

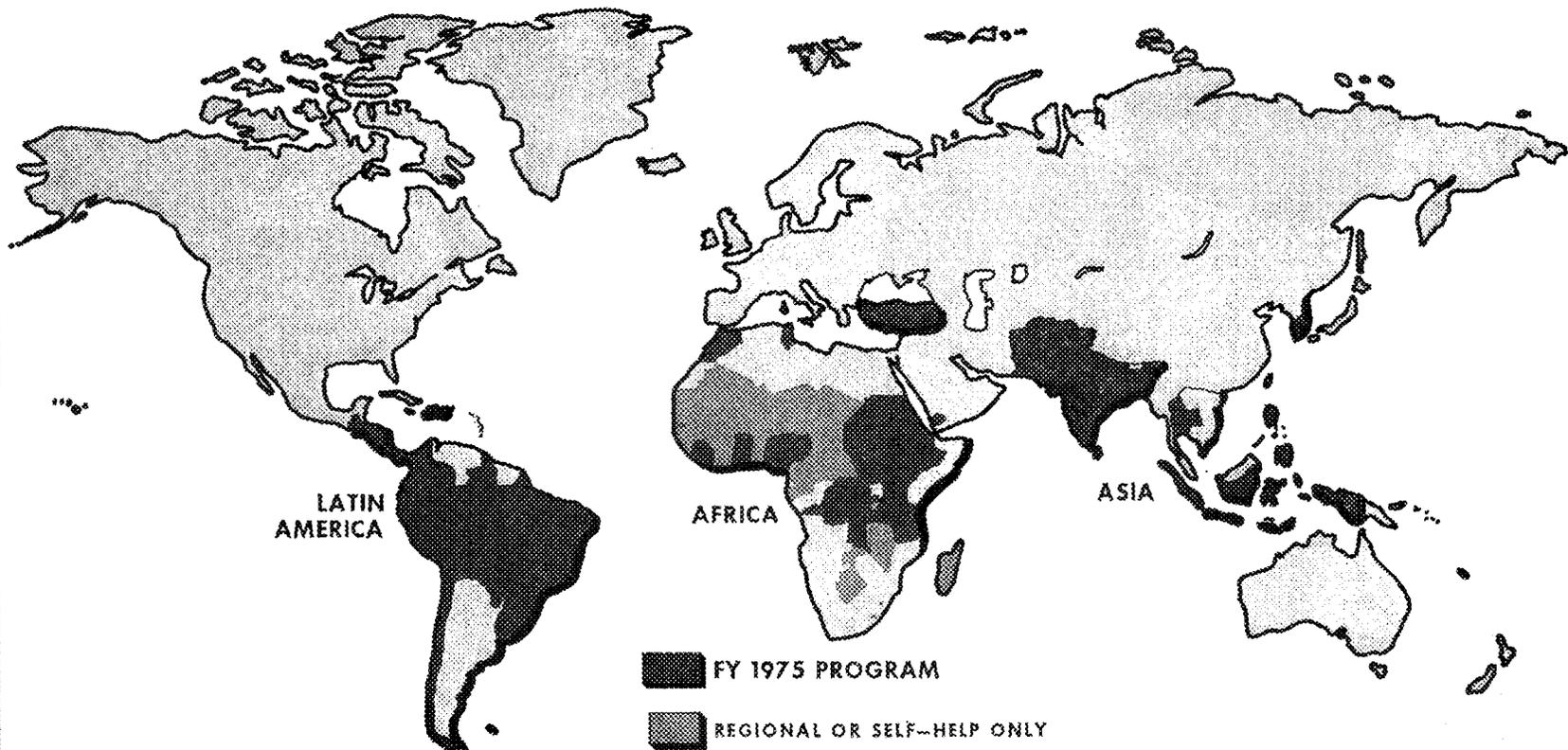
AGENCY FOR INTERNATIONAL DEVELOPMENT

**Fiscal Year 1975
Submission to the Congress**

SUMMARY

April 1974

DEVELOPMENT ASSISTANCE PROGRAMS*



*Excluding Security Supporting Assistance and Indochina Postwar Reconstruction Programs

AGENCY FOR INTERNATIONAL DEVELOPMENT

Fiscal Year 1975

SUBMISSION TO THE CONGRESS

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(\$ Million)

FY 74

<u>Food and Nutrition</u>	<u>Population Planning and Health</u>	<u>Ed. and Human Resources Development</u>	<u>Selected Develop. Problems</u>	<u>Selected Countries & Organ.</u>	<u>Total</u>
Africa 25.35 (3)	--	.7 (1)	32.5 (6)	--	58.55 (10)
Asia ^{a/} 89.9 (7)	42.5 (3)	--	33.7 (3)	25.0 (1)	191.1 (14)
LA 85.4 (11)	24.8 (2)	28.75 (3)	26.4 (4)	--	165.35 (20)
SAB 4.5 (1)	--	--	7.9 (2)	50.0 (1)	62.4 (4)
<hr/> 205.15 (22)	<hr/> 67.3 (5)	<hr/> 29.45 (4)	<hr/> 100.5 (15)	<hr/> 75.0 (2)	<hr/> 477.4 (48)

a/ Does not include Pakistan Emergency Agriculture Production Loan.
 Carry-in to FY 1975 is approximately \$18.5 million.

(UNCL/Stup)

INTRODUCTION

INTRODUCTION

The FY 1975 foreign assistance program is an essential element in our strategy to help bring about world peace and a reflection of the growing interdependence between the United States and the developing countries. Recent events in the Middle East emphasize the important contribution that our aid can make toward peace and economic development in that area. In Indochina, a delicate balance has emerged which also presents significant opportunities for strengthening the tentative peace that now exists. Changes in these crisis areas are superimposed upon the basic and persistent problem of poverty that characterizes the entire less-developed world. The sharp increases in the prices of petroleum, food grains, and other raw materials have underscored the importance of international cooperation and the mutuality of interests among richer and poorer nations as members of a single international economic system.

There now exists in the Middle East a basis for easing a major source of world tension in this area which has not known peace for 25 years. If new Middle East relationships are to emerge, external resources will be necessary to help overcome the problems of reconstruction and to build the foundation for development essential to lasting peace. In the case of Egypt, aid is needed immediately to finance clearance of the Suez Canal and reconstruction of cities in the canal area. Additional support is needed to finance imports to bolster Egypt's lagging agricultural and industrial production. Support for Egypt's development is a key to the building of new cooperative relationships in the area. Israel, confronted with massive costs of war and higher prices for essential imports, is burdened by serious inflation. Although the economy is strong and rebounding

from the effects of the war, U.S. aid is needed for continued economic growth. Jordan has for years struggled, with the poorest of economies, to maintain the strong defense which has enabled it to provide a stable influence in the area. Building a sound economic base can no longer be postponed if Jordan is to carry the increased responsibilities and gain the benefits of Middle East development.

The South Vietnamese Government has demonstrated its ability to withstand military pressure as well as to survive a year of serious economic hardship arising from the enormous cost of resettling refugees, expanding defense expenses, and from a very sharp increase in the price of essential imports. The Government is determined to move its reconstruction and development program forward despite the continued fighting. The underlying premise is that strengthening of the political and economic viability of South Vietnam will lead to the cessation of hostilities. The coalition in Laos offers hope that peace will bring more tolerable living conditions for the people. The Cambodians' struggle for independence continues. In each of these Indochina situations a substantial flow of economic aid is a necessary condition for the stability on which a permanent political settlement will be built.

While the Middle East and Indochina situations are dramatic cases where American foreign assistance plays a crucial role in securing world peace in a direct and immediate fashion, we must recognize that over the longer run peace and stability depend upon the economic and social development of that part of the world still suffering from overwhelming poverty.

A year ago the House Foreign Affairs Committee noted

...the emerging view that this country has a direct self-interest in the development of low income countries. These countries constitute the overwhelming majority of the nations and people of the world and their development affects the functioning of the world's cooperative systems in such fields as trade, monetary affairs, and investment.

The United States depends on those systems and therefore wants the low income countries to become successful participants which are both able and inclined to support those systems.

One measure of the dependence of the United States on the successful functioning of these international systems is shown in Chart 1. The United States now imports between 50% and 100% of eight metals needed for our industries and one-fourth to one-half of four other metals, including iron ore.

Another indicator of interdependence is export markets--30% of U.S. exports go to developing countries. Still another measure is U.S. investment, now over \$25 billion in these countries and growing at 8% per year. The international monetary system, the environment, and the oceans are other areas where our own well-being is clearly tied to the international system which we share with both developed and developing nations.

Despite substantial economic growth during the past decade, hunger, malnutrition, disease, illiteracy, and unemployment are the conditions of life for tens of millions of people in the developing countries. A major requisite for an enduring world peace requires meeting this challenge of despair and poverty.

RAW MATERIALS FROM ABROAD ARE ESSENTIAL TO U.S. INDUSTRY

U.S. Mineral Imports as a Share of Consumption-1972

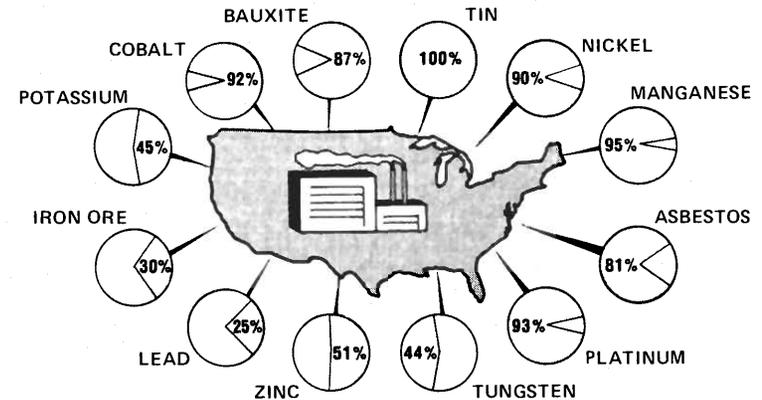


Chart 1

The problems of the majority of less-developed nations have been aggravated by the worldwide energy crisis and the food shortage. A few countries, which are major oil producers, are now capable of providing assistance to other developing countries. Other oil-producing nations such as Indonesia and Nigeria remain relatively poor and in need of continued support from abroad.

The rest of the developing countries--the great bulk of them--are faced with rapidly rising import costs for petroleum, food, fertilizer and other key commodities which outstrip their foreign exchange earnings. The potential additional costs in 1974 will be substantially above total development assistance from the industrialized nations to all of the less-developed countries in 1973. If no relief

is provided, production and income in these countries will slow down and there is a real danger of severe economic retrenchment and critical shortages which could generate social and political instability.

The energy crisis requires cooperation between consumers and producers to expand the supply of energy at an equitable price, to facilitate capital flows from the oil-rich countries consistent with productive investment, and to consider the additional financial and assistance measures required to mitigate the effect on the low-income countries least able to bear these costs. The United States provided leadership on the establishment of the Energy Action Group to address these problems.

The shift from a world food surplus to a precarious balance with minimum food reserves has been less sudden than the advent of the fuel shortage, but its implications are equally menacing. The global economy must achieve a better balance between food production and population growth and must rebuild its capacity to meet food emergencies. A significant crop failure, with food reserves at their lowest level in 20 years, could produce a major disaster. A protracted imbalance between population and food production guarantees massive hunger and malnutrition.

No nation can deal with this problem alone. The responsibility rests in a global effort by all nations, which gave rise to the calling of a World Food Conference for next November. The United States recognizes the responsibility it bears by virtue of its extraordinary agricultural productivity. We have removed all domestic restrictions on production. We also support the provision of additional assistance to the less-developed countries to help them raise their food production. An objective of the World Food Conference is a cooperative effort by all nations to expand food aid and reserves to provide adequate protection against hunger and to avoid famine when crop shortfalls occur.

Despite the changing world situation, certain conclusions are inescapable:

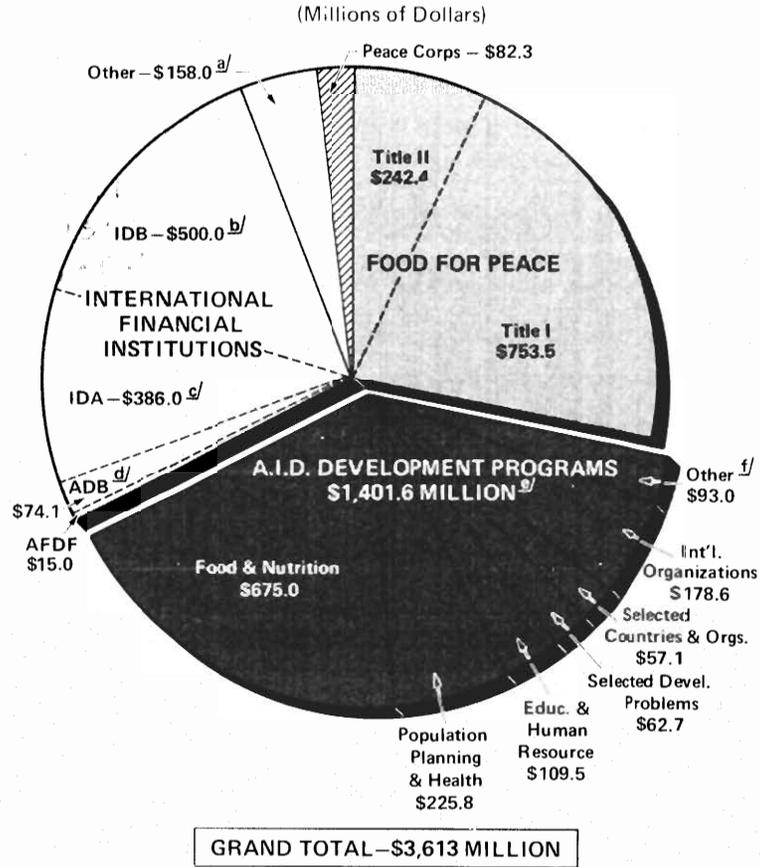
For the great majority of the developing countries--those which do not enjoy the benefits of oil exports--the difficulty of meeting the basic needs of their poorer people for adequate food, nutrition, health and education services remains acute; recent increases in energy and food prices threaten to further reduce their already low per capita income levels.

The energy crisis and food shortage underline the growing economic interdependence and the need for international cooperative action among all nations. The United States and other industrialized nations must maintain and expand, if possible, their current level of bilateral and multilateral assistance while encouraging the oil rich countries to provide their surplus resources for development in order to increase total flows of assistance to the poorer countries.

U.S. economic assistance will continue to concentrate on the fundamental problems affecting the majority of the people in developing countries: food production and nutrition, population growth, health, education and human resources development. The urgency of food production and family planning is greater than ever.

The FY 1975 economic assistance program is responsive to the immediate needs of the less-developed countries for increased food and fertilizer production, accelerated rural development and high-priority family planning, health and education programs. The request for an increase in our development assistance authorization for FY 1975 is specifically geared to the agricultural development problems.

PROPOSED FY 1975 U.S. DEVELOPMENT ASSISTANCE PROGRAMS



Note: Figures below in millions of dollars

^{a/} INCLUDES TRUST TERRITORY OF THE PACIFIC, \$61.0; INTERNATIONAL NARCOTICS CONTROL, \$42.5; DARIEN GAP, \$35.0; INTER-AMERICAN FOUNDATION, \$10.0; AND MIGRATION AND REFUGEES, \$9.5.

^{b/} CONTRIBUTION TO FUND FOR SPECIAL OPERATIONS.

^{c/} INCLUDES \$66.0 FOR MAINTENANCE OF VALUE.

^{d/} INCLUDES \$50.0 TO SPECIAL FUND AND \$24.1 TO ORDINARY CAPITAL.

^{e/} INCLUDES ALL A.I.D. PROGRAMS EXCEPT INDOCHINA POSTWAR RECONSTRUCTION, SECURITY SUPPORTING ASSISTANCE, AND SPECIAL MIDDLE EAST REQUIREMENT.

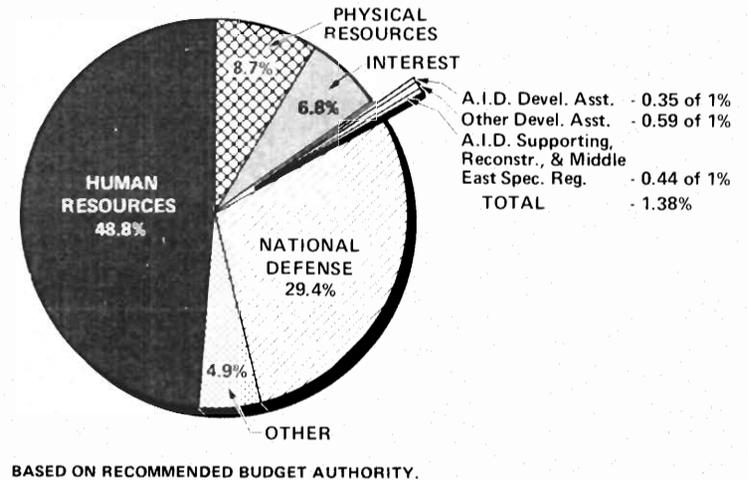
^{f/} INCLUDES AMERICAN SCHOOLS AND HOSPITALS ABROAD, CONTINGENCY FUND, AND ADMINISTRATIVE EXPENSES FOR A.I.D. AND STATE.

Chart 2

Chart 2 details the elements included in U.S. development assistance programs. Development assistance is a very small part of the total U.S. budget, as shown by Chart 3. Total assistance is 1.38% of the proposed FY 1975 U.S. budget. A.I.D.-administered development assistance is about one-third of one percent and supporting and reconstruction assistance (primarily Indochina) is less than one-half of one percent.

Chart 3

ECONOMIC ASSISTANCE IS A SMALL PART OF THE FY 1975 FEDERAL BUDGET



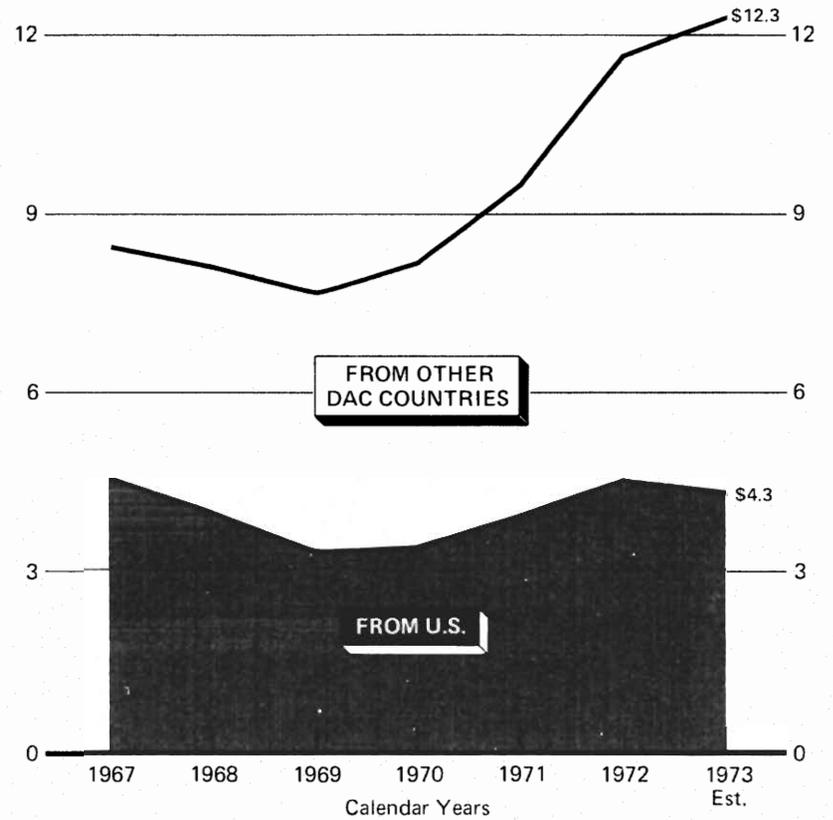
OTHER COUNTRIES PROVIDE MORE THAN 65 PERCENT OF ALL DAC AID*

15

15

(Billions of Dollars)

U.S. development assistance is increasingly a part of an international effort to help the poor countries escape from poverty. As shown by Chart 4, U.S. assistance is now just 35% of total assistance provided by member countries of the Development Assistance Committee of the Organization for Economic Cooperation and Development.



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

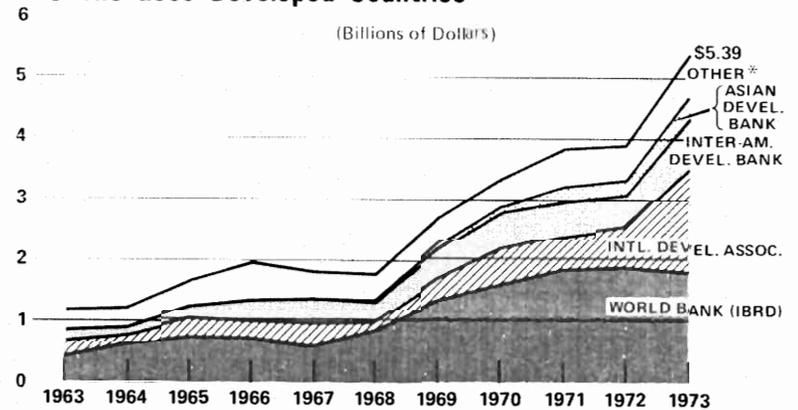
Chart 4

Multilateral assistance has also been increasing sharply. Chart 5 shows the five-fold rise in development assistance provided by the World Bank and other international financial institutions, 1963-1973.

U.S. leadership was instrumental in establishing this multilateral assistance framework and we must continue to provide our fair share to these institutions. U.S. contributions to the multilateral institutions reinforce our bilateral assistance efforts and are an essential element in realizing our international political and economic objectives.

The interests of the United States are linked to the countries of the developing world. Through our bilateral assistance programs, strongly reinforced by the efforts of our donor nations and the international financial institutions, the United States is helping create the conditions for enduring peace and the environment for fruitful cooperation in solving basic social and economic problems that transcend national boundaries. The FY 1975 program is directed towards this goal.

SHARPLY INCREASED ASSISTANCE FROM THE INTERNATIONAL FINANCIAL INSTITUTIONS To The Less Developed Countries



* INCLUDES INTERNATIONAL FINANCE CORPORATION, EUROPEAN ECONOMIC COMMUNITY, AFRICAN DEVELOPMENT BANK, AND THE VARIOUS UN PROGRAMS.

Chart 5

BILATERAL U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES
PROGRAMS PROPOSED FOR FY 1975
(In thousands of dollars)

	Economic Assistance Programs					Military Assistance & Credit Sales Programs					
	Total Economic & Military Assistance & Credit Sales	Total Economic Assistance	A.I.D.	Peace Corps	PL-480 ^{1/}	Int'l Narcotics Control	Total Military Assistance & Credit Sales	Military Assistance Grants (MAP)	Foreign Military Credit Sales	Excess Defense Articles	Military Assistance Service Funded
Summary	7,459,599	3,963,099	2,842,415	82,256	995,928	42,500	3,496,500	1,024,000	872,500	150,000	1,450,000
AFRICA - TOTAL	293,753	251,468	168,992	26,103	56,373	-	42,285	14,785	24,500	3,000	-
Algeria	1,409	1,409	-	-	1,409	-	-	-	-	-	-
Botswana	1,736	1,736	-	394	1,342	-	-	-	-	-	-
Burundi	425	425	-	-	425	-	-	-	-	-	-
Cameroon	1,311	1,311	-	825	486	-	-	-	-	-	-
Central African Republic	260	260	-	139	121	-	-	-	-	-	-
Chad	448	448	-	444	4	-	-	-	-	-	-
Congo (Brazzaville)	412	412	-	-	412	-	-	-	-	-	-
Dahomey	499	499	-	388	111	-	-	-	-	-	-
Ethiopia	47,939	29,039	25,037	2,798	1,204	-	18,900	11,300	5,000	2,600	-
Gabon	530	530	-	204	326	-	-	-	-	-	-
Gambia	442	442	-	255	187	-	-	-	-	-	-
Ghana	15,695	15,625	13,746	1,187	692	-	70	70	-	-	-
Guinea	333	333	-	-	333	-	-	-	-	-	-
Ivory Coast	2,091	2,091	-	1,469	622	-	-	-	-	-	-
Kenya	8,951	8,951	7,493	1,159	299	-	-	-	-	-	-
Lesotho	1,739	1,739	-	98	1,641	-	-	-	-	-	-
Liberia	9,626	9,026	7,206	1,362	458	-	600	100	500	-	-
Malagasy	168	168	-	-	168	-	-	-	-	-	-
Malawi	410	410	-	351	59	-	-	-	-	-	-
Mali	1,286	1,236	-	356	880	-	50	50	-	-	-
Mauritania	290	290	-	54	236	-	-	-	-	-	-
Mauritius	1,219	1,219	-	79	1,140	-	-	-	-	-	-
Morocco	49,182	34,322	15,210	1,331	17,781	-	14,860	860	14,000	-	-
Niger	1,957	1,957	-	1,061	896	-	-	-	-	-	-
Nigeria	6,133	6,133	3,682	151	2,300	-	-	-	-	-	-
Rwanda	2,947	2,947	2,500	-	447	-	-	-	-	-	-
Senegal	1,870	1,845	-	606	1,239	-	25	25	-	-	-
Seychelles	26	26	-	26	-	-	-	-	-	-	-
Sierra Leone	2,566	2,566	-	1,653	911	-	-	-	-	-	-
Sudan	15,960	15,910	10,850	-	5,060	-	50	50	-	-	-
Swaziland	572	572	-	452	120	-	-	-	-	-	-
Tanzania	12,054	12,054	10,659	-	1,395	-	-	-	-	-	-
Togo	2,089	2,089	-	1,061	1,028	-	-	-	-	-	-
Tunisia	21,368	17,468	5,809	1,072	10,587	-	3,900	2,000	1,500	400	-
Upper Volta	2,230	2,230	-	520	1,710	-	-	-	-	-	-
Zaire	15,294	11,494	6,013	5,145	336	-	3,800	300	3,500	-	-
Zambia	8	8	-	-	8	-	-	-	-	-	-
Economic Regional Programs											
Central West Africa & Sahel	26,874	26,874	26,874	-	-	-	-	-	-	-	-
East Africa	1,563	1,563	1,563	-	-	-	-	-	-	-	-
Southern Africa	10,123	10,123	10,123	-	-	-	-	-	-	-	-
Africa Regional	21,966	21,966	20,527	1,461	-	-	-	-	-	-	-
Self-Help Projects	1,700	1,700	1,700	-	-	-	-	-	-	-	-
Regional Military costs	30	-	-	-	-	-	30	30	-	-	-

BILATERAL U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES
PROGRAMS PROPOSED FOR FY 1975
(In thousands of dollars)

	Economic Assistance Programs					Military Assistance & Credit Sales Programs					
	Total Economic & Military Assistance & Credit Sales	Total Economic Assistance	A.I.D.	Peace Corps	PL-480	Int'l Narcotics Control	Total Military Assistance & Credit Sales	Military Assistance Grants (MAP)	Foreign Military Credit Sales	Excess Defense Articles	Military Assistance Service Funded
ASIA - TOTAL	4,762,069	2,086,017	1,375,949	15,624	680,246	14,198	2,676,052	787,902	318,000	120,150	1,450,000
Afghanistan	17,185	16,985	14,467	1,293	1,175	50	200	200	-	-	-
Bahrain	83	83	-	83	-	-	-	-	-	-	-
Bangladesh	104,669	104,669	65,220	-	39,449	-	-	-	-	-	-
British Solomon Islands	116	116	-	24	92	-	-	-	-	-	-
Burma	5,000	5,000	-	-	-	5,000	-	-	-	-	-
Cambodia	550,761	187,011	110,000 2/	-	77,011	-	363,750	362,500	-	1,250	-
China (Taiwan)	80,400	-	-	-	-	-	80,400	400	80,000	-	-
Cook Islands	14	14	-	14	-	-	-	-	-	-	-
Cyprus	571	571	-	-	571	-	-	-	-	-	-
Fiji	606	606	-	606	-	-	-	-	-	-	-
Gilbert and Ellice Islands	21	21	-	21	-	-	-	-	-	-	-
Greece	71,000	-	-	-	-	-	71,000	-	71,000	-	-
India	113,894	113,794	75,500	211	38,083	-	100	100	-	-	-
Indonesia	221,369	192,469	71,460	-	120,909	100	28,900	22,700	-	6,200	-
Iran	1,569	1,569	-	1,569	-	-	-	-	-	-	-
Korea	416,368	182,068	25,176	1,902	154,990	-	234,300	161,500	52,000	20,800	-
Laos	143,505	57,405	56,000 2/	-	253	1,152	86,100	85,200	-	900	-
Lebanon	10,150	-	-	-	-	-	10,150	150	10,000	-	-
Malaysia	12,938	2,653	-	2,497	156	-	10,285	285	10,000	-	-
Micronesia	1,061	1,061	-	1,061	-	-	-	-	-	-	-
Nepal	6,991	6,956	5,721	833	402	-	35	35	-	-	-
Oman	181	181	-	181	-	-	-	-	-	-	-
Pakistan	123,074	122,794	78,745	-	43,299	750	280	280	-	-	-
Philippines	103,715	78,315	49,844	2,178	26,043	250	25,400	17,900	5,000	2,500	-
Saudi Arabia	220	-	-	-	-	-	220	220	-	-	-
Sri Lanka (Ceylon)	18,801	18,786	8,000	-	10,786	-	15	15	-	-	-
Thailand	88,587	14,087	6,005	1,218	-	6,864	74,500	56,000	-	18,500	-
Tonga	338	338	-	338	-	-	-	-	-	-	-
Turkey	232,492	27,492	23,064	-	4,396	32	205,000	80,000	90,000	35,000	-
Vietnam	2,396,553	911,553	751,000 3/	-	160,553	-	1,485,000	-	-	35,000	1,450,000
Western Samoa	321	321	-	321	-	-	-	-	-	-	-
Yemen Arab Republic	13,734	13,734	11,496	160	2,078	-	-	-	-	-	-
Economic Regional Prog.	25,365	25,365	24,251	1,114	-	-	-	-	-	-	-
Regional Military Costs	417	-	-	-	-	-	417	417	-	-	-

BILATERAL U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES

PROGRAMS PROPOSED FOR FY 1975

(In thousands of dollars)

	Economic Assistance Programs					Military Assistance & Credit Sales Programs					
	Total Economic & Military Assistance & Credit Sales	Total Economic Assistance	A.I.D.	Peace Corps	PL-480	Int'l Narcotics Control	Total Military Assistance & Credit Sales	Military Assistance Grants (MAP)	Foreign Military Credit Sales	Excess Defense Articles	Military Assistance Service Funded
LATIN AMERICA - TOTAL	592,306	372,206	267,461	19,978	78,137	6,630	220,100	18,250	200,000	1,850	
Argentina	30,900	200	-	-	-	200	30,700	700	30,000	-	-
Belize (British Honduras)	275	275	-	275	-	-	-	-	-	-	-
Bolivia	35,959	29,459	22,239	-	7,175	45	6,500	3,300	3,000	200	-
Brazil	69,308	8,508	2,800	3,287	2,178	243	60,800	800	60,000	-	-
Chile	84,976	63,676	26,035	516	37,097	28	21,300	800	20,500	-	-
Colombia	52,848	35,148	21,908	2,717	9,986	537	17,700	700	17,000	-	-
Costa Rica	2,147	2,147	834	1,104	209	-	-	-	-	-	-
Dominican Republic	15,855	14,005	5,456	661	7,888	-	1,850	1,300	500	50	-
Ecuador	19,976	7,076	2,050	1,373	3,327	326	12,900	400	12,500	-	-
El Salvador	17,381	12,731	11,561	337	833	-	4,650	1,100	3,500	50	-
Guatemala	21,305	18,955	17,090	1,084	781	-	2,350	1,300	1,000	50	-
Guyana	3,624	3,624	3,550	-	74	-	-	-	-	-	-
Haiti	11,055	10,855	8,179	-	2,676	-	200	200	-	-	-
Honduras	28,152	23,502	22,038	766	698	-	4,650	1,100	3,500	50	-
Jamaica	11,399	11,399	8,450	1,357	1,558	34	-	-	-	-	-
Mexico	10,100	5,000	-	-	-	5,000	5,100	100	5,000	-	-
Nicaragua	33,558	29,108	27,826	594	688	-	4,450	1,100	3,000	350	-
Panama	22,266	21,716	21,360	-	338	18	550	500	-	50	-
Paraguay	7,770	5,420	4,756	585	69	10	2,350	1,400	500	450	-
Peru	38,630	17,330	13,489	1,235	2,513	93	21,300	800	20,500	-	-
Trinidad & Tobago	16	16	-	-	16	-	-	-	-	-	-
Uruguay	5,486	786	775	-	-	11	4,700	1,600	2,500	600	-
Venezuela	19,557	1,857	-	1,814	-	43	17,700	700	17,000	-	-
Caribbean Regional	6,443	6,443	5,500	908	33	2	-	-	-	-	-
Central America Regional (ROCAF)	1,674	1,674	1,634	-	-	40	-	-	-	-	-
Inter-American Programs	17,650	17,650	17,650	-	-	-	-	-	-	-	-
Economic Regional Programs	23,646	23,646	22,281	1,365	-	-	-	-	-	-	-
Regional Military Costs	350	-	-	-	-	-	350	350	-	-	-
MIDDLE EAST - TOTAL	969,050	519,807	478,175	-	41,632	-	449,243	94,243	330,000	25,000	-
Egypt	253,144	253,144	250,000 ^{3/}	-	3,144	-	-	-	-	-	-
Israel	378,211	78,211	50,000 ^{3/}	-	28,211 ^{2/}	-	300,000	-	300,000	-	-
Jordan	237,695	88,452	78,175 ^{3/}	-	10,277	-	149,243	94,243	30,000	25,000	-
Middle East Special Requirements Fund	100,000	100,000	100,000	-	-	-	-	-	-	-	-
EUROPE - TOTAL	15,053	12,522	12,500	22	-	-	2,531	2,531	-	-	-
Austria	24	-	-	-	-	-	24	24	-	-	-
Finland	24	-	-	-	-	-	24	24	-	-	-
Malta	9,522	9,522	9,500 ^{3/}	22	-	-	-	-	-	-	-
Portugal	860	-	-	-	-	-	860	860	-	-	-
Spain	4,600	3,000	3,000 ^{3/}	-	-	-	1,600	1,600	-	-	-
Regional Military Costs	23	-	-	-	-	-	23	23	-	-	-
OTHER	827,368	721,079	539,338 ^{4/}	20,529 ^{5/}	139,540 ^{6/}	21,672 ^{7/}	106,289	106,289 ^{8/}	-	-	-

^{1/} PL-480 estimates are planning levels which will be re-examined later in the year in light of revised price estimates, U.S. commodity availabilities and recipient country requirements. If availabilities permit, a Title I Concessional Sales program will be planned for Guinea.

^{2/} Includes West Bank of the Jordan River and Gaza.

^{3/} Largely or wholly funded from Security Supporting Assistance or Indochina Postwar Reconstruction accounts.

^{4/} Includes the following: American Schools and Hospitals Abroad \$10 million, Administrative Expenses, A.I.D. \$47.1 million, State \$5.9 million, Contingency Fund \$30 million, International Organizations and Programs \$203.4 million, Operating Costs \$123.4 million, Interregional Population program \$50.4 million and Other Interregional Programs \$69.1 million.

^{5/} Includes Worldwide Support \$6.6 million, Peace Corps Share of ACTION Support \$13.3 million.

^{6/} Includes Emergency Reserve/Unallocated Title II \$35.3 million, Ocean Freight \$103.2 million, Grants of Title I currencies under Section 204 of Title II \$1 million.

^{7/} Includes International Organizations \$5.1 million, Interregional Programs Training & Support Costs \$6.7 million, Unprogrammed \$9.8 million.

^{8/} Includes Administration \$25.3 million, Supply Operations \$78.7 million, Training \$1.2 million, Inspector General \$175,000, Storage and Maintenance Stockpile \$1 million.

**REPORT ON
CONGRESSIONAL
MANDATES**

AGENCY FOR INTERNATIONAL DEVELOPMENT
 CONGRESSIONAL MANDATES

FY 75
 BUDGET REQUEST

AGENCY FOR INTERNATIONAL DEVELOPMENT
 FY 1975 BUDGET REQUEST
 AND PROPOSED PROGRAM
 (In thousands of dollars)

	FY 1975 Authorization Level	FY 1975 Appropriation Request	Transfers	Receipts & Reimbursements	Recoveries	FY 1975 PROPOSED PROGRAM
DEVELOPMENT ASSISTANCE						
Functional Development Assistance:						
Food and Nutrition	291,000	546,300 *	-	104,408	24,326	675,034
Population Planning and Health	145,000	145,000	-	68,436	12,332	225,768
Education and Human Resources Development	90,000	90,000	-	17,400	2,074	109,474
Selected Development Problems	53,000	53,000	-	5,000	4,650	62,650
Selected Countries and Organizations	39,000	39,000	-5,000 ^{4/}	3,000	20,089	57,089
Total, Functional Development Assistance	618,000	873,300	-5,000	198,244	63,471	1,130,015
(Total, grants included above)		(333,300)	-	(1,050)	(16,535)	(350,885)
(Total, loans included above)		(438,000)	(-5,000)	(197,194)	(46,936)	(677,130)
(Operating expenses included above)		(102,000)	-	-	-	(102,000)
International Organizations and Programs:						
UNDP and Other Programs	150,000	153,900 *	-	-	-	153,900
UN Environment Fund	1/	10,000	-	-	-	10,000
Indus Basin Development Fund, Loans	2/	200	-	-	-	200
Indus Basin Development Fund, Grants	14,500	14,500	-	-	-	14,500
Total, International Organizations and Programs	164,500	178,600	-	-	-	178,600
American Schools and Hospitals Abroad	19,000	10,000	-	-	-	10,000
Contingency Fund	30,000	30,000	-	-	-	30,000
Administrative Expenses, A.I.D.	45,000	45,000	-	2,100	-	47,100
Administrative Expenses, State	3/	5,900	-	-	-	5,900
TOTAL, DEVELOPMENT ASSISTANCE	876,500	1,142,800	-5,000	200,344	63,471	1,401,615
INDOCHINA POSTWAR RECONSTRUCTION	-	939,800 *	-	1,845	1,655	943,300
SECURITY SUPPORTING ASSISTANCE	-	385,500 *	-	-	12,000	397,500
Middle East Peace Program	-	-	-	-	-	(377,500)
Other Programs	-	-	-	-	-	(20,000)
MIDDLE EAST SPECIAL REQUIREMENTS FUND	-	100,000 *	-	-	-	100,000
Memo: Middle East Peace Programs included above						(477,500)
TOTAL, AGENCY FOR INTERNATIONAL DEVELOPMENT	876,500	2,568,100	-5,000	202,189	77,126	2,842,415 ^{5/}

- * These activities require authorization action for FY 1975.
- 1/ Public Law 93-188 authorized \$40 million to remain available until expended.
- 2/ Foreign Assistance Act of 1967 authorized \$51.22 million to remain available until expended.
- 3/ Indefinite authorization.
- 4/ Anticipated transfer to Department of State Refugee and Migration Affairs.
- 5/ Excludes \$20 million available for obligation for Prototype Desalting Plant.

See p. 55

FY 1975 BUDGET REQUEST

1401
943
377
2741

Development assistance \$1,401,615 Indochina Postwar Reconstruction \$943,300 Security Supporting Assistance \$397,500

DEVELOPMENT ASSISTANCE

The Foreign Assistance Act of 1973 calls for "drastic change" in the U.S. bilateral assistance program so that U.S. aid will reach the "poorest majority," those whom the American people have always wanted to be the beneficiaries of U.S. efforts in the developing countries.

A.I.D. is fully sympathetic with the purposes of the new legislation and subscribes to the statement of the House Foreign Affairs Committee, "We are learning that if the poorest majority can participate in development by having productive work and access to basic education, health care and adequate diets, then increased economic growth and social justice can go hand in hand."

During the past several years reevaluations of economic performance in developing countries revealed that the

benefits of growth in many countries have been unevenly distributed. As a consequence, the countries and the bilateral and multilateral assistance agencies have begun to alter their perceptions of the development process and of development strategies.

Greater priority is accorded to policies and projects that can directly improve the living standards of the majority. The Agency's ability to pursue these new directions has now been greatly enhanced by the new foreign assistance legislation which provides both a Congressional mandate and an appropriation structure which crystallizes the approach to be taken. Despite the limited time since the enactment of the new legislation in December 1973, A.I.D. can claim modest progress in moving in the direction of the new legislation, as the table reflects:

COMPOSITION OF A.I.D.'S PROGRAM
BY FUNCTIONAL CATEGORY
(\$ millions)

	1974			1975		
	<u>NOA</u> ^{a/}	<u>Program</u>	<u>% of Program</u>	<u>NOA</u> ^{a/}	<u>Program</u>	<u>% of Program</u>
Food and Nutrition	284	285	32%	546	676	60%
Population Planning and Health	135	186	21%	145	226	20%
Education and Human Resources	89	106	12%	90	109	10%
Selected Problems	41	143	16%	53	63	6%
Selected Countries	<u>36</u>	<u>169</u>	<u>19%</u>	<u>39</u>	<u>57</u>	<u>5%</u>
Total	585	889	100%	873	1130	100% ^{b/}

^{a/} New Obligational Authority.

^{b/} Total does not add due to rounding.

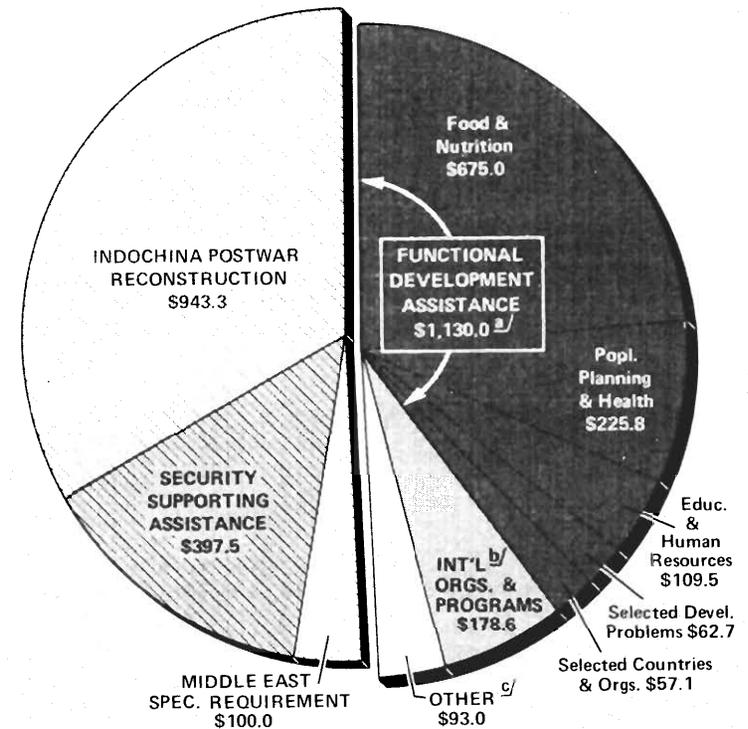
In the next 12 months, A.I.D. expects to move faster in reorienting the U.S. bilateral assistance program. There is, however, one very important qualification: although A.I.D. can revise its own policies fairly rapidly, it can only provide assistance upon request. The Congress itself recognized this point in the fourth principle of Sec. 102, "Development planning must be the responsibility of each sovereign country. United States assistance should be administered in a collaborative style to support the development goals chosen by each country receiving assistance." In the long run, the speed with which the purposes of the Act can be achieved will depend on the developing countries. Granting this, A.I.D. can persuade and A.I.D. can work with others who are advocating similar development policy changes, e.g., the World Bank.

In addition to these reconsiderations with respect to development policies, A.I.D. is working closely with Private and Voluntary Organizations (PVOs) to increase their role in the administration of U.S. development assistance programs. The Agency has just increased its financial support of PVOs by \$11 million, of which \$5 million is for strengthening their development capacity and potential and \$6 million is for additional PVO-sponsored programs in the developing countries.

For FY 1975, A.I.D. is requesting an appropriation of \$2,568 million. This includes an increase of \$259 million over the FY 1975 authorization. This will permit additional projects in the Food, Rural Development, and Nutrition sectors aimed at hastening the solution of the world food problem by increasing the productivity of small producers.

PROPOSED FY 1975 ECONOMIC ASSISTANCE PROGRAMS UNDER THE AGENCY FOR INTERNATIONAL DEVELOPMENT

(Million of Dollars)



Development Assistance Total \$1,401.6 Million

A.I.D. TOTAL \$2,842.4 MILLION

Figures in notes below are in millions of dollars.

- ^{a/} INCLUDES GRANTS, \$350.9; LOANS, \$677.1; AND OPERATING EXPENSES, \$102.0.
^{b/} INCLUDES UNDP AND OTHER PROGRAMS, \$153.9; UN ENVIRONMENT FUND, \$10.0 AND INDUS BASIN (GRANTS \$14.5, LOANS \$0.2).
^{c/} INCLUDES AMERICAN SCHOOLS AND HOSPITALS ABROAD, \$10.0; CONTINGENCY FUND, \$30.0; AND ADMINISTRATIVE EXPENSES (A.I.D. \$47.1, STATE \$5.9).

SUMMARY OF
FOOD AND NUTRITION PROGRAM PROPOSAL - FY 1975
(in thousands of dollars)

	<u>Total</u>	<u>Grants</u>	<u>Loans</u>
<u>GRAND TOTAL</u>	<u>675,034</u>		
<u>OPERATING EXPENSES</u>	<u>60,921</u>		
<u>TOTAL PROGRAM</u>	<u>614,113</u>	<u>93,998</u>	<u>520,115</u>
<u>AFRICA - TOTAL</u>	<u>113,496</u>	<u>36,996</u>	<u>76,500</u>
Ethiopia	19,306	2,306	17,000
Ghana	11,000	1,000	10,000 ✓
Kenya	6,873	1,873	5,000
Liberia	4,626	626	4,000
Morocco	14,460	1,460	13,000
Nigeria	1,394	1,394	-
Rwanda	2,500	-	2,500
Sudan	700	700	-
Tanzania	10,079	3,079	7,000
Tunisia	4,787	1,787	3,000
Uganda	-	-	-
Zaire	5,403	403	5,000
Central West Regional	21,868	16,868	5,000
East Africa Regional	610	610	-
South Regional	7,935	2,935	5,000
Africa Regional	1,955	1,955	-
Self-Help (Included in Africa Regional)	(750)	(750)	-
<u>ASIA - TOTAL</u>	<u>344,295</u>	<u>16,920</u>	<u>327,375</u>
Afghanistan	9,090	1,090	8,000
Bangladesh	62,100	2,100	60,000
India	75,500	500	75,000
Indonesia	52,810	2,810	50,000
Korea	19,298	298	19,000
Nepal	2,352	952	1,400
Pakistan	56,348	1,348	55,000
Philippines	38,084	3,609	34,475
Sri Lanka (Ceylon)	8,000	-	8,000
Thailand	2,395	2,395	-
Turkey	17,207	707	16,500
Yemen Arab Republic	300	300	-
Asia Regional	811	811	-

<u>LATIN AMERICA - TOTAL</u>	128,150	12,150	116,000
Bolivia	8,839	839	8,000
Brazil	300	300	-
Chile	25,800	800	25,000
Colombia	5,258	258	5,000
Costa Rica	309	309	-
Dominican Republic	155	155	-
Ecuador	649	649	-
El Salvador	7,115	615	6,500
Guatemala	15,401	901	14,500
Guyana	3,500	-	3,500
Haiti	6,504	1,504	5,000
Honduras	12,100	600	11,500
Jamaica	8,000	-	8,000
Nicaragua	220	220	-
Panama	11,465	465	11,000
Paraguay	3,535	1,035	2,500
Peru	11,997	997	11,000
Uruguay	449	449	-
Venezuela	-	-	-
ROCAP	500	500	-
East Caribbean	-	-	-
Inter-American Organizations	-	-	-
Latin America Regional	6,054	1,554	4,500
<u>SUPPORTING ASSISTANCE - TOTAL</u>	980	980	-
Jordan	380	380	-
East Asia Regional	600	600	-
<u>WORLDWIDE TECHNICAL ASSISTANCE AND RESEARCH PROGRAMS</u>	26,952	26,952	-
<u>INSPECTOR GENERAL OF FOREIGN ASSISTANCE</u>	240	-	240

1/ Part of a multi-donor loan project.

FOOD, RURAL DEVELOPMENT, AND NUTRITION

A traditional world food surplus has suddenly shifted to a precarious balance between worldwide supply and demand. Food prices are rising almost everywhere. The shift spotlights the inability of many developing countries to increase food production fast enough to keep pace both with rapidly rising populations and also with the demand for more and better food as people move up the economic scale. This already difficult situation is further complicated by a worldwide shortage of fertilizer, a shortage which is expected to last at least until 1977.

Even before the present food problem emerged, it was estimated that one-fifth of the people in the developing world were undernourished, and that a majority had inadequate diets. The urgency of these problems for all countries, rich and poor alike, has led to the calling of a World Food Conference which will consider measures to alleviate problems in the short run, such as maintenance of adequate reserves, but is also expected to underline the critical role played by food production in the less-developed countries in resolving the worldwide problem. In addition, development in the low-income countries depends heavily on increasing productivity in agriculture, which provides the bulk of employment, incomes, and export earnings as well as food for the poor.

The Food and Agriculture Organization of the United Nations estimates that simply keeping pace with minimum developing country needs, the average annual growth of production must be increased from the 3% of the past 25 years to 4% per year. Since nearly all the available land is already being farmed, particularly in the populous countries of Asia, most of this increase must come from higher output per acre. There is plenty of room for such increases. In Taiwan and South Korea output of foodgrains is 3,000 pounds per acre or more, comparable with production in developed countries. That similar yields have been achieved in parts of Pakistan, India, Mexico, and other "Green Revolution" countries indicate the feasibility of raising production. However, in these and other developing countries, average foodgrain

output per acre is less than 1500 pounds, often below 1000 pounds, even on land which is potentially highly productive.

In Asia, Africa, and Latin America the farmer operates within an interacting set of complex social and economic systems that condition what he or she does or can do. Raising productivity from the low levels just cited requires a combination of economic incentives, strengthening the institution of participation, improving the planning and management of agricultural programs, finding and communicating the technology needed to raise productivity, providing the necessary production inputs and developing markets so farmers can sell their increased production. A.I.D.'s efforts to help increase food output are increasingly aimed at access by small farmers to production inputs, markets, finance, and improved technology.

A.I.D.'s program, impelled by the Congressional initiatives of 1973, is also aimed at helping to resolve the world food problem by increasing output per acre, especially on the several hundred million small farms of the developing world, through labor-intensive (i.e., job-creating) agriculture. This program supports six broad purposes of development:

Strengthening local institutions to involve the poorest majority in development;

Increasing and diversifying agricultural production;

Integrating agricultural, industrial, and commercial development so that advance in one spurs the others;

Improving nutrition;

Localizing infrastructure so that the poorest majority have access to roads, better land, electricity, water and other utilities;

Increasing employment and improving income distribution.

The priority given to this effort is illustrated by the fact that the proposed program totals \$674 million in FY 1975, compared with \$285 million in FY 1974. An increase of \$255 million in the authorization level is requested to make this program possible. Details of the program are given in other parts of this Presentation. For purposes of this summary it can be considered under three interrelated subjects: Rural Development, Agricultural Production, and Nutrition. Under Rural Development we present institutional and infrastructure activities aimed at helping small farmers and landless laborers. Under Agricultural Production we present other steps required to increase farm output on small farms. Under Nutrition we present activities to assist countries to plan and carry out low-cost methods to improve the nutritional status of vulnerable groups.

Rural Development

The FY 1975 programs in rural development which are described here are in the areas of concentration specified in the Report of the House Committee on Foreign Affairs. These areas lay special emphasis on the institutions of participation. There is a rapid increase in programs for rural roads, irrigation, rural electricity, farmer cooperatives, and other necessary elements of rural development. Small farmers are the target group. Many rural activities, notably public works constructed by relatively labor intensive methods, will also provide expanded employment opportunities for the landless and near-landless. This group, which generally constitutes the poorest segment of rural societies and is not helped much directly by programs designed to raise agricultural output, although there are indirect benefits through expansion of employment and lower food prices. Other elements in the strategy to enable the landless and near-landless to contribute more to output and share more in the fruits of economic development include human resource development programs in education, nutrition, health, and family planning and programs to encourage small, dispersed labor-intensive rural industries.

But this program trend is misleading in one crucial respect--the institutional element is still weak. There is a growing

interest in local government and in farmer cooperatives, especially in Latin America. In general, however, A.I.D. supported programs are still directed toward improving services provided by central governments. As project planning advances, A.I.D. will support stronger local institutions and greater participation, although the basic decisions on matters such as these can only be made by the countries themselves. In addition, an Agency-wide task group is engaged in intensive study of policy and operating issues involved in expanding and focusing work in rural development under the new legislation.

Local and Regional Institutions in which People Participate. In five Latin American countries, Costa Rica, Honduras, Bolivia, Paraguay, and Guatemala, A.I.D. is helping to improve the planning competence and to increase the financial resources of the municipalities (corresponding to our countries). A.I.D. funds are loaned to municipal development banks which, in turn, relend to the county governments primarily for construction of feeder roads, agricultural markets, slaughter houses and other facilities needed for higher-productivity agriculture. The banks also provide technical assistance which is of particular importance to the small farmers. A.I.D. will support local government development programs in FY 1975 in Bangladesh and Pakistan, and a survey of local government in Ethiopia is the basis for possible A.I.D. assistance. Recognizing that much still needs to be learned about the role of local government as a development institution, A.I.D. is financing a comparative study of this subject, managed by the Cornell University Center for International Affairs. The study covers 15 countries, mostly in Asia, and should be completed by September 1974. In the Philippines a combination of A.I.D.-supported programs with a heavy institutional emphasis in provincial and local government and cooperatives is benefitting an estimated five million people.

In the field of cooperatives, A.I.D. will continue to support the Latin American credit union and housing programs. There are promising farmer cooperative programs in Central America, especially Costa Rica, Guatemala and

Honduras. In Botswana a cooperative livestock project is aimed at giving small landholder cattle growers access to a known market hitherto denied them. The first three pilot areas will benefit 5,000 farm families.

In Botswana and Lesotho, A.I.D. will be involved in soil conservation projects which combine improved managerial and technical competence in Ministries of Agriculture with local farm groups somewhat akin to a U.S. soil conservation district.

Local Market Areas and Market Towns. One method of stimulating rural development and slowing rural - urban migration is the creation of market areas and market towns complete with services and amenities designed to make rural life productive and satisfying. This is a new field for A.I.D. as well as for most developing countries and other foreign aid agencies. Programs are needed to assure the location in market towns and small cities of certain activities which are needed to involve farmers in a high-productivity agricultural system, such as private banks and/or financial cooperatives, agricultural extension, warehouses, and market and transport facilities. In addition, it is necessary to integrate agricultural, industrial and commercial development, including agro-industries, and to encourage the presence of a variety of consumer goods, personal service and construction businesses to provide the goods and services people need and want as their incomes rise. Finally, these market towns and small cities need utilities, schools and medical clinics.

Although A.I.D. does not have experience in organizing local market areas and market towns, there is a sound theoretical base (from several academic disciplines of which regional planning is the most important) plus solid, practical experience in a small number of countries, principally Israel, Egypt, Yugoslavia, and Taiwan, upon which policies can be built. In FY 1975, A.I.D. expects to support projects which involve a partial application of the local market area - market town concept in the Philippines, Bangladesh, Pakistan, Guatemala, Bolivia, Costa Rica, Honduras, Paraguay, and Nicaragua.

Local and Regional Financial Institutions. A.I.D. has many years experience in strengthening and expanding credit systems, mostly in agriculture but to some extent also in industry, housing, and personal loans (credit unions). However, the new legislation implies much more emphasis than in past programs on mobilizing savings and in organizing financial institutions and capital markets for small producers as well as large. Programs of this type are expected to increase slowly because their basic premise, that poor people can save and pay the cost of their own improvement if they own their own farms or business firms, is still treated with skepticism by most governments in the developing world. We are seeking ways to broaden knowledge of the basic premise as well as supporting projects based on it. A.I.D. is involved in such projects in Guatemala, the Philippines and Latin America.

Rural Infrastructure and Utilities . This is the largest of the subheadings under Rural Development in terms of money requested. Three rural electrification loans are proposed in Asia for a total of \$60 million. In Indonesia a combination of A.I.D.-funded county-level public works and U.S. voluntary agency programs (CARE, Church World Service, and Catholic Relief) are expected to provide nearly 500,000 jobs, mostly during the agricultural off-season, on road and land improvement and other local projects. Water control projects in Indonesia will provide flood protection and improved irrigation for two and a quarter million people.

Fifty thousand farm families in Sri Lanka will be able to carry out more intensive farming and multiple cropping because of an \$8 million irrigation project.

Industry Related to Agriculture. Improving America's capacity to help low-income countries develop large numbers of small-scale, labor-intensive businesses with special emphasis on agro-industries, is an A.I.D. goal on which more work is needed within A.I.D. before there can be much project activity.

In FY 1975, A.I.D. expects to support small agriculturally related industry projects in Jamaica, Pakistan, Central West Africa, and to assist the Latin American Agribusiness Development Corporation, which works in Central American and Caribbean countries.

Sector Projects. In addition to activities falling into the five preceding categories, the FY 1975 program includes \$124 million for 14 agriculture sector and regional development programs in Latin America and Africa which address broad problems of rural development and agricultural output. The largest expenditures will be for infrastructure, rural roads, land improvement, and agricultural credit. Farmer cooperatives, extension, research, farm service centers, equipment, and production inputs are also included. The exact project composition will depend on the particular country situation.

In Peru, for example, A.I.D. will support three river valley projects; in each about 35,000 people are involved. Funds will be used for roads, land improvement, a regional farmer cooperative in each valley, rural electricity, and small processing plants.

A sector project in Ghana is aimed at 800,000 corn farmers, almost half of the country's farmer population. Included in the project are credit, expansion of agricultural extension at the sub-District (small county) level, and research which will be tied in with the international corn research network.

Agricultural Production

Projects in this category cover planning and management of agricultural programs, research and the provision of vital inputs.

Planning and Management. Although governments of the less-developed countries intervene in agricultural development in numerous ways in pursuit of their goals, they have great difficulty in doing this effectively. They do not have the trained manpower or methodologies to describe

the working of their systems, to predict the effects of alternative types of interventions on their multiple purposes, to coordinate these interventions or to assure that small farmers are increasingly involved, so as to bring about the best composite result. Because these governments are pursuing potentially conflicting goals and the various systems involved are changing rapidly, even experienced judgment is very unreliable. Consequently, program and policy efforts all too often produce significant unintended or unforeseen results--often bad ones--that they can ill afford with their limited resources and major needs.

A.I.D. is assisting these governments to develop methodologies and manpower for improved sector analysis and operational coordination and to produce high-priority analyses which will identify the implications of alternative price policies, resource allocations, and cropping patterns, including the likely employment and distributive consequences. We are also exploring how the methods of sectoral analysis and appraisal can be extended to the broader problems of rural development discussed above.

Research. Lack of more productive technologies suitable for the mass of small farmers in the developing world curtails overall food production. The rapid adoption of high yielding varieties of rice and wheat, which were grown on 83 million acres in 1972-1973, illustrates what can be done. But these varieties are restricted mainly to areas where soils and irrigation are favorable; production of other crops and in other, generally drier, lands has not moved comparably.

A.I.D.'s approach to improving agricultural technology is to concentrate problem-solving capacity--U.S. and foreign, financed from many sources--on critical problem areas. In FY 1975, we will finance 25% of the budgets of international research centers, which include the established rice center in the Philippines, and wheat center in Mexico and the recently established tropical agriculture centers in Colombia and Nigeria. These centers play a central role in networks of research and development focussing on developing country agriculture. The principal crops are rice, corn, wheat,

sorghum, barley, cassava, potatoes, soybeans, dry beans, chickpeas, and cowpeas. For the most part, these are grown by small farmers, and the last four are major sources of protein. Better livestock systems--particularly for Africa--management of soil and water and improved plant protection are also major subjects. Increased attention is being given to ensuring that technologies are developed in a manner best meeting the needs of the small farmer, and to working out crop systems that are job creating and applicable to small scale operations. Much more attention will be given in FY 1975 to increasing the efficiency of fertilizer use and reducing requirements for chemical fertilizer.

The critical and most difficult element of the system for using new technologies is the last link--the specific adaptation to local conditions and its communication to the farmer. A.I.D. finances, and encourages other aid agencies to finance, outreach activities such as an agricultural research program in Pakistan, applied research on corn and wheat in Turkey, and a high lysine corn program in Guatemala, that extend the problem-solving network to the user. As technical breakthroughs come with increasing frequency from continuing research efforts, we expect to give increased attention to building them into coherent packages of practices and supporting programs that can be quickly adapted to application on the national or regional scale. In this manner we hope to make a significant reduction in the time required for new knowledge to lead to more production on the farm.

Production Inputs. Food production depends on a timely and assured flow of inputs such as improved seeds, fertilizers and pesticides. Since future increases in food production must come primarily from higher yields per acre, improvement of soil fertility will be a critical factor, even more so given the growing shortage and increasing price of fertilizer. In line with the employment and equity considerations noted above A.I.D. will stress the access of

small farmers to physical inputs. A.I.D. is now giving special attention to this problem through

Measures to assist developing countries gain access to critically needed fertilizer supplies;

Technical help in assisting developing countries to increase output from existing plants;

Encouragement and a degree of financing for additional fertilizer plants;

Improvement of technology so that less fertilizer will be needed to achieve given yields.

For example, A.I.D. plans to finance the import of fertilizer and pesticides in Bangladesh. These inputs will serve to increase food production in a country where the food deficit is critical and population pressure intense. In addition, A.I.D. plans to assist Bangladesh and Pakistan in constructing fertilizer plants based on local natural gas in order to reduce future dependency on fertilizer imports.

Nutrition

Although the extent of malnutrition in developing areas is fairly well known, past efforts to overcome it have been limited by a lack of feasible solutions effective at present per capita income levels and rates of population growth. A.I.D.'s strategy has been to develop wide range of methods to improve nutrition at low cost, especially for vulnerable groups such as preschool children and nursing mothers.

The principal method of improving nutrition is producing not only more food but also low-cost food that provides more protein of a better quality. A.I.D.-sponsored agricultural research focuses in particular on increasing yields

of protein-rich legumes and breeding varieties of food grains that provide more protein. Increasing production of these new varieties can help hundreds of millions of people in developing countries without significantly changing dietary habits. These methods are complemented by selective fortification with proteins, vitamins and minerals, of mass-consumed foods, encouraging industrial production of new food products, supplemental feeding programs for pregnant and nursing mothers and children under five, and nutrition education.

As part of the growing A.I.D. program in this field, assistance in nutrition planning will be provided in FY 1975 to a number of countries, including Pakistan, Bangladesh, Zaire, and Kenya. The Philippines will receive assistance with an expanded nutrition program built into and partially substituting for an extensive child-feeding effort based on Title II foods. Two Latin American countries plan loans to improve the nutritional status of lower-income groups.

SUMMARY OF
POPULATION PLANNING AND HEALTH PROGRAM PROPOSAL - FY 1975
(in thousands of dollars)

	<u>Total</u>	<u>Grants</u>	<u>Loans</u>
<u>GRAND TOTAL</u>	<u>225,768</u>		
<u>OPERATING EXPENSES</u>	<u>20,379</u>		
<u>TOTAL PROGRAM</u>	<u>205,389</u>	<u>137,549</u>	<u>67,840</u>
<u>AFRICA - TOTAL</u>	<u>19,481</u>	<u>15,481</u>	<u>4,000</u>
Ethiopia	4,300	300	4,000
Ghana	1,902	1,902	-
Kenya	500	500	-
Liberia	1,616	1,616	-
Morocco	750	750	-
Nigeria	700	700	-
Sudan	150	150	-
Tanzania	580	580	-
Tunisia	925	925	-
Zaire	601	601	-
Southern Africa Regional	318	318	-
Central West Africa Regional	3,704	3,704	-
Africa Regional	3,435	3,435	-
Self-Help (Included in Africa Regional)	(300)	(300)	-
<u>ASIA - TOTAL</u>	<u>74,321</u>	<u>32,721</u>	<u>41,600</u>
Afghanistan	1,900	1,900	-
Bangladesh	2,650	2,650	-
Indonesia	17,600	7,600	10,000
Korea	500	500	-
Nepal	3,001	1,401	1,600
Pakistan	20,000	5,000	15,000
Philippines	11,710	6,710	5,000
Thailand	2,750	2,750	-
Turkey	1,585	1,585	-
Yemen Arab Republic	10,475	475	10,000
Regional	2,150	2,150	-

<u>LATIN AMERICA - TOTAL</u>	<u>33,361</u>	<u>11,361</u>	<u>22,000</u>
Bolivia	6,550	550	6,000
Brazil	-	-	-
Chile	-	-	-
Colombia	1,050	1,050	-
Costa Rica	525	525	-
Dominican Republic	5,151	151	5,000
Ecuador	600	600	-
El Salvador	600	600	-
Guatemala	600	600	-
Haiti	1,600	1,600	-
Honduras	5,840	840	5,000
Jamaica	400	400	-
Nicaragua	6,525	525	6,000
Panama	550	550	-
Paraguay	502	502	-
Peru	100	100	-
Regional	2,768	2,768	-
<u>SUPPORTING ASSISTANCE - TOTAL</u>	<u>1,865</u>	<u>1,865</u>	<u>-</u>
Vietnam	1,000	1,000	-
Laos	800	800	-
E. Asia Regional	65	65	-
<u>INTERREGIONAL POPULATION PROGRAM - TOTAL</u>	<u>50,412</u>	<u>50,412</u>	<u>-</u>
Demographic Analysis and Evaluation	6,100	6,100	-
Population Policy Development	1,250	1,250	-
Research	4,685	4,685	-
Family Planning Services	30,153	30,153	-
Information, Education and Communication	1,750	1,750	-
Manpower and Institutions	6,474	6,474	-
<u>WORLDWIDE TECHNICAL ASSISTANCE AND RESEARCH PROGRAMS</u>	<u>5,127</u>	<u>5,127</u>	<u>-</u>
<u>PROGRAM AND MANAGEMENT SERVICES</u>	<u>582</u>	<u>582</u>	<u>-</u>
<u>INSPECTOR GENERAL OF FOREIGN ASSISTANCE</u>	<u>240</u>	<u>-</u>	<u>240</u>
<u>UNITED NATIONS FUND FOR POPULATION ACTIVITIES</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>

POPULATION PLANNING AND HEALTH

A recent World Bank statement captures the essence of the problem of population growth:

"It took more than 1,800 years for the world's population to increase from 210 million to one billion. The second billion required about a century and a quarter, and the third only 30 years. It is now taking only 15 years to add the fourth billion. If present growth rates were to continue, the current population of more than 3.6 billion would double in 35 years, and by the end of the century it would be increasing at the rate of a billion every eight years".

The economic and human consequences of population growth are formidable in terms of slow growth in per capita food production, failure to provide schools for tens of millions of children, and inability to provide minimal health services to the great majority of the population, particularly the rural poor.

There is new evidence that birth rates are declining in nine countries of Asia, five small countries in the Caribbean and Central America, and two countries of Africa. The demand for contraceptives supplied by A.I.D. has quadrupled this year. Despite these early trends, regular participation in family planning by couples of reproductive age remains 15% on the average. The larger task of reaching the majority lies ahead.

The same reasons that limit the effective practice of family planning by the large majority inhibit the distribution of services and knowledge that can overcome high maternal and infant mortality, malnutrition and

debilitating intestinal disease, which remain prevalent in the developing world. The common problem of population and other health programs is to develop low-cost delivery systems through which the large rural majority can be reached.

To reach the rural hinterlands A.I.D. is increasingly supporting the development of low-cost integrated family planning-health-nutrition delivery systems and a combination of research, professional training, and planning activities needed to support and strengthen these low-cost integrated systems.

The \$137.5 population program total for FY 1975 includes \$51.8 million for country programs; \$53.2 million for interregional programs, including A.I.D. support of the World Fertility Survey, medical and social science research and professional and technical training; \$20 million for the United Nations Fund for Population Activities; and \$12.5 million for A.I.D. operating costs. This is \$25 million more than the FY 1974 population program.

The health program will concentrate on new approaches to reach the majority of rural and urban poor. These include low-cost clinics and the use of existing patterns of manpower such as traditional midwives, village volunteers, religious leaders, and indigenous practitioners. Such systems will be organized not only for population services, but also health, nutrition, and environmental sanitation services. The extension of delivery systems had begun prior to the Congressional initiative of 1973 but are being increased because of that initiative in support of A.I.D.'s goal of reaching the poorest majority of the population. The increase in health funds in FY 1975 (\$15 million) represents the new emphasis.

The development of A.I.D.-supported low-cost health delivery systems is underway in Colombia, Brazil, Bolivia, Panama, Ecuador, Nigeria, Liberia, Pakistan, and Thailand. By the end of FY 1975 A.I.D. expects similar projects to be started in 12 additional countries.

At least 12 countries will receive technical assistance during FY 1975 in planning the use of their own resources in health. Supporting programs will focus on the problems created by man's own actions in the environment, such as the unsanitary disposal of human waste, pollution of water, and exposure to disease from human contact, migration, urban growth, and environmental changes such as irrigation and road development.

The appropriation request for Population Planning and Health for FY 1975 is \$145 million for a program of \$255.8 million.

SUMMARY OF
EDUCATION AND HUMAN RESOURCES DEVELOPMENT PROGRAM PROPOSAL - FY 1975
(in thousands of dollars)

	<u>Total</u>	<u>Grants</u>	<u>Loans</u>
<u>GRAND TOTAL</u>	<u>109,474</u>		
<u>OPERATING EXPENSES</u>	<u>9,884</u>		
<u>TOTAL PROGRAM</u>	<u>99,590</u>	<u>60,350</u>	<u>39,240</u>
<u>AFRICA - TOTAL</u>	<u>16,416</u>	<u>16,416</u>	-
Ethiopia	1,431	1,431	-
Ghana	744	744	-
Kenya	120	120	-
Liberia	964	964	-
Nigeria	1,588	1,588	-
Tunisia	97	97	-
Zaire	9	9	-
Southern Africa Regional	1,870	1,870	-
Central West Africa Regional	290	290	-
East Africa Regional	953	953	-
Africa Regional	8,350	8,350	-
Self-Help (Included in Africa Regional)	(750)	(750)	-
<u>ASIA - TOTAL</u>	<u>18,780</u>	<u>13,280</u>	<u>5,500</u>
Afghanistan	3,160	3,160	-
Bangladesh	470	470	-
Indonesia	1,050	1,050	-
Korea	378	378	-
Nepal	368	368	-
Pakistan	2,397	397	2,000
Philippines	50	50	-
Thailand	860	860	-
Turkey	4,272	772	3,500
Yemen Arab Republic	305	305	-
Asia Regional	5,470	5,470	-

<u>LATIN AMERICA - TOTAL</u>	<u>53,000</u>	<u>19,500</u>	<u>33,500</u>
Bolivia	6,800	800	6,000
Brazil	2,250	2,250	-
Chile	100	100	-
Colombia	10,000	-	10,000
Dominican Republic	100	100	-
Ecuador	751	751	-
El Salvador	3,664	164	3,500
Guatemala	1,039	1,039	-
Honduras	413	413	-
Panama	9,295	295	9,000
Paraguay	669	669	-
Peru	977	977	-
Uruguay	301	301	-
Latin America Regional	11,266	11,266	-
Eastern Caribbean Regional	5,000	-	5,000
ROCAP	375	375	-
<u>SUPPORTING ASSISTANCE - TOTAL</u>	<u>4,405</u>	<u>4,405</u>	<u>-</u>
Jordan	295	295	-
East Asia Regional	4,110	4,110	-
<u>WORLDWIDE TECHNICAL ASSISTANCE AND RESEARCH PROGRAMS</u>	<u>2,914</u>	<u>2,914</u>	<u>-</u>
<u>PROGRAM AND MANAGEMENT SERVICES</u>	<u>1,769</u>	<u>1,769</u>	<u>-</u>
<u>INSPECTOR GENERAL OF FOREIGN ASSISTANCE</u>	<u>240</u>	<u>-</u>	<u>240</u>
<u>OFFICE OF LABOR AFFAIRS</u>	<u>566</u>	<u>566</u>	<u>-</u>
<u>OFFICE OF PUBLIC SAFETY - TRAINING</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>

SELECTED DEVELOPMENT PROBLEMS PROGRAM PROPOSAL - FY 1975
By Country and Project or Loan
(in thousands of dollars)

	<u>Total</u>	<u>Grants</u>	<u>Loans</u>
<u>GRAND TOTAL</u>	62,650		
<u>OPERATING EXPENSES</u>	5,665		
<u>TOTAL PROGRAM</u>	56,985	17,245	39,740
<u>AFRICA - TOTAL</u>	7,424	1,424	6,000
<u>Ghana</u>			
Science Research for Development	100	100	-
<u>Central West Africa Regional</u>	934	934	-
Regional Road Maintenance	539	539	-
Entente African Enterprises	395	395	-
<u>Africa Regional</u>	6,390	390	6,000
Amendment to Tanzam Road Loan	6,000	-	6,000
Feasibility Studies	340	340	-
Regional Program Support	50	50	-
<u>ASIA - TOTAL</u>	5,833	833	5,000
<u>Afghanistan</u>			
Industrial Development	317	317	-
<u>Korea</u>			
Industrial Standards Development	5,000	-	5,000
<u>Yemen Arab Republic</u>			
Pre-feasibility Studies	416	416	-
<u>Regional</u>			
Project Development	100	100	-

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<u>LATIN AMERICA - TOTAL</u>	<u>35,300</u>	<u>6,800</u>	<u>28,500</u>
<u>Bolivia</u>			
Special Development Activities	50	50	-
<u>Brazil</u>			
Development Planning and Administration	250	250	-
<u>Chile</u>			
Special Development Activities	135	135	-
<u>Colombia</u>	<u>5,600</u>	<u>600</u>	<u>5,000</u>
Special Development Activities	50	50	-
Block Technical Assistance Grant Science and Technology	550 5,000	550 -	- 5,000
<u>Dominican Republic</u>			
Special Development Activities	50	50	-
<u>Ecuador</u>			
Special Development Activities	50	50	-
<u>El Salvador</u>	<u>182</u>	<u>182</u>	<u>-</u>
Special Development Activities	50	50	-
Development Administration	132	132	-
<u>Guatemala</u>			
Special Development Activities	50	50	-
<u>Guyana</u>			
Special Development Activities	50	50	-
<u>Haiti</u>			
Special Development Activities	75	75	-
<u>Honduras</u>	<u>3,685</u>	<u>185</u>	<u>3,500</u>
Special Development Activities	50	50	-
Export Promotion and Tourism	135	135	-
Savings and Loan	3,500	-	3,500

<u>Jamaica</u>			
Special Development Activities	50	50	-
<u>Nicaragua</u>	<u>21,081</u>	<u>1,081</u>	-
Special Development Activities	50	50	-
Program Development and Implementation	1,000	1,000	-
Center for Earthquake and Hazard Reduction	31	31	-
Schools, Hospitals and Other Infrastructure	20,000	-	20,000
<u>Panama</u>			
Special Development Activities	50	50	-
<u>Paraguay</u>			
Special Development Activities	50	50	-
<u>Peru</u>	<u>415</u>	<u>415</u>	-
Special Development Activities	25	25	-
Housing and Urban Development	390	390	-
<u>Uruguay</u>			
Special Development Activities	25	25	-
<u>Central America Regional Program (ROCAP)</u>	<u>759</u>	<u>759</u>	-
Special Development Activities, Belize	15	15	-
Export Institutional Development	519	519	-
Regional Tourism Expansion	100	100	-
Housing Technical Assistance	125	125	-
<u>Caribbean Regional</u>			
Regional Economic Development	500	500	-
<u>Latin America Regional</u>	<u>2,193</u>	<u>2,193</u>	-
Consultants and Seminars	350	350	-
Cooperative Housing	200	200	-
Regional Economic Integration	200	200	-
Regional Technical Support	593	593	-
National Association of the Partners of the Alliance	500	500	-
National Employment and Policy Planning	150	150	-
Development Data Survey	200	200	-

WORLDWIDE TECHNICAL ASSISTANCE AND

RESEARCH PROGRAMS

Urban Development

Science and Technical Institute Development

Natural Resources Assessment and Management

Reducing Public Investment Costs

Social and Economic Research and Development

Title IX Program

Other Worldwide Technical Assistance and
Research Programs

8,020

574

1,905

885

655

960

535

2,506

8,020

574

1,905

885

655

960

535

2,506

-

-

-

-

-

-

-

-

-

INSPECTOR GENERAL OF FOREIGN ASSISTANCE

240

-

240

PROGRAM AND MANAGEMENT SERVICES

168

168

-

SELECTED DEVELOPMENT PROBLEMS

This appropriation covers

A.I.D. activities in industry, urban development, and science and technology which are in addition to those discussed under Food, Rural Development and Nutrition;

Projects which A.I.D. supports in the context of international consultative groups but which lie outside the three sectors; and

Occasional high priority activities not elsewhere included.

Owing to the sharp decline in consultative group activities funded through this category, the FY 1975 program at \$63 million is down by three-quarters from the \$220 million obligated in FY 1973. The appropriation request is \$53 million.

Industry, Urban Development, Science Activities

1. Industry. Industry projects not related to food, rural development, and nutrition are financed under this category. The largest is a \$5 million proposal to establish a Korean national standards organization for industrial and agricultural products destined for both overseas and domestic markets. Also included are several research and worldwide technical assistance projects.

2. Urban Development. This category includes A.I.D. activities in the larger metropolitan centers. As explained earlier, projects relating to market towns and small cities, where economic activities are almost entirely agriculturally related, are included under Food, Rural Development, and Nutrition. In this category in

FY 1975 A.I.D. is continuing to support cooperative housing (\$200,000 for Latin America) and savings and loan associations (\$3.5 million in Honduras). Also included is a small project in urban planning in Peru. In order to deal with an extraordinary situation, much the largest amount for FY 1975 is \$20 million for earthquake-related reconstruction in Nicaragua.

3. Science and Technology. For FY 1975, this category includes several research and worldwide technical assistance projects and also a \$5 million loan to Colombia. That loan is for a project to be managed by the Colombian Scientific Research Fund and is aimed at developing standards and quality control for industry and labor-intensive technology designed to create jobs and increase population.

Consultative Group Projects

Funds in this category for FY 1975 are to complete financing of the Dar es Salaam-Zambia Highway.

Other Activities

Export promotion and tourism are included in this category. There are two small projects in Central America for FY 1975.

SELECTED COUNTRIES AND ORGANIZATIONS PROGRAM PROPOSAL - FY 1975
By Country and Project or Loan
(in thousands of dollars)

	<u>Total</u>	<u>Grants</u>	<u>Loans</u>
<u>GRAND TOTAL</u>	57,089		
<u>OPERATING EXPENSES</u>	5,151		
<u>TOTAL PROGRAM</u>	51,938	41,743	10,195
<u>AFRICA - TOTAL</u>	12,175	2,175	10,000
<u>Sudan</u>			
Program Loan	10,000	-	10,000
<u>Central West Africa Regional</u>			
Support to Regional Organization	78	78	-
<u>Africa Regional</u>	2,097	2,097	-
African Development Bank	1,000	1,000	-
Economic Commission for Africa (ECA)	800	800	-
Regional Organizations Development	297	297	-
<u>ASIA - TOTAL</u>	500	500	-
<u>Regional</u>			
Support of CENTO	500	500	-
<u>LATIN AMERICA - TOTAL</u>	17,650	17,650	-
<u>Inter-American Organizations</u>	17,650	17,650	-
Special Development Activities Fund (SDAF)	5,980	5,980	-
Inter-American Export Promotion Center	770	770	-
Special Multilateral Fund	10,900	10,900	-
<u>SUPPORTING ASSISTANCE BUREAU - TOTAL</u>	1,045	1,045	-
<u>East Asia Regional</u>	1,045	1,045	-
Southeast Asia Development Group	950	950	-

Regional Technical Advisory Service	95	95	-
<u>PRIVATE AND VOLUNTARY COOPERATION - TOTAL</u>	<u>20,373^{1/}</u>	<u>20,373^{1/}</u>	<u>-</u>
Development Program Grants	5,000	5,000	-
Ocean Freight	4,750	4,750	-
International Executive Service Corps	4,300	4,300	-
The Asia Foundation	3,750	3,750	-
Other	2,573	2,573	-
<u>FOREIGN DISASTER RELIEF COORDINATION</u>	<u>(460)</u>	<u>(460)</u>	<u>-</u>
<u>INSPECTOR GENERAL OF FOREIGN ASSISTANCE</u>	<u>195</u>	<u>-</u>	<u>195</u>

1/ Includes certain disaster preparedness activities.

SELECTED COUNTRIES AND ORGANIZATIONS

This is the funding category through which A.I.D. supports private and voluntary organizations. These organizations include the 92 registered voluntary agencies, U.S. cooperatives, the International Executive Service Corps, Partners of the Alliance, Volunteers for Industrial Technical Service, International Eye Foundation, International Voluntary service, Technoserve, the Heifer Project and others. Also included are certain international organizations and consortium-related program loans. The Agency request is \$39 million for a \$57.1 million program, a decrease of \$112 million from the FY 1974 program. The reduction in the request total comes almost entirely from a sharp drop in program loans at the same time that support for private and voluntary organizations is rising.

Private and Voluntary Organizations (PVOs)

Just as the Congress, A.I.D., and the World Bank are changing policies in the search for more effective development, so also are American PVOs. Without in any way discounting the significance of humanitarian efforts, such as disaster relief or school lunch programs, the PVOs recognize that such programs do not necessarily lead to permanent and continuous improvement in the lives of the poorest majority. Many of the PVOs are now involved in the type of substantive review of foreign aid development policies that was undertaken by the Congress last year. They are also concluding that it is possible to involve the poorest majority in development effectively and with economic efficiency.

A.I.D. proposes for 1975 an increase of \$5 million to strengthen the professional competence of the headquarters staff of PVOs, and additional training of overseas personnel. A.I.D. has also earmarked an additional \$6 million to be used in support of PVO projects overseas. These arrangements with PVOs are financed through grants and contracts. Finally, the comprehensive study of the Advisory Committee on Voluntary Foreign Aid on the role of PVOs

in international activities in the 1970s will be published in May. The study, which covers both A.I.D. - PVO relationships and the substance of overseas work, should lead to improvements in both. The request for FY 1975 centrally funded activities is \$20 million, an increase of \$4.7 over FY 1974. In addition, the PVOs receive funds from the Regional Bureaus of A.I.D. to support overseas programs.

Program Loans

These loans are made in the context of consultative groups and are declining rapidly. Only one is planned for FY 1975, \$10 million for Sudan, as compared with four program loans for \$139 million in FY 1974 and nine program loans for \$214 million in FY 1973. Thus, A.I.D. is rapidly moving out of program loans.

Selected Organizations

This subcategory includes support international organizations not included in the International Organizations budget request. Much the largest amount of \$17.6 million for U.S. support is for a series of training and technical assistance programs managed by the Organization of American States in such fields as tax reform, vocational and technical training, and employment planning. The FY 1975 request is for \$41.7 million, an increase of \$6.6 million over FY 1974. Also included in this subcategory are A.I.D. support of the Southeast Asia Development Advisory Group, project feasibility studies sponsored by the African Development Bank, and national planning improvement projects sponsored by the Economic Commission for Africa.

INDOCHINA POSTWAR RECONSTRUCTION

Relative stability has been established in most of Indochina, with a greatly reduced level of U.S. involvement and sharply reduced total U.S. costs. A political solution appears imminent in Laos, and the fighting in South Vietnam has subsided with military casualties about one-fourth the level of 1972. A continuation of this stability is essential to provide the opportunity for political solutions to emerge.

Increased economic assistance is essential to maintain this stability and to provide the humanitarian aid which is needed after years of war. If assistance is not increased substantially from FY 1974 dollar levels, the consequences could be a collapse of the economies of Indochina, leading to military and political turmoil and heightened misery for Indochina's war-weary people.

The Indochina economic program has three main elements. First, we are helping to meet the needs of refugees, war victims, and orphans whose lives have been disrupted by war. Second, we are providing the essential imported commodities which those economies need to survive, such as fertilizer, industrial raw materials, food and petroleum products. Third, we are helping to reconstruct the physical damage of years of war and to begin the process of long-term development which will lead to eventual economic self-sufficiency.

Laos

In Laos, fighting has ceased and there is slow but steady progress toward the formation of a coalition government. Program emphasis is being shifted from maintaining a country at war to rehabilitation and reconstruction. This includes greater emphasis on the resettlement of refugees, rebuilding the country's infrastructure, and the beginnings of development. The \$55.2 million request for FY 1975 will include \$16 million for humanitarian programs. Reconstruction and development projects will be expanded.

U.S. assistance to meet the general import requirements of the economy will continue to be needed during the transition from war to peace, and will be met through the multilateral Foreign Exchange Operations Fund (FEOF) as in the past.

South Vietnam

Fighting is still continuing in South Vietnam, and the North Vietnamese continue to pursue their political objectives by military force. However, the military situation is relatively stable and the level of hostilities is far below the peak years of 1968 and 1972. \$750 million is needed in FY 1975 to avoid major disruption in the South Vietnamese economy, to meet the humanitarian needs of refugees, orphans, and other war victims, and to finance a major reconstruction and development effort which will hasten Vietnam's economic self-sufficiency. This level of assistance is required so that Vietnam can import the essential commodities it needs such as fertilizer, petroleum products, cement, spare parts, and pharmaceuticals. It is important to note that in view of the recent sharp price increases next year's volume of imports will actually be lower than that of past years. Import levels in real terms dropped by 10% in 1972 and by 20% in 1973. The relative military stability which now prevails is adequate to permit substantial reconstruction and development in the secure areas of the country.

Cambodia

The request for Cambodia is \$110 million. Cambodia must continue to fight for its survival, and our economic assistance is crucial. Cambodia also faces soaring worldwide prices of the commodities essential to the functioning of its basic economy. If a cease-fire can be reached in the year ahead, it will face major tasks of reconstruction. The refugee population has more than doubled over the past year, and we plan a greatly expanded humanitarian assistance program to meet their needs.

Regional Program

The United States plans to continue its assistance to those regional projects and programs in East Asia which are sponsored and supported by the Asian countries themselves. The activities of the Mekong Committee, the Southeast Asian Ministers of Education Organization and other regional institutions not only contribute to the development of the region as a whole, but also contribute to cooperation, understanding, and interdependence among the regional countries. For FY 1975, A.I.D. is requesting \$9.4 million of Indochina Postwar Reconstruction funding for those activities particularly centered on the Indochina countries. Other U.S. assistance to regional activities, not primarily directed toward Indochina, will be provided through development funds.

The final \$18.7 million is the pro rata share of A.I.D.'s worldwide technical and administrative activities which support the Indochina program.

MIDDLE EAST PEACE AND SECURITY SUPPORTING ASSISTANCE PROGRAMS

The hope for a peaceful solution to the Arab-Israeli dispute is stronger today than at any time in the previous quarter of a century. American diplomatic initiatives and American willingness to assist friends in their hour of need have created the conditions necessary for an end to conflict and violence. The first difficult steps have been taken. This fragile beginning can be strengthened if the United States will follow through with the economic assistance necessary for stability and economic well-being in the area.

Egypt, under President Sadat, has shown vision and courage in undertaking to settle its dispute with Israel through peaceful means. It now faces the massive task of restoring the Suez Canal area and of a new beginning on economic improvement.

We are requesting \$250 million in FY 1975. Of this, \$20 million is to help clear the Suez Canal and \$80 million is to help Egypt finance essential imports from the United States. \$150 million is to be the U.S. share in helping Egypt reconstruct the Suez area cities and to make a start on broader economic improvement. The total costs of reconstruction are major. We believe that the United States should participate with other donors in helping Egypt to meet them.

Israel's military and economic strength are the mainstays of its security. Our economic support is especially important at this time to help Israel cope with the consequences of the October 1973 War. We propose \$50 million for Israel in FY 1975, as in the preceeding three years. These funds help Israel finance a variety of imports from the United States.

Jordan, with its moderate outlook, is an essential ingredient to a just and lasting resolution of the Arab-Israeli dispute. Jordan continues to need outside assistance to meet its budget requirements and to proceed on development essential to the well-being of its populace. We are proposing \$77.5 million in FY 1975; \$67.5 million in budget support and \$10 million for development projects in the Jordan River valley.

We are requesting \$9.5 million for Malta. Malta's position in the Mediterranean is important to the defense of Europe and especially to the security of the Mediterranean. NATO members have agreed to help meet the annual payments required to maintain United Kingdom military forces there. The United States' contribution of \$9.5 million is made through NATO.

We are requesting \$3.0 million for an educational and cultural exchange program with Spain. During the 1968-1969 negotiations for renewal of the U.S.-Spanish Defense Agreement, the Spanish Government expressed a strong preference that the new agreement provide for assistance of this kind. The program is administered through the Bureau of Education and Cultural Affairs of the Department of State and the National Science Foundation.

The UN Force in Cyprus was established in 1964 to help restore and maintain peace on that island. Seven other nations provide armed forces and help to meet the financial cost. The U.S. makes a financial contribution. We are requesting \$4.8 million for FY 1975.

The final \$2.7 million is the pro rata share of A.I.D. worldwide technical and administrative activities.

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

Both developing and industrialized countries are increasingly looking to the United Nations for leadership and impetus in dealing with economic and social problems of worldwide scope. Population and family planning are receiving increasing attention within the UN system, as is a worldwide monitoring network to retard the growth of environmental pollution. Efforts to find new ways of increasing food production and improving food distribution as well as ways to develop alternate forms of energy recently have commanded the attention of several UN bodies. The United States has stimulated a concerted attack under UN auspices on drug abuse and on cultivation in those developing countries where pernicious drugs originate. The United Nations has played a key role in efforts to alleviate a wide range of disasters, particularly in Bangladesh and Nicaragua and most recently in the Sahel zone of Africa and in Ethiopia.

Providing technical assistance is the major development activity of the UN and it is chiefly through the UN Development Program (UNDP), which alone has some eleven thousand technicians working on over 6,000 projects in over 100 countries and territories. Carefully planned technical assistance country programs developed by the UNDP with 100 participating countries assist the UNDP, the other agencies of the UN development system and many bilateral assistance programs to focus on priority needs and coordinate their operations. The United States carries out separate analyses of these country programs before they are formally approved by the UNDP Governing Council.

The United States has consistently supported a strong coordinating role for the UNDP Resident Representative in each country to strengthen the management and impact of UN development resources. USAID Missions in approximately 40 countries where bilateral programs are underway are encouraged to establish close informal working relationships with the Resident Representatives so that both the UNDP and the A.I.D. programs are mutually reinforcing. Project proposals within UNDP country programs are generally shared at an early date with Embassy and A.I.D. personnel and U.S. recommendations for improvement in project design are encouraged.

VOLUNTARY CONTRIBUTIONS TO
INTERNATIONAL ORGANIZATIONS AND PROGRAMS
UNDER THE FOREIGN ASSISTANCE ACT

(In thousands of dollars)

	FY 1973 Actual	FY 1974 Estimate	FY 1975 Proposed
<u>United Nations Programs</u>			
UN Development Program	70,581	90,226 ^{6/}	110,047
UN Children's Fund	15,000	15,000	15,000
IAEA/Operational Fund	1,750	2,000	2,000
WMO/Voluntary Assistance Program	1,500	1,500	1,500
UN/FAO World Food Program	1,500	1,500	1,500
UN Institute for Training and Research	400	400	400
WHO/International Agency for Research on Cancer	337	-	-
International Secretariat for Volunteer Service	73	72	60
UN Relief and Works Agency	14,300	14,300	23,200
UN Fund for Namibia	-	50	50
World Heritage Trust Fund	-	-	143
Subtotal	105,441	125,048	153,900
UN Environment Fund ^{1/}	-	7,500	10,000
UN Relief and Works Agency (Expansion of Training)	-	2,000	-
<u>Indus Basin^{2/}</u>			
Loans	16,291	2,000	200
Grants	10,000	9,000	14,500
Total - International Organizations and Programs	131,732	145,548	178,600
<u>Other Appropriations</u>			
<u>Population Planning & Health Funds^{3/}</u>			
UN Fund for Population Activities	9,000	18,000	20,000
Organization for Economic Cooperation & Development	100	50	50
<u>International Narcotics Control^{4/}</u>			
UN Fund for Drug Abuse Control	4,000	2,000	5,000
<u>Supporting Assistance^{5/}</u>			
UN Force in Cyprus	2,400	1,600	4,800
Grand Total	147,232	167,198	208,450

1/ Authorized by separate legislation.

2/ Program discussed in the Asia volume.

3/ Program discussed under "Population Planning Activities" in the Interregional volume.

4/ Funds requested and programs discussed in separate presentation by the Department of State.

5/ Program discussed in the Security Supporting Assistance volume.

6/ \$3 million is contingent on reinterpretation of legislation by General Accounting Office.

In order to improve the effectiveness of the UN development system, the U.S. has stressed the need for greater attention to project evaluation. The U.S. is currently involved in discussions within the UN development system and with other delegations to encourage strengthening UN audit and evaluation capabilities. Initial reactions are encouraging. We believe these efforts are responsive to the objectives of Sec. 301(e) of the Foreign Assistance Act of 1973. The UNDP has recently expanded its evaluation system in which the Resident Representatives, and representatives of the executing agencies and of the recipient governments participate. The UNDP is also experimenting with in-depth missions to individual countries.

To improve liaison with the interlocking development programs of the UNDP and the other organizations of the UN system, five international development officers are now assigned to U.S. missions accredited to the United Nations in New York and Europe. Issues of concern to the United States are also brought to the attention of the appropriate agencies through U.S. field visits and by formal statements at meetings of their governing boards.

The United States uses both bilateral and multilateral programs to advance its national interests in helping development in the poorer countries and in seeking solutions to world economic and social problems. Our voluntary contributions to the UN agencies serve to reinforce the priorities set for our bilateral programs. For example, in meeting the challenge of the world food situation, we contribute to the World Food Program; we actively support the World Food Conference; and we give a high priority to agriculture and rural development in our bilateral A.I.D. program. In the population field, the A.I.D. Title X programs focus on a limited number of countries; our support of the UN Fund for Population Activities and our participation in the World Population Conference contribute to the worldwide effort and tie together various national programs. Similarly, our bilateral and multilateral efforts

strengthen each other to control drug abuse, relieve the victims of disaster, provide safeguards for nuclear energy, limit environmental pollution, and alleviate the misery of refugees.

United Nations Development Program (UNDP)

In the eight years since it was established, the United Nations Development Program (UNDP) has become the world's largest and most widespread program of grant technical assistance. UNDP-funded projects in such fields as natural resource exploration, education and training, agriculture, industry, transport, communications, public administration, and disease eradication are being carried out by 17 international agencies in over 100 countries and territories and annual program costs have reached nearly \$400 million.

From the beginning, the United States has played a leadership role in the UNDP, and it represents for us the most significant institution in the United Nations for the achievement of our economic and social foreign policy objectives. Garnering widespread support from developed countries throughout the world, the UNDP has brought about a progressively wider sharing of the cost of grant technical assistance, formerly borne to a far larger extent by the United States. It has also fostered greater self-reliance on the part of the recipient countries, thus multiplying the impact of the U.S. assistance dollar.

UNDP country programming encourages each recipient country to formulate its own priorities and plans. In this and other respects, UNDP policies and programs reflect the same priorities and seek essentially the same results that are called for in the new foreign assistance legislation.

Following some of the worst disasters in recent years, the UNDP has assisted with medium and longer-range reconstruction, and thus has supplemented the large U.S. bilateral

response in emergency relief. In the Sahel zone of West Africa, for example, the UNDP is expanding its contribution to medium- and long-range programs in agricultural development while UN emergency relief is spearheaded by the FAO. These programs are coordinated with U.S. bilateral relief and reconstruction efforts.

In addition to furthering its international development objectives, the United States has derived direct benefits from UNDP operations in the form of contracts and equipment sales and from headquarters expenditures in New York. Probably more important in the long run, however, are the benefits derived by U.S. producers through their sales to firms and institutions which were established with UNDP assistance or which were introduced to American products while receiving help through UNDP projects.

To ensure that U.S. contributions to the UNDP will be spent wisely, we have pressed for ever greater efficiency in the program's operation. The management of the UNDP has improved substantially under the vigorous leadership of Rudolph Peterson, former President of the Bank of America. Reforms undertaken since 1971 have resulted in greatly improved planning, programming, and coordination under the country programming system. The role of the UNDP Resident Representative in each country has been strengthened and, in many cases, more highly qualified development experts have been assigned to these posts.

Using country programming methods, UNDP Resident Representatives have helped governments to reorder their priorities, to eliminate marginal projects, and to focus the efforts of the many UN agencies utilizing UNDP funding on the higher priority areas. In the same manner, they are facilitating coordination of all external assistance for development and helping to avoid duplication with bilateral programs. New stress is being placed on project formulation and more rigorous project evaluation in the field. Giving primary emphasis to the quality of personnel, Mr. Peterson has introduced new and improved recruitment and training practices.

The United States has advocated, and the UNDP has adopted, a policy of greater emphasis on assistance to the most needy countries. In an effort to encourage this thrust, A.I.D. plans to provide up to 20 experts who can serve under UNDP auspices in the least-developed countries of Africa. The UNDP Governing Council has also adopted the goals of having countries at the upper end of the per capita income scale become net contributors to the program. In effect, therefore, these countries are paying for their own technical assistance. In addition the Council seeks to limit the share of resources in the next program cycle to no more than current levels. Special efforts are being made to press the oil rich states and others to make substantial contributions in support of programs for the poorer countries.

Our ability to achieve our objectives throughout the UN system depends to a large extent on the role we play as a major donor to the UNDP. Many of the countries of the developing world in particular are strongly influenced in their willingness to work with us by our contributions to this development program in which they have a vital interest.

Other donors have shown their confidence in the UNDP by increasing their contributions from 1970 to 1974 by over 95%. Our contribution, on the other hand, increased by only 4.3%--from \$86 million in 1970 to \$90 million in 1974. As a consequence, our share of all contributions dropped from 35.7% in 1970 to 23.8% in 1974.

In summary, the United States contributed \$90 million to UNDP in CY 1973 and plans to pledge \$90 million in CY 1974 and \$100 million in CY 1975, contingent upon Congressional approval of \$90 million in FY 1974 and \$110 in FY 1975. The CY 1975 pledge of \$100 million is expected to represent no more than 24.2% of all contributions-- approximately equal to the 1974 level but below our 1972 and 1973 levels of 30.3% and 28%, respectively.

United Nations Children's Fund (UNICEF)

In recent years, UNICEF has given particular attention to children and mothers in the development programs of the least-developed countries and in the disadvantaged areas of other countries. UNICEF has assistance projects in over 100 countries of which 23 are on the UN list of least developed.

In addition to its regular programs, UNICEF provided emergency assistance during the past year to children and families who suffered in the earthquake in Nicaragua, the floods in Pakistan, and the drought in some states in India, to displaced persons in the Southern Sudan, and to mothers and children in the Sahel zone of West Africa.

UNICEF's regular programs of long-range development for children and youth give special emphases to a systematic approach to the infant, the education of mothers and girls, children in urban slums and rural development zones, community participation, and the special needs of children in national development.

At its 1973 Executive Board meeting, UNICEF approved commitments for program and projects totalling \$75.5 million. Of these commitments, 41.1% are for health, 27.3% for education including nonformal education, 10.9% for nutrition, 8.9% for emergency assistance, 6.2% for family and child welfare.

In 1973, 131 governments made donations to UNICEF's general resources of \$52.6 million; of this total, \$15 million was contributed by the United States. The FY 1975 request is also for \$15 million.

International Atomic Energy Agency (IAEA)

The International Atomic Energy (IAEA) Operational Program provides technical assistance to developing countries to advance the peaceful uses of atomic energy. Funded largely by voluntary contributions from member states, the program's major fields of activity in 1973 were the application of isotopes and radiation in agriculture, medicine, biology, and other fields; prospecting, mining and processing of nuclear materials; nuclear physics and chemistry; and nuclear engineering and technology. Assistance in these and other areas were provided through the services of 241 experts, equipment valued at \$1,922,100, and 513 fellowship awards.

The United States played a leading role in establishing this program, recognizing both a responsibility to assist in the worldwide development of the peaceful uses of nuclear energy and the desirability of influencing the direction of such development. This program also promotes the development of future export markets for U.S. nuclear equipment and material.

Many of the developing countries have only a limited interest in the program of safeguards over nuclear materials provided for in the 1970 Treaty on the Non-Proliferation of Nuclear Weapons. By supporting IAEA technical assistance activities of direct benefit to the developing countries, the United States helps gain and maintain their support for the safeguards program.

For FY 1975, we propose to contribute \$2 million to the operational program, the same as in FY 1974. This figure includes both cash and in-kind contributions. If the IAEA sets a target for cash contributions in 1975 of \$4.0 million, we would contribute about \$1.3 million in cash toward that target (31.5%). The remaining in-kind contribution includes fellowships in the United States and equipment and experts.

World Meteorological Organization (WMO)
Voluntary Assistance Program

The World Meteorological Organization (WMO) Voluntary Assistance Program was established in 1967 to provide participation by the developing countries in the World Weather Watch, a project to bring the global atmosphere under surveillance and arrange for the rapid collection and exchange of weather data on a worldwide basis. This program has improved weather forecasting for agriculture, construction, transportation, fisheries, and other industries and has monitored worldwide pollution. Successful global operation of the World Weather Watch is of direct benefit to the United States and our contribution is essential.

The WMO Voluntary Assistance Program supports the participation of developing countries by providing and installing equipment and training personnel to operate it. The assisted countries are expected to provide local facilities and support personnel.

In FY 1975, we propose a U.S. contribution to the Voluntary Assistance Program of \$1.5 million which would provide a U.S. cash contribution of \$150,000 (but no more than 40% of the total unrestricted cash contribution of all member nations) and \$1,350,000 for contributions-in-kind of U.S. equipment, experts, services, and meteorology training in the United States.

The amount requested in FY 1975 is the same as in the five previous years.

UN FAO World Food Program

The World Food Program (WFP) is a multilateral mechanism for providing food for development purposes and for meeting emergencies worldwide. Its resources, derived from biennial pledges by contributing nations, include food, cash, and services.

With strong U.S. support, the number of contributing countries has grown in ten years from 29 to 82 nations. The level of pledges has increased from \$85 million for the initial three-year period of 1963-1965 to \$355 million pledged for the 1973-1974 biennium. The U.S. pledge of \$136 million was fully matched. WFP has a pledging target of \$440 million for the 1975-1976 biennium, toward which the United States has pledged up to \$140 million, all of which is to be met by contributions of P.L. 480 Title II commodities.

Almost one-half of WFP's expenditures are for rural development projects such as crop diversification, animal husbandry, and development of land, fisheries, and forestry. One-third provide direct food aid to promote education and training. About 13% of WFP resources are allocated for projects in public health, housing, transportation and communications, and community development.

WFP also carries out emergency relief and rehabilitation programs. These programs have included assistance to victims of floods in Colombia, drought in the Sahelian zone of West Africa and in Afghanistan, flood, cyclone, and civil disturbance in Bangladesh and emergency assistance to earthquake victims in Nicaragua.

In FY 1975, \$1.5 million is requested under this appropriation to meet the first year's portion of the U.S. pledge for administrative expenses in the 1975-1976 biennium.

United Nations Institute
for Training and Research (UNITAR)

The UN Institute for Training and Research (UNITAR), established in 1963, seeks to improve the effectiveness of the structure, functions, and procedures of the UN system. UNITAR prepares research studies, conducts training courses, holds seminars, and collaborates with universities and research centers in over 60 countries.

Major projects include a study of coordination of the international economic and social activities of the UN system, with proposals for improvements; research on the prevention and settlement of disputes relating to natural resources and environmental matters; analysis of conflict management; and studies of relationships between the United Nations and regional organizations outside the United Nations. A new project is focused on major trends and developments which may require responses from the UN system in the future.

UNITAR is financed primarily by voluntary contributions to its general fund from UN member states. A U.S. pledge of \$400,000, the same amount as in prior years, is proposed from FY 1975 funds for the Institute's 1975 program, subject to the condition that the U.S. contribution not exceed 40% of all unrestricted contributions. In actuality, our contributions are only about 30% of the total.

International Secretariat
for Volunteer Service (ISVS)

The International Secretariat for Volunteer Service (ISVS), established in 1962, encourages the formation of voluntary service organizations both for domestic and overseas service and assists governments in establishing and operating volunteer programs. A major field of ISVS activity has been recruitment, selection and training of volunteers for the United Nations Volunteers Program (UNV), which is part of the UN Development Program (UNDP). ISVS has also fielded multinational volunteer teams to Panama, the Yemen Arab Republic, and Chile.

Financial support is provided by about 22 governments; the United States pledged up to \$72,000 in FY 1974 subject to the conditions that our contribution not exceed 28% of total government contributions and that a portion be used to finance assistance to the UNV.

A U.S. contribution of \$60,000 is proposed for FY 1975. This represents a reduction of \$12,000 from FY 1974 and reflects the U.S. position that it would be preferable to have ISVS functions integrated into the UNV by the end of 1974. We believe that a single, expanded international volunteer program under the UNV would permit a more rational expenditure of funds and result in a more effective and efficient volunteer program.

United Nations Relief
and Works Agency (UNRWA)

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

As of December 31, 1973, the refugee population registered with UNRWA numbered approximately 1,554,979, distributed as follows: East Bank of Jordan, 582,400; Israeli-occupied West Bank of Jordan, 285,322; Israeli-occupied Gaza strip, 322,163; Lebanon 189,277; and Syria, 175,817. Of the total number of refugees, 828,832 were receiving rations from UNRWA.

UNRWA is still attempting to cope with the effects of the June 1967 war when about 250,000 persons fled to the East Bank of Jordan from the West Bank of Gaza. Most of these refugees have subsequently been denied return by the Government of Israel. At the request of the UN General Assembly, UNRWA is helping the Government of Jordan on an emergency basis in the administration of food, housing, and health services.

As has been the case for several years, the U.S. pledge is made on the condition that UNRWA "take all possible measures to assure that no part of the United States contribution shall be used to furnish assistance to any refugee who is receiving military training as a member of the so-called Palestine Liberation Army or any other guerilla-type organization, or who has engaged in any act of terrorism" (Section 301(c) of the Foreign Assistance Act of 1961, as amended).

UNRWA has estimated its 1974 requirement at approximately \$75.3 million, an increase of nearly \$13 million over 1973. This increase results largely from severe inflation in the countries where UNRWA operates and the devaluation of the dollar. It appears that income for 1974 will be about \$66 million, possibly \$9 million short of projected requirements.

The United States contributed \$23.2 million to UNRWA's regular budget for FY 1973 (\$14.3 million in dollars and \$8.9 million in Title II P.L. 480 commodities). For FY 1974, the same amount (\$23.2 million) in the same cash - commodities ratio has been pledged. Because of the severe shortage of PL 480, Title II, commodities, we propose that our contribution be entirely in cash for FY 1975. Our present contribution constitutes about 36% of government contributions to UNRWA, which is well below the legislative limitation of 70%.

United Nations Fund for Namibia

The United States supported the establishment in 1970 of the Fund for Namibia (Southwest Africa) "to provide assistance to Namibians who have suffered from persecution and to finance comprehensive educational and training programs for Namibians, with particular regard to their administrative responsibilities in the Territory." All training takes place outside the territory.

The Fund was intended to be supported by voluntary contributions, but shortfalls have necessitated annual support from the regular UN budget. We have made a pledge of \$50,000 for 1974. The Namibian Fund is the only UN fund established to meet UN responsibilities in Namibia and a U.S. contribution to it is consistent with U.S. support of the United Nations with respect to the territory.

Our contribution has been pledged subject to the condition that U.S. funds shall not exceed one-third of total contributions. In addition, our contribution for 1975 and any subsequent years is contingent on the removal of the fund from the regular budget of the United Nations.

World Heritage Fund (WHF)

The World Heritage Fund was established under the UNESCO Convention for the protection of the world cultural and natural heritage, proposed by President Nixon in 1971 and ratified by the United States on December 7, 1973.

The Convention aims at preserving the world cultural heritage by requiring governments to take appropriate action to restore, preserve, and protect within their own territories cultural sites and natural areas which may have universal significance to mankind. The Intergovernmental Heritage Committee will maintain a World Heritage List of cultural and natural properties which it considers of outstanding universal value and a List of World Heritage in Danger.

The Convention will come into effect three months after an additional 19 members have acceded. Our voluntary contribution will be \$143,000 in FY 1975.

United Nations Environment Program Fund (UNEP)

UNEP was established in December 1972 as a result of the Stockholm Conference on the Human Environment. It administers a fund which is supported by voluntary contributions of member states with its goal of \$100 million for the first five-year period proposed by President Nixon. The United States offered to contribute on a matching basis up to \$40 million of the \$100 million for the first five years. The first session of the Governing Council in June 1973 authorized work on the initial stages of an international pollution monitoring system and approved the pilot stage of an environment information exchange system.

The United Nations Environment Program Participation Act of 1973 authorizes U.S. contributions to UNEP. In FY 1974, Congress appropriated \$7.5 million; \$10 million is requested for FY 1975.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

Section 214, Foreign Assistance Act, authorizes assistance "to schools, libraries and hospitals outside the United States founded or sponsored by U.S. citizens and serving as study and demonstration centers for ideas and practices of the United States." As clarified by Congress, this legislation does not permit furnishing assistance for general education or for welfare services to the citizens of foreign countries.

The FY 1974-FY 1975 Foreign Assistance Authorization provides \$19 million and \$6.5 million equivalent in U.S.-owned local currencies each year for the Sec. 214 program, American Schools and Hospitals Abroad(ASHA). The Administration requests \$10 million in FY 1975 plus the \$6.5 million equivalent in Egyptian and Polish U.S.-owned local currencies. The FY 1975 budget of \$10 million will contribute a portion of the funding requested by those American schools and hospitals abroad which constitute the institutional core of the program: American University of Beirut, Admiral Bristol Hospital in Turkey, American Farm School in Greece, Pan-American Farm School in Honduras, and the Project Hope program which will assist American medical efforts abroad, especially in Ethiopia and Latin America.

The major recipients under the FY 1975 program will be the American University of Beirut, which will be helped in meeting operational costs, and the American Hospital in Paris, which will be helped in constructing additional facilities. Other significant projects call for providing

equipment to the Feinberg Graduate School of the Weizmann Institute in Israel and to the American Hospital in Rome.

During the past two years, Congress has urged A.I.D. to continue its geographic dispersal of the ASHA program and has placed special emphasis on the Far East. In response to this guidance, A.I.D. has included in ASHA programming for FY 1975 capital improvements at Silliman University in the Philippines. This large and important American university in the Far East has requested funds for the construction of a library center.

The Egyptian currency, equivalent to about \$6.3 million, will be used to complete construction of the library building at the American University, Cairo, for which initial funding was provided in FY 1974, and to replenish the University's endowment fund granted by Congress in FY 1969. During the past several years the University has had to withdraw Egyptian pounds from the endowment fund, which ordinarily would not have been necessary had the political situation permitted investment of these funds as planned.

The Polish zlotys, equivalent to about \$200,000, will be reserved for the design and construction of an American library at the birthplace of General Pulaski, Warka, Poland. This is a small but significant project which is planned for inauguration during 1976 as a part of the United States bicentennial celebration.

CONTINGENCY FUND

The Contingency Fund is used primarily for disaster relief in foreign countries and in situations involving U.S. security interests. Current legislation specifies that it will be used "primarily for disaster relief."

The flexibility of the Contingency Fund allows the United States to come quickly to the assistance of victims of disasters such as the Nicaragua earthquake, floods in the Philippines and in Pakistan, drought in the Sahel and in Ethiopia, conflict in the Near East, civil strife in Chile, and an average of 35 to 40 disasters on a lesser scale in any year.

For disasters which have required large amounts of U.S. assistance, Congress has appropriated special funds to carry out an extended relief and rehabilitation program. Monies withdrawn initially from the Contingency Fund may be returned to it from these special appropriations, thus providing a continuing source of financing for later disaster needs.

In FY 1973, the Contingency Fund provided emergency assistance totalling \$14 million which was used for disaster relief in 25 countries. To date in FY 1974, \$1.8 million has been used in 14 countries. Tables 1 and 2 detail uses of the Contingency Fund for disaster relief and other purposes in FY 1973 and FY 1974.

For FY 1975, \$30 million for disaster relief is requested for the Contingency Fund.

Table 1

CONTINGENCY FUND, FY 1973
(In thousands of dollars)

<u>Disaster Relief</u>	<u>FY 1973 (Actual)</u>
Eruption of Volcano(Iceland)	85
Nicaragua Earthquake	8,000
Sahel Drought Relief	4,704
Cyclone(Fiji)	762
Floods	350
Civil Strife	143
Displaced Persons(Pakistan)	25
Fire	43
Drought	25
Famine(Indonesia)	14
Earthquake(Costa Rica)	25
Miscellaneous	43
Subtotal, Disaster Relief	<u>14,219</u>
 <u>Other</u>	
Cholera Emergency(WHO)	35
U.S. Contribution to the International Commission for Control and Supervision - South Vietnam	2,001
Livestock Research & Development(Bahamas)	<u>10,000</u>
Total	<u>26,255</u>

Table 2
CONTINGENCY FUND, FY 1974
(In thousands of dollars)

<u>Disaster Relief</u>	FY 1974 <u>(Estimated)</u>
Pakistan Flood Relief	500
Civil Strife	
Chile	295
Near East	530
Floods	140
Famine	25
Unobligated Reserve	<u>500</u>
Subtotal Disaster Relief	1,990
 <u>Other</u>	
Foot and Mouth Disease	
Eradication Project(Colombia)	3,700
Foot and Mouth Disease	
Eradication Project(Panama)	700
U.S. Contribution to the International	
Commission for Control and	
Supervision - South Vietnam	7,200
Unprogrammed	<u>2,912</u>
Total	16,502

A.I.D. ADMINISTRATIVE EXPENSES

The Administrative Expenses appropriation is one of several funding sources which pays A.I.D. operating expenses. The FY 1975 request is \$47.1 million, of which \$45 million is new obligational authority. These funds are expected to defray about 25% of the Agency's operating expenses.

See "Administration and Management" under Special Analyses for further discussion.

The FY 1975 request of \$5.9 million for Administrative and Other Expenses, State, is discussed in a separate presentation.

AGENCY FOR INTERNATIONAL DEVELOPMENT
TOTAL PROGRAM AVAILABILITY - FY 1973 AND FY 1974
(In thousands of dollars)

	FY 1973 Actual						FY 1973 Program	FY 1974 (Estimated)					
	Unobl. Bal. Brought Fwd.	Appropriation	Transfers ^{1/}	Receipts & Reimbursements	Recoveries	Total Avail. for Oblig.		Unobl. Bal. Brought Fwd.	Appropriation	Transfers ^{2/}	Receipts & Reimbursements	Recoveries	Total Avail. for Oblig.
DEVELOPMENT ASSISTANCE													
Functional Development Assistance:													
Worldwide Technical Assistance	2,051	155,000	2,112	1,177	7,305	167,645	165,486	-	-	-	-	-	-
Alliance for Progress Technical Assistance	112	77,500	270	177	3,433	81,493	80,798	-	-	-	-	-	-
Population Programs	1,793	100,000	22,243	-	2,003	126,039	125,554	-	-	-	-	-	-
Worldwide Development Loans	15,478	250,000	-47,914	132,611	81,506	431,881	378,740	-	-	-	-	-	-
Alliance for Progress Development Loans	21	150,000	-	25,580	46,249	221,850	221,850	-	-	-	-	-	-
Food and Nutrition	-	-	-	-	-	-	-	-	284,000	-	662	305	284,967
Population Planning and Health	-	-	-	-	-	-	-	-	135,000	-	28,983	22,113	186,096
Education and Human Resources Development	-	-	-	-	-	-	-	-	89,000	-	9,227	7,465	105,692
Selected Development Problems	-	-	-	-	-	-	-	-	40,500	-	86,262	18,691	143,453
Selected Countries and Organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	56,279 ^{2/}	36,500	-4,919	45,798	35,179	168,837
Total, Functional Development Assistance	19,455	732,500	-23,289	159,545	140,496	1,028,700	972,428	56,279	585,000	-4,919	168,932	83,753	889,045
(Total grants included above)	(3,956)	(337,500)	(24,625)	(1,354)	(12,741)	(375,177)	(371,838)	(3,338)	(278,076) ^{2/}	-	(1,048)	(12,500)	(294,962)
(Total loans included above)	(15,499)	(400,000)	(-47,914)	(158,191)	(127,725)	(653,531)	(600,590)	(52,941)	(208,491)	(-4,919)	(167,884)	(71,253)	(495,650)
(Operating Expenses included above)	-	-	-	-	-	-	-	-	(98,433)	-	-	(98,433)	(98,433)
International Organizations and Programs:													
UNDP and Other Programs	441	105,000	-	-	26	105,467	105,441	26	125,000	-	-	22	125,048
UN Environment Fund	-	-	-	-	-	-	-	-	7,500	-	-	-	7,500
UNRWA (Expansion of Training)	-	-	-	-	-	-	-	-	2,000	-	-	-	2,000
Indus Basin Development Fund, Loans	-	12,000	-	-	-	12,000	12,000	-	2,000	-	-	-	2,000
Indus Basin Development Fund, Grants	-	10,000	-	-	-	10,000	10,000	-	9,000	-	-	-	9,000
Total, International Organizations & Programs	441	127,000	-	-	26	127,467	127,441	26	145,500	-	-	22	145,548
American Schools and Hospitals Abroad	32	25,500	-	-	398	25,930	25,928	2	19,000	-	-	-	19,002
Albert Schweitzer Hospital	-	-	-	-	-	-	-	-	1,000	-	-	-	1,000
Refugee Relief Assistance (Bangladesh)	578	100,000	-	-	686	101,264	100,176	1,088	-	-	-	-	1,088
Sahel Drought Relief	-	-	-	-	-	-	-	-	25,000	-	-	-	25,000
Disaster Relief and Reconstruction	-	-	-	-	-	-	-	-	150,000 ^{2/}	-	-	-	150,000 ^{2/}
Contingency Fund	1,198	25,000	-	7	1,053	27,257	26,255	1,002	15,000	-	-	500	16,502
Contingency Fund, Southeast Asia	-	-	-	-	1,155	1,155	1,155	-	-	-	-	-	-
National Association of the Partners of the Alliance	-	-	-	-	-	-	-	-	750	-	-	-	750
Administrative Expenses, A.I.D.	2,594	50,000	2,872	2,006	214	57,636	56,460	1,176	40,000	-	2,200	-	43,376
Administrative and Other Expenses, State	21	4,321	78	-	7	4,427	4,419	8	4,800	119	-	-	4,927
Prototype Desalting Plant	20,000	-	-	-	-	20,000	-	20,000	-	-	-	-	20,000
TOTAL, DEVELOPMENT ASSISTANCE	44,319	1,064,321	-20,389	161,558	144,035	1,393,845	1,314,262	79,581	986,050	-4,800	171,132	84,275	1,316,238
INDOCHINA POSTWAR RECONSTRUCTION	-	-	-	-	-	-	-	-	450,000 ^{2/}	-	1,845	-	451,845
SECURITY SUPPORTING ASSISTANCE	4,618	600,000	-1,595	1,776	19,952	624,751	622,351	2,400	112,500	5,000	-	18,300	138,200
TOTAL, AGENCY FOR INTERNATIONAL DEVELOPMENT	48,937	1,664,321	-21,984	163,334	163,987	2,018,594	1,936,613	81,981	1,548,550	200	172,977	102,595	1,906,283

^{1/} Transfers are as follows:

- a. Worldwide Development Loans \$3,765,000 transferred for pay raise costs to Worldwide Technical Assistance - \$2,112,000; Alliance for Progress Technical Assistance - \$270,000; Supporting Assistance - \$1,305,000; and Administrative and Other Expenses, State - \$78,000.
- b. Worldwide Development Loans \$22,243,000 obligations for Population Programs shown as a transfer to that program for comparability with FYs 1974 and 1975.
- c. Worldwide Development Loans - \$4,000,000 transferred to Department of State for Asian and Sudanese Refugees.
- d. Worldwide Development Loans \$17,908,000 obligations for International Narcotics Control program shown as a transfer to State Dept. for comparability with FYs 1974 and 1975. Administration of this program was transferred to the Department of State in FY 1974.
- e. Administrative Expenses - A.I.D. \$79,000 transferred to General Services Administration for rental of space.
- f. Security Supporting Assistance - \$2,900,000 transferred to Administrative Expenses, A.I.D. for expanded Vietnam program.

^{2/} Includes \$50 million brought forward for Vietnam loan authorized in July 1973.

^{3/} The Foreign Assistance and Related Programs Appropriation Act, FY 1974, limits New Obligational Authority for functional development assistance grants to not more than \$300 million.

^{4/} Subject to congressional authorization.

^{5/} Transfers are as follows:

- a. Functional Development Assistance: \$4,800,000 to State Department, Office of Refugee and Migration Affairs.

- b. Functional Development Assistance: \$119,000 for Administrative and Other Expenses, State for pay increase costs, subject to Congressional authorization.

^{6/} Excludes \$54 million supplemental request.

AGENCY FOR INTERNATIONAL DEVELOPMENT
DISBURSEMENTS AND UNLIQUIDATED BALANCES - CASH BASIS

Fiscal Year 1975

(In thousands of dollars)

Unliq. Bal. (Pipeline) 6/30/74	FY 1975 (estimated)				Unliq. Bal. (Pipeline) 6/30/75
	Appropriation	Receipts, Transfers & Reimbursements	Total Avail. for Disb.	Disbursements	
DEVELOPMENT ASSISTANCE					
Functional Development Assistance:					
Worldwide Technical Assistance	54,534	-	-	54,534	21,865
Alliance for Progress Technical Assistance	16,480	-	-	16,480	3,784
Social Progress Trust Funds	9,065	-	-	9,065	4,533
Population Programs ^{1/}	117,278	-	-	117,278	66,116
Worldwide Development Loans ^{2/}	426,286	-	-	426,286	234,644
Alliance for Progress Development Loans	630,087	-	-	630,087	482,636
Development Loan Liquidation Account	11,611	-	-	11,611	9,510
Food and Nutrition	218,765	546,300	71,030	836,095	568,043
Population Planning and Health	153,410	145,000	80,973	379,383	279,916
Education and Human Resources Development	86,149	90,000	21,177	197,326	147,496
Selected Development Problems	113,890	53,000	11,033	177,923	142,577
Selected Countries and Organizations	146,777	39,000	9,031	194,808	165,839
Total, Functional Development Assistance	1,984,332	873,300	193,244	3,050,876	2,126,959
(Total grants included above)	(356,196)	(333,300)	(1,000)	(690,546)	(312,455)
(Total loans included above)	(1,529,703)	(438,000)	(192,194)	(2,159,897)	(1,614,071)
(Operating Expenses included above)	-	(102,000)	-	-	-
International Organizations and Programs:					
UNDP and Other Programs	55,924	153,900	-	209,824	66,524
UN Environment Fund	6,000	10,000	-	16,000	11,000
Indus Basin Development Fund, Loans	-	200	-	200	-
Indus Basin Development Fund, Grants	-	14,500	-	14,500	-
Total, International Organizations and Programs	61,924	178,600	-	240,524	77,524
American Schools and Hospitals Abroad	29,015	10,000	-	39,015	24,607
Refugee Relief Assistance (Bangladesh)	90,191	-	-	90,191	36,229
Sahel Drought Relief	17,750	-	-	17,750	5,325
Disaster Relief and Reconstruction	115,000	-	-	115,000	48,657
Contingency Fund	22,181	30,000	-	52,181	25,181
Other Unliquidated Funds - net ^{3/}	11,489	-	-	11,489	3,989
Administrative Expenses, A.I.D.	7,472	45,000	2,100	54,572	7,915
Administrative and Other Expenses, State	-	5,900	-	5,900	-
TOTAL, DEVELOPMENT ASSISTANCE	2,339,354	1,142,800	195,344	3,677,498	2,356,386
INDOCHINA POSTWAR RECONSTRUCTION	384,752	939,800	1,845	1,326,397	601,397
SECURITY SUPPORTING ASSISTANCE	84,014	385,500	-	469,514	190,974
MIDDLE EAST SPECIAL REQUIREMENTS FUND	-	100,000	-	100,000	50,800
TOTAL, AGENCY FOR INTERNATIONAL DEVELOPMENT	2,808,120	2,568,100	197,189	5,573,409	3,199,557
Loan Receipts ^{4/}					-197,194
Proprietary Receipts ^{5/}					-123,366
NET OUTLAYS					2,053,292

NOTES:

- ^{1/} Includes funds for Population grants made from Worldwide Development Loans and Alliance Development Loans appropriations prior to FY 1972. Also includes UN Population Fund grants through FY 1973.
- ^{2/} Includes AID outlays of \$4,729 obligated prior to 6/30/73 for the Narcotics Control Program. In FY 1974, this program was transferred to the Department of State; the above data excludes outlays of \$26,577 to be made subsequent to that transfer.
- ^{3/} Includes Housing Guaranty Fund, Advance Acquisition of Property Revolving Fund, Office of Inspector General, Consolidated Working Fund.
- ^{4/} Principal and interest payments received from prior year loans that are available for reprogramming.
- ^{5/} Receipts that are returned to the Treasury and are not available to AID for reprogramming.
- ^{6/} Disbursements of operating expenses are included in grant and loan disbursements.

AGENCY FOR INTERNATIONAL DEVELOPMENT
DISBURSEMENTS AND UNLIQUIDATED BALANCES - CASH BASIS
Fiscal Years 1973, 1974
(In thousands of dollars)

	Unliq. Bal. (Pipeline) 6/30/72	FY 1973 (Actual)					Unliq. Bal. (Pipeline) 6/30/73	Unob. Bal. Brought Forward	FY 1974 (Estimated)					Unliq. Bal. (Pipeline) 6/30/74
		Appropriation	Other Funds Available ^{1/}	Total Avail. for Disb. ^{2/}	Adjustments	Disbursements			Appropriation	Transfers, Receipts & Reimbursements ^{12/}	Adjustments ^{11/}	Total Avail. for Disb. ^{2/}	Disbursements	
DEVELOPMENT ASSISTANCE														
Functional Development Assistance:														
Worldwide Technical Assistance	149,821	155,000	5,340	310,161	-13,185	151,868	145,108	-	-	-	-5,500	139,608	85,074	54,534
Alliance for Progress Technical Assistance	75,676	77,500	559	153,735	-6,451	78,162	69,122	-	-	-	-4,000	65,122	48,642	16,480
Social Progress Trust Funds	18,130	-	-	18,130	-	-	18,130	-	-	-	-	18,130	9,065	9,065
Population Programs ^{2/}	172,111	100,000	24,036	296,147	2,281	86,790	211,638	-	-	-	-3,000	208,638	91,360	117,278
Worldwide Development Loans ^{3/}	679,638	250,000	100,175	1,029,813	80,002	308,708	801,107	-	-	-	-29,624	771,483	345,197	426,286
Alliance for Progress Development Loans	730,956	150,000	25,601	906,557	179,384	223,227	862,714	-	-	-	-41,629	821,085	190,998	630,087
Development Loans Liquidation Account	10,310	-	-	10,310	4,114	247	14,177	-	-	-	-	14,177	2,566	11,611
Food and Nutrition	-	-	-	-	-	-	-	-	284,000	662	305	284,967	66,202	218,765
Population Planning and Health	-	-	-	-	-	-	-	-	135,000	28,983	2,113	186,096	32,686	153,410
Education and Human Resources Development	-	-	-	-	-	-	-	-	89,000	9,227	1,465	105,692	19,543	86,149
Selected Development Problems	-	-	-	-	-	-	-	-	40,590	84,262	18,691	143,453	29,343	113,890
Selected Countries and Organizations	-	-	-	-	56,279 ^{10/}	-	-	56,279 ^{10/}	36,560	40,879	35,179	168,837	22,060	146,777
Total, Functional Development Assistance	1,836,642	737,500	155,711	2,724,853	302,424	849,002	2,121,996	56,279	585,000	164,013	-	2,927,288	942,956	1,984,332
(Total grants included above)	(415,738)	(337,500)	(29,935)	(778,173)	(-14,017)	(316,820)	(443,998)	(3,338)	(278,076)	(1,048)	-	(726,460)	(370,264)	(356,196)
(Total loans included above)	(1,420,904)	(400,000)	(125,776)	(1,946,680)	(316,441)	(532,182)	(1,677,998)	(52,941)	(208,491)	(162,965)	-	(2,102,395)	(572,692)	(1,529,703)
(Operating Expenses included above)	-	-	-	-	-	-	-	-	(98,433)	-	-	(98,433)	2/	-
International Organizations and Programs:														
UNDP and Other Programs	111,151	105,000	441	216,592	58	164,226	52,398	26	125,000	-	-	177,424	121,500	55,924
UN Environment Fund	-	-	-	-	-	-	-	-	7,500	-	-	7,500	1,500	6,000
UNEP's (Expansion of Training)	-	-	-	-	-	-	-	-	2,000	-	-	2,000	2,000	-
Indus Basin Development Fund, Loans	-	12,000	-	12,000	-	12,000	-	-	2,000	-	-	2,000	2,000	-
Indus Basin Development Fund, Grants	-	10,000	-	10,000	-	10,000	-	-	9,000	-	-	9,000	9,000	-
Total, International Organizations and Programs	111,151	127,000	441	238,592	58	186,226	52,398	26	145,500	-	-	197,924	136,000	61,924
American Schools and Hospitals Abroad	27,582	25,500	32	53,114	-441	23,333	29,338	2	19,000	-	-	48,340	19,325	29,015
Albert Schweitzer Hospital	-	-	-	-	-	-	-	-	1,000	-	-	1,000	1,000	-
Refugee Relief Assistance (Bangladesh)	141,071	100,000	578	241,649	3,003	75,920	167,644	1,088	-	-	-	168,732	78,541	90,191
Sahel Drought Relief	-	-	-	-	-	-	-	-	25,000	-	-	25,000	7,250	17,750
Disaster Relief and Reconstruction	-	-	-	-	-	-	-	-	150,000	-	-	150,000	35,000	115,000
Contingency Fund	14,323	25,000	1,205	40,528	1,188	10,535	30,179	1,002	15,000	-	-	46,181	24,000	22,181
National Association of the Partners of the Alliance	-	-	-	-	-	-	-	-	750	-	-	750	750	-
Other Unliquidated Funds - net ^{4/}	18,958	-	-	18,958	-2,524	-1,569	18,001	-	-	-	-	18,001	6,512	11,489
Administrative Expenses, A.I.D.	9,179	50,000	7,422	66,601	-1,839	55,119	8,467	1,176	40,000	2,200	-	51,843	44,371	7,472
Administrative and Other Expenses, State	81	4,321	99	4,501	-19	2,774	1,700	8	4,800	119	-	6,627	6,627	-
TOTAL DEVELOPMENT ASSISTANCE	2,158,987	1,064,321	165,488	3,388,796	301,850	1,201,342	2,429,723	59,581	986,050	164,332	-	3,641,686	1,302,332	1,339,354
INCOCHINA POSTWAR RECONSTRUCTION	-	-	-	-	-	-	425,907 ^{9/}	-	450,000 ^{11/}	1,845	-	877,752	493,000	384,752
SECURITY SUPPORTING ASSISTANCE	525,542	600,000	4,799	1,130,341	24,331	645,251	81,114	2,400	112,500	5,000	-	201,014	117,000	84,014
TOTAL, AGENCY FOR INTERNATIONAL DEVELOPMENT	2,684,529	1,664,321	170,287	4,519,137	326,181	1,846,593	2,936,744	61,981	1,548,550	173,177	-	4,720,452	1,912,332	2,808,120
Loan Receipts ^{5/}	-	-	-	-	-	-168,880	-	-	-	-	-	-	-167,885	-
Proprietary Receipts ^{6/}	-	-	-	-	-	-312,294 ^{8/}	-	-	-	-	-	-	-104,226	-
NET OUTLAYS	-	-	-	-	-	1,365,419	-	-	-	-	-	-	1,640,221	-

NOTES:

- 1/ Receipts, Transfers, Reimbursements and Unobligated Balances brought forward from prior year.
- 2/ Includes funds for Population grants made from Worldwide Development Loans and Alliance Development Loan appropriations prior to FY 1972. Also includes UN Population Fund grants through FY 1973.
- 3/ 1974 - Includes AID outlays of \$8,024 obligated prior to 6/30/73 for the Narcotics Control Program. In FY 1974, this program was transferred to the Department of State; the above data excludes outlays of \$12,112 to be made subsequent to that transfer.
- 4/ Includes Housing Guaranty Fund, Advance Acquisition of Property Revolving Fund, Office of Inspector General, Consolidated Working Fund.
- 5/ Principal and interest payments received from prior year loans that are available for reprogramming.
- 6/ Receipts that are returned to the Treasury and are not available to AID for reprogramming.
- 7/ Disbursements of operating expenses are included in grant and loan disbursements.
- 8/ Includes a European Monetary Fund credit of \$241.5 million.
- 9/ Attribution of Supporting Assistance Pipeline for activities in Cambodia, Laos and Vietnam which are funded by the Indochina Postwar Reconstruction appropriation.
- 10/ Represents unobligated balance brought forward from old appropriation categories to new functional development categories.
- 11/ Excludes \$54 million supplemental request.
- 12/ Represents deobligation of funds from unliquidated balances under the old appropriation account structure which are reprogrammed in the revised functional structure.

Authorization and Appropriation History for Economic Assistance
Under the Foreign Assistance Act of 1961 and Predecessor Legislation
(including supplementals)
FY 1948 - 1974
(In millions of dollars)

Fiscal Year	Authorization Request a/	Authorized by Congress b/	Appropriation Request a/	Appropriated by Congress c/
1948-49	7,370.0	6,913.0	7,370.0	6,446.3
1950	4,280.0	4,280.0	4,280.0	3,728.4
1951	2,950.0	2,762.5	2,950.0	2,262.5
1952	2,197.0	1,585.7	2,197.0	1,540.4
1953	2,475.0	1,894.3	2,499.0	1,782.1
1954	1,543.2	1,475.7	1,543.2	1,301.5
1955	1,798.1	1,571.9	1,788.5	1,528.8
1956	1,812.8	1,851.8	1,812.8	1,681.1
1957	1,860.0	1,815.1	1,860.0	1,749.1
1958	1,964.4	1,786.9	1,964.4	1,428.9
1959	2,142.1	2,070.6	2,142.1	1,933.1
1960	2,330.0	2,176.8	2,330.0	1,925.8
1961	2,875.0	2,786.3	2,875.0	2,631.4
1962	2,883.5	2,559.5	2,883.5	2,314.6
1963	3,281.3	3,074.8	3,281.3	2,573.9
1964	3,124.6	2,602.1	3,124.6	2,000.0
1965	2,461.7	2,452.0	2,461.7	2,195.0
1966	2,704.5	2,605.0	2,704.5	2,463.0
1967	3,443.4	2,628.0	2,469.0	2,143.5
1968	2,785.6	2,165.0	2,630.4	1,895.6
1969	2,554.2	1,609.8	2,498.5	1,380.6
1970	2,210.0	1,624.2	2,210.0	1,424.9
1971	2,093.7	2,093.7	2,008.0	1,733.9
1972	2,355.2	1,868.6	2,355.2	1,718.2
1973	1,970.5	1,026.5	2,256.6	1,664.2
1974	1,760.6 <u>d/</u>	1,554.7	1,894.2 <u>d/</u>	1,591.1 <u>d/</u>

NOTE: Excludes Investment Guaranty Program (borrowing Authority and Appropriations) and OPIC.

a/ Adjusted to fiscal year basis and including Executive Branch adjustments.

b/ Adjusted to fiscal year basis.

c/ Includes borrowing authority (other than for Investment Guaranties) during Marshall Plan period April 1948-1952.

d/ Includes a \$150 million request for Disaster Relief Assistance (Pakistan, the Sahel, and Nicaragua) that is appropriated but not yet authorized.

REPORT ON CONGRESSIONAL MANDATES

In the legislation enacted in December 1973, the Congress gave a number of specific policy mandates or made policy recommendations to the Agency for International Development. This section sets forth the actions and decisions which the Agency for International Development has taken to implement these policy mandates during the past three months. Administrative and management matters are discussed in the Special Analyses section.

Of the seven criteria set forth in Section 102(b) of the Act, these five were discussed in the FY 1975 Budget Request section:

Sharing American technical expertise, farm commodities, and industrial goods;

Focusing U.S. aid in critical areas, i.e., food production and rural development, family planning and health, education and human resources;

Increasing the role of the U.S. private sector in foreign aid,

Administering U.S. assistance in a collaborative style;

Responding to the undertakings of host governments.

The statements which follow discuss U.S. private investment and the coordination of development-related activities. To these two statements are added discussions of other Congressional concerns.

Role of U.S. Private Investment

The Act requires that the economic and social development programs which the United States supports reflect to the maximum extent practicable the role of U.S. private investment in such programs.

A.I.D. believes that the most effective way to mobilize and facilitate the participation of U.S. private capital and skills in the economic and social progress of less-developed countries is to emphasize the development role of the Overseas Private Investment Corporation (OPIC). In its selection of insurance projects, OPIC applies developmental criteria and has rejected or, more importantly, sought amendment of proposals on the basis of these criteria.

The Administration supports increasing private participation in OPIC and over the next two years will explore arrangements for reinsurance of OPIC obligations with private firms to include U.S. insurance companies and the possibility of establishing a joint OPIC-private underwriting consortium.

Development Coordination Committee

The Act requires the President to establish a Development Coordination Committee to advise him with respect to coordination of U.S. policies and programs affecting the development of developing countries, including bilateral and multilateral assistance. The A.I.D. Administrator is to chair the Committee, with representatives of State, Treasury, Commerce, Agriculture, Labor, the Executive Office of the President, and other executive departments and agencies designated by the President. Plans for implementation of this requirement are under preparation. We will report to Congress as progress is made.

Among the responsibilities the Committee may assume are

Analysis of the impact upon the less-developed world of U.S. policies in the fields of trade and monetary affairs, and the formulation of policy recommendations;

Overall coordination of the total flow of U.S. developmental finance including the review of budgetary proposals for both bilateral and multilateral assistance.

Increased Support of Cooperatives

An intensive review of the Agency's program involving cooperatives was initiated in 1973, as a part of ongoing consultations with the Advisory Committee on Overseas Cooperative Development and other representatives of United States cooperatives. With the enactment of the Foreign Assistance Act of 1973 in which Section III earmarks \$20 million for development of cooperatives in FY 1974-75, The Agency has attempted to assure conformance with both the letter and the spirit of the law by involving the U.S. cooperatives in the planning of new grant arrangements which will employ their resources more significantly in the programming and funding of cooperative development assistance. Preliminary estimates for the two-year period indicate that the Agency's expenditures will exceed the requirement of the Congressional directive.

Women in Development

The Act requires that A.I.D. give particular attention to those activities which tend to integrate women into the national economies of developing countries, thus improving their status and assisting the total development effort. The Administrator of A.I.D. has established a committee to propose a plan of action for implementing this section of the Act.

A.I.D. has a number of activities that focus on women as a group. These activities are generally in the fields of health and family planning, nutrition and education. As they prove successful, these activities will lead to direct and immediate improvement in the lives of women by reducing the burden of child-bearing and rearing, improving health, and providing new sources of information.

A.I.D. will collect and organize data on the widely divergent roles of women in the developing countries. Without more knowledge and understanding than now exists, we would be unable to respond fully to the Act by

ensuring that our programs encourage women as well as men to make the economy grow and to improve national well-being. In the process of collecting information, it will be important to hear directly from the women of the developing countries.

Cost Sharing

The Act requires that a recipient of development assistance furnished under Sec. 103 - Sec. 107 of the Act provide assurance that the country will provide 25% of the cost of the entire program, project, or activity in cash or in kind.

A.I.D. issued instructions to the Missions in late February on how this requirement will be met. These included definition of aid categories, instructions on calculation of the host country contribution, and a statement of internal responsibility for ensuring that A.I.D. meet the requirement.

Prohibition on Police Training

The Act prohibits the use of appropriated funds to conduct any police training or related program in a foreign country, with the exception of certain non-A.I.D. programs and certain existing contracts. The Appropriations Act also prohibits the use of local currency generated by foreign assistance in South Vietnam and of funds for training South Vietnamese in the United States, or for computers, parts, and services for police purposes.

In compliance with this mandate, A.I.D. will have terminated all overseas police training and related activities by August 15, 1974. The schedule for termination covers 17 programs -- two will have ended in March, one in May, two in June, nine in July, and three by mid-August.

No local currency generated by foreign assistance will be used for public safety programs in Vietnam nor will any

A.I.D. funds be used for police training purposes for South Vietnam.

Fixed-Cost Reimbursement Financing

A.I.D. was enjoined by the Senate Appropriations Committee to make the widest possible use of the fixed-cost reimbursement financing system which is being used in the Philippines. The system has recently been introduced in Bangladesh and will shortly begin in Pakistan to finance facilities being rebuilt or repaired as part of A.I.D.'s flood relief program. In addition, a general study is being made of the potential use of this system in other countries and in a variety of development projects.

There is one uncertainty about rapid spread of this particular financing system. It requires considerable staff support to review specifications, to perform inspections, and to certify completed work. In the Philippines, a great deal of this work is done for the A.I.D. Mission by the U.S. Navy. A.I.D. Missions normally cannot draw on such U.S. military support. Hence, as the system is tried out in other countries, adaptations will be necessary.

A.I.D.'s Foreign Assistance Pipeline

The Senate Appropriations Committee expressed concern about the size of the pipeline and A.I.D.'s efforts to remove from it obligations which are no longer valid. Over the past several years, the Agency has carried out regular and thorough reviews of obligated but undisbursed funds to ensure that deobligations, particularly from the loan pipeline, are realized in all cases where prudent management indicated that it was appropriate.

Deobligations (and deauthorizations of unsigned loans) fall generally into two categories: those required by law (Sec. 1311 of the Supplemental Appropriations Act of

1955) because a valid obligation does not exist; and those undertaken because a management judgment indicates that the funds are no longer required for the purpose for which they were committed. The first category of deobligations results from a comprehensive mid-year annual review of the pipeline by A.I.D. financial managers and from the reviews that take place prior to the end of each fiscal year when all obligations must be certified as valid. The second category is realized from regular reviews of all activities that are carried out in the field and in Washington. In response to Congressional interest in this second category of deobligations, A.I.D. is currently preparing a policy determination which will state the criteria that are applied by A.I.D. managers in determining whether funds should be deobligated from the loan pipeline. While the issuance of this determination will be of assistance both internally and externally in clarifying the circumstances under which recoveries are to be obtained from the pipeline (and therefore in projecting deobligations), there will continue to be variances between projected and actual recoveries because a good portion of actual recoveries are unanticipated; that is, they occur because of changed political or economic circumstances in relatively short time frames.

A.I.D. does not inflate the pipeline in order to justify requests for additional appropriations. Although it is correct that the authority to deobligate and reobligate funds provides potential financial flexibility, it is not correct that the Agency has used or plans to use this flexibility to thwart Congressional intent. As indicated in the Agency's program request for FY 1975, roughly 61% of planned deobligations are in the three priority accounts. The Agency has and will continue to review the pipeline thoroughly and to purge it of obligations which are no longer valid.

ADMINISTRATION AND MANAGEMENT

A.I.D. cooperates with the developing countries in planning development assistance programs, in helping to fund private organizations which design and execute these programs, and in monitoring progress and results. A.I.D.'s management and staffing are designed to accomplish these purposes with the greatest possible economy of means consistent with effectiveness. As our programs evolve, so do our organization and management techniques.

Recent Organization Initiatives

Historically, A.I.D. has used country organizations for the administration of its bilateral economic (development, security, supporting, reconstruction) assistance programs. Increasingly, however, as A.I.D. adapts its overseas structure to the U.S. development assistance policies for the 1970s, the Agency is administering activities through regional A.I.D. entities which have responsibilities in several countries. For example, while there are currently nine A.I.D. Missions in Africa, A.I.D. activities in the remainder of Africa are carried out by regional entities. Among these are the Area Development Offices now located in Senegal, Niger, and the Cameroon which serve a total of 17 countries in Central and West Africa.

A.I.D. has also established regional services offices to provide selected support services to A.I.D. overseas organizations regionally or worldwide. For example,

Regional Economic Development Services Offices (REDSOs) were established in Africa to consolidate various services for A.I.D. country and regional organizations. Services include economic and sectoral analysis; project design and implementation assistance for capital, technical, food, and other types of assistance; and legal, engineering, contracting and supply management services. REDSO West is located in Abidjan, Ivory Coast,

and serves A.I.D. programs in 21 countries; REDSO East is located in Nairobi, Kenya and serves A.I.D. programs in 15 countries.

East Africa Accounting Center, established in Nairobi, Kenya, provides accounting services for nine A.I.D. organizations in East Africa, Southern Africa, Sudan, and Yemen.

In addition to these initiatives for regionalization of program activities and program and management support services, the Agency has also undertaken to streamline the structure of certain A.I.D. organizations overseas. For example, in FY 1974 the Agency undertook a comprehensive review of the organization and staffing arrangements of the A.I.D. Mission in Thailand. A time-phased plan has been prepared to convert the Mission to conform with U.S. development assistance policies for the 1970s. By the end of FY 1975, a reduction of 60% in total direct-hire staff and a simplification and consolidation of the mission organization structure will be achieved.

A.I.D. assistance to Central America has long been channelled through four country missions (Guatemala, El Salvador, Honduras, and Nicaragua), one A.I.D. Affairs Office in Costa Rica, and one Regional Office for Central American Programs (ROCAP) in Guatemala City. During FY 1973 and FY 1974, integration of the Central American country programs and organizations with those of ROCAP has continued. An overall direct-hire manpower reduction totaling 23% was achieved.

In addition, USAID Guatemala and ROCAP, which were located several miles apart in Guatemala City, have been housed together. This has permitted the merger of the administrative and financial management operations of these two organizations with concurrent reductions in manpower requirements.

A.I.D. Personnel

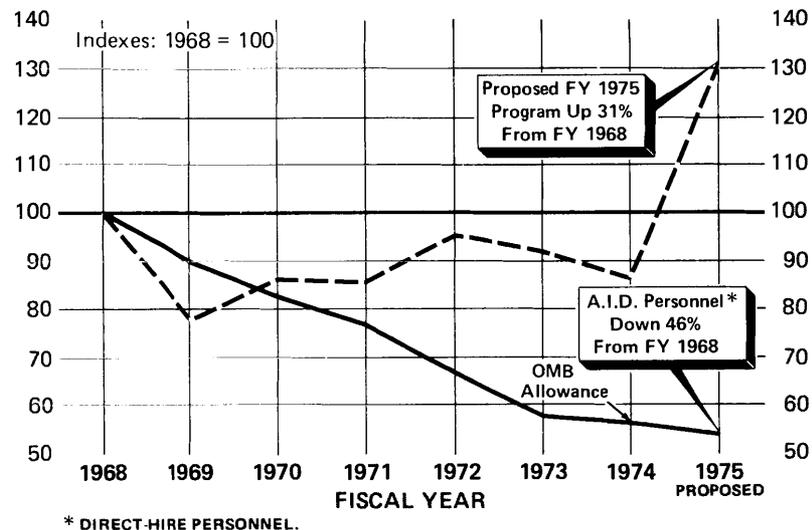
In recent years, A.I.D. has reduced its direct-hire staff significantly. Between June 1968 and June 1975 the number of U.S. and foreign national employees will have been reduced by nearly 8,100 -- a decrease of 46%. Table 1 shows this reduction in staff by year.

Table 1

A.I.D. STAFF REDUCTIONS

A.I.D. Direct-Hire Personnel	End of Fiscal Year			Proposed 1975
	1968	1972	1973	
Americans	8,306	5,792	5,105	4,791
Foreign Nationals	<u>9,263</u>	<u>5,927</u>	<u>5,003</u>	<u>4,709</u>
Total	17,569	11,719	10,108	9,500
<u>Cumulative Decrease</u>		<u>%</u>	<u>%</u>	<u>%</u>
Americans	--	30	39	42
Foreign Nationals	--	<u>36</u>	<u>46</u>	<u>49</u>
Total	--	33	42	46

A.I.D. PROGRAM TRENDS AND EMPLOYMENT



In FY 1972 and in FY 1973, A.I.D.'s direct-hire staff was reduced by more than 3,300 employees -- a two-year reduction of 25%. This was achieved through a tightly enforced hiring freeze, separation of foreign service staff serving in time-limited appointments, and increased retirements.

Future Requirements

Over the past year, A.I.D. has undertaken a study of its long-range manpower requirements. The study was designed to project the Agency's requirements for U. S. direct-hire personnel in terms of numbers and in terms of occupational or functional skills through FY 1978; and to identify the actions which the Agency must take to assure that the proper mix of numbers and skills is available when needed.

The study, nearing completion, is expected to show that A.I.D.'s overall requirements in terms of the total number of employees will continue to go down, at least through

FY 1978, but at a much slower rate than in the past years. Within the overall reductions projected, the study shows that while there are surplus employees in some skill categories, there are growing shortages of qualified personnel in others.

Much of this imbalance is a direct result of the major manpower reductions which have occurred over the past five years - reductions which were largely achieved through attrition, not susceptible to management control. One of A.I.D.'s biggest challenges in the coming year will be to translate the findings of the current study into a plan to alleviate the numbers and skills imbalances in specific occupational categories. Where surpluses exist, new ways of using skilled technical personnel are being developed, e.g., details to other U.S., state, and local government agencies, assignments to international organizations such as the UNDP. A.I.D. will rely heavily on training programs to develop skills in shortage categories. In addition to training, A.I.D. will use other mechanisms, such as the Intergovernmental Personnel Act to attract highly qualified technical personnel in those instances where shortages of qualified personnel exist with the Agency.

Management Systems

Present A.I.D. management systems were developed over a decade ago, based on concepts and emphases valid for assistance activities at that time. There have since been shifts in program emphases, modifications in operating procedures, experimentation with different approaches to providing assistance, as well as the evolution of a basically standard project design and evaluation concept. In addition, during the past two years there has been a shift in the primary focus of development assistance to areas of basic human needs.

The Agency's management systems therefore need to be restructured in the light of present-day assistance emphases and management requirements. As a result, A.I.D. has initiated a major systems overhaul which focuses on two principal aims: (1) to ensure that

A.I.D. programs reflect Agency priorities, and (2) to assist managers in evaluating programs to determine if they are proceeding toward and achieving their objectives -- i.e., performance measurement.

When this effort is completed during the course of FY 1975, it will help produce improved program management by providing information more responsive to internal management and external requirements and a management system with built-in flexibility which meets not only current but also foreseeable needs.

Operating Expenses

A.I.D. operating expenses cover the salaries and supporting costs of personnel engaged in the basic operating functions of policy, planning, programming, coordination, management, and support in Washington and overseas. For FY 1975, this type of personnel comprises about 93% of A.I.D. direct-hire employees. The 7% of A.I.D. personnel who are directly responsible for program and project implementation as technical advisors attached to specific projects are excluded. Costs for those personnel are included in the costs of the projects to which they are attached.

As shown in Table 2, A.I.D. operating expenses are estimated at \$220.1 million in FY 1975 compared with \$216.7 million in FY 1974 and \$199.5 million in FY 1973. These totals include three types of funds: (1) dollar funds appropriated annually by the Congress, (2) dollar funds from the A.I.D. housing guaranty and excess property programs that do not require annual appropriation, and (3) local currency trust funds provided by the recipient countries themselves to support A.I.D. operations.

Table 2

A.I.D. OPERATING EXPENSES
BY MAJOR FUNDING SOURCE
(\$ Millions)

	FY 1973 <u>Actual</u>	FY 1974 <u>Estimate</u>	FY 1975 <u>Estimate</u>
Appropriated dollar funds	169.3	186.3	194.9
Nonappropriated dollar funds	1.2	1.5	1.5
Local currency trust funds	29.0	28.9	23.7
Total operating expenses	<u>199.5</u>	<u>216.7</u>	<u>220.1</u>

Table 3 shows operating expenses by major location. Approximately 60% of A.I.D.'s operating expenses are for overseas operations and 40% are for Washington operations. These percentages are roughly the same over the FY 1973-FY 1975 period.

Table 3

A.I.D. OPERATING EXPENSES
BY MAJOR LOCATION
(\$ Millions)

	FY 1973 <u>Actual</u>	FY 1974 <u>Estimate</u>	FY 1975 <u>Estimate</u>
Overseas operations	116.5	128.4	127.7
Washington operations	83.0	88.3	92.4
Total operating expenses	<u>199.5</u>	<u>216.7</u>	<u>220.1</u>

Major Management Functions

Operating expenses are grouped by functional categories representing the major operational and management responsibilities of the Agency.

These functions (and their approximate share of total operating expenses) are

Executive Direction - top policy formulation and direction of the Agency (5%),

Program Planning and Budgeting - identification of development needs, setting priorities for resource use, and resource allocation (8%),

Technical Analysis, Management and Evaluation-technical planning and review of programs and projects, project management, and program evaluation (19%),

Central Backstopping of Overseas Operations - program and administrative contact between overseas missions and the Washington Country Desks in each of the Regional Bureaus (3%),

External Relations and Information - legislative liaison and public affairs activities (1%),

Administration of Special Programs - management of American Schools and Hospitals Abroad, Disaster Relief, Food for Peace, and Private and Voluntary Cooperation programs (2%),

Legal Services - provision of legal advice and services to all elements of A.I.D. in Washington and overseas (1%),

Audit and Inspection Services - the Agency comprehensive internal audit program and the investigation of alleged irregularities and deficiencies relating to compliance and integrity of operations (4%),

Program Support Services - functions directly supporting individual A.I.D. programs and projects, i.e., commodity management, contract services, engineering services, and participant training services (8%),

Financial Management Services - functions of accounting, statistics, internal financial control, advice and assistance on financial practices and procedures, and financial reporting (6%),

Management Support Services - the full range of administration management services (personnel, data processing) and the cost of general logistics support (communications, vehicles, building, supplies) provided for all functions (43%).

Table 4 shows expenditures for these functions.

During the past year and a half we refined the operating expenses concept and applied it to our budgetary requests and our internal financial operations. One of the important steps on which we are now working is revision of our internal accounting procedures so that financial information on these 11 management functions can be collected through the accounting system. This will significantly improve financial reporting on operating expenses and will greatly simplify preparation of the annual operating expenses budget.

Table 4
A.I.D. OPERATING EXPENSES
BY MANAGEMENT FUNCTION
(\$ Millions)

	<u>FY 1973</u> <u>Actual</u>	<u>FY 1974</u> <u>Estimate</u>	<u>FY 1975</u> <u>Estimate</u>
Executive direction	10.8	11.4	11.3
Program planning and budgeting	13.9	17.0	17.0
Technical analysis, management and evaluation	31.2	41.5	41.2
Central backstopping of overseas operations	5.6	6.6	6.5
External relations and information	1.2	1.3	1.3
Administration of special programs	3.9	4.0	3.9
Legal services	2.1	2.3	2.3
Audit and inspection services	10.4	10.1	10.0
Program support services	16.4	18.6	18.2
Financial management services	16.0	15.0	14.5
Management support services	88.0	88.9	93.9
Total operating expenses	<u>199.5</u>	<u>216.7</u>	<u>220.1</u>

Table 5

A.I.D. WASHINGTON OPERATING EXPENSES
BY MANAGEMENT FUNCTION
(\$ Millions)

	FY 1973 <u>Actual</u>	FY 1974 <u>Estimate</u>	FY 1975 <u>Estimate</u>
Executive direction	3.0	2.9	2.8
Program planning and budgeting	4.1	5.5	5.6
Technical analysis, management, and evaluation	15.6	17.2	17.4
Central backstopping of overseas operations	5.6	6.6	6.5
External relations and information	1.2	1.3	1.3
Administration of special programs	2.0	2.2	2.2
Legal services	1.3	1.4	1.4
Audit and inspection services	3.7	3.0	2.7
Program support services	8.8	9.9	9.5
Financial management services	6.3	5.5	5.3
Management support services	<u>31.4</u>	<u>32.8</u>	<u>37.7</u>
Total Washington operating expenses	<u>83.0</u>	<u>88.3</u>	<u>92.4</u>

Washington Operating Expenses

As shown in Table 5, Washington operating expenses total \$92.4 million in FY 1975 compared with \$88.3 million in FY 1974 and \$83.0 million in FY 1973.

In considering Washington operating expenses, the following points should be noted:

Beginning in FY 1975, each Executive Branch agency has been directed to include in its budget the costs of space rental in Washington. In previous years, these costs were included in the budget of the General Services Administration. A.I.D.'s FY 1975 space rental costs are \$5.2 million. Were this item excluded, FY 1975 Washington operating expenses would be less than FY 1974.

About 80% of Washington operating expenses are for salaries and benefits. Although the total number of employees in Washington is trending downward over the FY 1973 - FY 1975 period, U.S. Government pay raises in January 1973 and October 1973 have added a total of \$6.2 million to FY 1975 Washington operating expenses.

The totals for the Bureau for Program and Management Services include the cost of a wide range of activities that benefit the Agency as a whole. Examples include space rental, staff training, automatic data processing, financial management services, etc. The totals for this Bureau therefore cannot be compared with the totals for other organizational units.

The direction of certain overseas programs and some management services for these programs are provided from Washington. As an example, the Central and West Africa Region Office Director in Washington functions as the "Mission Director" for programs in this region, with the three Area Development Officers overseas serving as his field representatives.

Another example is the financial management services provided from Washington for the Central and West African Regional Program, the Regional Economic Development Services Office (West) in Abidjan, Ivory Coast, and the A.I.D. program in Jamaica and Haiti.

Overseas Operating Expenses

As shown in Table 6, overseas operating expenses total \$127.7 million in FY 1975 compared with \$128.4 million in FY 1974 and \$116.5 million in FY 1973.

The following points should be noted about overseas operating expenses generally:

Salaries and benefits comprise about 50% of overseas operating expenses -- a lower percentage than salaries and benefits in Washington operating expenses partially because various services or allowances need to be provided for overseas employees which are not provided to Washington-based personnel.

Again, despite the decline in overseas employees over the FY 1973-FY 1975 period, U.S. Government pay raises for American employees in January 1973 and October 1973 have added a total of \$3.9 million to FY 1975 overseas operating expenses.

Compared with FY 1973, local currency costs for FY 1974 have increased to some extent because of the latest devaluation of the dollar and inflation common in most less-developed countries.

Addition of personnel to the operating expenses category account for the major share of the increase in costs between FY 1973 and FY 1974 in the technical analysis, management, and evaluation category. The increase in operating expenses because of these additions results in a decrease of equal size in A.I.D.'s substantive program costs.

Table 6
A.I.D. OVERSEAS OPERATING EXPENSES
BY MANAGEMENT FUNCTION
(\$ Millions)

	<u>FY 1973</u> <u>Actual</u>	<u>FY 1974</u> <u>Estimate</u>	<u>FY 1975</u> <u>Estimate</u>
Executive direction	7.8	8.5	8.5
Program planning and budgeting	9.8	11.5	11.4
Technical analysis, management and evaluation	15.6	24.3	23.8
Administration of special programs	1.9	1.8	1.7
Legal services	.8	.9	.9
Audit and inspection services	6.7	7.1	7.3
Program support services	7.6	8.7	8.7
Financial management services	9.7	9.5	9.2
Management support services	56.6	56.1	56.2
Total overseas operating expenses	<u>116.5</u>	<u>128.4</u>	<u>127.7</u>

Trust funds provided by recipient countries to support A.I.D. operations are estimated to decrease by \$5.2 million in FY 1975 compared with FY 1974. In part, this will cause increased requirements for dollar funds to cover operating expenses.

Sources of Funding for Operating Expenses

A.I.D. operating expenses are funded from three major sources: appropriated dollar funds, nonappropriated dollar funds, and local currency trust funds. Details of these sources of funding are shown in Table 7.

Table 7

FUNDING SOURCES FOR A.I.D. OPERATING EXPENSES
(\$ Millions)

	<u>FY 1973 Actual</u>	<u>FY 1974 Estimate</u>	<u>FY 1975 Estimate</u>
<u>U.S. Dollar Funds</u>			
Appropriated Funds			
Development Assistance Functional Accounts	84.2 ^{a/}	98.4	102.0
Food and Nutrition		(31.6)	(60.9)
Population Planning and Health		(20.6)	(20.4)
Education and Human Resources Development		(11.7)	(9.9)
Selected Development Problems		(15.8)	(5.7)
Selected Countries and Organizations		(18.7)	(5.1)

	<u>FY 1973 Actual</u>	<u>FY 1974 Estimate</u>	<u>FY 1975 Estimate</u>
Indochina Postwar Reconstruction	25.8	38.8	45.6
Supporting Assistance	2.6	4.4	--
American Schools and Hospitals Abroad	.2	.2	.2
Bangladesh Relief	--	1.1	--
A.I.D. Administrative Expenses	56.5	43.4	47.1
Total Appropriated Funds	(169.3)	(186.3)	(194.9)
Nonappropriated Funds			
Housing Guaranty Fund	.8	1.0	1.0
Excess Property Fund	.4	.5	.5
Total U.S. dollar funds	(170.5)	(187.8)	(196.4)
<u>Local Currency Trust Funds</u> ^{b/}	<u>29.0</u>	<u>28.9</u>	<u>23.7</u>
Total operating expenses	<u>199.5</u>	<u>216.7</u>	<u>220.1</u>

^{a/} This amount provided from the following accounts which have now been replaced: Worldwide Technical Assistance, Alliance for Progress Technical Assistance, Population Programs, Worldwide Development Loans (for narcotics programs).

^{b/} Funds provided by recipient countries to support A.I.D. operations.

A.I.D. Administrative Expenses

A.I.D. operating expenses are funded from several sources. One of these sources is the A.I.D. Administrative Expenses appropriation which is available in its entirety to fund operating expenses.

In the early days of the A.I.D. program, a large percentage of direct-hire employees worked as technical specialists attached to and directly implementing specific assistance projects. This group of employees was considered to be working primarily for the benefit of the recipient country, and their salaries and support costs were covered from regular program funds and included in the cost of the specific projects to which they were attached. Employees considered to be working for the benefit of both the recipient country and the United States and their salaries and support costs were also funded from program accounts. The remaining A.I.D. direct-hire employees--those engaged in activities of primary interest to the United States--were funded from the Administrative Expenses appropriation.

Over the years, as A.I.D. has turned more and more of actual project implementation work over to others with A.I.D. employees assuming more of a monitoring role, this original distinction has grown increasingly unclear. As a result, the operating expense activities funded from regular program funds do not really differ from those funded from Administrative Expenses. The latter account has become merely one funding source among several, which in FY 1975 covers about 25% of the total appropriated fund requirements for operating expenses.

The request for Administrative Expenses in FY 1975 is \$47.1 million. Availabilities over the FY 1973-FY 1975 period are as follows:

Table 8

ADMINISTRATIVE EXPENSES AVAILABILITIES
(\$ Thousands)

	<u>FY 1973 Actual</u>	<u>FY 1974 Estimate</u>	<u>FY 1975 Estimate</u>
New obligational authority	50,000	40,000	45,000
Unobligated balance brought forward	2,594	1,176	-
Reimbursements and recoveries	2,221	2,200	2,100
Transfers, net	2,821	-	-
Unobligated balance carried forward	-1,176	-	-
Total	<u>56,460</u>	<u>43,376</u>	<u>47,100</u>

A.I.D.'S EXCESS PROPERTY PROGRAM

Section 608 of the Foreign Assistance Act of 1961 requires that A.I.D. in its economic development program use excess property acquired from other Federal agencies "...wherever practicable in lieu of the procurement of new items."

Excess property is acquired at no cost from other Federal agencies. The Department of Defense generates virtually all of the available excess property. Most of the equipment acquired by A.I.D. falls into four major categories: (1) heavy construction equipment, (2) vehicles of all kinds, (3) heavy machinery, and (4) electrical generation equipment.

Our policy is to promote the use of such property as an economy measure in meeting the equipment requirements of A.I.D.-financed projects. Similarly, it is to the advantage of those eligible recipients under Sec. 607 of our legislation -- friendly countries, international organizations, American Red Cross, and registered voluntary agencies -- to acquire excess property through A.I.D. using their own dollar resources.

Two programs have been established for acquiring domestic and foreign excess property: the Sec. 608 Program and the Direct Acquisition Program.

Section 608 Program

A.I.D. operates the Sec. 608 Program along the lines of a business operation. A centralized organization acquires domestic and foreign excess property and makes it available to A.I.D. recipients on an "as is" basis or following rehabilitation by private firms or U.S. military facilities. The Sec. 608 revolving fund of \$5 million is used to cover A.I.D.'s overhead in managing the program and the cost of rehabilitating the property to make it serviceable again. The revolving fund is replenished through service fees and reimbursed costs as the rehabilitated equipment is delivered to A.I.D. recipients.

Recent examples of acquisition and use of Sec. 608 excess property are

Packaged Disaster Hospitals - 114 units having an original acquisition cost of \$3.4 million made available for use in A.I.D.-financed project and program assistance at a delivered cost of \$800,000;

Zaire - rehabilitated construction and road building equipment having an original acquisition cost of \$500,000 for less than half the current market cost;

Guyana - small cargo and passenger vessel and tugboat having an original acquisition cost of \$600,000 at a cost of only 6% of the original acquisition cost;

Israel - acting as State's agent, 125 mobile homes having an original acquisition cost of \$600,000 acquired and shipped to Israel for use by refugees from the Soviet Union.

Since its inception in FY 1963, the Sec. 608 Program has made a substantial contribution to the development effort at a very low cost. Excess property valued at an original acquisition cost of more than \$186 million has been utilized by developing countries under the economic assistance program. In FY 1973, 30 countries and 6 registered voluntary agencies benefitted from this program.

Direct Acquisition Program

Virtually all of the excess property available under this program is generated by the U.S. Armed Forces overseas. A.I.D. recipients acquire this foreign excess property directly from the owning Federal agency on an "as is-where is" basis. The recipient arranges and pays for services furnished in connection with the transfer of the property to its point of use. Under the Direct Acquisition Program, property having an original acquisition cost of \$84.6 million was utilized in FY 1973, principally by Vietnam (\$62.4 million), Philippines (\$15.8 million), Thailand (\$2.6 million), and Korea (\$1.5 million).

HOUSING GUARANTY PROGRAM

A.I.D.'s principal resource in dealing with housing finance problems in developing countries is the Housing Guaranty Program. The program began in FY 1962 with Congressional authority to guaranty \$10 million of U.S. private investment in overseas housing projects in Latin America. That authority has been increased annually and now stands at \$550 million of which approximately \$369 million has been used. Worldwide authority applicable to countries outside of Latin America totals \$330 million of which approximately \$184 million has been used. Although a current projection indicates that the worldwide authorization may be exhausted by the end of FY 1975 if not earlier, some proposals may not reach authorization stage; hence, no additional authority is requested for FY 1975.

Initially, the program's focus was on housing projects which would serve as pilot demonstrations, and would transfer technological skills. This approach was broadened in 1965 by emphasizing projects which involved local long-term investors, local housing finance institutions, trade unions, cooperatives, and housing for lower-income groups. In recent years the primary emphasis has been in support of public housing institutions and private savings and loan associations which raise capital locally.

Current priorities are defined in A.I.D.'s Shelter Sector Policy, which was adopted in August 1973. It identifies the Housing Guaranty Program as the major source of A.I.D. assistance for housing finance, stresses the importance of national housing policies to developing countries, and states A.I.D.'s priorities within the shelter sector as increased emphasis on low-income housing programs and institution building.

In support of these new priorities, A.I.D. has authorized a housing guaranty for Korea. An essential component of this guaranty is agreement by the Koreans to develop a national housing policy which will address the needs of all income groups in Korea. In addition, A.I.D. undertook a low-income housing study in four Central American countries and a shelter sector analysis in Tunisia.

The Central American low-cost housing study identified \$36 million in potential low-cost housing projects and has led to incorporation of \$14 million in a proposed housing guaranty to the Central American Bank for Economic Integration for use exclusively in low-cost housing. As a result of this study, additional low-cost housing guaranties are under consideration in Costa Rica, Guatemala, and Honduras.

The Tunisian Shelter Sector Analysis consisted of a review and analysis of the Tunisian housing sector and the Tunisian national housing policy. This study is expected to lead to a housing guaranty which will address basic institutional problems within the Tunisian housing sector, including the need for low-cost housing.

INTERNATIONAL TRAINING

A.I.D.'s training program is an investment in the people of the developing countries which helps carefully selected, qualified foreign nationals acquire knowledge and skills not available in their own countries. As shown in the table, the emphasis of the program has been and will continue to be in the first four functional categories set forth in the Foreign Assistance Act of 1973. Although primary emphasis will continue to be in the first three categories, training will also be given under the category Selected Development Problems in which some of the most sought-after skills occur, e.g., in industry, housing, and transportation, and training in which civic participation is emphasized in areas such as labor.

PARTICIPANTS IN TRAINING

	FY 1973	FY 1974 (Estimated)
Food and Nutrition	2,937	3,100
Population Planning and Health	1,245	1,300
Education and Human Resources	5,042	5,200
Selected Development Problems	1,403	1,400
Total in Training	10,627	11,000

NOTE: These figures represent participants in training in the United States and in third countries under contract and noncontract programs. They include programs begun during a prior year and continued in FY 1973 as well as those beginning in FY 1973. Although they are in training during FY 1973, funds for most of the participants were obligated during a prior year.

The data presented by functional category are estimates.

The opportunity A.I.D. has given thousands of promising men and women to acquire training has contributed greatly to the progress of the countries to which they have returned. The program reflects the rapid advance of technology, the desire of developing countries to take more responsibility for their own development, and the U.S. policy of encouraging local self-reliance. In most instances, training is offered as a concomitant of or in support of other development projects. A key aspect of the program is that those involved must agree to return and to use their training in the development of their own countries. There they have frequently moved to positions of both power and prestige.

The United States first began training foreign nationals in 1941. At the close of FY 1974, more than 168,000 foreign nationals, or participants, will have received training. They have been educated or trained in literally hundreds of U.S. colleges, universities, private firms, local governments, labor unions, cooperatives, and a variety of other training institutions. In some cases, A.I.D. supports training in other countries which are able to offer facilities geographically closer to the participant's own country, more relevant to specific needs, and often in the same language and at less cost.

Over the past three years, A.I.D. has had in training an average of 12,000 foreign nationals each year: 12,268 in FY 1972, 10,627 in FY 1973, and approximately 11,000 in FY 1974. Based on the experience of the past three years, we expect that the number in FY 1975 will be 10,500 to 11,000 or about the same as in FY 1974.

It is expected that in FY 1974 the larger number of participants will come from Asia followed by Latin America and Africa. Indications are that most of them will be trained in fields of education, agriculture, and health, including population and family planning. Approximately 15% will be trained in other fields such as public safety, industry, labor.

Four types of training are offered:

Academic training is given in an accredited institution in degree and nondegree programs. In FY 1974, more than half of A.I.D.'s participants in the United States will be receiving some form of academic training.

Observation training is of short duration, usually for higher-level participants who cannot be away from their countries for a long period of time. They meet their U.S. counterparts, discuss problems, learn the latest technology and, in general, strengthen and update skills they already possess.

On-the-job training provides an opportunity for participants at all levels to learn by doing, working side-by-side with an experienced person.

Specialized training may include a combination of academic, on-the-job, and observation training, or may be a program designed to meet specific individual needs. It is offered mostly in cooperation with U.S. businesses, industry and labor.

The typical participant is highly motivated and dedicated to his training program as well as to the social and economic development of his country. By prior mutual agreement, upon completion of this program the participant must return to apply his training toward the achievement of his country's development goals and to train others. This agreement, which the participant makes with his government and the United States, is seldom broken. The "brain drain" from this program over the years has been almost negligible. Through continuation of personal contacts with the participant after he returns home, it has been

established that more than 80% have used their training directly in the development of their countries.

In terms of U.S. costs, the participant training program is relatively inexpensive. Funds for training are included in individual A.I.D. country programs, except for support funds allocated to the Office of International Training. In most instances, the developing countries themselves share in the total cost of the participant training program. More than half of international participant travel expenses are paid by the host countries. They also bear most of the cost of preparing the participant for departure, such as travel from his home to the point of departure, English-language training, and medical examinations. More importantly, many countries also maintain the participant's family at home by continuing salary payments during the training period.

DISASTER RELIEF AND RECONSTRUCTION

In 1812 an earthquake killed 25,000 Venezuelans. The U.S. Congress voted \$50,000 for medicines and relief supplies to help ease the suffering of that disaster's many thousands of victims. This humanitarian act inaugurated a tradition which through succeeding decades prompted similar responses by our government to hundreds of appeals for help from disaster-stricken nations of the world. During these past 162 years, earthquakes, floods, famine, volcanic eruptions, and a host of other destructive natural phenomena and man-made events have taken an enormous toll of life and property, sparing no part of the world.

Until 1964 such aid as was authorized by the Congress was administered on an ad hoc basis--still the standard for most other donor nations of the world. But in the United States in 1964, at which time the U.S. Government was responding to as many as 50 disasters a year, a new order of organization and centralized administrative control was established for future relief efforts. A Foreign Disaster Relief Coordinator was appointed in A.I.D. and assigned a four-man staff to mobilize and direct the coordination of all U.S. Government resources for relief operations in stricken nations. The record of this small group's efforts from 1964 to 1971 is a distinguished one.

Despite the steady procession of disasters in foreign countries which required an operational response, the staff found time to develop the first regional disaster relief stockpile in Panama and to conduct a number of important studies on international relief cooperation, development of national disaster plans, and operational relationships between the U.S. Government and U.S. voluntary agencies.

During 1969 - 1971, there occurred a series of catastrophic events in relatively close succession which called forth massive U.S. assistance and attracted the special concern of the President, members of Congress, A.I.D.'s executive staff, and the Department of State. In 1972 as a result of these coinciding interests, A.I.D. established the Office of Foreign Disaster Relief Coordinator as a part of the new Bureau for Population and Humanitarian Assistance.

The Agency's foreign disaster relief capability was strengthened as to staff and a particular effort has been made to coordinate U.S. relief activities with those of the domestic and international disaster relief communities or donor organizations.

Since 1964, the Foreign Disaster Relief Coordinator supported by A.I.D.'s Office of Food for Peace, Department of Defense, Department of Health, Education, and Welfare, and many other federal agencies has responded to 420 disasters for which U.S. Government assistance has been valued at approximately \$1.2 billion. This aid has taken many forms: allocations of PL 480 food; airlifts; airborne search and rescue teams; medical, technical and scientific staff; medical supplies; tents, cots, blankets; heavy equipment and hand tools; cash donations for local purchases.

The Foreign Disaster Relief Coordinator's responsibility for response to a disaster begins with the declaration by a U.S. Chief of Mission that a disaster has occurred for which U.S. assistance is required; his responsibility carries through the emergency phase, a period which usually does not exceed 60 days. The appropriate A.I.D. regional bureau with which the Coordinator has worked closely during the emergency, assumes responsibility when transition to rehabilitation and reconstruction occurs. The A.I.D. Contingency Fund is used by the Coordinator for the emergency phase whereas more traditional programming and funding practices are employed by a regional bureau for the longer-range activity. Special appropriations have sometimes been made by the Congress to support major postdisaster rehabilitation and reconstruction.

Disasters in FY 1973

FY 1973 saw no abatement of the annual disaster toll. There were 215 million victims, more than in any previous 12-month period since the appointment of a Foreign Disaster Relief Coordinator in A.I.D. in 1964. Most were victims of drought-related emergencies. In total, the U.S. Government responded to 32 disasters in 30 countries at a cost of \$301.4 million; \$128.3 million in the value of PL 480 food, \$14 million in Contingency Fund expenditures,

\$157.6 million in special appropriations, supporting assistance funds, U.S.-owned local currency and the like. U.S. voluntary agencies contributed supplies, equipment, and services in the amount of \$15.5 million and other donor nations and international organizations provided assistance valued at \$151.6 million.

Disasters in FY 1974

In addition to the continuing Sahel drought situation there have been 14 disasters to date in which the U.S. Government has provided assistance in FY 1974. Five of these have involved major U.S. relief operations. A brief description of these five disasters follows:

Pakistan Floods in August-September 1973

Floods of an unprecedented magnitude ravaged Pakistan's two most populous provinces, Punjab and Sind. The floods killed 474 persons, affected nearly 5 million others, destroyed over 800,000 homes, killed an estimated 54,000 livestock and inundated over 10 million acres of land causing extensive crop damage. Damage to infrastructure, public works, industry, education, and health facilities was also severe, precipitating a major setback for Pakistan's developing economy. The Government of Pakistan sought outside assistance. The value of U.S. Government assistance, which consisted of boats, military cargo planes and helicopters, food, seeds, insecticide, spraying equipment, technical and medical teams, and grant and loan funds was approximately \$24 million. Assistance from other donor nations and international organizations was valued at approximately \$23.1 million.

Sahel Drought

Drought, which gradually developed in six West African countries of Niger, Mali, Chad, Upper Volta, Mauritania, Senegal over a period of several years has led to extensive debilitation of the countries' nomadic population. An estimated 100,000 people have died from drought-related causes and approximately 6 million people have been affected.

Large numbers of livestock have been lost. The reduction in revenue and in shrunken foreign exchange earnings has compounded the problem. The full seriousness of the drought was not appreciated by the governments of the Sahelian countries until the spring of 1973. U.S. Government non-food assistance in FY 1973 was primarily in the form of airlifts, animal feed and medicines, incountry logistical support, medical supplies, drugs, emergency shelters and blankets at a cost to the contingency fund of \$4.7 million. In FY 1974, expenditures and commitments through international organizations, special studies, recovery and rehabilitation projects and a reserve for contingency relief efforts amount to \$25 million. Through the Food for Peace program the U.S. Government provided 156,000 metric tons of food valued at \$21.6 million in FY 1973; 350,000 metric tons valued at \$77.6 million are committed for FY 1974.

Other donor nations and international organizations have provided assistance totalling approximately \$94 million in FY 1973. Their total aid, provided and pledged in FY 1974, amounts to \$117 million.

Primary responsibility for handling U.S. Government sponsored rehabilitation measures is assigned to A.I.D.'s Africa Bureau. Special disaster appropriations have enabled us to implement recovery programs concurrently with the provision of emergency food supplies. Road and river transport are being improved to permit repositioning of food in the deficit areas; grain storage facilities are being built; agriculture and livestock programs are being implemented and medical programs designed for the special needs of malnourished people. Concurrently, reconstruction programs are being developed and longer-range study and planning efforts are underway on the Sahel ecological imbalance, alternative ways of dealing with it and of providing a means of livelihood for the people who live there.

Chile Civil Strife

A military coup in Chile in September 1973 generated many victims on both sides of the conflict in need of medical and other help. The U.S. Government provided large

quantities of medical supplies and, through the American National Red Cross, donated 10,000 blankets. Total value of U.S. Government assistance was \$295,000. Other assistance came from neighboring Latin American countries, the International Committee of the Red Cross, (ICRC), and the United Nations High Commissioner for Refugees.

Middle East Conflict

To assist war-displaced people in Egypt, Israel, and Syria, Deputy Secretary Rush declared a regional disaster. This enabled the A.I.D. Foreign Disaster Relief Coordinator to respond to requests for assistance from the ICRC on behalf of war victims in all of the countries involved. U.S. voluntary agencies also engaged in relief operations in the Middle East asked for U.S. Government support of their relief programs. The U.S. Government contributed \$200,000 to the ICRC and cash grants, transportation, or supplies to the following voluntary agencies: American National Red Cross, Church World Service, Hadassah. Total cost to the Contingency Fund was \$529,000.

Ethiopia Drought

Severe drought in Ethiopia resulted in famine conditions affecting 1.9 million people. One report estimated 30,000 people had died. The areas most seriously affected usually produce about 40% of Ethiopia's total food crops. Overall food reduction has been aggravated by extensive loss of cattle and work animals. The Ethiopian Government has undertaken a number of measures to alleviate the situation including the purchase and transport of grain to the deficit areas, provision of medical supplies, establishment of an interest-free loan program for the purchase of seed and work animals and funding for rehabilitation projects. The United Nations Disaster Relief Coordinator provided a consultant to work with the Ethiopian Government with the result that an Office of National Relief Coordination was established. The U.S. Government has expended \$188,000 from the Contingency Fund for food deliveries and purchase of galvanized sheeting for storage warehouses; 34,297 metric tons of grain valued at \$5.3 million have been provided.

An additional 30,000 metric tons with an estimated delivered value of \$5.6 million has recently been allocated. As of January 18, 1974, food aid commitments of 71,200 metric tons had been made to the FAO by seven other donor nations and the European Economic Community. Value of this grain and transportation is estimated at \$13.2 million. Red Cross societies from nine countries sent relief supplies valued at \$174,000. U.S. voluntary agencies made cash donations and provided food, medicines, and supplies valued at \$615,000. A UN survey predicts the total Ethiopian food aid requirement for 1974 will be approximately 150,000 metric tons.

Disaster Relief and Preparedness Improvements

To strengthen the relief activity, a new unit within the Coordinator's Office was created to deal with disaster preparedness, planning, and evaluation. Thus, the past two years have seen important initiatives and accomplishments:

Training of foreign officials in the United States in national disaster contingency planning;

Technical assistance to disaster-prone less-developed countries in planning, organizing, and implementing national emergency plans to cope effectively with disaster;

Creation of a U.S. Foreign Disaster Coordination Center and International Information Exchange;

Establishment of a closer working relationship with other government agencies and domestic and international organizations participating in international disaster relief, particularly with the UN Disaster Relief Coordinator.

New arrangements with U.S. voluntary agencies and subsequent closer coordination of their separate human and material resources;

In addition to the Panama depot, two new regional disaster relief supply stockpiles have been established

in Guam and in Leghorn, Italy, while a fourth stockpile is being established in Singapore to reduce response time and effect major economies in transportation costs;

Sharpening of both policy and procedures applicable to U.S. foreign disaster relief activities in the United States and abroad.

Creation of a trained disaster reserve cadre within A.I.D. and the Department of State to augment the Coordinator's staff when it becomes necessary to work around-the-clock in response to an appeal for emergency help; and

Identification and exploratory consideration of new technology applicable to disaster planning, warning, assessment, and relief.

While many significant gains have been made during the past two years, it is acknowledged that cooperative international disaster assistance still stands in need of improvement. The Coordinator has focused upon high-yield improvements in the effectiveness of U.S. bilateral assistance and is now directing increased attention with other governments and organizations upon joint planning and relief possibilities holding promise of greater mitigation of the effects of disasters in the future.