

PN-AAA-985

~~CONFIDENTIAL~~



1/27/71

Contents

| | |
|---|----|
| Why foreign aid? | 2 |
| U.S. foreign aid: then and now | 4 |
| The international effort | 6 |
| What it costs | 7 |
| AID's challenge | |
| Food and nutrition | 9 |
| Population planning and health | 12 |
| Education and human resources | 17 |
| Housing | 18 |
| Women in development | 20 |
| Science and technology | 21 |
| Environment and energy | 22 |
| In the face of disaster | 25 |
| Reimbursable development | 26 |
| Aid for peace | 27 |



Why foreign aid?

On the edge of the Sahara Desert, the farmers of Koubou-Kire, Niger, grow two crops of rice a year instead of one.

In the Dominican Republic village of Outa Coraza, a local "barefoot doctor" is bringing health services to people who have never seen a doctor or nurse.

In a new, one-room school in an isolated Bolivian village, Indian children learn to read and write.

In the soul-crushing, crammed slums of Dacca, Bangladesh, a young couple learns how to plan for and determine the number of children they will have.

In the Indonesian wilderness, a former tenant farmer and his family are homesteading on five acres given to them by their government.

In Sudan, farmers travel on a new road to nearby towns to sell their surplus crops.

You can expect to hear and read a lot more about people like these in the years to come. They are among the billions who live in the Third World—in teeming shanty towns, in isolated mountain villages, in desert tents, in thatched huts, on city pavements. They are among the 700 million people who suffer from severe malnutrition, the 800 million people who can't read or write, the billion people who are afflicted with chronic diseases.

They suffer poverty so extreme that it defies description. Their living conditions are beyond the imagination of most Americans. That poverty does and will increasingly affect the way Americans live.



The days are gone when size, strength and near self-sufficiency shielded the United States from economic and political conditions elsewhere. Higher fuel prices are but one example of how U.S. security and economic well-being are tied to events and actions in other countries.

Petroleum is only one vital commodity the United States imports. For instance, the United States depends on Third World countries for 93% of its tin, essential to the electronics industry, for 85% of its bauxite, vital to the aircraft industry, for 79% of its cobalt, needed by the steel and nuclear industries.

By the year 2000, about 6 billion people—2 billion more than now—will crowd the globe. Nearly 90% of them will be living

in developing countries where extreme poverty, overpopulation, environmental degradation, food shortages and periodic famine are the rule. These conditions inevitably lead to political instability.

The Third World's economic, social and political development largely depends on the technological and financial help supplied by affluent, industrialized nations. For its security and well-being, the United States has a stake in that development.

For example:

U.S. exports to Third World countries have tripled in the last five years.

37% of U.S. manufactured exports are to the Third World.

U.S. exports to the Third World are three times greater than U.S. exports to Japan.

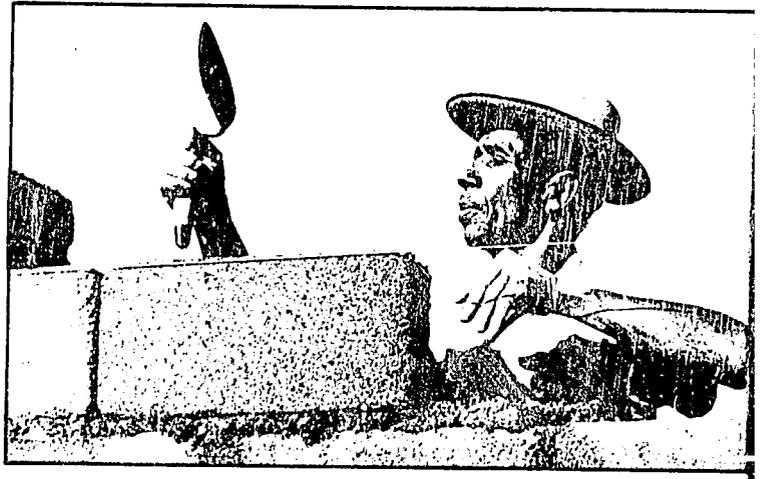
U.S. exports to the Third World exceed U.S. exports to all of industrialized Europe.

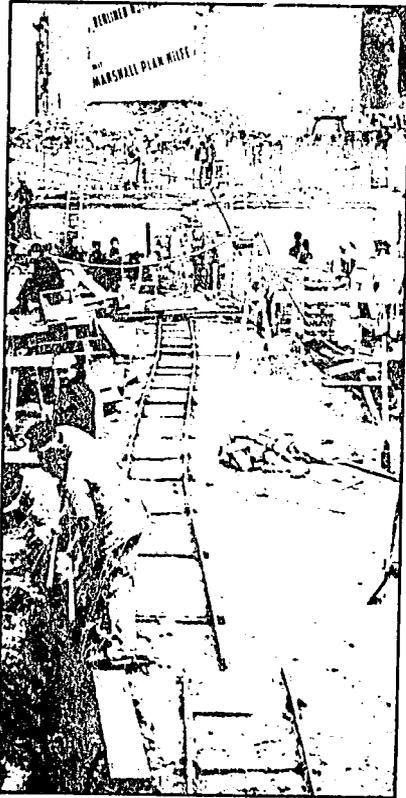
1.2 million U.S. jobs now depend on exports to the Third World.

One out of every three acres of U.S. farmland produces food for export, much of it to the Third World.

Almost half of U.S. private overseas investment is in the Third World.

The Third World's economic and political stability are, therefore, necessary to sustain a prosperous U.S. economy—and to build a productive and stable world economy.





The Marshall Plan helped reconstruct war-torn Europe.

U.S. foreign aid: then and now

U.S. foreign economic aid dates back to the early 1940s with American participation in various international efforts such as the Institute of Inter-American Affairs and the U.N. Relief and Rehabilitation Administration.

But economic assistance as a national policy had its origin in 1947 when Gen. George C. Marshall, then Secretary of State, called on the United States to help war-devastated Western Europe recover through the European Recovery Program—later known as the Marshall Plan.

Point IV, a program to provide technical assistance to Taiwan, South Korea, Indochina and the less-developed countries in Europe and the Middle East, was initiated by President Truman in 1949. This effort was supplemented in 1954 by the Food for Peace Act, which uses the United States' agricultural abundance to feed hungry people in other countries. In the late 1950s, the Development Loan Program was established, enabling developing countries to obtain capital assistance.

By 1961, when the Agency for International Development (AID) was established, the United States had directed its foreign aid mainly to the Third World on the premise that U.S. prosperity and security were linked to those countries' economic and social progress. As the decade wore on, however, U.S. participation in the Vietnam war obscured the development priorities of the foreign aid program.

The philosophy and conduct of foreign aid changed course with the passage of the "New Directions" legislation by Congress in 1973. During the 1960s, some

development strategists assumed that capital-intensive projects such as dams, railroads, highways and steel mills would guarantee an "economic takeoff" in the developing countries; that the benefits of such projects—jobs, food, education and higher incomes—would inevitably "trickle down" to the poorest people in those countries.

Results fell short of hopes, and experts now agree it is equally important to improve the distribution of benefits to the very poorest people. Even so, the capital intensive approach contributed to some notable achievements.

Average Third World life expectancy increased from 35 years to 50 years, the level attained in Western Europe only a few years after the beginning of the 20th century.

More food is available in the Third World, despite huge population increases.

The percentage of adults in low-income countries who can read and write rose from 10% to 23% between 1960 and 1974. Primary school enrollment has tripled and secondary school enrollment has increased sixfold throughout the Third World.

Some developing countries have achieved such great economic growth that they no longer need U.S. aid. They have established new economic relationships with the United States based on trade and private investment. Taiwan and South Korea are two such successes.

Encouraging as these gains are, they mask the fact that in most developing countries the benefits of economic progress have not reached the vast majority. Population growth has canceled

now

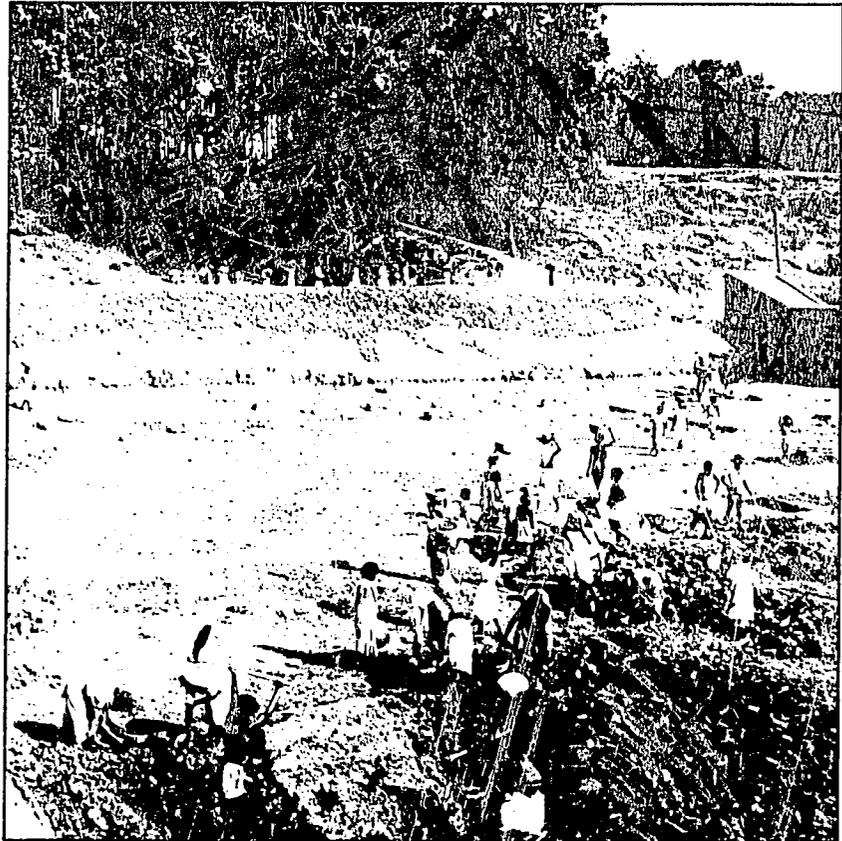
out many economic gains. About 1 billion people—one-fourth of the world's population—continue to live in abject poverty, in the poorest countries and in so-called middle-income countries. For example, in Brazil, a middle-income country, some 30 million people live on a subsistence level. The world's poorest people generally have been left behind

“New Directions” was the response to this situation, and not only by the United States. Throughout the world, donor and developing countries have redesigned their development programs to seek to raise the productivity and incomes of the poor and ultimately make Third World countries self-sufficient

This new strategy has become known as the “basic human needs” approach, aimed at equitable income growth. In practical application, it means increasing the access of the poor to such productive resources as land, water, fertilizer, seeds, tools and credit. It means increasing investment and production in those activities that employ unskilled labor. It means expanding health, nutrition and family planning services and education that improve, over time, the productive capacity and employment potential of the poor.

The “basic human needs” approach involves effective participation by the poor in decision-making so that their needs, desires, capacities and institutions are recognized, understood and given major emphasis. Without such participation, the poor may not benefit and their basic needs may not be met.

The U.S. aid program today concentrates on Third World development problems.



The international effort

The United States is not alone in helping Third World peoples achieve economic stability and higher living standards. Specialized United Nations agencies, international lending institutions, private voluntary organizations and other governments are sharing the effort. The United States is a major contributor to many of these institutions and groups. Such "multilateral" programs enable a group of countries and organizations to pool resources—technology, knowledge and skills—saving money and reducing duplication.

The U.S. contribution to multilateral institutions such as the World Bank and the United Nations Development Program is about \$3.6 billion a year. The World Bank, the Inter-American Development Bank, the Asian Development Bank and the African Development Fund each make loans at nearly commercial rates, but also provide low-interest, long-term loans.

AID administers direct—"bilateral"—U.S. aid to other countries in coordination with other U.S. government agencies, international agencies, the international

financial institutions, regional associations, Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development and the Organization of American States.

In addition to official U.S. foreign aid programs, private voluntary organizations have played an important role. It is estimated that Americans contribute more than \$1 billion a year to private U.S. humanitarian and self-help organizations working around the world. The organizations undertake low-cost, grass roots programs abroad. Since World War II, U.S. government agencies, including AID, have worked closely with these organizations to provide disaster relief, distribute food and maintain overseas schools and hospitals.

For example, with AID support, one U.S. private voluntary organization—Opportunities Industrialization Centers International—trains unemployed and unskilled people of several African countries in auto mechanics, secretarial skills, carpentry, plumbing, masonry, animal husbandry, farm technology and small business management.

The AID-supported Volunteer Development Corps assigns U.S. management specialists overseas to help cooperatives and other agencies solve organizational and management problems, to help plan financing and plant operations, and to advise on training and long-range planning. The corps has completed more than 100 projects.

The "matching grants" program, in which AID funds are matched by private



The problems of providing safe and plentiful water. Decade of Water.

organizations, greatly expands opportunities for international development. One matching grant of \$2.9 million is helping the YMCA carry out training, health, nutrition and sanitation projects. Another matching grant, to Medical Assistance Program International, will enable hospitals and clinics in 10 countries to provide community health services and health education to large numbers of needy people.

Thanks to AID grants to the International Eye Foundation, volunteer U.S. physicians are working to improve eye care for people in Kenya, Honduras, Peru and Jordan.



get special international attention in the U.S.

What it costs

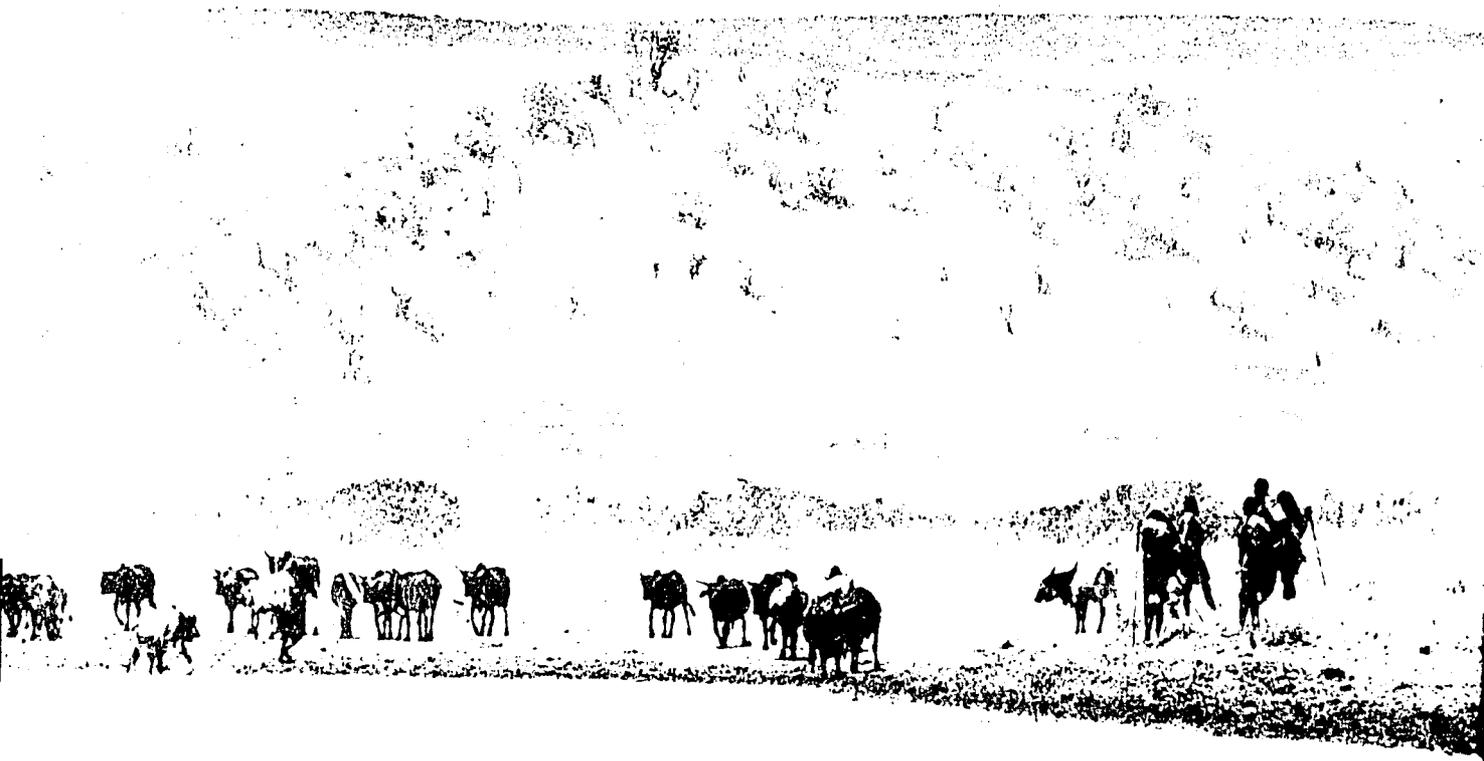
The average American pays roughly \$1,575 a year in federal income tax, of which \$5 goes to AID to carry out its programs. Out of that \$5, about \$3.75 is spent in the United States for goods and services needed in development programs abroad. The money provides jobs for U.S. workers, buys U.S. products and supports U.S. research institutions.

Thirty years ago, the United States was the only country offering economic aid as a national policy. Today, 12 other industrialized nations, as well as OPEC countries, commit a larger percentage of their resources to aid than does the United States.

About one-third of U.S. economic assistance is in the form of low-interest loans. In fiscal 1979, repayments of interest and principal to the United States were \$506 million, as compared to \$1.2 billion in new loans. The default record on AID loans is less than .04%.

The balance of U.S. aid is in the form of grants to support specific development efforts to help the poorest people; to provide emergency aid, such as in natural disasters; to assist non-governmental organizations in humanitarian and development activities; to finance research, and to expand the competence of U.S. institutions, especially colleges and universities, in development fields.





AID's challenge

Food and nutrition

Gaunt and hollow-eyed, they stare out from newspaper pictures and television screens—the African child with the distended belly, the old man with a begging bowl on the streets of Calcutta, the woman in Haiti too weak to move. For nearly one-quarter of the world's people, hunger and malnutrition are facts of life—day after day. Ironically, while world food production has increased, chronic hunger and severe malnutrition are more widespread than ever. The World Bank estimates that 700 million people are seriously undernourished, a disproportionate number of them being infants, children and women.

The widening use of high-yielding "miracle" wheat and rice has eased the world food situation, but many people still go hungry. Lack of money to buy or grow

food and the difficulty of storing and transporting it are major causes of hunger. Thus, any attempt to meet the world's food needs must raise incomes of poor people as well as increase food production and improve food distribution.

Economic, political, social and cultural factors complicate the issue further. The fact that so few farmers in the developing countries own land discourages intensive agricultural production and fosters underemployment.

Population growth is canceling out the gains in crop productivity some Third World countries have achieved. Of the 800 million persons expected to be born in the 1980s, 700 million will be born in the developing countries. Experts predict there will not be enough grain to feed these people.

Food shipments from the United States and other countries fend off the immediate threat of starvation. But the long-term solution rests with the developing countries. Fortunately, they contain more than 70% of the world's arable land. But good land and the will to produce more is not enough. Small farmers and low-income rural families need access to credit, markets and new agricultural technology, including improved seeds, fertilizers and tools. AID helps people irrigate land, drain

swamps, build roads, market produce, build storage facilities and set up rural electric systems. AID also encourages land tenancy and pricing reforms as incentives to farmers to grow more food, and helps local institutions to better manage their programs and deliver services.

Here are some examples of AID activities:

In Sri Lanka, a project financed by AID and the World Bank will bring 377,000 acres of land under cultivation. Another project will increase storage facilities for the anticipated rise in the country's agricultural production. Farm families with little or no land will be resettled where they will have roads, markets, schools and health centers.

An AID-funded project in Jamaica to develop fresh-water fisheries is expected to reduce greatly the country's dependence on imported fish, an important source of protein in the local diet. Provided with fingerlings, farmers are taught new, efficient methods of raising fish. An indirect benefit to the rural economy is an expanded industry that uses farm products and byproducts for fish food.

In several Latin American countries, AID is providing money for loans to small rural businesses. In the southern African countries of Lesotho and Botswana, management assistance is being provided through international organizations.



Children in Haiti receive nutritious meals their mothers learn to prepare at special centers.

The United States is the largest single donor to the Consultative Group on International Agricultural Research, which coordinates funding for 12 international research centers in the Philippines, Italy, Colombia, Nigeria, India, Peru, Ethiopia, Liberia, Syria, Kenya, Mexico and the United States, and one still to be established, probably in the Netherlands. The centers (which receive about 25% of their money from AID) help developing countries increase food production and improve food quality, with emphasis on new agricultural technology, better farming practices and crop disease control.

U.S. land- and sea-grant universities

have carried out many of AID's agricultural and rural development projects. In 1975, an amendment to the Foreign Assistance Act redirected the efforts of these universities toward helping Third World countries develop their own agricultural services.

The Board for International Food and Agricultural Development coordinates AID efforts with the U.S. universities. To date, 19 projects totaling \$64 million are under way. Another 16 projects with ultimate costs of \$69 million have been approved, and still another 19 costing \$183 million are in advanced planning stages.

For example, in Yemen, the University of Arizona is introducing the U.S. land-



grant university concept of integrated teaching, research and extension. Yemen is planning its first agricultural training school and is establishing policy analysis and planning programs for agricultural and rural development.

In Botswana, South Dakota State University is helping the government create a locally staffed training facility for agriculture, animal health and community development.

As the developing countries struggle to grow enough food to feed their rapidly increasing populations, U.S. farmers are helping bridge the gap through the Food for Peace program. Established in 1954, Food for Peace puts the United States'

agricultural abundance to work for humanitarian and economic development purposes. The program has fed more than 100 million people in more than 100 countries, delivering 270 million tons of food valued at \$28 billion.

The United States gives food aid to victims of famine or other natural disasters abroad. Food aid also helps countries cope with unexpected crop shortages or balance-of-payments difficulties, allowing their long-term economic development to keep pace.

Under Title I of the Food for Peace program, agricultural commodities are sold to Third World countries on long-term credit by the U.S. Department of Agricul-

ture. Title II, administered mainly by AID, provides food during disasters and other emergencies. Many Title II commodities are distributed via U.S. voluntary agencies, such as CARE and Catholic Relief Services. Under Title II, the U.S. government contributes about 25% of the food annually distributed by the U.N. World Food Program.

Title II commodities also are used in "food for work" projects, such as one in Bangladesh, where laborers are paid in food for building irrigation systems. In Haiti, workers were paid in food to build a road for isolated farmers to get their produce to market. Thus, Title II alleviates malnutrition and creates rural jobs through development projects.

In all cases, the United States provides food aid only after it has determined that there is a need, that adequate storage is available and that food production in the recipient country will not be discouraged.

In 1977, Congress enacted another food program—Title III, or Food for Development. Under this program, multi-year food aid agreements allow a developing country to use money owed the United States for specific development projects benefiting the needy.

Population planning and health

Vaccination programs help control diseases in the Third World.



The average annual population growth in the developing countries is roughly 2.3%—considerably higher than the world average of 1.6%. The world's population by 2000 is expected to be 6 billion, nearly 90% of whom will live in the Third World.

For developing countries, already beset with high unemployment, low productivity and limited resources, high population increases hamper efforts to improve people's lives. Hard-won gains in agricultural and industrial output, instead of financing investment or raising workers' incomes, go toward supporting more people.

Many Third World countries now recognize that stabilizing the size of their populations is essential to economic development progress. More than 80 countries—with 94% of the developing world's population—have national family planning programs related to their development plans. Fifteen years ago, only four Third World countries had such programs. In 1965, Congress for the first

time included funds in the foreign aid bill to support population programs when requested by Third World governments.

AID, instrumental in building a world-wide commitment to voluntary family planning, helps Third World countries extend family planning services and information, particularly in rural areas. AID's conviction is that to achieve immediate, short-term results, couples should have safe, effective and affordable family planning services readily available to them. Long-term reduction in population growth depends on social and economic changes that make smaller families more desirable—for example, by broadening women's employment and educational opportunities and by reducing parents' dependence on children for support in their old age.

AID first began population assistance programs in Thailand and Indonesia, at a time when both had national policies and laws that promoted excessive population growth.

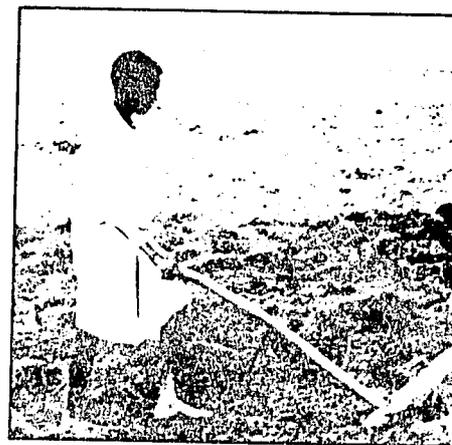
Both governments are committed to lowering their birth rates. They revised laws and sent thousands of trained family planning workers out into the field. They set up grass roots systems to distribute contraceptives. Today, birth rates are falling in both countries. In Indonesia, the world's fifth most populous nation, the use of contraceptives has risen from zero to almost 40%.

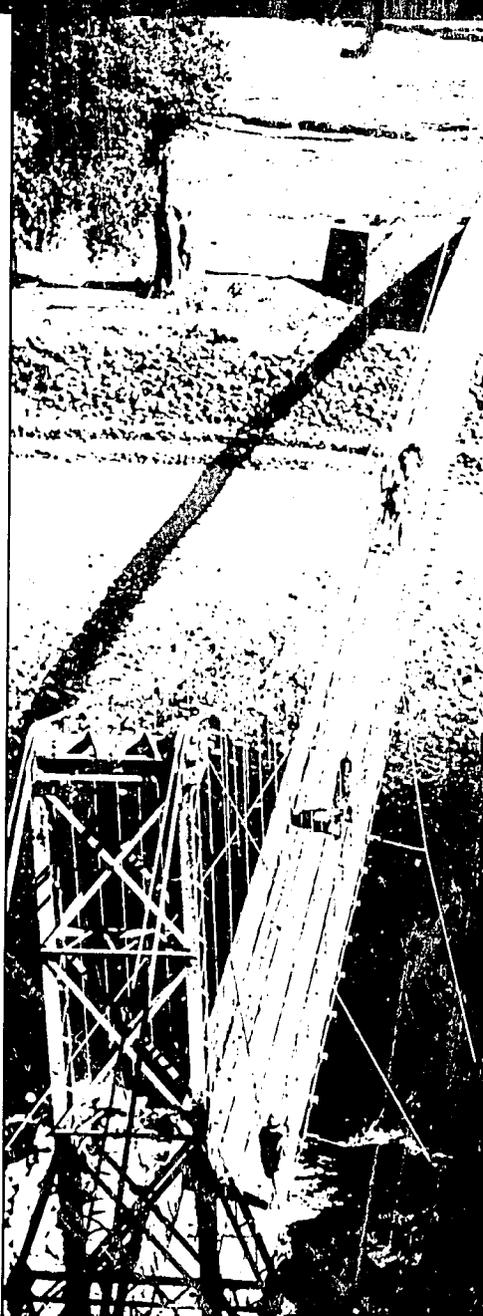
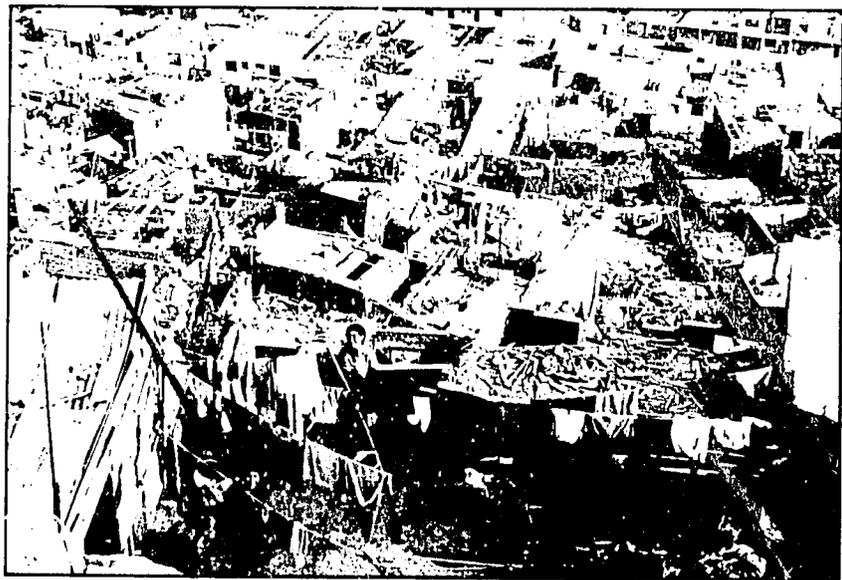
Elsewhere, AID's support for medical and demographic research, commercial marketing of contraceptives, communicating of family planning information and expanded educational and vocational opportunities for women is also having positive results.

In Jamaica, AID helped develop a subsidized system in which condoms and pills are sold in small shops and market stalls. Sales of contraceptives, an intensive government-supported family planning training and information campaign, government-supported voluntary sterilization services and a network of



Family planning services and information help developing countries slow population growth.





rural family welfare centers have enrolled 42% of Jamaica's 220,000 couples of child-bearing age.

AID also is incorporating family planning in its agriculture, health and education programs, an approach that many countries favor.

Birth-spacing is a key element in improving maternal and child health. More than half the people who die every year in developing countries are children under 5 years old. Chronic disease, poor diet, scarcity of clean water, erratic or inadequate harvests and lack of basic health care take a large toll.

The major health problems of the poor, such as respiratory infections and malnutrition, can be reduced at a reasonable cost through preventive health care; community health, nutrition and family planning services; cleaner drinking water; better sanitation; and control of malaria and major communicable diseases.

Third World countries are increasing efforts to provide basic health services to their people. Village leaders and paramed-

ics extend health, nutrition and family planning services to rural areas, emphasizing disease prevention through immunization, water control, hygiene and sanitation, nutrition education, pre- and post-natal care and treatment of minor ailments.

In the developing world, nine out of 10 people lack safe drinking water and sanitary waste disposal. AID is helping make such services available to help prevent the spread of water-borne diseases. In Benin, 230 safe rural water sources are being developed, hydrologists trained and villagers educated in sanitary practices. In the Philippines, the Barangay water project supplies safe water to 500 communities under local management.

The Montero health project in Bolivia exemplifies projects that combine basic health services with water control, immunization and paramedical and management training. Local Bolivian health "promoters" reach 200,000 people in isolated areas who have not had any health services before.

Education and human resources

Education unleashes human potential. It can help a worker become more skillful, a manager more creative, a farmer more productive. Every aspect of economic and social progress hinges on education.

The last 30 years have seen a remarkable broadening of educational opportunities in the Third World. In 1950, 65 million children in developing countries were enrolled in primary schools. Twenty years later, the number had jumped to 201 million. Between 1960 and 1975, the percentage of children attending school in low-income countries increased from 30% to 52%. A great deal of this progress was AID-supported.

Despite advances, the total number of people having no education has soared because of population growth. Close to 1 billion adults—a majority of whom

live in the developing countries—are illiterate. Women generally are denied education. Many children drop out of school. For those who stay in school, training often is irrelevant.

AID-assisted programs throughout the Third World are helping meet the practical educational needs of poor people, especially women and children. The programs stress primary schooling, vocational and technical training, community education, and administrative and managerial training. Modern educational techniques, including radio and satellite communications, are reaching people in remote areas.

In Guatemala, Ecuador, Colombia, Ghana, Nigeria and other countries, AID has helped develop low-cost comic books and photo-novels to spread the word



Training programs like this one in Nepal teach the technical skills necessary for economic development.

about family planning, new farming methods and proper health care. These have been particularly useful to people who cannot read or write.

In Morocco, two AID-funded training centers are teaching women electronics, drafting, accounting and stenography. Job placement is included.

AID also lends support to the American Institute for Free Labor Development, the African-American Labor Center and the Asian-American Free Labor Institute, which educate workers in reading and writing, cooperative management, health care, occupational health and safety, and other subjects.

In addition to its educational programs overseas, AID annually brings about 8,000 men and women from the Third World to the United States for specialized training and advanced education. Called AID "participants," they return to their countries where they become university presidents and professors, rural health officers, agricultural technicians, labor leaders, engineers, teachers, legislative leaders and government officials. In the last quarter of a century, approximately 187,000 participants have received training under the U.S. foreign aid program.

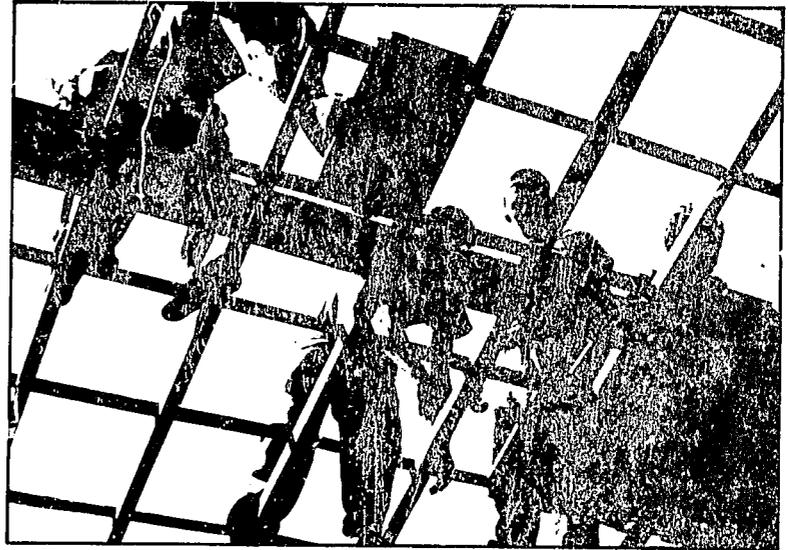


Formal education provides developing countries with much needed professionals in such fields as electronics.

Housing

After food and good health, the next most important factor for human survival is shelter. The Third World's most acute housing shortages are in cities. It is estimated that nearly 1 billion people— one-third of the developing world population—live in cities, the result of natural population increase and the world-wide phenomenon of rural-to-urban migration. There is no indication that this trend will reverse itself in the near future.

To live in a Dacca *bustee*, a Lima *barrio* or a Lusaka squatter settlement is to live in a world stripped of every amenity—as well as what Westerners consider necessities. The average home lacks electricity, safe water and sewerage facilities. Construction often is makeshift—cardboard boxes, plastic sheeting, twine and scraps of wood and sheet metal—a tenuous barrier against



the elements. It is not uncommon for a family of six or more to live in a room 10 feet square. Intense crowding and lack of sanitation encourages disease.

Many such squatter settlements have sprung up on undeveloped public lands. Governments frequently raze the slums. Thus, many squatters live from day to day not knowing how long they will be allowed to stay. In some countries, slum dwellers have organized for protection. The growing political power of slum dwellers is forcing some change in national policies, programs and budgets.

To ease these conditions, AID's housing guaranty program helps Third World countries analyze their requirements and adopt housing policies and programs that include services such as health, education, vocational training and job opportunities. The AID program, in

which U.S. private lenders provide long-term financing for housing, is underwritten by the U.S. government to compensate lenders in case of loss. Interest rates, established by competition among lenders, reflect the current cost of money in the U.S. bond market. AID charges a fee for its guaranty to cover operating expenses and to provide reserves against claims. The program is virtually self-financing.

The housing guaranty program has grown from a \$10 million experiment in 1961 to a \$1 billion-plus resource. It represents the largest single source of international financing for shelter. In the past 18 years, 118 housing loans totaling more than \$1 billion have been authorized in 35 countries and to two regional institutions.

In Lesotho, a local housing cooperative makes and sells low-cost building mate-

rials under an AID-supported program.

With technical assistance from AID, a self-help housing agency has been developed to build and improve shelters within the squatter settlement areas of Gaborone, Botswana. The agency has become a model that the government hopes to copy in other urban areas.

In Thailand, AID consultants have helped the government analyze its housing needs and have recommended major policy changes to reach low-income families. The Thais have started to restructure national housing policies.

The Bolivian Savings and Loan system was developed through AID technical and capital assistance in the 1960s. Today, the system has assets of about \$26 million, and is lending money to low-income families for home construction or improvement.



Women in development

"Educate a woman and you educate a nation," advises an African proverb.

Ironically, neither Africa nor the rest of the Third World has heeded those words of wisdom. Even the industrialized nations, wrestling with their own biases against women, have been slow to recognize that women's role—as nurturers, producers, providers and teachers—is central to development.

Throughout the Third World, women are responsible for much of the agricultural production. They are the "bankers" and traders in rural cash and barter economies. They are directly responsible for the good health and nutrition of their families. They often are the heads of households as extreme poverty and limited

farmland force more and more men to migrate to the cities to find jobs. Women are half of the problem—and half of the solution—in curbing the world's population growth.

But Third World women are largely unrecognized, their voices unheard, their needs ignored and their lives imprisoned by discriminatory customs and attitudes.

The responsibility for improving the

economic, political and social status of women rests with their own countries. Each has its own customs and traditions affecting women. Real progress for Third World women requires a commitment by the leaders of their countries.

However, U.S. foreign assistance can be a catalyst in involving women in their countries' development. AID supports projects in which Third World women are being educated in practical money-making skills. The women are involved in planning these projects. AID-sponsored research, conferences and liaison with international women's organizations are producing the information needed to plan economic programs that will enhance the status of women.

Science and technology

Properly applied, scientific and technological knowledge can help increase food production, prevent and cure disease, spur economic growth and create employment for the world's 1 billion impoverished people.

Science and technology can narrow the gap between rich and poor countries and help solve the global problems of environmental degradation, energy shortages and depletion of natural resources by introducing technology appropriate to Third World countries.

For example, the International Rice

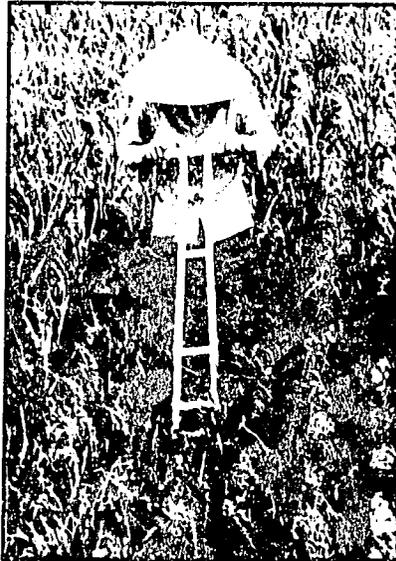
Research Institute in the Philippines has designed hundreds of grain dryers, seeders and threshers which substantially boost farm productivity and income in the Third World.

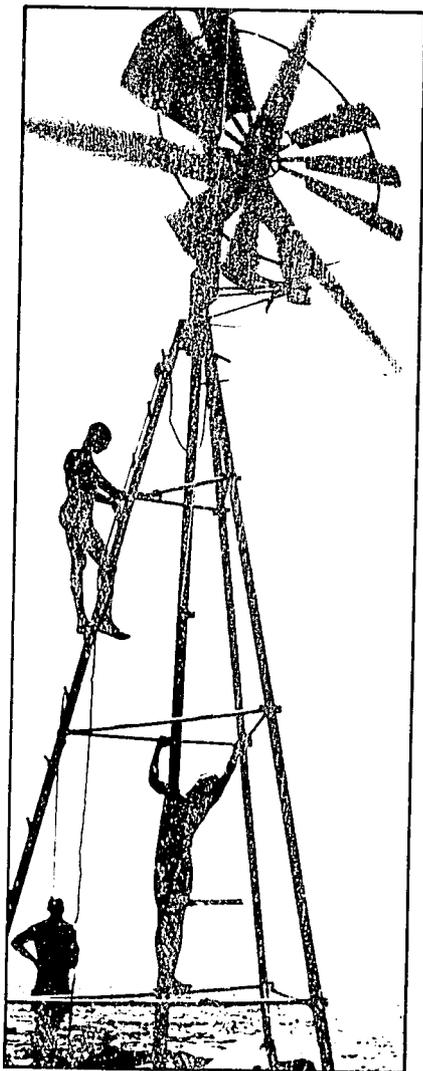
Technology has brought electricity to parts of the Third World, making tedious chores easier. AID's rural electrification programs make small rural industries possible and provide power to run irrigation pumps and other farm equipment.

Some of the more sophisticated technology in which the United States

excels can be used in the Third World. Remote sensing by satellites and weather and earthquake prediction can help many developing countries prepare for natural disasters. Satellites also can show scientists where widespread drought is likely to occur or where forests are being cut down, allowing developing country governments time to take preventive action.

AID's program seeks to increase the flow of scientific and technological information to the Third World, to train more Third World scientists and to encourage local research on problems.





Environment and energy

Environmental problems touch all societies and social groups—rich, poor, urban, rural, industrialized, agrarian. Very little is known, however, about managing the world's ecological systems for the long-term benefit of humankind. Only in the last decade or so have some governments become aware of environmental limitations and the need for measures to protect Earth's physical and biological systems.

In Third World countries, where soil erosion, deforestation, overgrazing and slash-and-burn cultivation are widespread, environmental protection is fundamental to successful development. AID helps these countries identify and solve environmental problems.

AID gives special attention to the environmental consequences of all its projects, especially the use of chemical pesticides. The Agency also trains its employees and their Third World counterparts about the environmental impact of economic development.

In the Sahel area of West Africa, for example, development planners and managers are trained to use satellite data about grazing patterns, water resources

and the growth of the desert.

In Costa Rica, a country plagued by severe soil erosion, AID is financing an experiment that enables farmers to grow food crops and trees on the same plots.

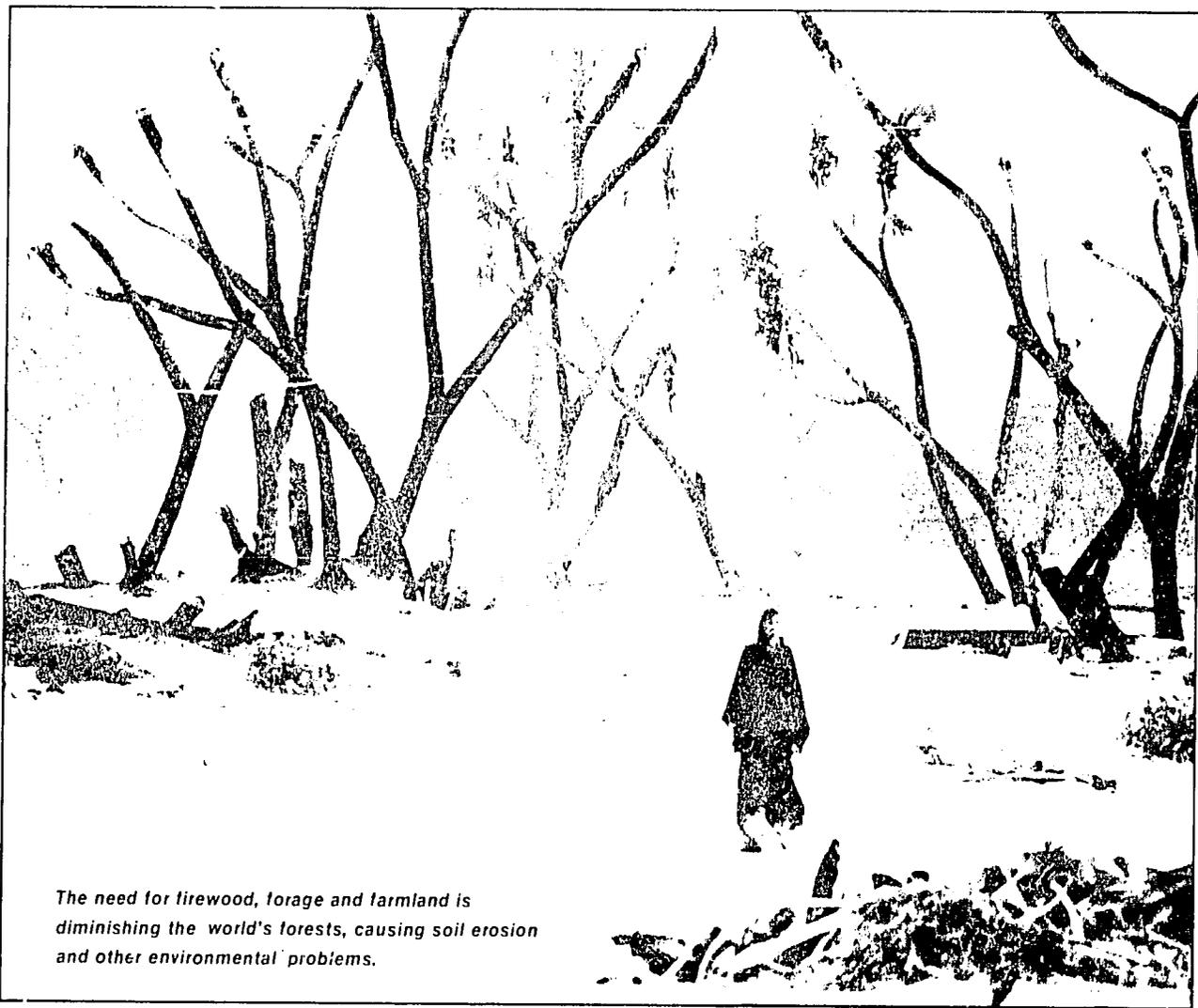
Developing countries face two energy crises of unprecedented proportions: the dwindling supplies of firewood and other fuels for cooking and heating as well as transportation, and the skyrocketing price of oil. These crises dim the prospect for steady economic growth.

Developing countries find it increasingly difficult to finance oil imports. AID is helping them find other "renewable" energy sources so they need not divert funds from economic development. AID is already helping some developing countries search for alternate energy supplies and train energy experts.

In Indonesia, agricultural wastes and wood residues are converted into fuel.

Solar energy also holds promise for rural areas, as tests on specially designed solar cookers in Upper Volta have shown.

In Nepal, teachers in remote areas are pioneering in the use of low-cost solar panels to power radios to broadcast educational information.



The need for firewood, forage and farmland is diminishing the world's forests, causing soil erosion and other environmental problems.



U.S. food aid is rushed to disaster victims.



In the face of disaster

Americans have traditionally responded generously when natural and manmade disasters strike. The first U.S. "foreign aid" appropriation was a \$50,000 grant for disaster relief to Venezuela in 1812, after an earthquake killed 25,000 people and left thousands injured and homeless.

The tradition continues today. Since 1964, the United States has helped victims of more than 570 disasters in 32 countries at a cost of \$1.9 billion.

AID's Office of Foreign Disaster Assistance coordinates U.S. government and private relief work whenever help is needed. Most disaster aid is channeled through U.S. voluntary agencies and international organizations such as the Red Cross and the U.N. High Commission on Refugees.

Over the years, this assistance has taken many forms: donations under the Food for Peace program; air search and rescue missions; medical supplies and personnel; shelter and equipment; and money to buy relief goods. To get relief items such as tents, blankets, water tanks, medicines, food and clothing to disaster sites quickly and efficiently, AID maintains regional disaster stockpiles in Guam, Singapore, Panama and Italy.

U.S. voluntary agencies have proved particularly effective in carrying out U.S. disaster relief. CARE, Catholic Relief Services, Church World Service and similar organizations helped build and repair 46,000 homes after a tidal wave struck southern India in 1977. AID also worked through the same agencies to

help small farmers get back into production, replacing 3,000 drowned bullocks and supplying seed for 25,000 acres of farmland.

Ultimately, long-term rehabilitation and disaster preparedness are as important as emergency relief. The Sahel region of West Africa, gripped by a prolonged drought in the late 1960s and early 1970s, is such a case. Even as emergency needs were being met—with the U.S. contributing \$230 million—the Sahelian and donor nations recognized the need to deal with the environmental, economic and social problems that contribute to the region's vulnerability to drought and famine.

A regional organization known as the Club du Sahel was formed. It has begun a comprehensive program in agriculture, livestock, range management, reforestation, road building, health, education and training. While it is highly probable that drought will recur in the Sahel, as it did in 1978, better planning and concerted action promise a less precarious life for the region's people.

The United States also has trained nearly 150 foreign officials in disaster relief, warning, prediction and preparedness. Modern U.S. technology plays an important role in disaster prediction and preparedness through satellites, computerized information systems and earthquake-resistant construction.

Cooperating with AID are experts from U.S. universities and private firms as well as other U.S. government agencies.

Reimbursable development

The Reimbursable Development Program helps more than 40 Third World countries that can afford to pay for their own development. Among them are Venezuela, Saudi Arabia, Brazil, Argentina and Taiwan.

While most of these countries have plans to accelerate their economic development, they often lack the expertise and technology to plan and carry out such programs.

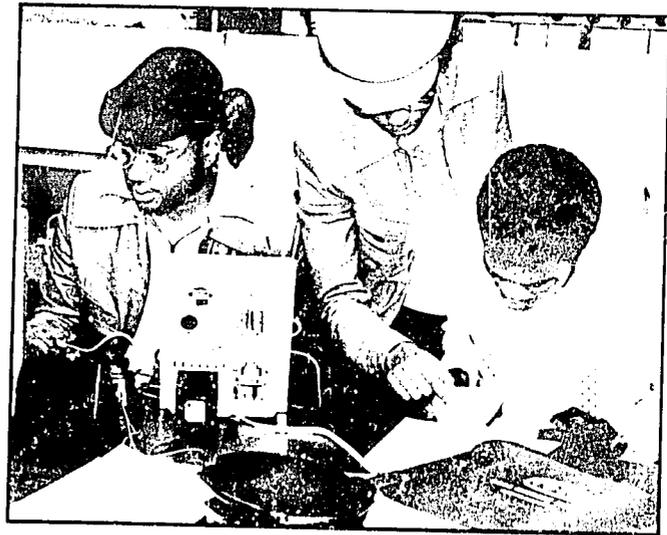
Acting as a "broker," AID brings together U.S. suppliers of goods and technical services and prospective buyers from developing countries. The Nigerian government, for example, is paying for the vocational training that 2,000 Nigerian men and women are receiving now in the United States. The U.S. Bureau of Reclamation is evaluating Peru's national irrigation system for possible improvement. The Thai government signed a \$4.5 million contract with a U.S. firm to design a gas pipeline. This program is expected to result in \$500 million in contracts for U.S. procurement of construction services.

The largest reimbursable development program is with Saudi Arabia, where the U.S. government and U.S. firms are providing more than \$850 million in technical goods and services.

These and other projects generate \$1.2 billion in sales for the United States.



The Nigerian government is paying for the training of young Nigerians in the United States.



Aid for peace

On March 26, 1979, Egypt and Israel signed a peace treaty. The historic event came about partly through U.S. economic support to those two Middle East countries.

The United States provides economic assistance from the Economic Support Fund (ESF) in regions where peace is threatened or normal conditions are disturbed and the United States has special interests. The crisis can be of a political nature, as in the Middle East or southern Africa, or it can result from serious financial strain, such as in Turkey.

ESF is a flexible foreign policy tool to help countries solve problems that might cause global economic and political problems.

At the same time, it contributes to improving the lot of the very poor people in those countries—by increasing food production, improving education and getting better health care to rural areas. ESF programs are similar to the regular bilateral economic aid programs called

Development Assistance. The difference is that ESF assistance can go toward such efforts as financing commodity imports, building roads, digging irrigation ditches and developing telecommunications systems. Development Assistance is restricted to programs that more directly meet the basic human needs of food, education and health care.

AID is responsible for making certain that ESF money is used for economically and technically sound projects and purposes. ESF is nearly 40% of the U.S. foreign economic assistance program. Most of it goes to Egypt, Israel, Jordan and Syria, with the rest to southern Africa to promote peaceful transition to majority rule, to Turkey and to other smaller programs.

At times, small amounts of ESF assistance are used for economic activities involved in securing agreements for U.S. access to military facilities abroad such as naval bases, airfields or communications facilities in Spain, the

Philippines and the Azores.

The ESF program grew out of the Cold War era of the 1950s when U.S. economic aid bolstered allies' economies so they could meet their defense commitments.

Perhaps the most important element in a country's search for a peaceful resolution of disputes is the confidence of its people that they will have a better future. If they have this confidence, their leaders can negotiate in a difficult regional situation. Such was the case in the Middle East.

In Egypt, the United States helps the government import basic necessities so they can be sold to Egyptians at prices they can afford. At the same time, the economic support program helps the Egyptian people increase food production and employment opportunities; improve public services in education, health and family planning; and give special attention to the role of women in the society.

In a similar manner, economic support

to Israel helps the government provide for the security and well-being of its people.

The countries of southern Africa are experiencing dramatic change in their transition to majority rule. New national identities are being forged, new boundaries established, new trade relationships formed, new transport routes created. These changes can erupt into serious conflicts. However, if resources are available so that attention can be focused on regional solutions, energies will be directed toward economic and social development instead of violence.

Economic support provides education and training, relieves balance-of-payments problems and modernizes transportation and communications. It also improves the quality of life through soil and water conservation, health care, crop research and agricultural marketing. Special attention is also given to crowded city conditions.

Turkey is an important ally and a member of NATO. It faces the challenge of economic development within a democratic political framework. While economic growth has been impressive, Turkey is now suffering from high inflation and unemployment aggravated by the recession in Western Europe. Along with the international lending institutions and other donors, the United States is planning balance-of-payments support to help Turkey stabilize its financial condition.

U.S. foreign aid is a necessary ingredient to peace in the Middle East.

