

PA-ABG-360





DEVELOPMENTS SINCE THIS BROCHURE WENT TO PRESS
IN SEPTEMBER 1969

OPIC

In accordance with the President's request, Congress authorized the establishment of the Overseas Private Investment Corporation and appropriated \$37.5 million for investment guaranty reserves for the Corporation for fiscal year 1970. The President has requested the same amount for OPIC reserves for FY 1971.

AUTHORIZATION

For the first time in the history of the program Congress put foreign aid on a two-year authorization. Appropriations continue to be on an annual basis.

APPROPRIATION FOR FISCAL YEAR 1970 AND REQUEST FOR FY 1971

The following table shows the FY 1970 Administration request for AID as reported in the 1969 printing of The Challenge of Development, the actual appropriation approved by the Congress for fiscal year 1970, and the President's request for FY 1971.

	FY1970 Request	FY 1970 Appropriation	FY 1971 Request
Development Loans	\$ 676 million	\$ 300	\$ 570
Technical Assistance	(463)	(353.3)	(397)
Worldwide	224.5	166.8	183.5
International Organizations	122.6	105.0	122.6
Alliance for Progress	116.0	81.5	90.8
Alliance for Progress (Loans)	438	255	337.5
Contingency Fund	40	12.5	15
Supporting Assistance	515	395	414.6*
Other	79	109.2	78.9
Total AID	\$2.210 billion	\$1.425 billion	\$1.813 billion

*-- Excludes tentative amount of \$100 million for supplemental authorization and appropriation request for Vietnam to be formally transmitted to Congress at a later date.

Agency for
International
Development

**The
Challenge
of
Development**

Chapter One
Chapter Two
Chapter Three
Chapter Four
Chapter Five
Chapter Six
Chapter Seven
Chapter Eight

Why Foreign Aid? 3
A Fresh Approach 7
Reaching the Take-Off Point 9
The Green Revolution 13
Priority Programs 17
Key Elements of Aid 23
Sharing the Aid Effort 29
The Cost of Aid 33

Cover: Indian farmers use oxen to winnow their bumper crop of wheat. AID helped finance new high-yield seed and modern fertilizers which resulted in record wheat harvests in India. The 1968 total was over 16 million metric tons, up more than 5 million tons from the year before.



Left. A healthy Thai village child shields himself from the sun with a bamboo umbrella. Thailand, which commits more than one-half of its national budget to development, enjoys the highest economic growth rate in Southeast Asia—a testimonial to the AID doctrine that self-help is the first prerequisite of progress.

Gap Between Rich and Poor Nations

Chapter One: Why Foreign Aid?

Why Foreign Aid?

Why have five Presidents and 12 Congresses reaffirmed the American commitment to economic assistance for poor countries?

In his 1969 Message to Congress on the Foreign Aid Program, President Nixon reported the central conclusion he had drawn from an intensive examination of the aid program.

"U.S. assistance," the President said, "is essential to express and achieve our national goals in the international community—a world order of peace and justice."

The case for foreign aid rests, in general, on two broad pillars: self-interest and conscience.

Self-interest encompasses the security, well-being and continued progress of the United States and its people. Foreign aid helps the United States achieve these goals by helping other nations achieve them, too.

In today's world, its distances reduced by modern communications and jet travel, the very rich nations and the very poor nations live in full view of each other.

Although one-third of the world's people enjoy a prosperity unparalleled in human history, in nations where two-thirds of the people live:

Per Capita Gross
National Product

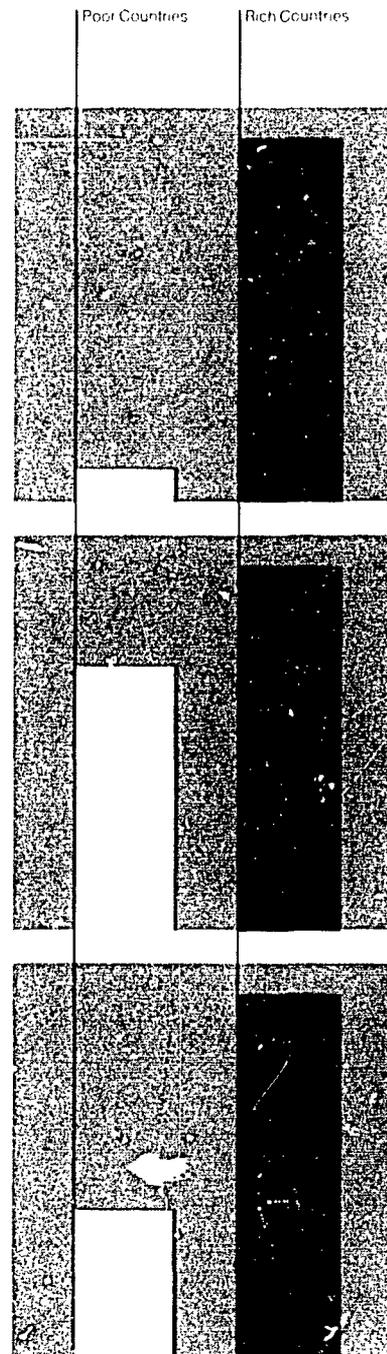
Poor \$195
Rich \$2,420

Life Expectancy

Poor 51 years
Rich 70 years

Literacy

Poor 40%
Rich 96%



- Three out of five adults can't read and write.
- Millions of children are permanently maimed by malnutrition.
- Diseases already conquered by science kill and debilitate great portions of the population.
- Per capita gross national product (GNP) averages \$195 per year, as compared with per capita GNP in the United States of \$4,360.
- Life expectancy is only 51 years as compared with 70 years in the developed nations.

In a landscape of poverty, ignorance and disease, people living in the world's relatively few pockets of affluence will have neither security nor peace of mind. The poor nations are determined upon change, and change is inevitable, if the underprivileged nations see the rich nations as allies in these changes, and not as complacent preservers of the status quo, there is a better chance that these changes will be peaceful and constructive.

The most basic self-interest of the United States calls for us to be partners in change, to help bring the developing nations into a community of nations having a stake in an orderly world.

President Nixon, in his foreign

This ancient method of obtaining water has limited Tunisia's agricultural productivity. With adequate irrigation the country within six years could grow enough wheat to meet its needs. Under AID contract, wells to help meet that goal are being drilled in a 20,000 square-mile region.



In Colombia, several AID-assisted development projects are in progress to improve the prospects of people like this impoverished woman laundering clothes in a river. Colombia is one of 15 countries in which U.S. foreign assistance is concentrated.

Smallpox and measles are major killers in Africa. This Nigerian child is among an estimated 110 million Africans to be immunized by 1972 against these diseases in an AID-assisted program.



A Liberian girl balances textbooks on her way to school. Expansion of educational opportunities is one of AID's major concerns in collaboration with the developing countries.



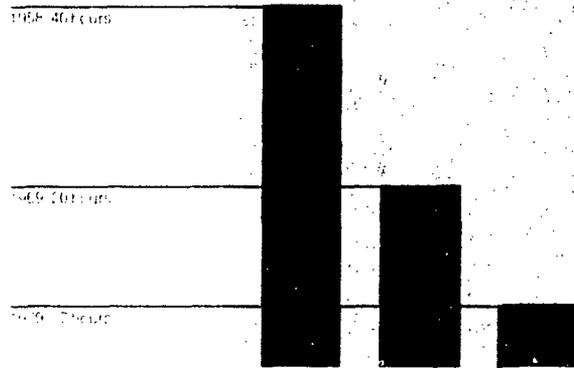
The Shrinking World: Hours to Jakarta

aid message to Congress, reviewed some of the areas of self-interest which foreign aid promotes. Certainly, he said, our efforts to help nations feed millions of their poor do help avert violence and upheaval that would be dangerous to peace . . . our economic aid to developing nations helps develop our own potential markets overseas . . . our assistance builds respect for the United States in the court of world opinion.

"These," the President said, "are all sound, practical reasons for our foreign aid programs."

"But they do not do justice to our fundamental character and purpose . . . a great nation must also be a good nation."

"We are doing what is *right* to do."



AID Has Helped:

- Train 460,000 teachers
- Distribute 108 million textbooks
- Provide 2 million tons of fertilizer
- Install 7.5 million kilowatts of generating capacity
- Establish 3,000 credit unions
- Protect 900 million people from malaria
- Train 7,000 doctors and 4,000 nurses

AID programs in India aim to help that country develop the ability to feed its own people. AID encourages the spread of recently developed high-yielding varieties of seeds and more intensive use of fertilizer and pesticides. Indian acreage planted to the new seeds has grown from 4.6 million acres in 1966-67 to an estimated 23.8 million acres in 1968-69. Food production, helped by good weather, was up 29 percent last year.





Chapter Two: A Fresh Approach

Left: Technical Assistance in Laos is represented by an AID advisor to a cluster of neighboring villages. His job is to motivate the villagers themselves to grow more and better food, better educate their children and organize community action to improve health and sanitation. Here the AID man sits with a villager at the site of a planned dam and discusses the changes the dam will bring.

The present day foreign aid programs were started after World War II as a largely American effort. Today, the provision of development loans and technical assistance to less developed countries is a normal part of the governmental activities of nearly all industrialized nations.

The Marshall Plan, a foreign aid program to help rebuild the developed countries of Western Europe after the devastation of World War II, was an immediate success. Its success may have played a part in the fact that Western Europe, then gravely threatened, escaped the fate of Eastern Europe.

Today, foreign aid means development: helping poorer nations to become self-sustaining. It is a difficult and long-range task.

American foreign aid has changed in other ways:

- Many of the countries we helped in the late 40's and early 50's now join us in helping the poor countries, so that foreign aid has become increasingly an international rather than an American effort.
- Aid, once given primarily as grants, is now given substantially as interest-bearing, dollar-repayable loans.
- Aid has become "tied." To avoid aggravating its balance

AID administers programs which offer incentives to American business enterprises to invest in the less developed countries. This Goodyear tire manufacturing plant near New Delhi produces 1,200 tires a day and employs 800 people. AID and the Government of India helped in the financing of the project.



of payments deficit, the United States requires recipients of our aid to buy the goods and services financed by AID almost entirely from the United States.

More recently President Nixon has directed further changes in the broad concepts of the U.S. aid program:

- Greater use of private enterprise as a dynamic force in the task of development. To accomplish this, the President has asked the

Congress to create an Overseas Private Investment Corporation to increase the developmental impact of U.S. private investment in the less developed countries. He has also proposed legislation directing the Agency for International Development to emphasize programs which encourage private initiatives in the recipient countries.

- Greater reliance on technical assistance to stimulate growth of the knowledge and skills of the people of the developing countries. About one-fifth of the AID funds will be devoted to such purposes.
- Greater use of multilateral channels, such as United Nations agencies, the World Bank and regional development banks, and closer burden-sharing arrangements between AID and other national aid programs in particular countries.
- Continued high priority for food production and family planning programs.

Looking ahead, the President has ordered a thorough-going review of our national policies toward the developing countries looking to the 1970's. The review will be conducted by a Presidential Task Force representing a broad cross-section of American opinion.



Chapter Three: Reaching the Take-Off Point

Left: Farmer Hshi Roy of Taiwan hoes the field which he now owns. Before terminating its assistance to rapidly developing Taiwan, AID encouraged land reforms which gave farmers like Hshi Roy the incentive to produce more food. As a result, agricultural production on Taiwan continues to rise almost five percent a year.

The long-range goal of foreign aid is to help underdeveloped nations reach the point at which they can continue their economic growth without further dependence on concessional aid.

In recent years, several developing nations have reached the "take-off" point and no longer require AID loans or grants. Others have reached self-sufficiency in the critically important area of food production and still others have come within sight of that goal. Here are some examples:

Taiwan

Taiwan provides an impressive example of what a vigorous self-help effort, supplemented by outside assistance, can accomplish. Between 1951 and 1965, Taiwan:

- Raised literacy from 57 percent to 81 percent.
- Eliminated malaria, which once afflicted millions and killed 12,000 a year.
- Carried out a land reform program which has resulted in 80 percent of the farmers owning their own land.
- Doubled the real income of the people.

By June 1965, Taiwan had reached the point at which AID assistance could be terminated. Taiwan's factories

and farms were, by 1968, exporting about \$800 million in goods annually, and earning the foreign currency needed to sustain its now self-generating development. The growth in gross national product for 1968 was estimated at over 10 percent. Taiwan, though by no means yet a rich country, is a graduate of the AID rolls and standing on its own feet.

Iran

The United States was able also, in 1967, to terminate AID assistance to Iran.

Iranian oil helped speed progress toward self-support, but the key was the use to which Iran put her oil revenues: three-quarters of those revenues—four times the total of U.S. economic aid—went back into development. Development plans were more effectively carried out because of the investment in Iran's "human capital" and infrastructure made by AID and other assistance programs.

During the period 1962-1967: industrial output jumped 85 percent and exports almost doubled . . . the rice, sugar and tea crops increased more than 50 percent through increased fertilizer use, irrigation and land reclamation . . . the gross national product rose 50 percent . . .

A Turkish lumberjack learns forestry under an AID technical assistance program. With a gross national product rising about six percent a year, Turkey is aiming for economic self-sufficiency by 1973.



Students learn lab techniques at a technical teachers' college in established in Iran with the help of U.S. foreign assistance. Iran's progress made it possible to terminate the AID program there in 1967.

A farmer in the Philippines heads home after a day in the rice paddy. U.S. foreign assistance helped make the Philippines self-sufficient in rice.

A new mechanized well provides water for a Pakistani family's laundry while also irrigating reclaimed land. AID has provided over \$40 million to help bring into production a quarter of a million acres of previously unused land in this part of West Pakistan. The country expects to produce enough wheat by the early 1970's to meet its own needs.

Korea's apple industry is one of many expanding enterprises which have contributed to an annual increase of about 11 percent in the country's gross national product. Because of Korea's economic advance the AID program, which totaled almost \$115 million in fiscal 1967, was reduced to less than \$46 million in 1969.



In the village of Tien Chung, Taiwan, a farmer speaks out at a cooperative meeting. AID has encouraged creation of cooperatives as a keystone of community development.

a nationwide land reform program was carried out.

Israel

Between 1951 and 1966 official U.S. loans and grants to Israel totaled almost \$500 million. During this period Israel's gross national product rose from \$1.1 billion to \$3.9 billion, an average growth rate of 8.7 percent a year. In the past 10 years Israel has almost tripled its industrial production, almost doubled its farm production and more than doubled its electrical output and export trade. In 1967 the United States was able to terminate all AID assistance to Israel.

Other countries in which the AID effort is concentrated are gathering momentum toward the achievement of self-sustaining growth.

Korea

Korea's progress has also been dramatic. The Republic's industrial output increased an estimated 28 percent during 1968 over the previous year. The overall growth, as measured by the gross national product, has averaged almost 11 percent annually in real terms over the past four years. Exports have jumped from \$119 million in 1964 to \$460 million in 1968—a yearly increase of 40 percent. Domestic savings



increased from seven percent of the gross national product in 1964 to 13 percent in 1968. The Republic has mobilized domestic capital for development by increased taxation and private savings programs; government revenue has increased from seven percent of the gross national product in 1964 to 13.7 percent in 1968.

The Philippines

The Philippines, which in 1965 imported 570,000 tons of rice, has now achieved self-sufficiency in that staple.

During the past three years, the Philippines brought 200,000 additional acres of land under intensive cultivation through expanded irrigation. Last year, the country built 3,500 schools, further modernized its tax system and conducted a national program to combat malnutrition which still afflicts about 80 percent of the population.

Pakistan

Pakistan's goal of food grain self-sufficiency, once virtually an impossible dream, seems likely to be reached in the early 1970's. For the five year period, 1965-70, economic growth is expected to be close to 35 percent. Agriculture, in the same period, is expected to register a 21

percent growth, as against a population increase of 15 percent. Industrial pace setters in 1968 were jute textiles, the production of which increased about 22 percent over the previous year, fertilizer production, up 14 percent, and synthetic cloth, up about 28 percent. Pakistan's exports increased 12 percent in 1968.

India

India's exports grew in fiscal year 1968 about 12 percent and industrial production was up seven percent. Among the encouraging signs in India were the continued high priorities assigned to economic policy reforms and agriculture. Government incentives are given considerable credit for stimulating improvements in both industrial and agricultural production.

That development aid is working, that development is gathering momentum, can be seen from the fact that the average annual growth rate in the less developed countries is 5.6 percent now, as against a rate of 4.6 percent for the 1950-60 period. The challenge is to maintain the momentum until growth becomes self-sustaining.



Left: These rice sawahs (wet fields) are ready for planting in Indonesia, where economists are working with AID's help to stabilize the economy and expand food production. Successful stabilization is the foundation for sound economic development.

The Value of Fertilizer

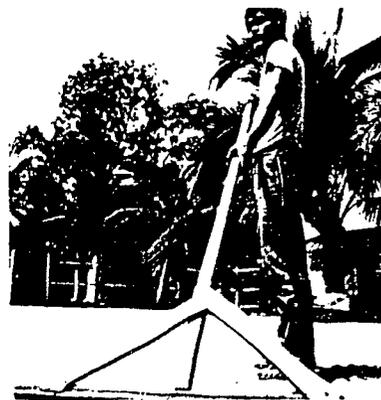
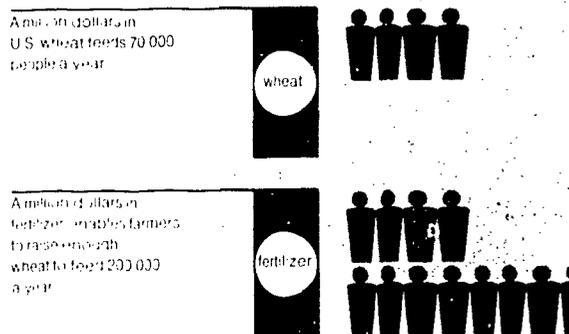
Chapter Four: The Green Revolution

The "green revolution" is the great surge in agricultural production brought about in the less developed world through high-yielding seeds, greater use of fertilizer and improved farm practices. Agriculture is increasingly the pivotal sector of development, and upon the success or failure of the green revolution hangs the fate—food or famine—of millions upon millions of our fellow human beings. The adequacy of the American assistance effort will be a key factor in that decision.

For the evidence is compelling that developing countries, given interim but sustained outside assistance, can achieve food self-sufficiency. In 1968, the developing nations of the free world produced 335 million tons of grain. That was an increase of about 26 percent over the 1960 harvest. A few countries have achieved food self-sufficiency in major staple foods, and others are on the verge of it.

Wheat

In 1968 wheat successes spread across traditionally food-poor lands. Marked success with new varieties in Tunisia, which has had a wheat deficit of 25 percent of total consumption during the past several years, has led to a program which could make



This Filipino farmer foresees a happy future for his children. His income has quadrupled following record harvests of "miracle rice" planted with the help of AID technicians who supplied "do-it-yourself" kits of high-yield seed, fertilizer and pesticides.

Tunisia self-sufficient in wheat by 1973. . . . In Paraguay, per-acre wheat output was 22 percent above 1964 yields. . . . In Bolivia, a program guided by Utah State University under AID contract to bring the country to 50 percent wheat self-sufficiency within 10 years is well ahead of schedule. . . . A real breakthrough in Afghanistan saw farmers participating in a new wheat program raise their average yields from 20 bushels per acre to about 50.

Pakistan

The achievement of food grain sufficiency which is envisaged in Pakistan stems directly from the recent adoption of high-yield wheat and rice varieties. In 1965, 12,000 acres were planted in the new high-yield wheats in West Pakistan. Three years later the new wheat was being planted on three million acres and this year the acreage given over to the new wheat is expected to double. It is no wonder, for the high-yield wheat seeds are giving Pakistan farmers yields that are two and three times those of the native wheat. Wheat production in West Pakistan rose from 4.4 million tons in 1967 to 6.5 million tons in 1968.

For continued success with the new seed varieties, Pakistan will have to strengthen its

Within the grasp of an Indian farmer is one of the solutions to India's food shortage—high-yield wheat. AID has encouraged the wide-spread planting of the new grain.

agricultural research effort; AID experts, provided under the technical assistance program, are helping in that task.

India

In India, too, agriculture is providing the major impetus to development momentum. India's gross national product was up 10.5 percent last year (1967-68) and credit for much of this advance goes to a 17 percent increase in agricultural production over the drought-depressed 1966-67 yield. This progress is attributable to the new seeds and fertilizers as well as to improved weather conditions.

During the past three years, there has been a rapid expansion of the area sown with improved seeds: 4.6 million acres in 1966-67 . . . 15 million acres in 1967-68 . . . a planned 24 million acres this year . . . and a target of 60 million acres by 1974.

AID has been closely involved in India's work with plant breeding. Here are some examples: AID technicians have helped set up the research facilities; American universities, under AID contract, participate in the work of eight agricultural universities; AID-financed loans help India import from the United States the fertilizer the

new seeds require.

Before starting the high-yielding program, India's highest yearly production of food grains was 89 million metric tons; this year the level is expected to be near 100 million tons.

But let us bring the story down to a single farm, run by an Indian farmer named Bussu Yadagiri Reddy. Reddy works a 60-acre farm, lives in a mud-plastered house—and is cooperating with the Andhra Pradesh Agricultural University's work with the new seeds.

Reddy's rice yield had never exceeded 3,500 pounds per acre. In 1965, using a rice seed imported from Taiwan and distributed by the University, he achieved a yield of 6,400 pounds per acre. Subsequently, using IR-8 rice, which the University imported from the Philippines, Reddy's yield rose to 9,000 pounds per acre. He hopes to replace it soon with a new variety developed in India, which can outyield IR-8.

Where Reddy lives, wheat was rarely grown. Last year, he was persuaded by university extension workers to plant a new wheat variety on two acres. He made a good profit, and this year he has planted more acreage in wheat because it is even more



profitable than the high-yielding rice.

Today Reddy is a village leader. Other farmers come to see his farm and learn the new practices he has adopted. They want his guidance and they want to follow the same methods. The impact of the demonstration is spreading through the villages of neighboring regions.

AID and the Green Revolution

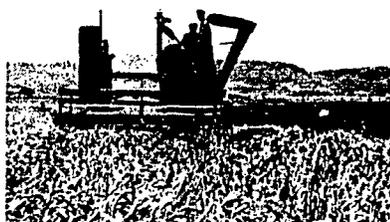
AID's two major instruments in promoting the success of the "green revolution" are development loans and technical assistance.

Development Loans provide the developing nations with the capital they need to invest in fertilizer, pesticides, water resources and other essential inputs. Loan negotiations offer the chance to persuade recipient countries to allocate more of their resources to the agricultural sector of their economies, to improve marketing, distribution and credit facilities and to take other steps needed for agricultural growth. Further, the loans themselves enable some countries to make policy changes which would otherwise be economically unfeasible. In Chile, for instance, AID loans supported government efforts which provide higher

Cattle graze on newly cleared land in Uganda where AID has helped establish a thriving beef industry. A loan of \$650,000 initiated the project which created some 50 ranches on which more than 10,000 steers now graze.

A farmer on Taiwan strains beneath the burden of his melon crop. Taiwan's success in the "green revolution" has made the country a major exporter of farm products throughout Asia.

These Turkish farmers are harvesting Mexican semi-dwarf wheat. AID's introduction of the high-yield variety to Turkey is expected to help make that country self-sufficient in wheat.



priority and increased public investment in agriculture, lowered the cost of fertilizer and other farm inputs and revised the price structure to improve farm income.

Hand in hand with capital assistance goes technical assistance. AID technical advisors help train local extension workers in the value and cultivation of the new seeds and in new agricultural techniques. American specialists help establish in the developing countries the kinds of institutions—agricultural universities, credit facilities, marketing and distribution cooperatives, experiment stations, etc.—which can sustain modern agriculture. AID finances research, too, in such areas as the development of high-protein wheat, rice and corn . . . water resources . . . tropical soils . . . land reform . . . better pumps and fertilizers.

For fiscal year 1970, AID proposes to commit about \$631 million—more than a quarter of the total program—to stimulate agricultural development.

Some of AID's proposals in agriculture for fiscal year 1970:

- For India, where record grain yields have brought nearer the national goal of grain self-sufficiency, AID plans to

make available loans of \$200 million for agriculture. Most of this will finance the purchase of fertilizer. Advisory teams from six U.S. land grant universities will be working with eight Indian agricultural universities.

- For Pakistan, which boosted its wheat production by almost 50 percent in 1968 and which expects to achieve virtual food grain self-sufficiency in the near future, AID plans to make loans to finance the purchase of \$35 million worth of U.S. fertilizer in 1970. A \$2 million program to finance pumps is planned to help increase the acreage of irrigated land.

- For Brazil, a \$35 million loan is planned for the support of comprehensive land reform in three pilot areas. The project includes title clearance, land distribution, operating credit and a full range of technical advisory services to the farmers involved.

- AID has helped the Vietnamese Government develop a land reform program designed to bring ownership of two million acres of rice land to the tenants who now farm them.

- In Laos, AID will continue to help the Government in its program to develop more effective credit for small farmers and to assure them of markets for their increased production.



Chapter Five: Priority Programs

Left: Not all children in Laos are as fortunate as this thoughtful school boy. But AID is helping to expand educational opportunities through a village "cluster" program which encourages a wide range of community self-help projects. The U.S. aid program provides materials and technical advice for building schools, and Laotians provide the labor.

AID gives its highest priority to capital and technical assistance programs aimed at expanding food production (see previous chapter) and encouraging population control. Other AID programs with a high priority in the task of development are in health, education and economic reform.

Family Planning

The hope which the agricultural revolution promises of averting catastrophic famine can be fulfilled only if the growth of the earth's population can be brought under control. When the excess of births over deaths reaches two percent, a country's population doubles in 35 years. In the less developed countries, population growth rates range between 2.5 percent and 3.8 percent. Overpopulation and underdevelopment go hand in hand; where a country's production increase is matched by its population increase, the people of that country gain nothing.

There is more than one key to lower population growth rates. General economic development is probably the long-range solution. Parents with a reasonable expectation that their children will survive to adulthood are less likely to have large families.

A crowd gathers in India where population growth is a real threat to development. AID is contributing to India's family planning effort which is aimed at reducing a birth rate of 41 per thousand to 22 per thousand by 1978.



Parents who don't expect to be dependent in their old age on their children will probably have fewer children.

Family planning programs are more immediate in their effect:

- The Government of India is conducting a comprehensive family planning program. Twenty-eight thousand planning centers have been established, and the Indian Government is committing increasing resources to this effort.
- Korea has an effective family planning program which began in 1962. In seven years, the rate of population growth has

dropped from 2.9 percent to 2.4 percent, and the goal is 1.9 percent by 1971. The child-to-woman ratio has declined by 11 percent since 1965.

- Pakistan's family planning program, in operation since 1965, has strong support from the highest levels of government down to the 90,000 village-level workers. The national objective is to decrease the birth rate 20 percent by 1970. Monetary incentives are given to doctors, rural organizations and individuals to participate in the program.

AID population programs are based on these principles:

- The United States respects the sovereignty and sensibilities of the nations we assist . . . Family planning programs must be host nation programs, not American programs . . . AID provides assistance only upon request, and in accordance with the type of program chosen by the host nation . . . AID will not make family planning a condition of aid and AID will not support any family planning program unless it is voluntary so far as the individual citizen is concerned.

Acceptance of family planning practices is a matter of attitudes—and attitudes are changing. At the beginning of this decade,

Where People Live in the Free World

only two developing countries had policies of reducing birth rates. For fiscal year 1970, AID plans to support family planning programs in 45 countries.

Many of AID's efforts in the population field are channeled through American voluntary, non-governmental agencies such as the International Planned Parenthood Federation, the Pathfinder Fund and the Population Council. In addition, AID finances population research, including research on more effective contraceptives, by a number of U.S. colleges and universities, and proposes to double in 1970 its support of population and family planning by the United Nations.

AID has made funds available for the introduction of family planning activities into maternal and child health programs in the developing countries.

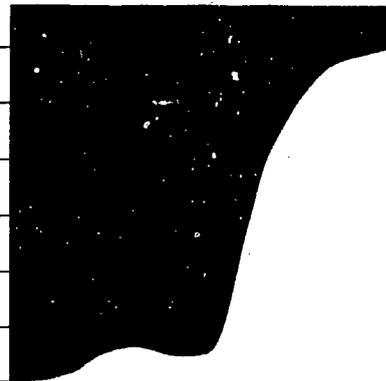
Health

Health programs are an important aspect of the foreign aid program for obvious humanitarian reasons, but also because disease and debilitation hinder development. AID continues to assist in world-wide programs to control and eradicate such diseases as malaria, smallpox, measles and cholera.

So far such malaria programs

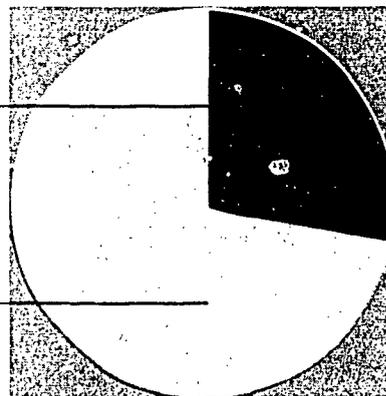
AID Commitments
\$ Millions

1970	50.9 (proposed)
1969	48.6 (estimated)
1968	34.8
1967	4.7
1966	5.3
1965	2.1
1964	0



Developed Countries
28%

Underdeveloped Countries
72%



have achieved total or partial protection for more than 40 percent of the populations living in the infected areas. In the 18 countries with which the United States has bilateral agreements, 750 million people—more than seven-eighths of the total population—live in areas formerly plagued by malaria. Now, 256 million of these live in areas free of the disease, and an additional 466 million are protected by continuing programs.

- The Malaria Eradication Training Center in Manila, jointly supported by the World Health Organization and the United States, since 1963 has trained 579 directors and other high level supervisory personnel from 32 countries, as well as Peace Corps volunteers and international advisors.
- In Central Nepal about 21,000 acres of formerly malarious land have been opened in the last eight years for greatly increased agricultural production.
- During 1968, 43 million smallpox vaccinations were administered in the West and Central African area. With the vaccinations given the previous year, that gave immunity to 60 percent of the 19-country region.
- Measles is extremely severe in Africa, killing about 10 percent of the children infected. During

An AID-supported spray team mixes DDT for use against malaria-carrying mosquitos in Ethiopia. The United States participates in world-wide programs which have achieved total or partial protection from malaria for more than 40 percent of the people living in infected areas.



Cool, sweet spring water tastes good to a Filipino boy who joined in an AID-assisted campaign to rid water supplies of snail flukes that carry a dread disease—schistosomiasis. AID provided foodstuffs for the volunteer workers.

More than 1,500 villages in northeast Thailand received medical services in 1968 from 56 teams of Thai doctors and nurses backed by the U.S. aid program. AID contributes \$800,000 annually to the medical project, which reached two million people in 1968, helped equip three hospitals and trained 500 additional paramedics.

1968, almost seven million measles immunizations were administered in West and Central Africa.

- AID has helped on water supply projects (partly for health purposes) in Saigon, Rangoon, Karachi, Monrovia, Ibadan, Khartoum, Dar-es-Salaam, Fort Archambault, Tunis, San Jose, Panama City, Bogota, Rio de Janeiro, Sao Paulo, Lima, Seoul, Taegu and Incheon.

Nutrition

Nutrition is a key to better health. It affects all aspects of social and economic development.

In most diets in the less developed world, protein deficiency is the major nutritional problem. As many as two-thirds of the children of most less developed countries now suffer from some degree of malnutrition, and evidence mounts that malnutrition in early years may result in irreversible mental as well as physical damage. As part of its nutrition program, AID:

- Encourages private firms to invest in the production of new low-cost protein foods by providing grants to determine the feasibility of specific ventures.
- Distributes to more than 28 million children around the world protein foods such as CSM, a compound of corn, soybeans and



milk. The use of CSM in Biafra has done much to combat kwashiorkor, the protein deficiency disease which has been prevalent since the civil war began.

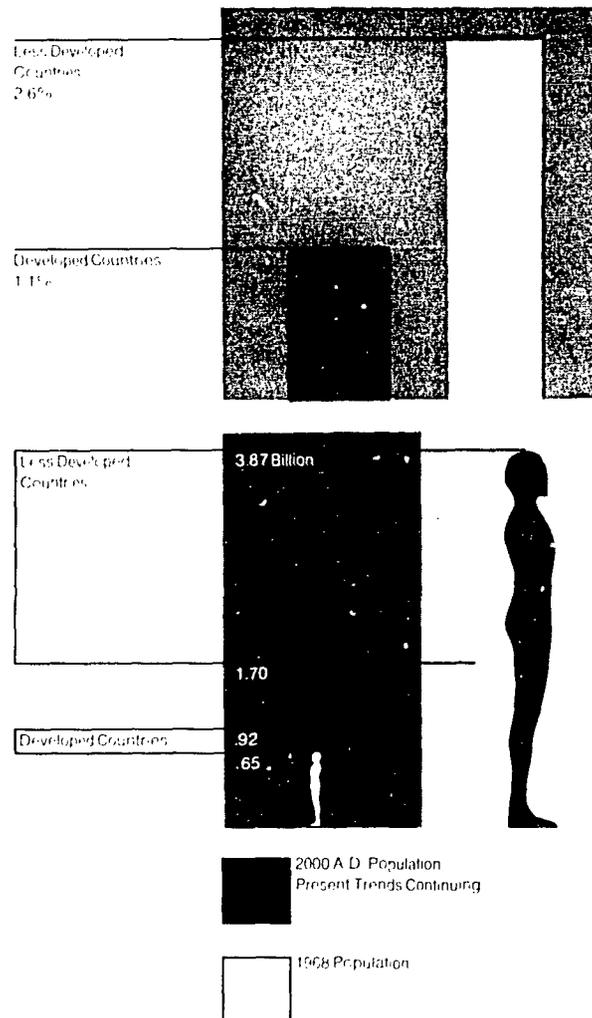
- Provides ingredients and technological and marketing advice for fortifying staples, such as bread, with high-protein additives. One such program now enriches the diet of ten million Indian children a year.
- Sponsors research to improve the protein quality of wheat, rice, corn and other grains.

The oceans of the world are capable of providing up to 250 million tons of fish per year, compared with the 60 million tons now being harvested. To tap this resource, AID:

- Granted \$750,000 to the University of Rhode Island to provide study and leadership in planning the utilization of ocean resources in the developing world.
- Assisted American private enterprise in establishing fish processing facilities in several developing countries.
- Is studying the feasibility of setting up a fish protein concentrate industry in Chile to meet that country's protein needs.

Education

The process of development will be retarded so long as:



- Three out of five adults in developing countries cannot read and write.
- 300 million young people in the developing countries are getting no schooling at all.

Education, however, is spreading in the developing countries. Their education budgets are expanding by about 12.5 percent yearly. And AID is helping.

Under AID programs, some 250,000 classrooms have been constructed, about 10,000 of them in the past year. Almost half a million students have completed teacher-training courses. AID-assisted schools have an enrollment of almost 23 million students, including more than 400,000 at the university level. Seventeen million textbooks were distributed under AID programs during the past year.

• Since 1967, the Venezuelan Government has distributed more than three million school textbooks, three-fourths of which were developed by AID consultants. Other AID consultants are developing Venezuela's first college-level curriculum for teachers of industrial, commercial and agricultural training and home economics.

- Seventy-three percent of the teachers now in Ethiopia's schools were trained under AID programs.

- Brazil's training of farm technicians is being effectively aided by 20 advisors under AID-contracts with Purdue, Ohio State University and the Universities of Wisconsin and Arizona.
- Fifty-eight percent of all the classrooms in Laos have been built with the help of the American people through the foreign aid program.

For fiscal year 1970, AID proposes to commit \$214 million to education. Most of this will be in the form of overseas services of American educational experts. These funds will also help finance training for an estimated 11,000 foreign students in the United States and in other countries with qualified institutions. All told, 114 American universities and colleges in 47 states were working under AID contracts totaling \$211 million as of December 31, 1968

Tax and Fiscal Reforms

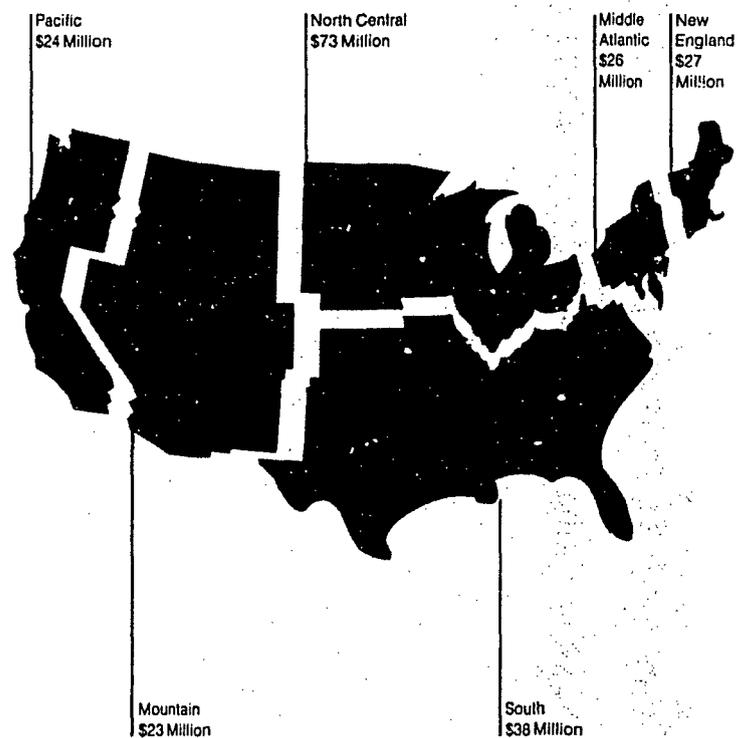
Archaic tax laws, designed to protect the privileged few, must frequently give way if a developing country is to modernize its economy. Under arrangements with the host governments and the U.S. Treasury, AID-financed tax experts help work out more

efficient systems.

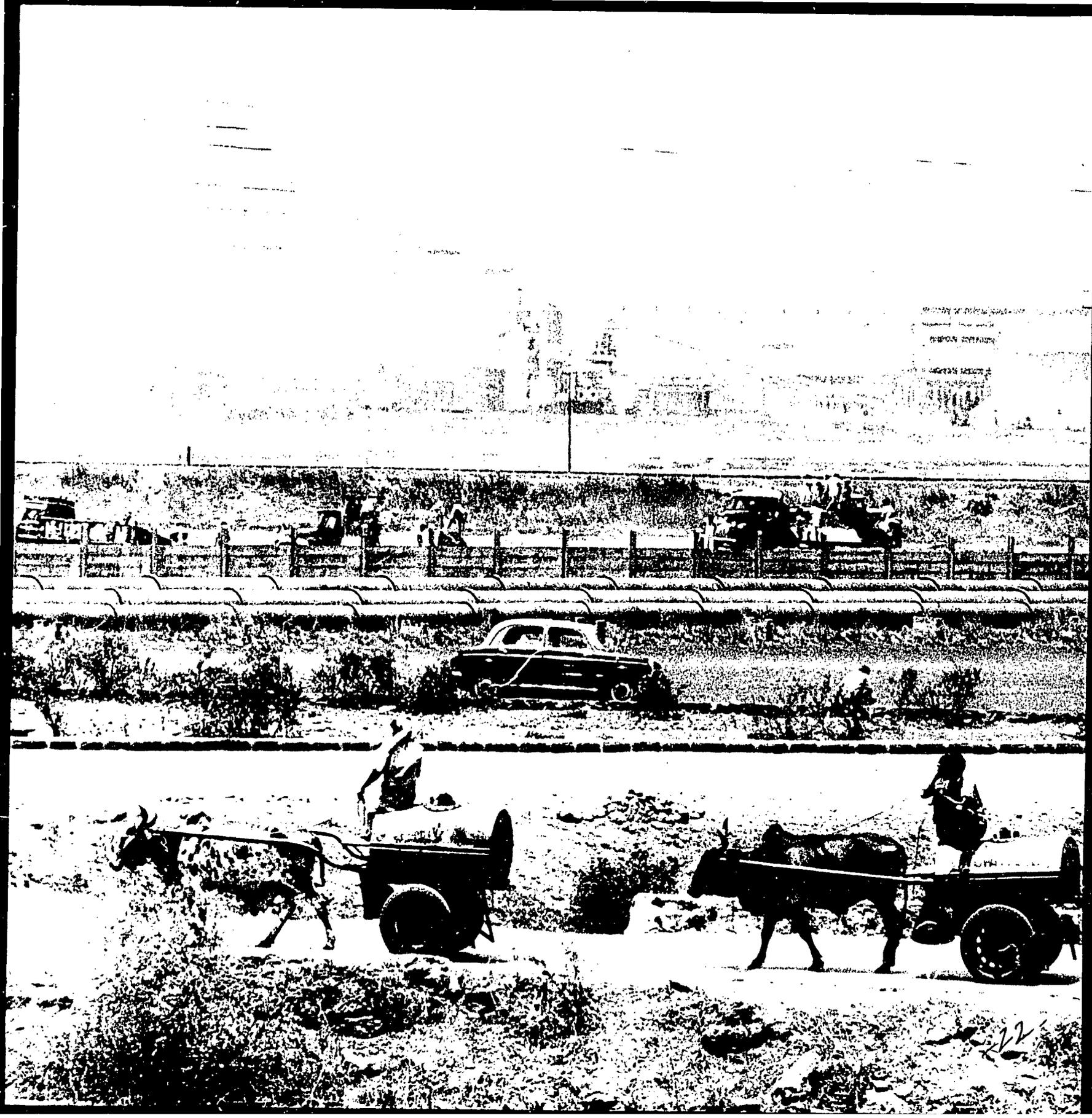
Such aid was provided in the Philippines last year, and collections by the Philippine Bureau of Internal Revenue increased by 14 percent over the previous year. Income tax returns filed increased by 103,000 and several tax fraud cases were brought to court. New legislation was passed to substantially increase internal revenue collections.

In Bolivia, an AID-financed team of private fiscal experts was instrumental in the introduction of 1968 legislation which will give Bolivia a coherent budget system, improved accounting systems and a reorganized and more effective National Treasury. And an AID-Treasury team helped the Bolivian Revenue Service strengthen its enforcement activities, modernize tax forms and procedures and increase the proportion of revenue brought in by income and profit taxes, particularly from taxpayers with substantial incomes.

In Uruguay, where AID has assisted in devising more efficient tax administration procedures, the number of taxpayers filing returns increased 32 percent in 1967 over the previous year. The land tax law of 1968 aims at increasing land productivity and providing additional revenues.



Value of contracts by
region, December 1968
Total: \$211 Million



Chaper Six: Key Elements of Aid

Two decades of experience in foreign aid have resulted in the culling out of those techniques which don't work and concentration on those that do. Among the most successful efforts in the work of development have been those which engage the energies and resources of private outside capital and those which release and stimulate private initiatives within the developing countries.

OPIC

The decision to enlist greater participation by U.S. business in the task of development is embodied in the proposal to establish an Overseas Private Investment Corporation (OPIC).

OPIC, a government corporation with a majority of its Board of Directors drawn from private industry, will be charged with stimulating the investment of private U.S. capital in development work in the poor countries. OPIC may also provide investment-related technical assistance for productive projects in the developing countries on behalf of AID or other agencies.

In the development process, private capital is an important supplement to official aid. AID administers various programs designed to offer incentives for American businessmen to invest in

the developing countries. OPIC will take over and expand such programs, which include:

- Investment promotion and pre-investment assistance (such as financing feasibility surveys) to help private U.S. investors find and evaluate their own opportunities in the developing countries.
- Investment insurance against such risks as war, expropriation, and currency inconvertibility.
- Investment financing, such as guaranteeing the loans which investors are able to arrange through commercial sources and making direct loans to investors.
- Special activities, such as providing financial or advisory support for private enterprise programs of technical assistance.

OPIC will charge fees for various of its services, and is expected to conduct its financial operations on a self-sustaining basis. The financial projections for the Corporation over the first five years of operations show gross revenues of \$150-160 million against operating expenses of \$20 million. Net revenues of \$130-140 million would be available for allocation by the Board of Directors to the reserve funds, additions to the Direct Investment Fund and payment of dividends to the Treasury. OPIC will provide the

kind of environment—responsive to the businessman's need for prompt, authoritative decisions—designed to encourage the American businessman's interest in investing in the less developed countries. It will encourage private investors to be responsive in their choice of projects to the basic needs of the host country.

AID and Private Enterprise Development

Successful development requires strong, independent private institutions and a framework of sound laws and sensible government policies in which such institutions can develop and grow. Most less developed countries lack a network of these institutions. The AID program helps strengthen local private institutions and initiative through the use of development loans and technical assistance.

Development loan negotiations are used to support host-government efforts to pursue such free-market policies as liberalization of import controls and elimination of restrictions hampering private economic growth. Development loans also finance essential imports of U.S. goods needed by private businessmen and farmers. A

Left: High-yield grains are boosting India's food production with the help of fertilizer produced at the Trombay Fertilizer Plant near Bombay. The fertilizer complex was built with the help of AID loans worth \$58 million. AID has since loaned \$37 million more to help expand Trombay's production fourfold by 1972.

A Pakistani farmer salts grain grown on once-barren land made productive through an AID-assisted salinity control project. The vast reclamation scheme provided methods for removing excess water and sodium deposits from thousands of acres in West Pakistan.



survey of nine major aid-receiving countries in the first quarter of 1969 showed that 87 percent of AID-financed imports went to private users. Development loans also build the power plants, roads, dams and other basic facilities required to support expanding private activity. And they provide financial resources for intermediate credit institutions which are an important source of capital for businessmen, farmers and home owners in the less developed countries. AID has loaned over \$850 million to industrial development banks, agricultural and housing credit institutions and cooperatives.

Technical Assistance

Through increased emphasis on technical assistance, AID will help the people in developing countries acquire the skills they need to play useful roles in economies of growing complexity. Such economies need managerial talents, technicians, accountants, foremen, maintenance men and skilled workers.

Technical assistance is the process of bringing American skills and knowledge to bear on the problems of development. It is people from the developing countries being trained in the

United States. It is trained Americans going to the developing countries and helping the people of those countries improve their school systems . . . set up teacher-training schools . . . strengthen the faculties and textbooks in business schools . . . organize public health programs . . . establish cooperatives for the marketing and distribution of farm products . . . devise more equitable and efficient tax structures. Technical assistance is an American university, under contract to AID, sending a team of agricultural experts to an agricultural university in a less developed country to help work out ways of increasing the food yields. Technical assistance is helping build in the developing countries institutions which form the underpinning of development and accelerate its momentum.

Through the technical assistance programs, private and voluntary organizations play key roles in the process of development. They participate in official technical assistance programs and are encouraged by AID to expand their own technical assistance programs. Incentive grants of \$4.8 million to four such American organizations generated an additional \$6 million in private contributions during fiscal year

1968. Seven cooperative organizations carried on technical assistance around the world, supported by \$5 million of AID funds during fiscal year 1969. The programs of U.S. Voluntary Agencies, representing the concerns and contributions of millions of Americans, receive substantial support in AID funds and commodities.

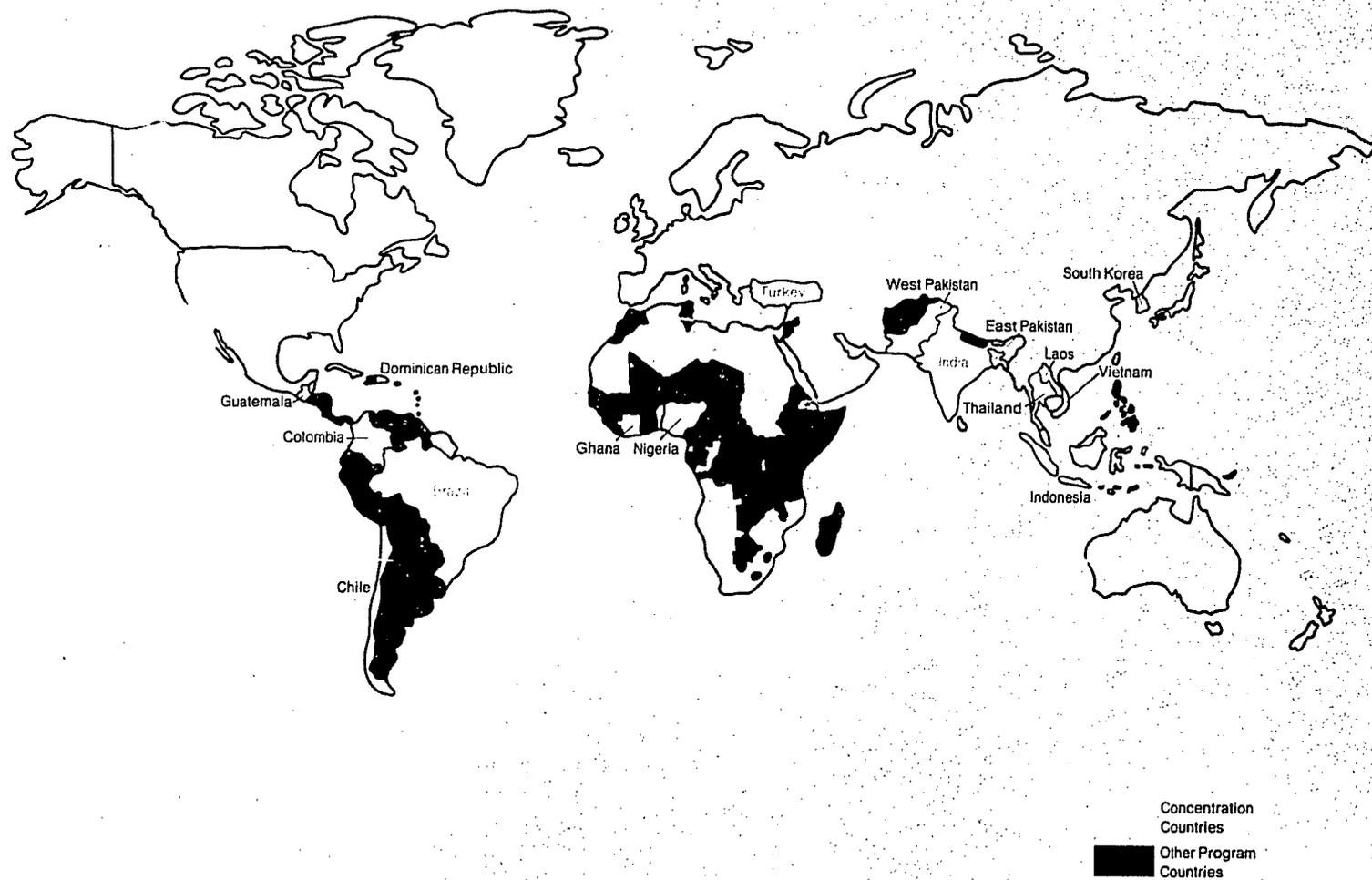
The President has requested a two-year authorization for the technical assistance part of AID's program.

Other Successful Techniques

Two other guideposts of the foreign aid program have proven their worth over the years: insistence on self-help by the developing countries as a prerequisite of U.S. aid, and concentration of the AID effort on limited targets to achieve the greatest impact.

Self-Help

The developing countries can make progress only through their acceptance of responsibility for their own future. The United States cannot persuade the farmers of hungry countries to invest in fertilizer, pesticides and high-yield seeds. We cannot, without the determination of the recipient country, initiate efficient marketing and distribution of commodities.



This Indonesian farmer lives in one of the potentially most productive countries in the world. AID has designated Indonesia one of 15 countries in which U.S. assistance is to be concentrated.



We cannot eliminate in a less developed country the sometimes archaic laws and regulations which may inhibit initiatives. The developing country must itself have the will to do these things; outside aid without this kind of self-help is wasted.

It is AID policy to tie development assistance to self-help: the governments of countries requesting aid must agree to take those internal measures which are clearly necessary to make our aid effective.

The nations which receive the bulk of U.S. development aid today invest more than five dollars of their own for every dollar's worth of help they receive from AID:

- Turkey's own savings now finance more than 90 percent of her gross investment.
- India provides 80 percent of her own development investment.

Tax reforms are important self-help steps:

- In Colombia, real economic growth of over six percent in 1968 reflected the government's adoption of rigorous fiscal policies. These include a new withholding tax on incomes, a new gasoline tax, and the closing of tax loopholes, resulting in a 14 percent increase in tax revenues.

Self-help ranges from the willingness of government leaders

to take the kinds of steps just described to the individual efforts that people living in the villages are willing to undertake.

- In 1968, villagers in Laos, where AID was helping construct or repair classrooms, contributed a substantial portion of the local cost; in some villages they provided one hundred percent of the labor and commodities and asked AID only for advice. The villagers also committed themselves to pay for the installation and maintenance of 104 wells which AID helped them drill.

- In 1968, the U.S. Government provided 140,000 tons of wheat to Morocco for the Food-for-Work program. Laborers received a daily wheat ration and a modest cash payment provided by the Moroccan Government. In 1968, they put in 22 million man-days, built 3,000 low-cost dwellings, built or improved 4,500 miles of road, constructed 380 miles of irrigation canals and 145 water storage facilities, reforested 63,000 acres of land and cleared 52,000 acres.

AID Concentrates Assistance

AID's resources have to be carefully husbanded. For maximum impact, a large proportion of

Nigeria is improving the propagation and cultivation of high-yield rubber with AID's technical assistance. Here, an improved species of rubber is being grafted.

Under an AID-Alliance for Progress contract, Utah State University has provided technical assistance to upgrade Bolivia's wool industry. These Bolivians are learning efficient shearing methods.

American development assistance is concentrated in the few countries which can make the best use of it—countries where self-help performance is best and most promising.

- AID proposes to extend 90 percent of all country assistance in fiscal year 1970 to 15 countries (Brazil, Chile, Colombia, Dominican Republic, Ghana, Guatemala, India, Indonesia, Korea, Laos, Nigeria, Pakistan, Thailand, Turkey, Vietnam).
- Eighty-six percent of all country development loans will go to eight countries (Brazil, Chile, Colombia, India, Indonesia, Korea, Pakistan, Turkey).
- Supporting Assistance is even more concentrated. Three countries (Vietnam, Laos and Thailand) will receive 93 percent of country aid to maintain economic or political stability.





Left: Officials inspect a ward of the Pakistan-Southeast Asia Treaty Organization Cholera Research Center in Dacca, East Pakistan. Through AID, the United States has joined the United Kingdom and Australia in supporting the Center's efforts to control cholera.

Chapter Seven: Sharing the Aid Effort

Most of the advanced nations of the world today conduct foreign aid programs, and their share of the world aid costs has been steadily increasing. The U.S. share of the total aid burden has correspondingly declined. In 1962, the United States provided about 59 percent of total official aid* from the advanced nations to the developing nations; in 1968, 52 percent. In 1969, the U.S. share is expected to be down to less than 47 percent.

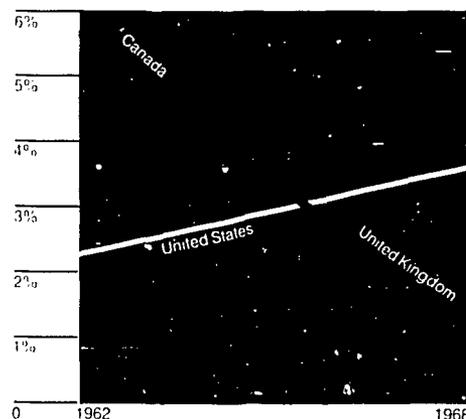
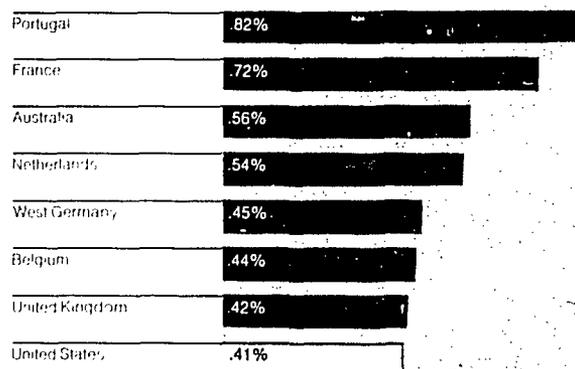
Some of the other nations contribute a larger proportion of their gross national product to helping other countries in their development than the United States does. The United States ranks behind seven other nations in terms of its official foreign aid as a proportion of gross national product. In 1968 the United States, with a per capita gross national product of \$4,360, provided \$3.6 billion in official aid. Fifteen other nations, whose per capita GNP averages out to \$1,800 provided \$3.3 billion.

AID proposes increasingly to

* Official aid, by international definition, includes all government bilateral grants and long-term net loans, as well as grants, subscriptions, loans or other contributions to multilateral institutions.

Foreign Aid as a Percent of Gross National Product, 1968

Comparative Loan Terms



channel its assistance efforts in ways that encourage the other advanced nations to play their full role in international development.

This means:

- Increasing our contributions to international development banks—contingent upon similar increases from the other advanced nations.
- Increasing our contributions to the United Nations technical assistance program—contingent upon increases from the other advanced nations.
- Participating with other advanced nations in development projects in individual developing nations.

Cooperation, consultation and joint planning among donors increases the flow of aid, multiplies its effects and avoids duplication of effort. Cooperative aid also minimizes the political problems which sometimes accompany aid given by one country to another.

AID development loans to India, Pakistan and Turkey are made through international consortia of donor nations. AID assistance to Latin America is subject to the review and recommendations of the Inter-American Committee of the Alliance for Progress. Other international agencies through which the United States works are the United Nations Development

Secondary school science teachers attend a zoology class at the University of Tanzania. The United Nations Development Program supports the training program.



Fund, the World Health Organization, various regional development banks and the World Bank.

Regional Development

Groups of countries can frequently make better use of a common regional resource to meet their needs or can make greater strides in development by pooling their efforts. Cooperation in the development of river basins, electric power, networks of roads and "common markets" are examples.

Regional development banks—the Inter-American Development Bank, the Asian Development Bank, the African Development Bank—are taking increasing initiatives to plan and finance development projects in their regions. Supplementary assistance from the advanced nations, including the United States, is essential to the continued progress of these regional institutions.

The Alliance for Progress coordinates the assistance effort throughout Latin America. Here a resident of a slum area in Colombia builds his new home with materials supplied by AID.

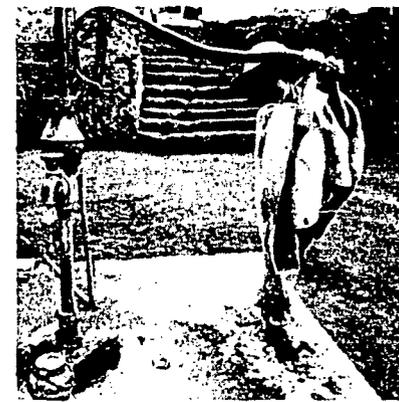


This young woman is studying architecture at the Middle East Technical University near Ankara, Turkey. The university is assisted through the UN Development Program. AID supplied the U.S. contribution of \$71 million to the UNDP in fiscal 1969.

Stream gaugers take measurements on Chile's Rio Aconcagua for use in planning new irrigation systems and hydro-electric facilities. These observations are financed by the United Nations Development Program, to which AID contributed \$71 million in 1969.



Through AID the United States provides a third of the funds for the United Nations Development Program which is assisting many countries. The UNDP is helping Ecuador in a wide range of development efforts. Here an Indian boy uses a village pump installed with help from the UNDP.





Left: A workman rigs forms for a conduit in Chile which will provide drinking water for thousands. AID loans and technical assistance to the Alliance for Progress have helped make possible such construction.

Chapter Eight: The Cost of Aid

How much does foreign aid cost? Before answering that question, we must be sure what we mean by "foreign aid."

The program of economic assistance carried out by AID—the subject of this publication—is about half of the American foreign aid effort. The other half is made up by the Food for Peace program, the Peace Corps, subscriptions and contributions to the World Bank and other international lending agencies, and military assistance grants.

Export-Import Bank loans are not foreign aid, since they are not made on concessional terms. Neither are the commercial loans guaranteed by the Foreign Military Sales program.

The total foreign aid program proposed for the coming year comes to about \$4.6 billion (of which \$2.2 billion is the requested appropriation for the AID program and \$75 million is requested for OPIC). There are several ways of putting this request into an understandable perspective.

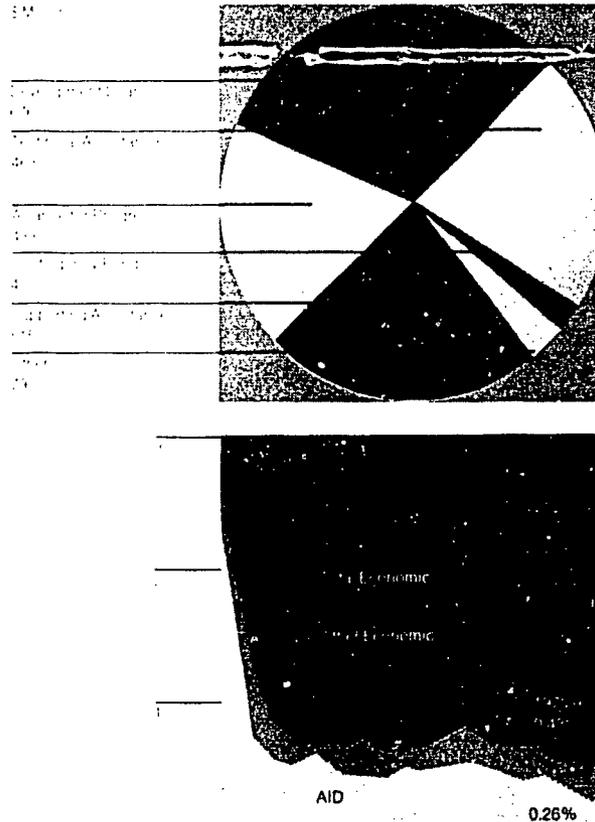
As a Share of the Nation's Wealth

In 1949, at the beginning of the Marshall Plan, U.S. economic aid amounted to 2.78 percent of our gross national product.

In fiscal year 1970, the *total*

FY 1970 AID Appropriation Request by Major Funding Categories

U.S. Economic Assistance as a
Percent of Gross National Product



foreign economic aid program proposed by the Administration will be about two-fifths of one percent of the GNP. AID programs alone come to *one-fifth* of one percent of the GNP.

As a Share of the Federal Budget

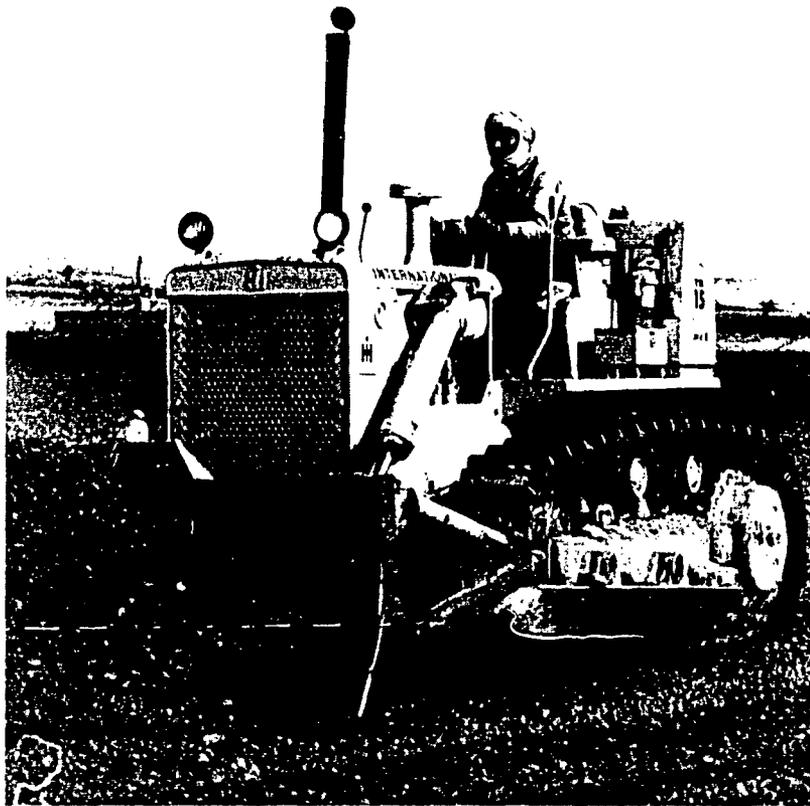
In 1949, Marshall Plan aid was 11.5 percent of the federal budget. In 1970 AID's program will be 0.9 percent of the federal budget.

In Relation to the Balance of Payments

The cartoonists' picture of foreign aid as bags of money being sent abroad is false. AID sends goods and services—not money—to the developing countries. AID loans are "tied." That means that with very minor exceptions, the dollars never leave the United States, but are used to purchase American goods or to pay American universities, companies and other technical and professional institutions to carry out overseas projects.

AID, then, does not adversely affect the American balance of payments. In fact, more dollars come back to the United States in interest payments and capital repayments on loans made in the past, than leave the country.

Tunisia's food production has been limited by a shortage of trained farmers. Texas A. and M. University, under AID contract, helped start Chott Maria Agricultural School which Tunisians will ultimately staff entirely. American farm equipment is in increasing demand in the developing world as agricultural skills improve.



Colombian fishermen, members of a cooperative, pole log canoes at dawn towards their fishing grounds. AID has encouraged development of fishing facilities to provide much needed protein for the people of developing countries.



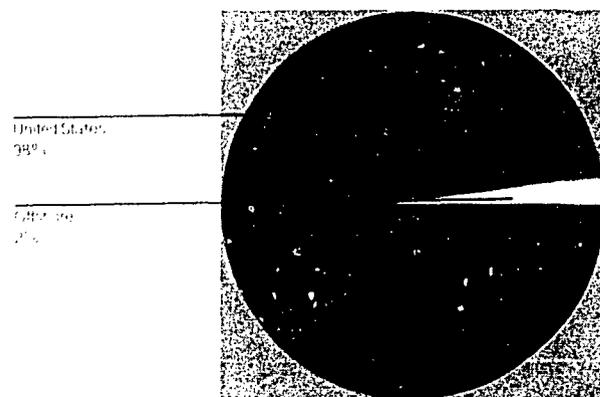
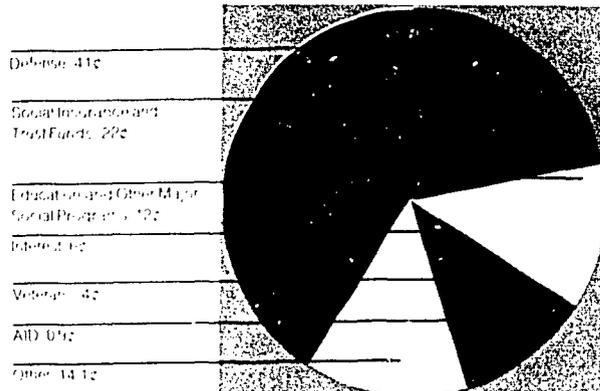
AID technicians helped farmers such as the man shown here spread the use of IR-8 "miracle rice" in the Philippines. They supplied "do-it-yourself" rice kits containing seed, fertilizer, pesticides so that farmers could see the greater productivity of the new seeds. American universities also help set up experiment stations and extension services in the developing countries.



This fourth grade pupil of a Guatemala City public school uses a free text provided through AID's contribution to the Alliance for Progress.

AID and the U.S. Budget
Dollar, FY 1970

Share of AID Commodity Dollar
Spent in the U.S., FY 1968



In fiscal year 1970, this net inflow of dollars under the AID program will be an estimated \$197 million. The net inflow is increasing and will continue to increase as receipts from interest and repayments continue to rise.

Compared with Trade Returns

Foreign aid inevitably improves U.S. foreign trade. Poor countries are poor markets for American exports. International development greatly expands the whole base of foreign trade.

Between 1948 and 1952, the United States invested \$13 billion in economic aid to help the Western European nations recover. U.S. export sales to Western Europe have more than tripled since 1950 and now total \$11 billion annually.

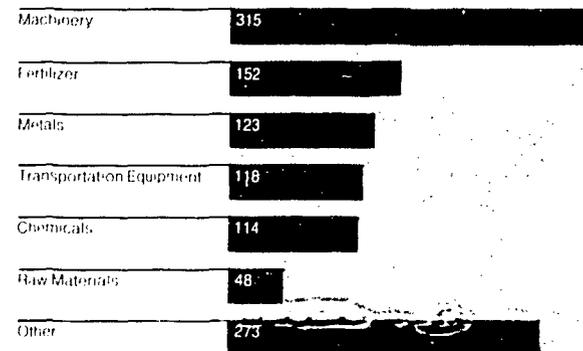
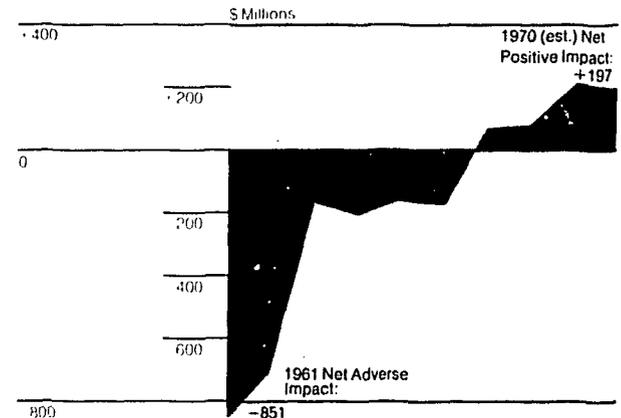
The total economic aid investment in the recovery of Japan after World War II was \$2.4 billion—and American exports to that country are now about \$3 billion annually.

As the less developed countries begin to prosper, they, too become better customers for U.S. exports.

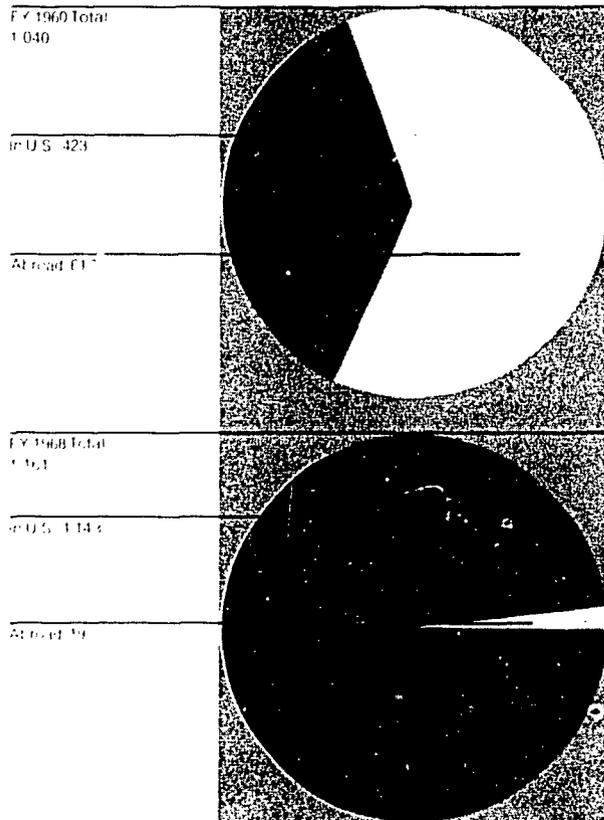
U.S. commercial exports (not financed by U.S. assistance programs) to Iran have increased from \$84 million in 1963 to \$165

AID's Direct Effect on the U.S.
Balance of Payments

Major Commodities Purchased
in the U.S., FY 1968



Total Commodities Purchased
in the U.S.
\$ Millions



million in 1968. During the same period, commercial exports to Taiwan have increased from \$102 million to \$211 million, to Greece from \$72 million to \$114 million, and commercial exports to Israel from \$108 million to \$208 million.

AID and U.S. Economy

Because the AID financing is tied tightly to the purchases of American goods and services, AID spending also has a direct and immediate effect in producing export business for American farms and industry.

In fiscal year 1968, AID economic programs financed more than \$1.1 billion in export sales for American firms. Among other items, AID financed the export of \$152 million in fertilizer, \$114 million in chemicals, \$84 million in iron and steel products, \$315 million worth of machinery and \$86 million worth of motor vehicles, engines and parts. These exports create several hundred thousand American jobs and build permanent markets for future cash exports.

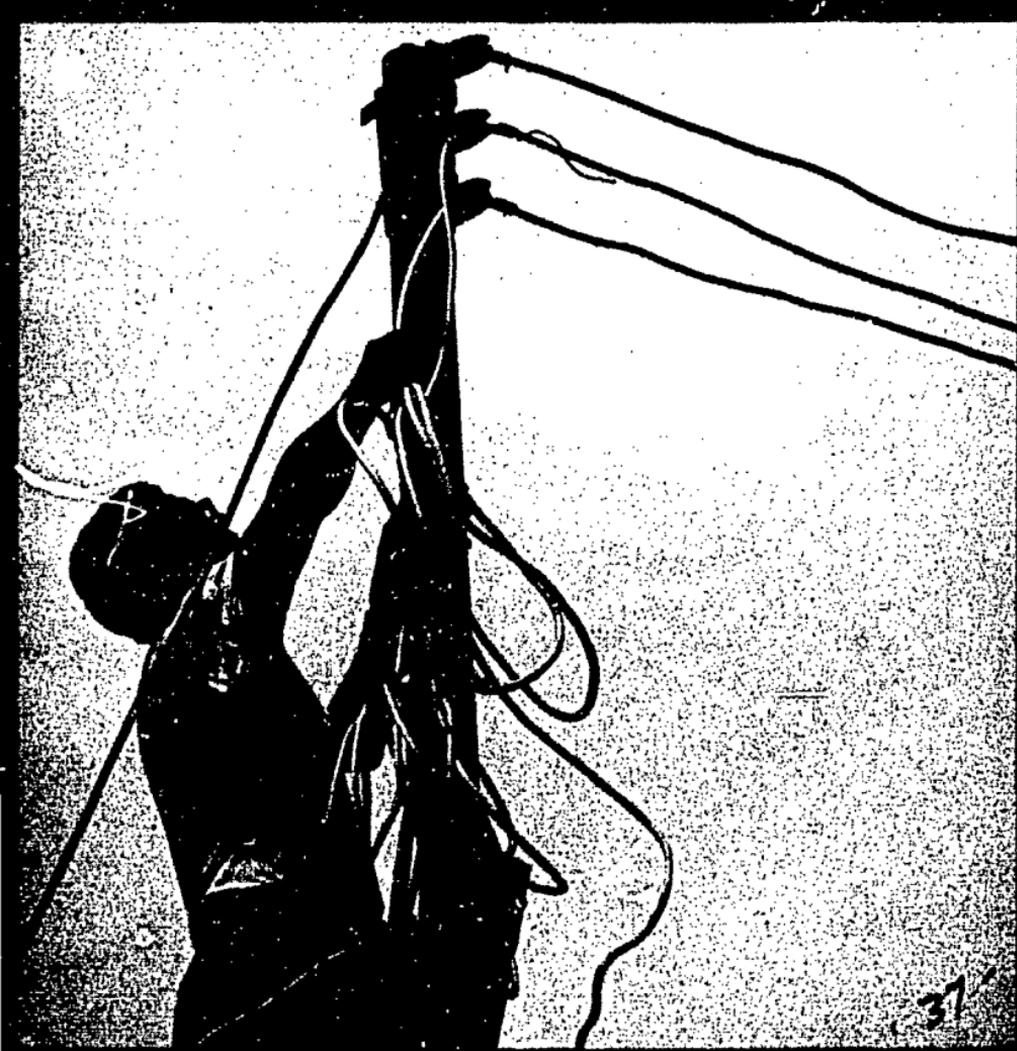
In addition, American shipping lines earned about \$95 million in AID dollars in fiscal year 1968 for carrying these products to their destinations in the less

Father and sons in a small Brazilian village build their home. AID loans and AID guarantee incentives to American investors are helping spur low-cost housing programs in Latin American countries.



developed countries.

As of December 1968, American business firms, colleges, non-profit associations and other private groups held \$508 million in AID contracts for technical assistance work in the less developed countries and for development training and research in the United States.



31