



# Why Foreign Aid?

The benefit of foreign assistance to the United States

U.S. Agency for International Development

April 1992

## Because it is in the United States' own interest.

- It contributes to the **growth of our economy**. Pages 4 - 11.
- Americans continue to have a **humanitarian** desire to help the less fortunate. Pages 12 - 17.
- We must address **problems that cross borders** such as the environment, narcotics traffic and AIDS. Pages 18 - 20.
- We have an interest in a **peaceful, stable world**. Pages 21 - 22.

The 20th century has taught us that security is indivisible. The safety, freedom and well-being of one people cannot be separated from the safety, freedom and well-being of all.

National Security Strategy of the United States, The White House, August 1991

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## Why Does America Provide Assistance to Foreign Nations?

### A Historical Perspective

Among all the nations of the world only a handful choose to give substantial amounts of their material and intellectual wealth to relatively less well-off nations. No nation has done so for as long as the United States, and none has transferred so much wealth and knowledge to less fortunate nations as we have. It is sometimes suggested that American foreign assistance has been simply an extension of the Cold War by other means and that the wellsprings of our assistance programs found their source in the containment of the Soviet Union. This view reflects a poor appreciation of American history and of the American spirit. As we ponder a new age freed from the terrors of the Cold War, we suggest that it is equally appropriate to look back over our history of moral and economic support to peoples and nations in need.

To answer the question, "Why do the American people provide assistance to foreign nations?", we must look to the intellectual and moral roots of the American republic.

American independence was forged in a crucible of tolerant and generous principles that valued individual initiative and valued the institutions that permit individuals to realize their full potential. It is no accident that the young republic -- when it was less than 10 years old -- sent relief assistance to refugees from oppression in Santo Domingo. America responded to the Greek struggle for independence with economic

"It is this abiding faith in democracy that steels us to deal with a world that, for all our hope, remains a dangerous place -- a world of ethnic antagonisms, national rivalries, religious tensions, spreading weaponry, personal ambitions and lingering authoritarianism. For America, there can be no retreat from the world's problems."

President George Bush

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assistance in the 1820s and with food and money for the victims of famine in Ireland in the 1840s. In the first years of the 20th century, hundreds of New England's "best and brightest" volunteered to carry literacy and literature throughout The Philippine Islands as part of what became known as the Thomasite movement. In 15 years they transformed the largely illiterate population into the most educated population in tropical Asia.

Looking back across the span of America's last two centuries, the answer to the question about the reasons for our international assistance becomes clearer. They form part of a pattern of classical liberal values in which open and unfettered trade and intercourse among nations are understood as the mainspring of international prosperity. Americans are willing to accept as a matter of common sense the idea that our own best interests are well served in a world where nations are freed from poverty, ignorance and malnutrition.

In the 1920s President Hoover epitomized the ability of Americans to put individuals ahead of sectarian and ideological concerns when he mounted a program to send food and relief supplies to hundreds of thousands of Russians facing starvation.

When General Marshall and President Truman agreed to undertake the largest foreign assistance program ever mounted to restart the world economy in the aftermath of World War II, they were not

acting in a vacuum. They were providing leadership and vision to a nation richly endowed with a historic tradition of generosity and international concern.

The Marshall Plan and its successors over the 1950s translated into action the longstanding conviction of our nation that continued American economic and moral leadership is vital to a peaceful and prosperous world.

For the American people our investments in foreign assistance have not been seen as Machiavellian transactions in which each dollar of aid was measured against a known and certain return. Rather, Americans have provided foreign assistance in much the same spirit that they pledge some share of their personal income to their church or charity -- we give

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our assistance with expectations akin to those that guide us to replant trees in our great American forests -- with the confidence that over the long term these small investments will pay great and lasting dividends to all of us.

The laws of our nation and the decisions of our Presidents have assigned the stewardship of this tradition of generous and enlightened self-interest to the U.S. Agency for International Development.

We have an honorable and proud role in sustaining these historic American values and translating them into tangible actions around the world. A.I.D. is charged with bringing together the essence of American concern and American self-interest by assisting developing countries to realize their full national potential through the development of open and democratic societies and through the dynamism of free markets and individual initiative. As an agency, we give expression to the vision of the 18th century philosophers who inspired our republic with their faith in the perfectibility of the human condition as we assist nations throughout the world to improve the quality of human life and to expand the range of individual opportunities.

To the voices in our land who say "Let us retreat behind high walls; let us put America first, let us tend to those things that matter to Americans," there can be but one response that does credit to the essence of the American genius. Americans must respond that our values do not need the protection of high walls. The strength of our nation lies in the universal character of our beliefs and the certainty that a world community of free and prosperous nations is our best assurance of freedom and prosperity for America.

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## Foreign assistance is in our own economic interest.

The developing world provides a market for our products. A.I.D. works in more than 80 countries.

- In 1990, developing countries bought \$127 billion worth of U.S. products.
- More than 30 percent of all U.S. exports go to the developing world.
- More than half of America's agricultural exports go to the developing world.
- 43 of the 50 largest buyers of American farm goods today are countries that used to get food aid from the United States.
- 4 out of 5 consumers in the year 2000 will live in the developing world.

A.I.D. financed the purchase of almost \$3.25 billion worth of American products and services last year (1991) including over a billion dollars in agricultural products.

Among the items which have been purchased and shipped under the Foreign Assistance Act by A.I.D. are:

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|--|---|
| ■ dairy products                                   | ■ tires                                       |
| ■ wood utility poles                               | ■ tobacco and tobacco products                |
| ■ manmade fibers                                   | ■ New York newsprint                          |
| ■ woven fabrics                                    | ■ California and Connecticut synthetic resins |
| ■ fertilizers                                      | ■ Michigan auto parts                         |
| ■ coal   | ■ North Carolina textiles                     |
| ■ iron and steel                                   | ■ Nebraska hand tools                         |
| ■ boilers, motors and engines                      | ■ West Virginia coal                          |
| ■ elevators, winches, cranes and related machinery | ■ Illinois steel                              |
| ■ rail locomotives and related stock               | ■ Ohio air conditioning machinery             |
| ■ motor vehicles                                   | ■ Maryland pumps and parts                    |
| ■ ships, boats and other floating structures       | ■ Maine freezers and refrigerators            |

- Egypt is one of the biggest recipients of U.S. aid.
  - All of the \$5.1 billion in commodities financed under Egypt's two Commodity Import Programs (CIP), public and private, have been of U.S. source and origin.
  - Over 1,400 American suppliers from 46 states have been involved in the Egyptian CIP which provides \$200 million in commodity financing annually.

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- An A.I.D.-sponsored trade mission to Southeast Asia in November 1990 promoting Iowa hog production products resulted in an immediate \$3 million worth of U.S. sales and projected follow-on sales of between \$30 million and \$50 million.
  - A.I.D.'s resource mobilization facility and a similar bond guarantee program provide a way for financial institutions to expand lending to small businesses in developing countries.
    - In Jamaica, ALICO, a U.S. insurance company, was assisted in providing \$1.2 million to two local banks for loans to small businesses.
  - The **Franchise Guarantee Program** is a new program under which A.I.D. shares 50 percent of the risk of loans made to small entrepreneurs who start U.S. franchises overseas.
    - AlphaGraphics Inc., a printing and business service franchiser, is the first U.S. company to participate in the program.

### **A.I.D. research helps U.S. farmers.**

A.I.D.-financed agricultural research in developing countries also helps the U.S. and the environment. This research has brought new technologies to United States farmers. For example:

- Wheat and rice varieties with dwarfing genes found in Asia are now grown on almost two-thirds of the area under wheat cultivation and one-quarter of the rice area in the United States.
- A new potato, now grown in the United States, was found in Peru and is resistant to the destructive golden nematode.

### **The benefits of A.I.D. agricultural research to the U.S. bean crop.**

- Tanzanian bean varieties resistant to the common mosaic virus are being used in U.S. breeding programs to safeguard the \$20 million U.S. bean industry.
- A.I.D. helped produce a bean which is larger and has a preferred color and is expected to give Nebraska and Wisconsin producers a competitive edge in markets such as Europe.
- Michigan bean growers gain \$3.7 million in extra income a year thanks to A.I.D.-sponsored research which led to a variety that gives a 20 percent to 25 percent increase in yield.
- New York growers are beginning to benefit from a new red kidney bean that has a 30 percent yield advantage.

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- **Rust-resistant wheat** available in the United States was found by A.I.D.-financed researchers in Kenya.
  - A.I.D. funded peanut research developed integrated pest management technology expected to save **North Carolina** and **Virginia** producers an estimate \$1.5 million annually.
  - A.I.D. research identified parasite-resistance in sheep that increases **Colorado, Texas, Oregon, Wyoming, Kansas, and California** sheep producers' net returns from \$3 million to \$6 million per year.
  - Two-thirds of the cattle in the **Southwest United States** and one-third of the cattle in the **Midwest** on feed are fed **sorghum**. Pest-resistant sorghum developed with A.I.D. assistance saved the U.S. \$389 million.

A.I.D.-sponsored research also **benefits U.S. agricultural processing and service industries.**

- Sudanese sorghum germplasm tested by Texas A&M University scientists produced 10 drought-tolerant hybrids which were released to private U.S. seed companies with expected far-reaching benefits for drought-prone areas of **Texas, Kansas and Nebraska.**
- With the assistance of A.I.D., Gerber Foods is working in Costa Rica to develop a bean-based weaning food. Applied in its **Michigan** plant, this technology could increase the crop's value to the U.S. economy by 10-20-fold.
- A simple detoxification process for food and feed contaminated by aflatoxin has been spontaneously adopted by many U.S. livestock producers.

A.I.D.-financed agricultural research also has **environmental benefits.**

- The University of Wisconsin released snap bean varieties with **enhanced nitrogen-fixing capacity** thereby decreasing **Wisconsin** farmers' need for chemical fertilizer by \$15-20 per acre.
- Preliminary tests in **Illinois** and **New York** of 240 fungal pathogens available from the international gene pool show that several insects can be controlled through **integrated pest management** methods which reduce the use of chemical insecticides.
- A computer simulation software developed by researchers at **Cornell University** is widely used in the United States to determine **optimal use of water.**

Estimated value of P.L. 480 Exports by State  
(Fiscal Year 1990)  
(\$ in millions)

State	Amount	State	Amount
Alabama	4.3	Montana	38.3
Arizona	5.0	Nebraska	54.9
Arkansas	76.7	New Jersey	0.7
California	54.6	New Mexico	0.9
Colorado	27.6	New York	1.7
Delaware	1.1	N.Carolina	11.8
Florida	1.7	N. Dakota	47.0
Georgia	10.7	Ohio	41.7
Idaho	40.2	Oklahoma	58.8
Illinois	105.0	Oregon	26.2
Indiana	50.9	Pennsylvania	2.2
Iowa	75.8	S. Carolina	3.2
Kansas	97.8	S. Dakota	33.7
Kentucky	14.0	Tennessee	5.2
Louisiana	24.5	Texas	55.7
Maine	0.1	Utah	0.3
Maryland	3.3	Virginia	5.9
Mass.	0.0	Washington	52.0
Michigan	25.7	Wisconsin	10.6
Minnesota	62.7	Wyoming	2.0
Miss.	23.8		
Missouri	49.8	Total	1,207.9

A.I.D.'s Food for Peace programs (P.L. 480) increase the export of agricultural commodities from the United States. In 1990, over \$1.2 billion worth of commodities such as corn, wheat, sorghum, tallow and other U.S.-produced agricultural goods were exported. (See box on this page for a state-by-state breakout of the value of these P.L. 480 commodities.) This agricultural abundance is used around the world to feed the starving and improve the nutrition of those who would not otherwise have access to quality food. Much of this food assistance is distributed by U.S. not-for-profit groups called private voluntary organizations.

**107 private voluntary organizations in the United States currently receive contracts and grants from A.I.D.**

- A.I.D.'s partnership with private voluntary organizations in developing countries gives voluntarism real meaning; it stimulates local initiative and problem solving.

- Groups ranging from "Accion International" (Cambridge, Massachusetts) to "Youth with a Mission" (San Pedro, California) are registered with A.I.D. in order to be eligible for A.I.D. assistance.
- These American non-profit groups, including such well-known institutions as the American Red Cross, CARE, Save the Children Federation and the World Wildlife Fund, are helped by A.I.D. and assist A.I.D. in its mission.

**A.I.D. works with U.S. educational institutions to provide expertise, to do research and to provide training.**

- Study tours and scholarships enrich the understanding of America's success in using ethnic diversity to build strong economic and political institutions.
- More than 300,000 men and women have received training at **700 colleges, universities and other educational institutions** in the United States. **Over \$300 million** annually is spent at U.S. institutions. These people tend to go home preferring U.S. goods and services. They also have a better understanding of our values. Among those trained: Guatemalan President Serrano and Turkish President Ozal. Numerous other foreign government ministers and three vice presidents were trained by this program.
- A.I.D. contributes 60 percent of the cost of the Collaborative Research Programs of **25 U.S. land-grant universities**, which forge partnerships with institutions in 27 developing countries.

<b>A.I.D.-University Partnerships</b>	
A.I.D. Funding to U.S. Universities in 1990	
(top 20 recipients - \$ in millions)	
Georgetown University . . . . .	\$ 28.5
Johns Hopkins University . . . . .	\$ 16.8
University of Nebraska - Omaha . . .	\$ 8.5
University of Hawaii . . . . .	\$ 5.2
Michigan State University . . . . .	\$ 4.9
Eastern Virginia Medical School . . .	\$ 4.3
University of Wisconsin - Madison . .	\$ 4.2
University of Illinois . . . . .	\$ 4.0
Tulane University . . . . .	\$ 3.4
Florida State University . . . . .	\$ 3.4
Harvard University . . . . .	\$ 2.9
University of Maryland . . . . .	\$ 2.8
University of Nebraska - Lincoln . .	\$ 2.8
University of California - Davis . . .	\$ 2.8
University of Florida . . . . .	\$ 2.7
University of North Carolina . . . .	\$ 2.7
University of Georgia . . . . .	\$ 2.4
North Carolina State University . . .	\$ 2.4
Clark University . . . . .	\$ 2.3
Ohio State University . . . . .	\$ 2.0

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**A.I.D. supports the policies that strengthen the market for U.S. exports.** As we have seen in Eastern Europe, the greatest barriers to economic growth are the misguided policies of some governments.

- In 1990 exports to developing countries totaled **\$127 billion, up from \$106 billion in 1988.** In the first three quarters of 1991 (the most recent data currently available), those exports rose to \$107 billion or **32.3 percent of all U.S. exports.**
- **The job of A.I.D. is to promote broadly based and sustained growth** through sound policies, democracy and expansion of private sector participation. That growth strengthens U.S. markets.

**Continued support for strengthened foreign markets is important to American jobs.**

"Most of the improvement in the overall U.S. trade balance both in the third quarter and over the first nine months of [1991] stemmed from gains in trade with developing countries"

Department of Commerce report: U.S. Manufacturers Trade Performance

- It is estimated that every \$1 billion increase in exports creates **20,000 American jobs.**
- Exports to developing countries in the first nine months of 1991 increased 14 percent over the same period in 1990: almost \$14 billion, creating almost 280,000 U.S. jobs.

**A.I.D. gets U.S. business in the door.** Traditional monopolies in developing countries often refuse to purchase outside of the country or limit purchases to former colonial powers. When A.I.D. persuades countries to break up these monopolies, it opens markets to U.S. goods.

A.I.D. has a staff of professionals in the field who know the host country's language, society and culture, geography and economy. They know the political and economic leaders and have influence far beyond the limited resources they provide. We open doors.

- A North Carolina company purchased a government-run Honduran furniture company and obtained a reliable source of supply for its U.S. business. As a result, new employees were hired in the United States to handle the additional business.
- **Entrepreneurs International (EI)**, a private sector training program funded by A.I.D., supports and expands developing country business sectors by establishing linkages with the U.S. business community. The U.S. host company volunteers time and expertise; A.I.D. pays travel and maintenance.

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- One EI participant from Belize purchased \$75,000 worth of equipment from Vensel Enterprises, \$6,000 in supplies from Quality Core Inc. and \$15,000 from Rebuilders Supply -- all Miami businesses.
  - Another participant from Belize purchased \$10,000 worth of fixtures from Tube Light in Miami.
  - A participant from Kenya purchased \$250,000 worth of spare parts from Wheels, Inc.

### **Better policies make better markets.**

A.I.D. strongly promotes policy changes conducive to free-market economies .

- As evidenced daily, countries all around the world are beginning to stabilize and liberalize their economies. Trade liberalization is occurring. Price controls are being removed. Exchange rates are beginning to move with the market.
- In Latin America and the Caribbean, those countries which made major policy adjustments in the 1980s are growing the most -- countries like Bolivia, Chile, Costa Rica, Colombia, Jamaica and Mexico.
- U.S. exports to these Latin American countries grew from \$22 billion in 1980 to \$30 billion in 1989.
- During the period 1980-89, U.S. market share in Latin America grew to 57 percent, and, in the six countries where we concentrated our aid, U.S. market share increased from 63 percent in 1980 to 71 percent in 1989.
- But the non-performers did not grow and U.S. exports to these countries actually fell from \$8.2 billion to \$6.5 billion.

Continuing A.I.D. support for policy reform in developing countries is important to the growth of U.S. trade.

- Legal and regulatory impediments to economic growth have a direct effect on developing countries' abilities to import U.S. products.
- Unenforced or non-existent intellectual property rights (such as copyright and patent protection for films, books and pharmaceuticals) harm U.S. industries and deprive U.S. businesses from their rightful earnings.
- Ineffective, inefficient, corrupt and one-sided political systems provide fertile ground for illegal business practices. In countries like these, U.S. businesses operating under U.S. values and stronger laws find themselves at a disadvantage and cannot fairly compete.
- A.I.D.-assisted policy reform efforts help to remove these barriers and encourage open and transparent marketplaces.

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- During the period 1985-89, U.S. merchandise exports to Asia similarly expanded 98 percent to reforming countries and only 44 percent to non-reformers.

**Poor people make poor customers.** When we help developing countries grow, we help them to take care of themselves. We also help them gain the money to buy U.S. exports.

The following are examples of U.S. assistance helping others to grow:

- In Jamaica, 104,000 jobs were added between 1985 and 1988 as the result of economic policy reforms which were encouraged and assisted by U.S. economic assistance.
- Since the mid-1970s, A.I.D. activities have enabled millions of poor micro- and small-scale entrepreneurs (many of them women) to start or improve the performance of their businesses. These programs help increase private sector activities and allow these small businesspeople to raise the levels of consumption and the well-being of their families.
- Similarly, in Guatemala, small farmers have new income from winter vegetables because of favorable exchange rates and reduced red tape for exports, reforms encouraged by A.I.D.
- In Costa Rica, with help from A.I.D. in the areas of policy reform, credit and expansion of non-traditional exports, employment rose by 6.5 percent in 1987 and 5.7 percent in 1988, much of it in labor-intensive agriculture which particularly benefitted low-income workers. U.S. exports to Costa Rica rose from \$328 million in 1983 to over \$990 million in 1990.

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## Foreign aid responds to the American tradition of international concern and generosity.

Foreign aid is the conscious, vigorous advancement of American values and interests. The

The tradition of concerns for others dates back to America's earliest years. The republic was less than 10 years old when we sent relief assistance to refugees from oppression in the Caribbean.

programs below support development of healthy, educated people -- an essential ingredient in creation of markets. In most of the world, per capita income is less than \$500 per year. 440 million people live in the 42 least developed countries. Their per capita income is just above \$200 dollars per year (in 1980 dollars). \$200 is barely 2 percent of the income in devel-

oped countries. During the past 25 years, A.I.D. has responded to more than 1,000 disasters in more than 135 nations. A.I.D. is still in the forefront of responding to human suffering during times of urgent need.

- In 1991, we provided \$275.8 million in humanitarian assistance during the long-term drought in the Horn of Africa. This effort saved millions of people from sure starvation.
- In 1985, A.I.D. helped prevent more than 20 million people in Sahelian sub-Saharan Africa from starving to death.
- We have helped the survivors of earthquakes, volcanos and storms all over the world from Armenia to Bangladesh to the Philippines to Peru.
- And on the smallest scale, the United States helped finance the opening of the Young Muslim Women's Association Furniture Factory in Jordan, which employs about 25 handicapped young women who make furniture.

**The need for our assistance is still great.** In addition to helping countries help themselves through economic growth, A.I.D. directly intervenes to save lives and educate people. In this fashion, A.I.D. also helps their economies because a healthy, educated population is necessary for economic growth.

### Needs Remain

In the next 24 hours, 40,000 children will die. They will die from diarrhea or measles or malaria or a host of other diseases. They will die from drinking dirty water or just from not getting enough to eat.

- Since 1985, A.I.D. has invested more than \$1.1 billion in child survival programs, resulting in dramatic increases in vaccination rates, declines in infant mortality and improved nutrition among mothers and children.
- A.I.D.-funded immunization programs and treatment of diarrheal diseases are **saving the lives of more than 3 million children** a year. In 1980, only 20 percent of the world's children were fully immunized. Today, 80 percent are.
- Infant mortality rates have declined worldwide, from 106 deaths per 1,000 live births in 1980, to 83 deaths per 1,000 live births in 1991. **In several A.I.D.-assisted countries, the percentage decline has been over 50 percent.**
- With U.S. support, four out of five of the world's children now have access to at least some aspect of modern health services.

A.I.D. helped the World Health Organization eradicate the scourge of smallpox throughout the world. As a result, the United States saves about \$120 million per year by not having to vaccinate our own population or conduct border checks.

- The World Health Organization (WHO) estimates that over 4 million children die each year from dehydration caused by diarrheal diseases. Oral rehydration therapy (ORT), a low cost technology developed largely with U.S. support, can prevent many of those deaths.
- A.I.D. support led to the development of this low-cost technology. A.I.D. sponsored the first international conference on ORT, and largely due to A.I.D.'s efforts, access to packets of oral rehydration salts has nearly doubled from 35 percent in 1984 to 63 percent in 1989. **As a result, a million lives are being saved each year.**
- The wider use of ORT in the United States provides a far less expensive and potentially more effective approach to the management of diarrhea, which now costs the United States approximately \$500 million annually for the over 200,000 American children hospitalized each year due to diarrheal dehydration. **ORT also may be useful for treating dehydration in other population groups, especially the elderly.**
- **A.I.D. is a leader in the treatment and prevention of tropical diseases which cause about half of the world's illnesses:**
  - A.I.D.-funded activities have helped reduce the incidence of schistosomiasis, river blindness, Chagas' disease and guinea worm infestations.

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- **Schistosomiasis** is a parasite-borne, chronic, debilitating disease that affects people in 79 African and Asian countries.
  - In Egypt, where 20 percent of the population is infected, A.I.D. has initiated a 10-year, \$40 million joint research project between U.S. and Egyptian scientists to develop new vaccines, diagnostic tests, snail control mechanisms, improved drugs and socioeconomic approaches to controlling the disease. A.I.D.-supported research also is helping to develop new tools for schistosomiasis control elsewhere to help the 600 million people who live in endemic areas.

A.I.D. also funds research and supports education and control efforts aimed at:

- **Dengue**, primarily an urban disease once restricted to Southeast Asia but now increasingly common in South America and the Caribbean.
- **Yellow Fever**, which is occurring in West Africa and the Americas even though a safe, effective vaccine has been available for more than 50 years.
- **Sleeping Sickness**, endemic in 36 sub-Saharan African countries but now relatively stable because of increased surveillance and control.
- **Filariasis**, one of the most debilitating disease groups of the tropics, infecting 91 million people.

- **River Blindness** (onchocerciasis) occurs in sub-Saharan Africa, Yemen and parts of Latin America and is transmitted to humans through the bite of certain female black flies.
- WHO estimates that 10 percent or more of the people in some heavily infected areas may be economically incapacitated due to the disease. A.I.D. provides \$2.5 million per year for the Onchocerciasis Control Programme (OCP). Begun in 1974, the OCP covers virtually every river where the flies are found in 11 West African countries serving a population of 25 million. As a result, some areas are now virtually free of the disease.
- **Guinea Worm Disease (GWD)** is a devastating disease that threatens 120 million people in rural agricultural communities in 19 African countries and parts of South Asia.

- The disease is transmitted by water fleas living in ponds and stepwells where people must wade into their drinking water source during collection. Global losses in marketable goods as a result of GWD have been estimated at \$300 million to \$1 billion a year. A.I.D. works with other donors in planning and implementing national GWD programs, as well as supporting community-based control efforts.

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**Family Planning: A.I.D. provides 45 percent of all the family planning funds in the world.** High rates of population growth can have a devastating effect on economic development, the environment, available resources and the health of mothers and children.

- In 1990, well over 30 million couples used family planning as a direct result of A.I.D.'s program.

**Family Planning Programs Work:** A recent study of the demographic impact of family planning programs finds that these programs:

- have **speeded fertility decline** in developing countries by almost 10 years, bringing fertility down to 4.2 percent in 1980-85 rather than in 1990-95, which would have been expected in the absence of organized efforts;
- have produced a **population reduction of 412 million** through 1990; and,
- will have an even more dramatic effect on fertility in the future.

**Demographic Successes:** In the 28 countries with the largest A.I.D.-sponsored family planning programs, the average number of children per family has dropped from 6.1 in the mid-1960s to 4.2 today.

- A.I.D. voluntary family planning programs have been active in achieving one of the most **dramatic fertility declines** in the world. In Colombia, between 1960 and 1990, the total fertility rate dropped from 7.0 to 3.0 children per family.
- Similar outstanding achievements have occurred in other parts of the world. For example:
  - In Zimbabwe, the **use of modern contraceptives increased** from 26 percent in 1984 to 36 percent in 1988; and in Kenya, the fertility rate dropped from 7.7 to 6.7 between 1984 and 1989.
  - In Bangladesh, the largest single recipient of A.I.D. population funds, receiving over \$300 million since 1979, contraceptive use has increased from 8 percent in 1975 to 40 percent today. **The current total fertility rate is now 4.6, down from 7.5 per family in the early 1970s.** The number of couples using family planning has doubled since 1985, increasing to over 9.9 million couples today.

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**Contraceptive Development:** A.I.D. is the single largest bilateral donor in the field of contraceptive development. We have the only research program integrated with a wider service delivery program. We spend \$13 million a year on contraceptive development and another \$8 to \$10 million on related activities. Nearly all of these funds are spent in the United States.

- Virtually every major innovation in the family planning field can be linked to A.I.D. support.
- Recent developments sponsored by A.I.D. include Norplant, a new female condom, a new IUD and a new male condom that we hope will be submitted to FDA within a year.

- **Norplant:** \$15 million in A.I.D. funds was provided through the New York-based Population Council for development and field testing of this new contraceptive. As a result of A.I.D.-sponsored field trials both in the United States and overseas, FDA approved the product which is now used by over 100,000 American women.
- **Female condom:** A.I.D. has spent \$1.5 million in the United States to support research on the safety and effectiveness of a new female condom, known as the vaginal pouch, which may offer women greater protection from sexually transmitted diseases than male condoms and equal protection from unwanted pregnancies. A.I.D. support for field testing recently resulted in FDA approval.
- **Vaginal sponge and IUD:** A.I.D. funds supported the original development of the sponge as well as numerous clinical studies which ultimately resulted in FDA approval of the device. Likewise, A.I.D. provided support for submission of the IUD for FDA approval.

**Contraceptive Provision:** A.I.D. is the leading donor of contraceptive supplies for family planning programs worldwide, contributing about 75 percent of donor-provided contraceptives.

Outstanding achievements in lowering birth rates have occurred throughout the world assisted by A.I.D. For example, between 1965 and 1991 the rate dropped in:

- Bangladesh - 7.5 to 4.6
- Brazil - 6.5 to 3.3
- Mexico - 6.7 to 3.8
- Indonesia - 5.5 to 3.0
- Thailand - 6.3 to 2.2
- Morocco - 7.1 to 4.5
- Tunisia - 7.0 to 4.1
- Kenya - 8.1 to 6.7
  
- since 1981 in Botswana from 7.1 to 4.9.

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- From 1987 to 1991, A.I.D. contraceptive assistance has grown more than 15 percent annually to a 1991 level of more than \$63 million.

### **A.I.D. is the largest bilateral donor to primary education programs**

A.I.D. educational assistance accounts for about **40 percent of all grant assistance**. Without an educated population, there can be no hope for the growth in incomes necessary to improve their own lives and to provide markets for U.S. products.

- Primary school enrollment in A.I.D.-assisted countries has increased by half and enrollment for girls has doubled.
- In El Salvador, A.I.D. built or reconstructed **400 classrooms** and provided basic furniture and supplies to **2,400 classrooms**. A.I.D. implemented a school maintenance program in **3,200 communities**. It printed **3.5 million textbooks**.
- In Guatemala, A.I.D. improved education for the neglected Mayan population. The full curriculum was implemented in **400 schools** and a pre-primary program in **400 schools**.
  - **85,000 children** are now receiving education in their native language and Spanish, and A.I.D. is working to reach another **900 schools**.
- A.I.D. constructed **classrooms for thousands** of rural Egyptian children who had no access to primary education. Female **primary school attendance has increased by 30%** over the last five years and male attendance by 20 percent. A.I.D. constructed **1,200 primary schools** serving more than **600,000 students** and trained more than **10,000 teachers and technicians**.
- A.I.D. pioneered the **use of radio** in developing countries to provide direct instruction in primary schools whose teachers are poorly prepared. Radio school **children learn 50 percent to 80 percent more** than children in regular schools at an additional cost of only about **\$1 per child per year**.
- In Nicaragua, A.I.D. printed more than **7 million depoliticized primary and secondary textbooks** and will this year provide the first professionally produced Miskito-language textbooks.

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## The United States must deal with transnational problems.

There are some problems that must be addressed internationally, for example, narcotics trafficking, environmental pollution and the disease of AIDS.

**Environment:** Our assistance prevents the destruction of millions of acres of tropical forest and preserves species through programs emphasizing education, development of alternatives and collaboration with a network of international institutions.

- **Foreign assistance helps our own environment.** The practices of a slash-and-burn farmer in Brazil and a power plant operator in Poland can have a direct effect on the world in which we live and breathe.
- **Foreign assistance preserves the potential** for medical, agricultural and biological discoveries in the future. A.I.D. helps research institutions collect and store diverse genetic material thereby helping ensure biodiversity for future generations.

The United States is the world's leader in environmental technology. As countries become more democratic, public pressure for good environmental practices dramatically increases, and as these countries grow, they gain the resources to purchase those U.S. goods and services.

- A.I.D. is working with 16 other government agencies including the Department of Commerce and the Environmental Protection Agency to promote sales of U.S. goods and services through the **U.S.-Asia Environmental Partnership (US-AEP)**.

The US-AEP will concentrate on four broad areas -- all of which will bring direct results to the United States.

These areas are: 1) **Environmental**

**Fellowships** to provide training in environmental problem solving; 2) the establishment of **U.S. Environmental Business Centers** to feature trade and investment information on U.S. equipment and technology; 3) a **Regional Biodiversity Network** to assist in the preservation and use of Asia's unique and valuable forest and marine resources; and 4) coordinated **Capital Project** activities to provide for the building of the facilities and equipment to enhance cleaner air, water and energy.

- **Pre-investment studies** funded by A.I.D. led to construction of a **Costa Rican power plant** that burns sugar cane residues as a renewable fuel.

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- After working with A.I.D., the government of India has agreed to pursue **clean coal technologies** in its development of its own coal reserves.
  - Also in India, A.I.D. assisted in the planting of trees on 325,000 hectares of privately owned land to create "buffer zones" to protect and preserve their unique natural forests.
  - A.I.D. helped Guatemala plan its **energy needs** in a way that saved the country \$103 million.

### **AIDS: U.S. assistance fights the rapid spread of the disease AIDS.**

- From 8 million to 10 million people are estimated to be afflicted by AIDS. 100,000 have already died in the U.S. The World Health Organization estimates between 25 million - 30 million adults will be infected with the HIV virus by the year 2000.

Cholera, once a deadly disease in the United States, has appeared again in 1991 in Peru, Ecuador, Brazil, Colombia, Chile, Guatemala, and Mexico. It could threaten U.S. southern border states.

A.I.D. is working with the Pan American Health Organization to control the spread of cholera and reduce its morbidity and mortality through proper sanitation and effective treatment.

- **650 A.I.D. activities in 74 countries** help both governments and individuals respond to this epidemic through educational and technical support.
- A.I.D. has supplied more than 374 million condoms and is supporting programs to promote their use to prevent HIV infection or other sexually transmitted diseases.
- A.I.D. supports education and counseling to change behavior, including training for educators and clinic-based professionals.
- A.I.D. finances improved diagnosis and treatment of sexually transmitted diseases as a way to slow the spread of the AIDS virus.

**Narcotics: A.I.D. is fighting narcotics trafficking.** It has supported counter-narcotics efforts in Asian and Latin American countries since the mid-1970s. Helping control the supply at its source is an important part of the overall strategy to reduce the use of illegal drugs in the United States.

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- The United States provides **economic alternatives -- new crops and new industries -- and education** in narcotics producing countries.
  - The **Andean Counter-Drug Initiative** of 1990 proposes nearly \$1 billion over five years to help Bolivia, Colombia and Peru reduce their dependence on coca revenues. Sustained, vigorous law enforcement can disrupt the coca market, while A.I.D. acts to stimulate legitimate economic growth. Together, these programs make alternative economic opportunities viable.
    - In Bolivia, A.I.D. has helped create and maintain over 35,000 **non-coca growing jobs**.
    - In Peru, A.I.D. has assisted in providing more than 2,100 agricultural loans for **legal crops** (such as spices, fruit, coffee and nuts) and over 4,700 land titles, thereby enabling people to participate in the legal economy rather than the black market.
    - In the major coca-producing and processing countries of Bolivia, Colombia and Peru, A.I.D.-assisted economic reform programs are creating increased legal job opportunities.

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## Foreign assistance is in our political and security interest.

Foreign aid creates economic and political stability -- making the world safer for us and our children.

- **While communism is shattered, its debris remains toxic.** If progress is not made, reversion to totalitarianism is possible. A.I.D.'s goal in former communist nations is to foster democratic pluralism, market-oriented reforms, respect for human rights and friendly relations with the United States.

- A.I.D. projects help development of citizens networks, national legislatures and legal frameworks and structures.

- A.I.D. assists conflict resolution, civic education, help for an independent media and educational reform, including provision of books. For example, last year 200,000 depoliticized textbooks were sent to Albania and 7 million to Nicaragua.

- A.I.D. provides support for privatization and enterprise restructuring, business services, management training and economic education. Technical assistance is necessary to develop the basic contract law, accounting and financial networks necessary for U.S. business to trade in those countries.

- Short-term emergency and humanitarian aid, housing, health care and public and private environmental initiatives all improve the quality of life in those countries.

- **Economic and political stability reduce the threat of military conflict and promote economic trade for the United States.** Efforts in Eastern and Central Europe and the republics of the former Soviet Union continue what has been a long-term part of the foreign assistance program.

- After a failed communist coup in Indonesia in 1965, A.I.D. programs and A.I.D. leadership within the donor community helped build a new Indonesia. That country, with the fifth largest population in the world, the largest Islamic nation, a major member of OPEC, is now a growing country and an active and constructive member of the international community with close ties to the United States.

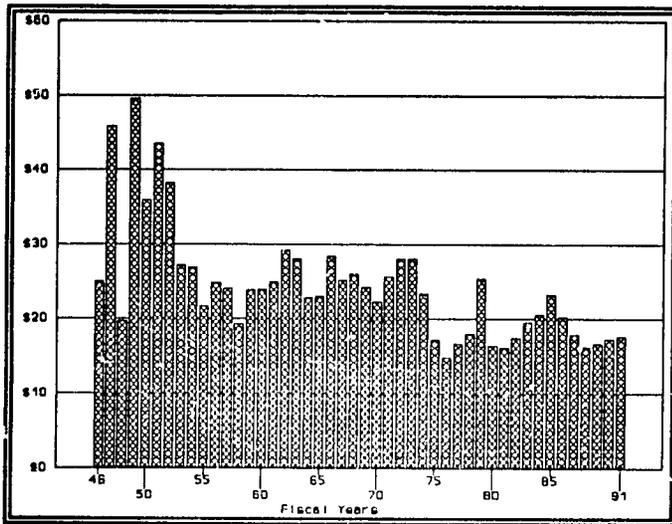
- A.I.D. assistance in Latin America includes civic education programs,

assistance in development of independent centers of research and policy analysis and support for organizations protecting human rights.

- A.I.D. assistance has helped ensure free and fair elections in Nicaragua, El Salvador, Chile, Honduras, Paraguay, Panama, Zambia, Mali, Bulgaria, Poland, Hungary, Czechoslovakia and other emerging democracies. A.I.D. is currently working on developing a program for free elections in Cambodia.

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- **A.I.D. supplies training and technical assistance in such areas as legislative organization and management, the administration of justice and financial management systems.**
  - **Special courts in Colombia, assisted by A.I.D., have tried over 700 drug cases, in which 60 percent of the defendants have been found guilty.**
  - **A.I.D. supports a free press and media, "think tanks," labor unions, business organizations and other grassroots and civic organizations that are all essential to a fully functioning democracy.**

## A.I.D.'s Budget



**Foreign Aid - 1946 to 1991**  
Total U.S. foreign aid each year  
in billions of 1991 dollars

Public opinion polls show that many in the general public assume that "foreign aid" makes up as much as fifteen or more percent of the budget. In its broadest sense, it actually makes up just about one percent, and the Agency for International Development's budget is less than one half of one percent of the total federal budget.

The total international relations budget request for fiscal year 1993 is \$20 billion. Foreign Assistance totals to \$13.2 billion. The balance of the money is devoted to running the State Department including buildings and missions,

programs like the Voice of America and the National Endowment for Democracy and the Export-Import Bank.

All of the components of foreign aid, add up to barely more than one percent and A.I.D.'s budget of over \$7 billion was less than one half of one percent of the total budget. By comparison, during the four years of the Marshall Plan (1948-52), the U.S. spent \$13.3 billion dollars, the equivalent of about \$52 billion today, and a much larger part of our GNP.

Let's look at what else Americans are buying. These figures are not always directly comparable, but they are close enough to give a sense of perspective:

- As a nation, we spent \$1.1 billion for golf supplies in 1989.
- We spent \$8.1 billion for candy -- more than A.I.D.'s budget.
- \$11.9 billion went for snack food of which 3.9 billion was for potato chips.
- \$16.7 billion was paid for cosmetics, more than twice our budget and more than the entire foreign assistance budget.
- \$20.4 billion was spent on cigarettes.
- \$22.3 billion was spent on alcohol and \$70 billion for soft drinks.

The next page details the FY 1993 budget request for A.I.D.-administered programs and includes figures for actual FY 1991 budget levels as well as estimated FY 1992 figures.

**Agency for International Development—Administered Assistance Programs**

(\$ in thousands)	FY 1991 ACTUAL	FY 1992 ESTIMATE	FY 1993 REQUEST
Development Assistance	---	\$1,277,000	\$1,265,500
Agriculture, Rural Development & Nutrition	\$463,063		
Population	\$244,253		
Health	\$131,897		
Child Survival Fund	\$97,701		
AIDS Prevention & Control	\$50,805		
Education & Human Resources	\$115,716		
Private Sector, Env. & Energy	\$146,074		
Science & Technology	\$8,624		
Deobligation/Reobligation Authority	\$56,574	\$36,000	\$21,500
<b>Total: Development Assistance</b>	<b>\$1,314,707</b>	<b>\$1,313,000</b>	<b>\$1,287,000</b>
Development Fund for Africa	\$800,000	\$800,000	\$775,600
Capital Projects	---	---	\$100,000
Other A.I.D. Activities	\$700,798	\$662,753	\$715,652
Economic Support Fund	\$4,036,491	\$3,240,000	\$3,123,000
Special Assistance Initiatives	\$529,675	\$560,000	\$530,000
Humanitarian Aid to Former Soviet Union	\$0	\$150,000	\$350,000
Demobilization & Transition Fund (Contras)	\$13,000	\$0	\$0
Food for Peace (PL 480)	\$1,230,889	\$1,043,681	\$966,500
<b>A.I.D. Total</b>	<b>\$8,625,560</b>	<b>\$7,769,434</b>	<b>\$7,847,752</b>
<b>NOTE -- FY 1991 Food for Peace includes 3 months of Title I activities</b>			

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## GLOSSARY OF TERMS

This "Glossary of Terms" provides a brief definition of terms frequently used during the discussion of A.I.D.'s programs. In each instance, the term is accompanied by a brief discussion of item which can be used to give the reader an elementary understanding of the term and, when appropriate, how it is used by A.I.D. to fulfill its economic and humanitarian objectives.

For a more complete discussion of these items (including an expanded glossary), the A.I.D. Congressional Presentation provides both narrative and budgetary detail that can assist the reader in achieving a greater understanding of A.I.D.'s activities.

**BILATERAL ASSISTANCE** -- This is assistance provided by the United States directly to a country (or through regional activities) to benefit these countries. A.I.D.-administered programs which are included in Bilateral Assistance are: Development Assistance (DA), Development Fund for Africa (DFA), Economic Support Fund (ESF), Food for Peace (P.L. 480) and Special Assistance Initiative (SAI). Among the other, non-A.I.D. activities included in Bilateral Assistance are Peace Corps, International Narcotics Control, International Military Education and Training (IMET) and Foreign Military Financing (FMF) activities.

**DEVELOPMENT ASSISTANCE (DA)** -- This term refers to economic assistance allocated for specific "functional" accounts authorized by the Agency's enabling legislation (sections 103 - 106 of the Foreign Assistance Act of 1961, as amended). These accounts are: Agriculture, Rural Development and Nutrition, Population Planning, Health, Child Survival, AIDS, Education and Human Resources Development, and Private Sector, Environment and Energy (sometimes also referred to as Selected Development Activities.) By far the greatest amount of development assistance funds are allocated for specific projects within the first two functional accounts listed above. (For example, in FY 89, \$755.4 million of a total of \$1,289 million provided for development assistance was for the Agriculture and Population accounts.) These funds are provided without geographic restriction and are programmed by A.I.D. world wide.

**DEVELOPMENT ASSISTANCE COMMITTEE (DAC)** -- The DAC is a committee of the Organization for Economic Cooperation and Development (OECD). The mission of the DAC is to increase total resource made available to developing countries. The DAC reviews the amount and nature of bilateral and multilateral aid programs of the member countries. DAC members are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, the United Kingdom, the United States and the Commission of the European Economic Community.

**DEVELOPMENT FUND FOR AFRICA (DFA)** -- The DFA (Chapter 10, Part I of the Foreign Assistance Act of 1961, as amended) provides flexible, non-functional account development assistance for use in sub-Saharan Africa only. Assistance under the DFA, unlike DA, is not restricted to functional accounts and can be used for a wide variety of development purposes. Among the major differences between DFA and DA are legislative directives to concentrate assistance in countries that will make "effective use" of the assistance, to assist recipient countries in regional integration and donor coordination and, to provide detailed country reporting and periodic evaluations of the progress of the DFA. Traditionally, since first enacted by Congress in 1987, this account has been without earmarks (in order to encourage flexibility and responsiveness to need);

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instead of earmarks in priority areas of concern, Congress mandated that "targeted" levels of assistance be maintained in the areas of health, population planning and natural resource management.

**ECONOMIC SUPPORT FUND (ESF)** -- In contrast with Development Assistance, ESF funds provide a flexible means by which the United States can provide assistance to countries which are strategically important or whose economic or political stabilization is considered important to U.S. national interests. Funds can be used for commodity imports, balance of payments support or as cash grants for budget support. ESF is considered to be an important tool in achieving our overall foreign policy goals. The largest portion of ESF is currently allocated to the Middle East (Israel and Egypt) in support of U.S. efforts to maintain peace in the region.

**FOOD FOR PEACE -- PUBLIC LAW 480 (P.L. 480)** -- P.L. 480 provides U.S. agricultural commodities for market development (Title I), emergency and private assistance programs (Title II) and bilateral economic development programs (Title III). The law requires that assistance provided under P.L. 480 be integrated and coordinated with U.S. development assistance to that country, with special emphasis on activities that increase nutritional impact of U.S. programs and child survival activities. Only activities under Titles II and III will be discussed in this paper. Title I -- the market development programs -- is administered by the U.S. Department of Agriculture (USDA).

**TITLE II** -- Title II provides grants of food for 1) emergency and disaster relief activities and 2) programs run by private and voluntary organizations (PVOs), cooperatives, non-governmental organizations (NGOs) and intergovernmental organizations (such as the World Food Program) in foreign countries. Local currencies generated by the sale of commodities under this Title may be used for a variety of developmental activities. Title II also authorizes a grant program to assist PVOs, NGOs and cooperatives in establishing new programs or in meeting administrative or operational costs of programs funded under this Title and the "Food Aid Consultative Group" to advise A.I.D. on the operation of Title II program.

**TITLE III** -- Title III provides grant food assistance to least developed countries. These commodities are used for feeding programs, child survival or maternal and child health care activities, the establishment and stocking of emergency food reserves or may be sold and the proceeds used food security or health care development programs (among other things.) Grant programs can only be carried out in countries that qualify for the World Bank's "Civil Works Preference List" or is determined by the Administrator of A.I.D. to be a "food deficit country". Priority is given to countries that demonstrate the greatest need for food, demonstrate the capacity to use the food effectively, have demonstrated a commitment to the promotion of food security, and have a long-term plan for sustainable development.

**FUNCTIONAL ACCOUNT ASSISTANCE** -- This term refers to assistance funded from one of the following eight appropriation accounts: (1) Agriculture, Rural Development and Nutrition; (2) Population Planning; (3) Health; (4) Child Survival; (5) AIDS Prevention and Control; (6) Education and Human Resources Development; (7) Private Sector; and (8) Science and Technology. See the listing DEVELOPMENT ASSISTANCE above.

**MULTILATERAL ASSISTANCE** -- This term refers to assistance that the United States provides to developing countries through multilateral development banks, the United Nations specialized agencies and other international organizations whose programs are for use on development.

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**ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) --**

The OECD of an organization of donor countries which promotes policies to stimulate economic growth and development of developing countries. OECD member countries are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

**PRIVATE VOLUNTARY ORGANIZATIONS (PVOs) --** PVOs are non-profit, tax-exempt and nongovernmental organizations established and governed by a group of private citizens whose purpose is to engage in voluntary, charitable and development operations overseas. Currently, over 150 PVOs are registered with A.I.D. and eligible to receive A.I.D. funding.

**SPECIAL ASSISTANCE INITIATIVE (SAI) --** Established in legislation in FY 1990, the SAI provides for extraordinary economic assistance in developing countries. These funds have been used to finance the U.S. contribution to the Philippines Multilateral Assistance Initiative (MAI) and to support the democratic evolution in Eastern Europe.