. But these programs do permit other countries to buy American goods on credit not available commercially. They are, therefore, part of the total package of financial tools serving various U.S. domestic and foreign policy interests.

How much foreign aid do we provide? The total U.S. aid program proposed for Fiscal Year 1970 amounts to about \$4 1/2 billion--2.3% of the Federal Budget, and less than 1/2% of our Gross National Product. Of this total, about half is in the A.I.D. program, one-fourth in P.L. 480 agricultural product grants and credits, one-tenth in military aid, and the balance in other programs. In 1949, during the Marshall Plan, economic aid was close to 3% of our GNP. During the Mutual Security Act period of 1953-1961, it averaged well over 1/2%, while during early years of the Foreign Assistance Act of 1961, it was closer to 3/4% of GNP.

The United States now provides about half of free world development assistance in absolute terms--but the share of other free world countries is growing. In fact, many other countries devote a larger share of their GNP to aid than the United States, and many provide assistance on easier terms than we do.

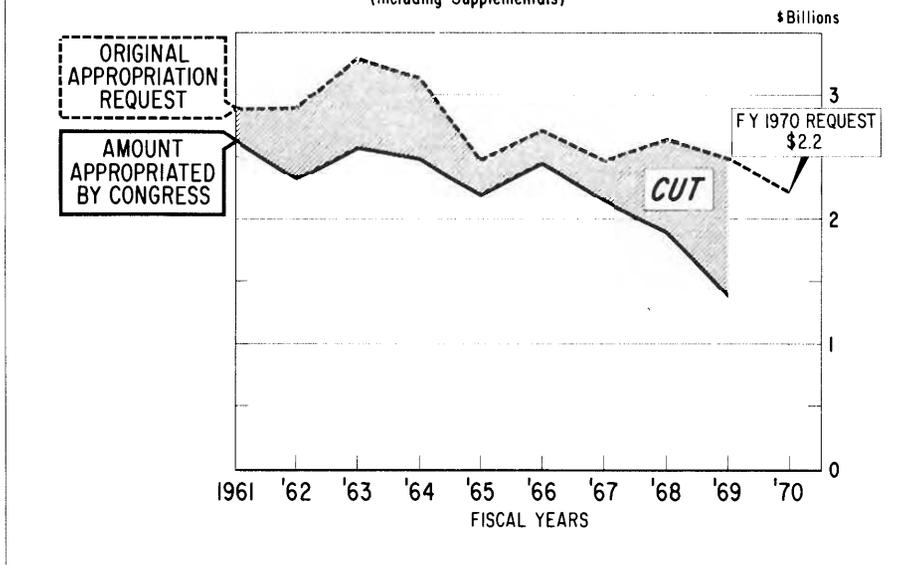
The A.I.D. Appropriation Request

The appropriation requested for FY 1970 under the Foreign Assistance Act is in three parts:

	(\$ Millions)
--For the A.I.D. program	2,210
--For Overseas Private Investment Corporation (OPIC) Guaranty reserve	75
--For grant Military Assistance	375

**A.I.D. APPROPRIATIONS**

(Including Supplementals)



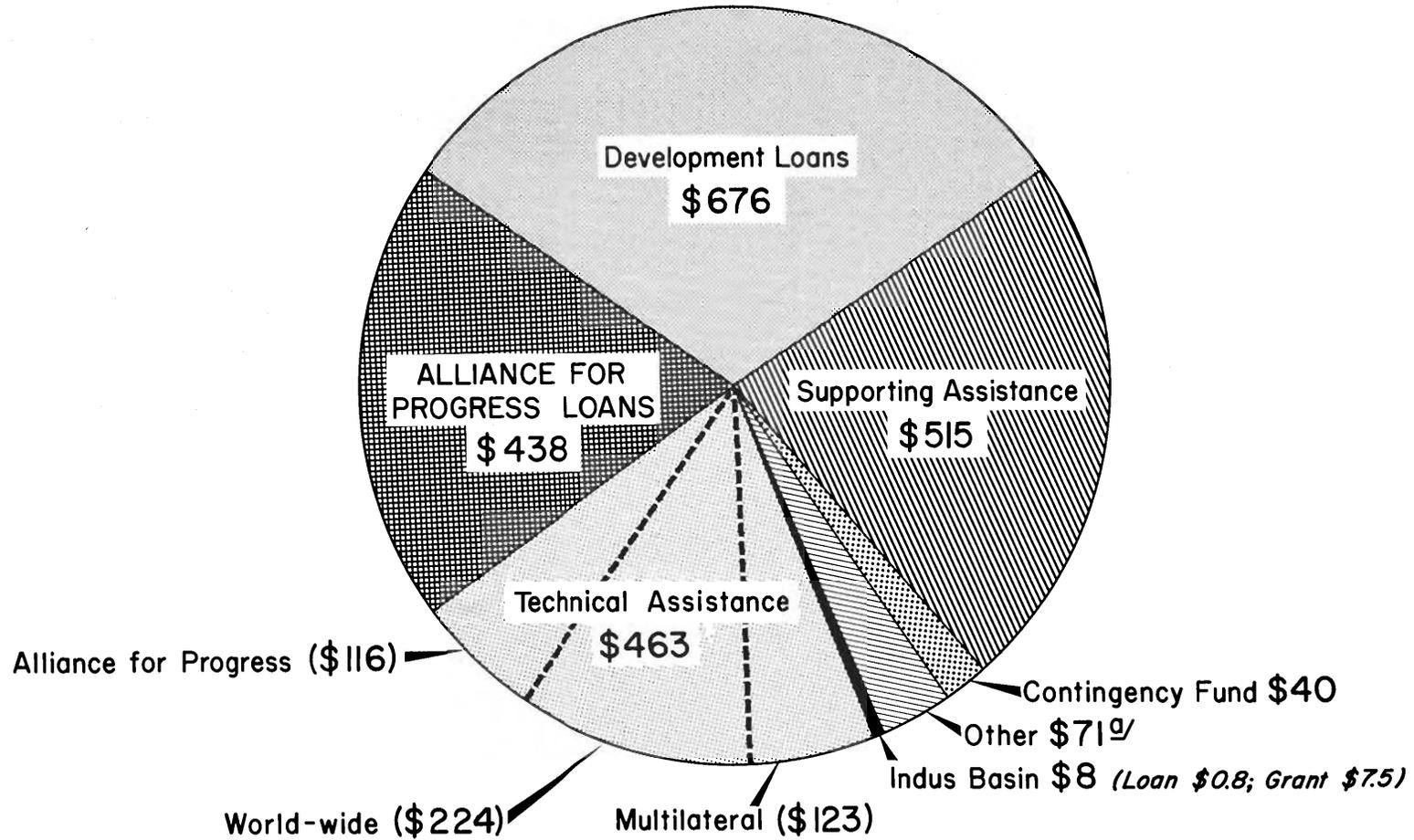
The total of \$2.66 billion is the lowest appropriation ever requested. Yet, the \$2.21 billion appropriation requested for the A.I.D. program for FY 1970 is some \$800 million above the amount appropriated for FY 1969--when the A.I.D. request was cut almost in half. But it is \$138 million less than requested by the previous Administration and is the lowest request for economic assistance in the last 10 years. Together with other available funds, such as repayments on past loans, the request will finance an A.I.D. program of \$2.4 billion.

The A.I.D. appropriation request falls into several categories.

	(\$ millions)
Technical Assistance	463
Worldwide	(225)
Alliance for Progress	(116)
Multilateral	(123)
Development Loans	676
Alliance for Progress Development	
Loans	438
Supporting Assistance	515
Administration	58
Other	62
<b>Total</b>	<b>2,210</b>

# AGENCY FOR INTERNATIONAL DEVELOPMENT

## FY 1970 APPROPRIATION REQUEST



**TOTAL---\$2,210 million\***

<sup>a/</sup> Includes American Schools and Hospitals Abroad \$12.9 million; A.I.D. Administrative Expenses \$54.3 million; and State Administrative Expenses \$3.8 million.

\*Does not include appropriation request of \$75 million for Overseas Private Investment Corporation (OPIC) Investment Guaranty Reserves.

## PROPOSED PROGRAM AND LEGISLATION

Technical Assistance. Technical Assistance applies American technical and professional expertise to the problems of the developing countries. It includes bringing promising individuals from developing countries for training in the United States or third countries and building lasting human institutions in the developing nations to create and accelerate the momentum of development.

Begun under the Point IV program in 1950 Technical Assistance continues today to be a critical requirement without which a less developed country cannot make its own physical resources productive or use resources provided from abroad effectively. Modern technology and scientific knowledge are required to solve the many problems of development. Unless a farmer is taught the ways of modern farming or a government official the principles of agricultural policy making, the new high-yield seeds or fertilizer or modern equipment will do little to help to feed the people of his country. Unless an entrepreneur operates in an environment of effective financial and training institutions, his industrial plant is not likely to produce the capital and consumer goods needed for development.

Training and research in agriculture and family planning are among the most important activities financed by Technical Assistance. But Technical Assistance must be provided to remedy other problems that can stifle development--inadequate educational opportunities, debilitating diseases, poor administration of government ministries and private industries, and low levels of popular participation in development.

A.I.D. draws heavily on U.S. universities, private organizations and other government agencies such as the Departments of Interior, Agriculture, Treasury, HEW, Commerce and Transportation to carry out technical assistance activities in the less developed countries and provide other support in the United States. In fact, less than half of the A.I.D.-financed advisors working abroad are direct employees of A.I.D. Thus, it is possible for A.I.D. to tap the best American talent available for the period needed for a particular project without a large establishment.

Plans to strengthen Technical Assistance activities are now being formulated. A Technical Assistance Bureau is being set up in A.I.D. to expand and improve Technical Assistance activities. A two-year authorization for Technical Assistance--\$463 million for FY 1970 and \$530 million for FY 1971--is being requested to enable A.I.D. to carry out these plans effectively.

Multilateral Technical Assistance is carried out by a number of programs administered by the United Nations and related agencies. The bulk of the U.S. voluntary contributions to these activities is for the United Nations Development Program--\$100 million proposed for FY 1970--to which other countries contribute over 60% of the funds.

Development Loans and Alliance for Progress Development Loans. Development Loans provide less developed countries with Capital resources needed for growth. They finance the commodities and technical services necessary for construction of factories, dams and education and health facilities and the import from the United States of raw materials and capital goods needed to fuel industrial and agricultural development. In addition, they are the primary means that A.I.D. has available to stimulate borrowing countries to make the self-help reforms needed for their own development.

Development Loan funds must be used for the purchase of goods or services in the United States. In addition to benefitting U.S. producers, tying assistance insures that Development Loan funds do not have a direct adverse effect on the U.S. balance of payments.

Development Loans are of three types--project loans, production loans (also called "program loans") and sector loans.

Project loans finance a specific undertaking such as a fertilizer plant, a power dam or a road. They help to build the capital base needed for a vital economy.

Production loans finance the import of U.S. fertilizer, capital goods, raw materials and spare parts needed for industrial and agricultural development. They are made in connection with self-help conditions that affect the overall economy, such as fiscal, monetary and import reforms.

Sector loans are a new type of Development Loan assistance designed to spur the development of a particular sector in a country, such as agriculture or education. Like production loans, these loans finance a list of essential imports. They differ in that they are tied to self-help actions by the recipient country in the particular sector.

All three types of loans are usually coupled with Technical Assistance in the A.I.D. program.

## PROPOSED PROGRAM AND LEGISLATION

Development Loan principal and interest are repayable with interest in U.S. dollars. The minimum interest rates charged to the borrowing country on Development Loans are lower than commercial interest rates. If they were not, the loans would not be aid at all. Formerly 3/4% for the life of the loan, interest is now 2% during the grace period and 3% thereafter. If the borrowing country relents to local entrepreneurs, however, it is usually at commercial rates.

The burden of debt of the less developed countries, caused in part by past loans with relatively high interest rates and short maturities, has grown rapidly over the past several years. Debt service, including service on export credits, amounted to \$4.1 billion in 1967, nearly half of the total new aid they received that year from all donors.

The FY 1970 appropriation request includes \$676 million for worldwide Development Loans and \$438 million for Alliance for Progress Development Loans.

Indus Basin Development Fund. The Indus Basin Development Fund administered by the World Bank finances the construction of two dams, canals and barrages to provide an equitable division of the waters of the rivers of the Indus Basin between India and Pakistan. The project has helped to remove a serious source of friction between the two countries and is providing water for irrigation to over 50 million people in the area.

The Indus Basin Settlement Agreements of 1960 and 1964 established the Indus Basin Development Fund to which the United States and eight other donors (Australia, Canada, Germany, India, New Zealand, United Kingdom, Pakistan and the World Bank) contribute. The total commitment to the Fund amounts to \$1.5 billion of which the U.S. share is 44%.

On the basis of World Bank estimates, the United States plans to contribute for FY 1970 \$7.5 million in grants and \$2.5 million in loans (\$1.7 million to be carried over from FY 1969 and \$0.8 million requested in FY 1970 appropriations).

Supporting Assistance. The bulk of the A.I.D program--Technical Assistance, the two categories of Development Loans, and Indus Basin loans and grants--is development assistance.

But A.I.D. also provides assistance to help a few countries maintain economic or political stability. As recently as FY 1962 Supporting Assistance was furnished to 41 countries, in many cases to help them sustain extraordinary security burdens. Most

of these countries are now economically and politically able to make good use of development assistance, and some are no longer in need of any kind of aid.

For FY 1970, therefore, we propose to furnish Supporting Assistance to only seven countries--almost all of it for Vietnam, Laos and Thailand. The balance is required for Korea and Nigeria, and small amounts for the Dominican Republic, the malaria eradication program in Haiti, and regional activities in Africa and East Asia. In addition, \$19.6 million will support UN peacekeeping and refugee programs in Cyprus and the Middle East.

Since FY 1961 Supporting Assistance to countries other than Vietnam fell from \$653 million to the \$118 million proposed for FY 1970.

### Other Funding Categories

The balance of the A.I.D. appropriation request is for the Contingency Fund, American Schools and Hospitals Abroad, and Administrative Expenses.

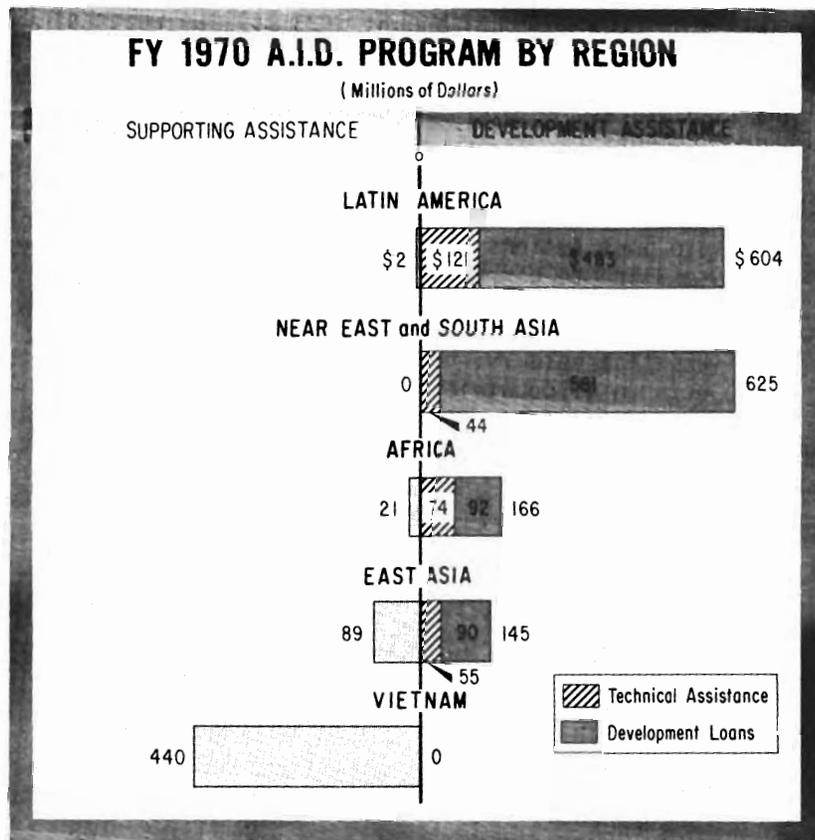
The Contingency Fund, for which \$40 million is requested, is used for assistance needs which are unforeseen or cannot be accurately defined at the time the proposed program is prepared and submitted to the Congress.

It is often used for urgent relief from disasters, such as earthquakes and floods, as well as for situations of major security interest to the United States.

The program for American Schools and Hospitals Abroad helps finance construction and operating costs for a small number of schools and hospitals abroad which were founded or sponsored by Americans. Among these are the American University of Beirut, Robert College in Turkey, and Project HOPE. \$13 million is requested for FY 1970.

The \$54 million requested for Administrative Expenses is required for the salaries and related expenses of running the A.I.D. program. An additional \$3.8 million will be used for expenses of the State Department in carrying out certain activities related to foreign assistance.

PROPOSED PROGRAM AND LEGISLATION



Program by Region

Most of A.I.D.'s funds are used directly for the five regions in which A.I.D. has programs.

Latin America. The FY 1970 program proposed for Latin America amounts to \$605 million--\$483 million in Alliance for Progress Development Loans, \$121 million in Alliance Technical Assistance and \$1.8 million in Supporting Assistance.

\$494 million of the funds, or 81.5%, are proposed for Brazil, Chile, Colombia, Central America and inter-American and regional activities.

Near East and South Asia. The proposed FY 1970 program for the Near East and South Asia is \$625 million. This includes \$581 million in Development Loans and \$44 million in Technical Assistance.

Three major countries--India, Pakistan and Turkey--will receive 97% of these funds.

Africa. The proposed program for Africa for FY 1970 is \$186 million, consisting of \$92 million in Development Loans, \$74 million in Technical Assistance and \$21 million in Supporting Assistance.

Regular bilateral activities are proposed for FY 1970 for continuing programs in only ten African countries and for planned phase-out activities in an additional two countries. Twenty-three others will be eligible only for regional and multi-donor aid (for which \$70 million or 38% of the program is proposed) and for self-help funds, ranging normally from \$50,000 to \$100,000 a piece, for small one-time contributions to local projects.

East Asia. \$234 million is proposed for East Asia for FY 1970--\$90 million in Development Loans, \$55 million in Technical Assistance and \$89 million in Supporting Assistance.

The Development Loans are for Indonesia and Korea. The bulk of the Supporting Assistance is for Laos and Thailand, with the balance needed for grants for the Southeast Asia regional program and the final year of the planned phase-out of Supporting Assistance for Korea.

Vietnam. The \$440 million proposed for Vietnam for FY 1970 comes entirely from Supporting Assistance. It is used for program needs and a small amount, as in past years, to cover administrative expenses of the expanded Vietnam program.

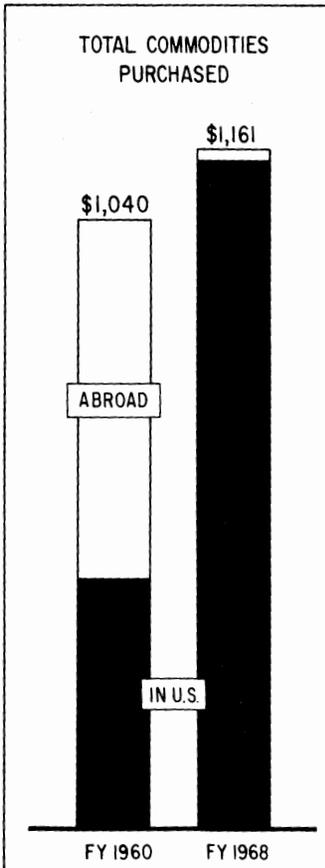
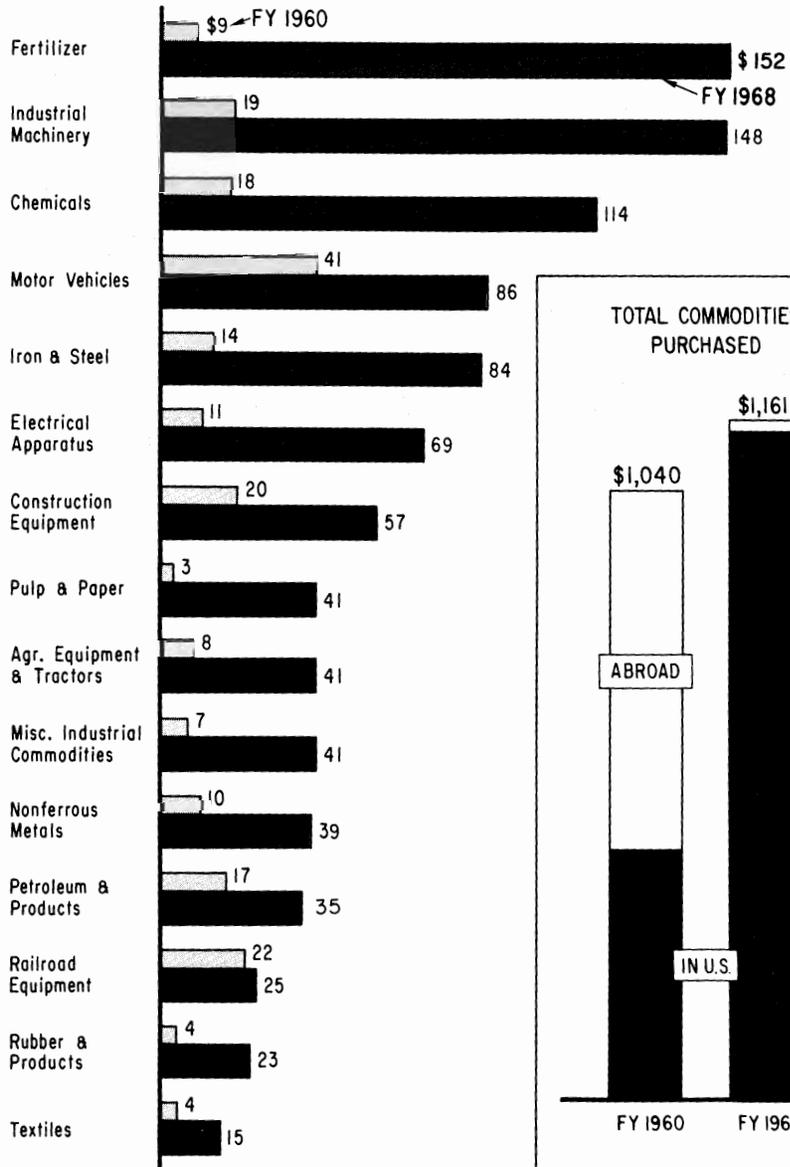
In addition, some A.I.D. funds are used for activities not directly connected with a particular country or region. These include contributions to worldwide multilateral organizations, administrative expenses and program activities such as research and support for private U.S. organizations involved in overseas development or relief work.

V. THE A.I.D. PROGRAM AND THE U.S. ECONOMY

Today's A.I.D. program does not send money abroad--it sends U.S. goods and services. The result of this tied procurement policy is that almost all A.I.D.'s dollars remain in this country to purchase American goods or to pay U.S. companies, universities and other private groups for American technical and professional services to carry out projects overseas.

### A.I.D. - FINANCED COMMODITY EXPENDITURES MAJOR COMMODITIES PURCHASED IN U.S.

FY 1968 vs FY 1960 - Millions of Dollars

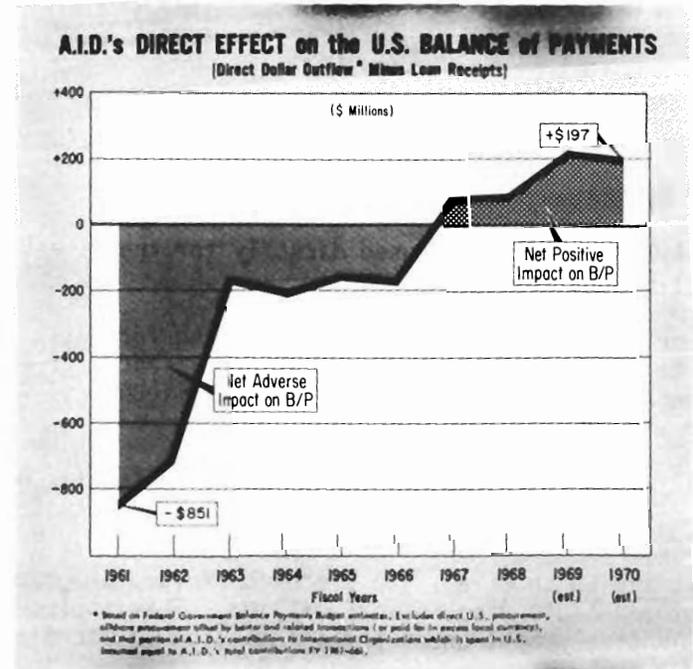


--Commodity procurement. In FY 1960 A.I.D. predecessor agencies (ICA and DLF) bought \$423 million worth of U.S. goods--only 41% of their total financing of commodities. In FY 1968 A.I.D. funds bought \$1,141 million worth from all 50 states, or over 98% of A.I.D.-financed commodity procurement.

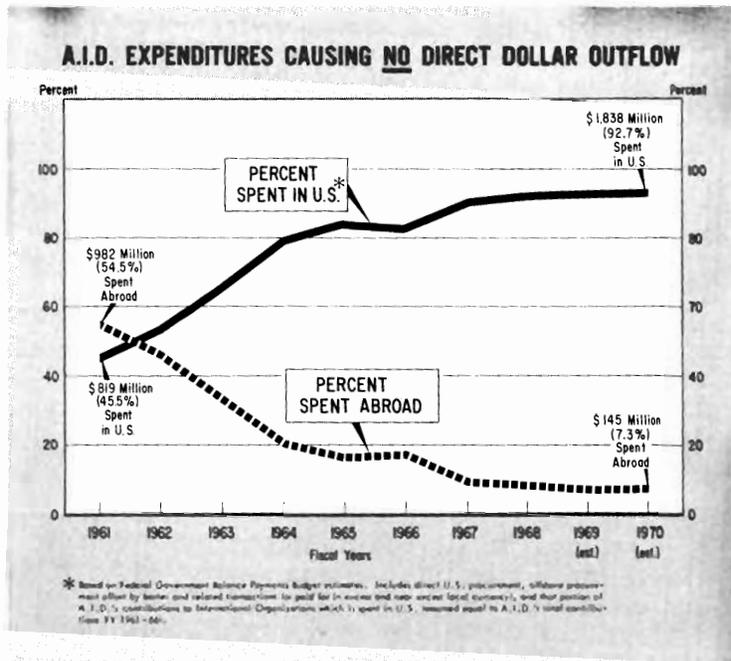
--Technical services contracts. As of December 31, 1968, A.I.D. had 1,059 active technical service contracts with private institutions, companies and individuals valued at \$629 million to carry out projects in 66 countries.

--University contracts. Of these, 114 American colleges and universities held 293 contracts worth \$211 million for projects in 40 countries.

As important as the benefits provided directly to U.S. firms by A.I.D.-financed activities is the fact that the A.I.D. program now has a positive direct impact on the U.S. balance of payments. In FY 1961 the program was responsible for a net outflow of \$851 million. In FY 1970 we estimate that the program will result in a net inflow of \$197 million. The amount of this net inflow will continue to rise, principally because of growing receipts of interest and principal repayments on past loans.



PROPOSED PROGRAM AND LEGISLATION



VI. PROGRAM CONCENTRATION IN A LIMITED NUMBER OF COUNTRIES

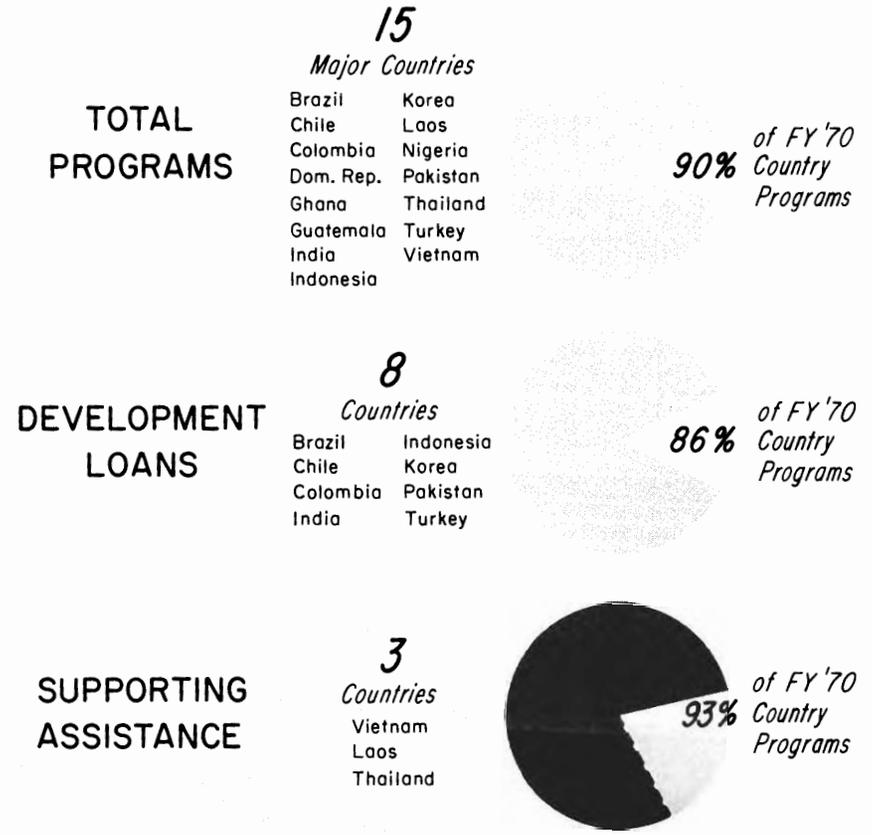
The A.I.D. program is highly concentrated in a small number of key countries.

In FY 1970 90% of country programs\* is proposed for only 15 countries. Eight of these countries--Brazil, Chile, Colombia, India, Indonesia, Korea, Pakistan and Turkey--are scheduled to get 86% of Development Loan funds in FY 1970. Supporting Assistance is even more concentrated, with 93% of country aid to go to three countries--Vietnam, Laos and Thailand. Some of these major countries, such as Turkey and Korea, will reach self-sustaining growth in the next few years.

Other countries such as Israel, Taiwan, Iran and Mexico, no longer require A.I.D. assistance.

\* Country programs exclude regional activities as well as inter-regional activities such as contributions to multilateral programs, administrative expenses, program support costs and the central research program.

CONCENTRATION OF COUNTRY PROGRAMS



The total number of countries receiving some form of assistance from A.I.D., no matter how limited, will drop from 76 in FY 1967 to 68 in FY 1970. But 23 of the 68 remaining countries--about one-third of the total--will not have regular A.I.D. programs in FY 1970. They are all African countries which, apart from regional programs, will be eligible only for self-help funds ranging normally from \$50,000 to \$100,000 apiece.

As a result of this phase-out of regular programs in the smaller African countries, the number of countries in which A.I.D. has regular bilateral programs will drop from 74 in FY 1967 to 45 proposed for FY 1970.

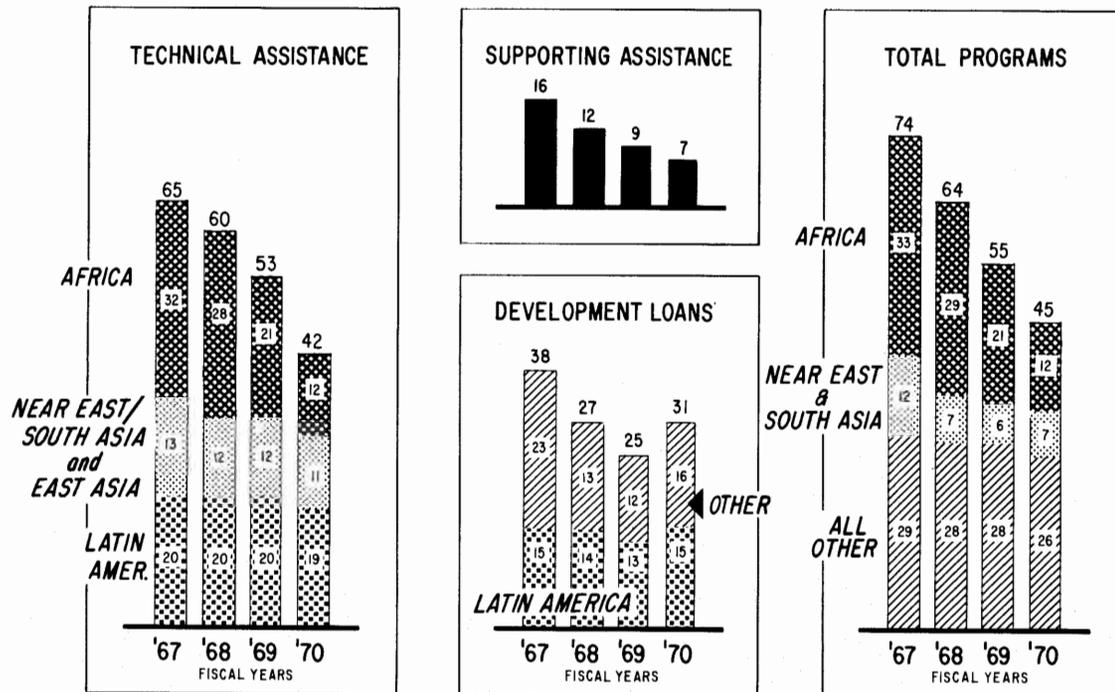
Regular Technical Assistance programs will have dropped during the same period from 65 to 42 (45 to 23 outside Latin America).

PROPOSED PROGRAM AND LEGISLATION

Development Loan programs will have gone from 38 in FY 1967 to 31 in FY 1970 (23 to 16 outside Latin America).

Over the same period Supporting Assistance programs will have dropped from 16 to 7.

**NUMBER OF COUNTRY PROGRAMS\***



\*Number of total programs includes all countries receiving any amount of A.I.D. assistance except those receiving only Self-Help Funds ranging normally from \$50,000 to \$100,000 of Technical Assistance per country per fiscal year (2 African countries in FY 1967, 5 in FY 1968, 13 in FY 1969 and 23 in FY 1970).

Number of countries receiving a particular category of assistance specified above includes countries receiving Contingency Funds in accordance with the provisions applicable to that category, but excludes countries receiving only (1) amendments of prior-year loans without change of scope, (2) funds programmed for necessary expenses of winding up terminated programs under Section 617 of the Foreign Assistance Act, or (3) Self-Help funds as described above (3 countries in FY 1967).

Supporting Assistance and Alliance for Progress Development Loans used in FY 1968 and FY 1969 as Technical Assistance grants for population programs under Title X of the Foreign Assistance Act are counted as Technical Assistance.

**VII. SELF-HELP**

A country's own determination to make progress is the most important single element in its development. Without it, aid from others is wasted. With it, outside aid can provide the critical extra margin of resources needed to accelerate growth:

--first, by concentrating development aid in countries which have shown by past actions that they are making the sacrifices necessary for development to succeed and are making good use of aid from others as well as their own resources;

--second, by making aid conditional on specific steps a country must take, from contributing to the project being financed to allocating its total resources more efficiently.

Development Loans, primarily non-project loans, are the main instruments A.I.D. has to encourage self-help policies and activities. The furnishing of these loans--both production loans (also called "program loans") and sector loans--is conditioned on self-help measures which may profoundly affect the whole economy or a significant sector of it.

For example, in order to receive our aid, countries have been required to liberalize import restrictions, increase tax collections, allocate more of their budget to agriculture or education, take specified steps to reduce inflation, or undertake other actions designed to help them make faster development progress.

**VIII. FOOD AND POPULATION**

The development of high-yield seeds and other advances in agricultural technology as well as the improvement and the increased acceptance of family planning methods make the solution of the world food problem within reach--if vigorous and sustained efforts are made to overcome it.

There is recent evidence that the problem of basic food shortages can be solved within the next two decades if there is broadly based growth in the economies of the developing nations. Agricultural production in the developing countries has increased substantially in recent years. In 1961, with a population of 1.4 billion, the developing nations of the free world produced 268 million tons of grain. In 1968, with a population more than 20% larger (1.7 billion), the same countries harvested over 24% more grain--335 million tons. Of the 45 countries scheduled to receive regular bilateral A.I.D. assistance in FY 1970, 22 have started official national family planning programs.

## PROPOSED PROGRAM AND LEGISLATION

Of the proposed FY 1970 A.I.D. program, about 26% is to be spent for agricultural and food production programs. \$280 million--the largest single amount--will finance exports of U.S. fertilizer.

Funds used for population activities have grown from about \$5 million in FY 1966 and FY 1967 to \$35 million in FY 1968 and about \$50 million for FY 1969. For FY 1970, A.I.D. will seek opportunities to continue expanding this assistance and increase the use of U.S.-owned local currencies in population and related health programs.

### IX. PRIVATE ENTERPRISE AND DEVELOPMENT

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

The proposals submitted to the Congress this year reflect this basic fact in two major ways--(1) by pointing the A.I.D. program more directly toward stimulation of private initiative in the less developed countries and (2) by creating a new Overseas Private Investment Corporation to increase the amount of U.S. private investment available for development.

(1) The A.I.D. program can help strengthen local private initiative in a number of ways. For example--

- Development Loans are used to encourage sound government policies which liberalize import and other restrictions hampering private economic growth and create a favorable climate for private investment.
- Development Loans also finance the importation of U.S. goods needed by private businessmen and farmers; help build the power plants, roads, dams and other basic facilities required to support expanding private activity; and provide resources for intermediate credit institutions which are an important source of capital to businessmen, farmers and homeowners in recipient countries.
- Technical Assistance helps strengthen individual skills and knowledge and equips the individual to

participate more effectively in the development process; it also helps private enterprise more directly through projects in, for example, management training, small industries development, tourism and development of local credit institutions.

--In addition 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 businesses and organizations in developing countries.

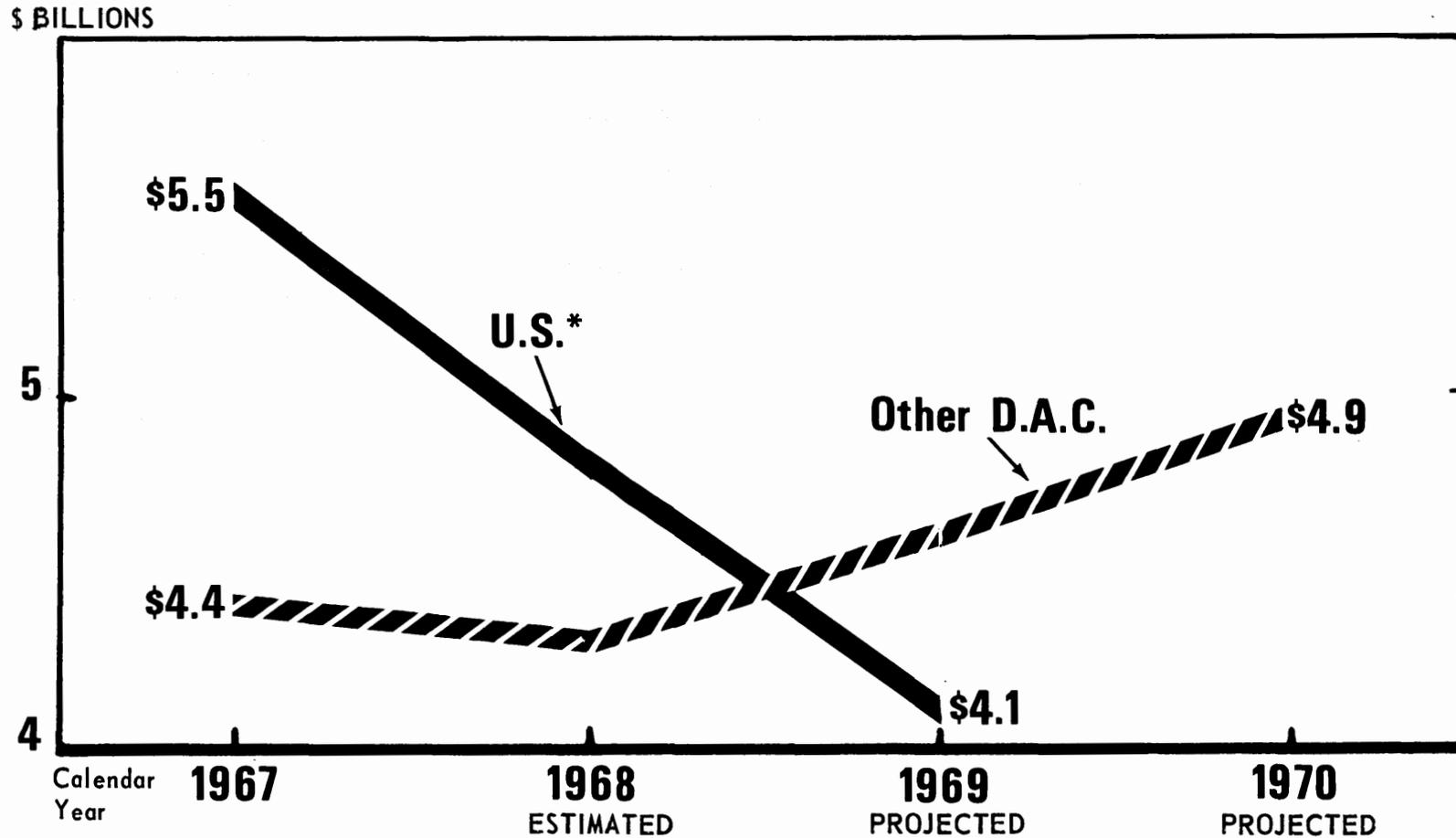
(2) The objective of the Overseas Private Investment Corporation will be to encourage direct investment of private American capital and technical know-how in the less developed countries.

The Corporation will be a separate federal agency set up to manage a number of investment incentive programs now administered by A.I.D. and carry out other special activities designed to help U.S. investment contribute to development.

The Corporation will have four main programs:

- Pre-investment assistance and promotion, which will provide information on possible investments and underwrite part of the cost of investigating potential projects.
- Investment insurance, which will cover U.S. investors against loss from the specific political risks of inconvertibility; expropriation; and war, revolution and insurrection.
- Investment financing, which will include (a) guarantying loans and other investment against such losses as the Board may determine, (b) making dollar loans for high priority projects, and (c) making local currency "Cooley" loans.
- Special activities such as financial support for privately managed technical assistance activities, on behalf of A.I.D., other U.S. Government agencies, or international development institutions.

## U.S. and Other Donors' Commitments of Financial Resources to Less Developed Countries and Multilateral Agencies



\*U.S. commitments levels are based on the DAC definition of resource flows and include, therefore, all U.S. economic assistance programs (A.I.D., P.L. 480, Peace Corps and contributions to multilateral banks) plus such other resource transfers as Export-Import Bank loans.

## PROPOSED PROGRAM AND LEGISLATION

### X. MULTILATERAL ASSISTANCE

A substantial portion of U.S. economic assistance is furnished in a multilateral framework.

The United States participates in a variety of multilateral coordinating and consultative groups and also contributes directly to multilateral banks and international organizations such as the UN Development Program (UNDP).

In FY 1970, \$152 million of the A.I.D. funds requested are for voluntary contributions to UN and other multilateral programs. The bulk of this amount is for technical assistance activities of the UNDP and other UN agencies.

The United States contributes directly, under separate legislation, to multilateral banks such as International Development Association, Inter-American Development Bank and Asian Development Bank. These banks provide capital assistance to developing countries.

Consortia, consultative groups and other aid groups led by the World Bank or other multilateral agencies are the coordinating mechanisms for external aid to most major development aid recipient countries.

The Development Assistance Committee (DAC), of which the United States is an active member, is the main mechanism for general coordination of all free world aid. Among DAC members the United States ranked eighth in 1968 in terms of official financial resource flows to the less developed countries and multilateral agencies measured either as a percent of GNP or as a percent of national income -- falling for the first time below the DAC average. Also for the first time the United States this year will contribute less than half of the financial resources going to less developed countries and multilateral agencies, with other countries' contributions expected to continue rising into 1970.

### XI. THE A.I.D. PIPELINE

A.I.D., like other government agencies and private businesses, has a pipeline of funds set aside for a specific purpose, but not yet spent. A.I.D.'s pipeline at the end of FY 1969 will total an estimated \$3.6 billion.

The length of time money remains in a pipeline depends on the type of project and the length of time it takes to complete the activity that the earmarked funds are to finance. A Development Loan project such as a fertilizer plant takes several years. A university contract team working on a Technical Assistance project is funded for a least twelve months at a time, with payments made when bills are submitted by the university.

Prudent use of funds is assured by continuing review of unused balances for projects in the pipeline. All slow-moving projects are examined to see whether original project objectives can still be met. When they are not, funds are deobligated after discussion with the recipient government.

When any project is finished and all bills are paid, any small remaining balance is made available for use for similar purposes. Except for these small balances, funds cannot be taken from unfulfilled commitments and used for other purposes without breaking legal obligations to American contractors and industries and disrupting the process of economic development. Equally important, if funds are prematurely withdrawn, projects remain unfinished, wasting the initial investment.

Each year about four-fifths of A.I.D.'s expenditures are from prior-year commitments, that is from the pipeline.

The proposed A.I.D. program for FY 1970 is \$2.4 billion. A.I.D. expenditures are estimated at about \$1.9 billion during that fiscal year. \$1.5 billion of those expenditures will result from prior-year commitments; only \$400 million of the FY 1970 program is expected to be expended during that fiscal year. The balance of the FY 1970 funds will be expended in the following fiscal years--as the goods and services needed to undertake projects started during FY 1970 are paid for.

ECONOMIC ASSISTANCE - SUMMARY OF PROGRAMS BY AREA AND COUNTRY - PROPOSED FY 1970 PROGRAM

(In thousands of dollars)

LATIN AMERICA - TOTAL	605,465	AFRICA - TOTAL	186,300	NEAR EAST AND SOUTH ASIA - TOTAL	624,745	MULTILATERAL ORGANIZATIONS AND PROGRAMS - TOTAL	152,230	OTHER PROGRAMS	
Contributions to Inter-American Organizations	15,100	Regional/Multidonor Programs	(69,563)	Afghanistan	7,800	International Atomic Energy Agency Operational Program	1,450	AMERICAN SCHOOLS AND HOSPITALS ABROAD	12,900
Regional Programs	49,606	Africa Regional Multidonor Programs	62,493	Ceylon	5,000				
Argentina	400	East Africa Regional	(7,070)	India	399,500	International Secretariat for Voluntary Services	70	ADMINISTRATIVE EXPENSES,	
Bolivia	15,300	<u>Development Emphasis Countries</u>		Jordan	1,600			A.I.D.	57,300
Brazil	187,000	East Africa	(14,712)	Nepal	2,565	Special Contributions for Vietnam	1,000	(Regular Expenses)	(55,000)
Central American Economic Community: Regional Office of Central America and Panama (ROCAP)	13,716	East Africa Regional	7,070	Pakistan	148,700	UN Children's Fund	13,000	(Reimbursable Costs)	(2,300)
Costa Rica	5,015	Kenya	2,405	Turkey	54,235	UN Development Fund	100,000	ADMINISTRATIVE AND OTHER EXPENSES, STATE	3,800
El Salvador	10,474	Tanzania	3,072	CENFO	350	UN Food and Agriculture Organization World Food Programs	1,500	RESEARCH AND ANALYSIS	10,000
Guatemala	18,100	Uganda	2,165	Regional Programs	4,995	UN Force in Cyprus	6,300	INSTITUTIONAL GRANTS, SEC. 211(d)	10,000
Honduras	9,450	Ghana	17,535	<u>EAST ASIA - TOTAL</u>	<u>233,885</u>	UN Institute for Training & Research	400	PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES	95,355
Nicaragua	6,693	Tunisia	11,015	Indonesia	66,500	UN Population Programs	2,500	FUNDED FROM ALLIANCE FOR PROGRESS FOR PROGRAM SUPPORT, INTERREGIONAL ACTIVITIES, RESEARCH AND SEC. 211(d)	-20,265
Chile	77,633	Ethiopia	10,900	Korea	49,800	UN Programs for Southern Africans	50	FUNDED FROM VIETNAM FOR PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES	-18,500
Colombia	94,721	Liberia	5,254	Laos	48,169	UN Relief and Works Agency	13,300	UNDISTRIBUTED CONTINGENCY FUND	50,000
Dominican Republic	21,267	Morocco	14,716	Philippines	6,675	UN Technical and Operational Assistance to the Congo	500		
Ecuador	8,328	Nigeria - Economic Development Programs	23,750	Thailand	45,000	World Health Organizations Medical Research	150		
Guyana	7,700	Nigeria - International Relief Effort	10,000	Regional Programs	17,750				
Haiti	1,500	Congo (Kinshasa)	10,975	<u>VIETNAM - TOTAL</u>	<u>440,000</u>	World Meteorological Organization-Voluntary Assistance Program	2,000		
Jamaica	535	<u>Other Bilateral Aid Countries</u>		Country Programs	415,000	Indus Basin Development, Loans	2,480		
Panama	16,625	Senegal	225	Expanded Vietnam Program:		Indus Basin Development, Grants	7,530		
Paraguay	6,350	Somali Republic	2,375	Administrative Expenses	6,500				
Peru	3,500	<u>Special Development Authority a/</u>	600	Program Support and Interregional Activities	18,500				
Uruguay	9,200	<u>Other African Countries: b/</u>							
Venezuela	887	Botswana	-						
Eastern Caribbean Regional Programs	6,100	Burundi	-						
Program Support, Inter-regional Activities, Research and Sec. 211(d)	20,265	Cameroon	-						
		Central African Republic	-						
		Chad	-						
		Dahomey	-						
		Equatorial Guinea	-						
		Gabon	-						
		Gambia	-						
		Guinea	-						
		Ivory Coast	-						
		Lesotho	-						
		Malagasy Republic	-						
		Malawi	-						
		Mali	-						
		Mauritius	-						
		Niger	-						
		Rwanda	-						
		Sierra Leone	-						
		Swaziland	-						
		Togo	-						
		Upper Volta	-						
		Zambia	-						
		Self-Help Projects b/	1,750						

ECONOMIC ASSISTANCE - GRAND TOTAL FY 1970 . . . . . 2,443,215

a/ Special development authority up to \$50,000 each for bilateral country programs listed above.

b/ Self-help funds only, ranging from \$50-100 thousand each, for all countries listed under "Other African Countries".

There is a moral quality in this nation that will not permit us to close our eyes to the want in this world, or to remain indifferent when the freedom and security of others are in danger.

RICHARD M. NIXON  
Foreign Aid Message to the Congress  
1969