

FOREIGN AID 1968

A. I. D.
Development Information Center
Room 105 SA-18
Washington, D.C. 20523-1801

A. I. D.
HISTORICAL
COLLECTION

AGENCY FOR INTERNATIONAL DEVELOPMENT

GENERAL NOTE

This is an excerpt from *Proposed Foreign Aid Programs, FY 1968*, the Agency for International Development's summary presentation to the Congress outlining the President's foreign aid request for fiscal year (FY) 1968.

Unless otherwise stated, the terms "foreign assistance" or "economic assistance," as used in this volume, refer only to programs conducted under the Foreign Assistance Act and exclude programs of the Export-Import Bank, the Peace Corps, Social Progress Trust Fund programs administered by the Inter-American Development Bank, and the Food for Freedom programs carried out under Public Law 480, the Agricultural Trade Development and Assistance Act of 1954 as amended.

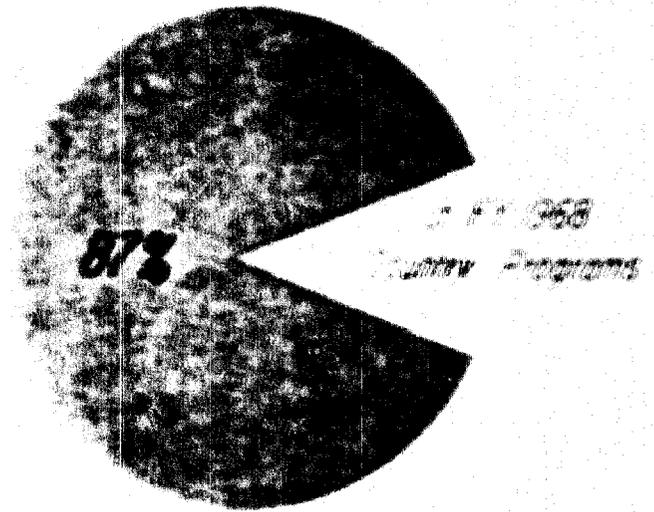
All figures for fiscal years prior to 1967 represent actual obligations. Fiscal year 1967 figures are necessarily estimates based on the rate of obligation at the time this volume went to press, two months before the close of the fiscal year. All fiscal year 1968 figures represent proposed programs based on the fiscal year 1968 appropriation request and anticipated carryovers and recoveries.

Since the original volume went to press May 10, 1967, neither it nor this excerpt reflects policies or proposals that may have changed since that date.

Best Available Copy

16 MAJOR COUNTRIES

Algeria	China
Brazil	France
Canada	Germany
India	Italy
Japan	South Korea
Malaysia	Spain
Mexico	Taiwan
Nigeria	Thailand
Pakistan	Turkey
Peru	U.S.S.R.
Philippines	
South Africa	
Taiwan	
Thailand	
Turkey	
U.S.S.R.	



DEVELOPMENT LOANS

3 COUNTRIES

Brazil	France
India	Pakistan
Colombia	Peru
Turkey	



Best Available Copy

SUPPORTING ASSISTANCE

4 COUNTRIES

Vietnam
France
U.S.S.R.
Thailand



FOREIGN AID

SUMMARY AND PERSPECTIVE

“ . . . want is the enemy of peace and hopelessness the mother of violence . . . the wealthy nations cannot survive as islands of abundance in a world of hunger, sickness and despair.”

President Lyndon B. Johnson.

These words from the President's 1967 Message to Congress on Foreign Aid articulate the purpose that has guided this country's foreign assistance from the beginning. When the United States assists developing countries to satisfy the aspirations of their citizens, so does it also serve its own interest that the future be one of peace and security.

The proposed foreign assistance program for fiscal year 1968, like proposals in other years, embodies the best current understanding of how to stimulate development. It recognizes that methods are still evolving, that resources are limited. It is a blend of experience and innovation, even of experiment.

On the one hand the proposed Foreign Assistance Act of 1967 asserts the continuing conviction of the Agency for International Development (AID) that self-help is the first law of development and that U.S. assistance is properly concentrated in those countries that most thoroughly understand and most earnestly practice the self-help principle. As an illustration, 82 percent of AID Development Loans in fiscal 1968 will be concentrated in only eight countries.

At the same time the proposal mirrors AID's belief that agriculture, health and education are the dominant challenges in development; that development succeeds best in those countries that give scope to the dynamic forces of private initiative; that policies must minimize the effect of assistance programs on the U.S. balance of payments deficit in the interest of stability of the dollar; and that AID owes American citizens efficient administration of the programs their taxes support.

On the other hand the fiscal 1968 program reflects evolution, constructive change and the search for better ways of making American assistance work:

- It identifies increased agricultural production—the War on Hunger—as the highest development priority.

tion, and implements recent administrative changes for more efficiently coordinating these urgent programs:

- In the interest of better administration and deeper probing of important issues it advocates legislative authorization for two years;

- It describes the broadening dimensions of AID's approach to multilateral assistance, including a proposed statutory requirement that 85 percent of Development Loans be made in a multilateral framework, and AID's specific plans for greater support of regional development;

Best Available Copy

- It sets forth a significant shift in aid policy for Africa, with increased emphasis on using multilateral and regional arrangements and a reduction in the number of bilateral programs;

- It would create, by law, a National Advisory Committee on Self-Help to advise both Congress and the Executive Branch on the extent and effectiveness of self-help measures taken by nations receiving aid.

The proposal also records progress. Several nations—Korea and Turkey for example—show distinct promise of the kind of “pay off” that has enabled AID to end its assistance to Greece, Taiwan and Israel. Finally it delineates how AID-assisted nation-building programs contribute to the frustration of Communist expansion in Southeast Asia.

SELF-HELP IS THE KEY

Development can occur only when a people and its government decide that they are willing to sacrifice and work for it. It is they who must analyze needs, determine courses of action, acquire the necessary skills, make the commitment of energy, resources and wealth.

The extent to which a country does these things is the first object of AID attention in planning a program of U.S. assistance.

On the average, developing countries contribute the equivalent of \$8 in their own resources for every \$1 in goods and services received from AID. But some do far more, for example India, whose contribution in fiscal 1966 was in the ratio to U.S. assistance of 24 to 1, and Colombia, whose ratio in the same year was 11 to 1.

But self-help cannot be judged solely on a quantitative basis. It must be of the right kind. Thus AID, on the basis of its cumulative experience,

sound priorities, and the extent of economic, social and political reform.

On smaller projects AID's self-help requirement may be only that the recipient government assume a fair share of the costs. On larger projects, however, it is possible to stimulate far more in the way of self-help:

- Before a loan was made to the Bolivian Mining Bank to finance expansion and modernization of private mining industry the Bolivian government undertook a major reform of the mining code, a reorganization of the bank, and the passage and enforcement of new mineral export tax laws to encourage mining investments.

On the other hand a loan to finance import of a range of commodities needed for development lends itself to self-help conditions affecting an entire economy:

- In Korea a recent \$10 million loan of this kind committed its government to better budgeting, better foreign exchange management, restraint on private credit, higher domestic revenue collections, and increased domestic savings. The loan was disbursed in installments as the Koreans complied with the self-help agreement.

It is also proposed that new legislation authorize the President to appoint a National Advisory Committee on Self-Help that will report annually to himself and the Congress on self-help performance by countries receiving U.S. assistance.

AID CONCENTRATES ITS PROGRAM

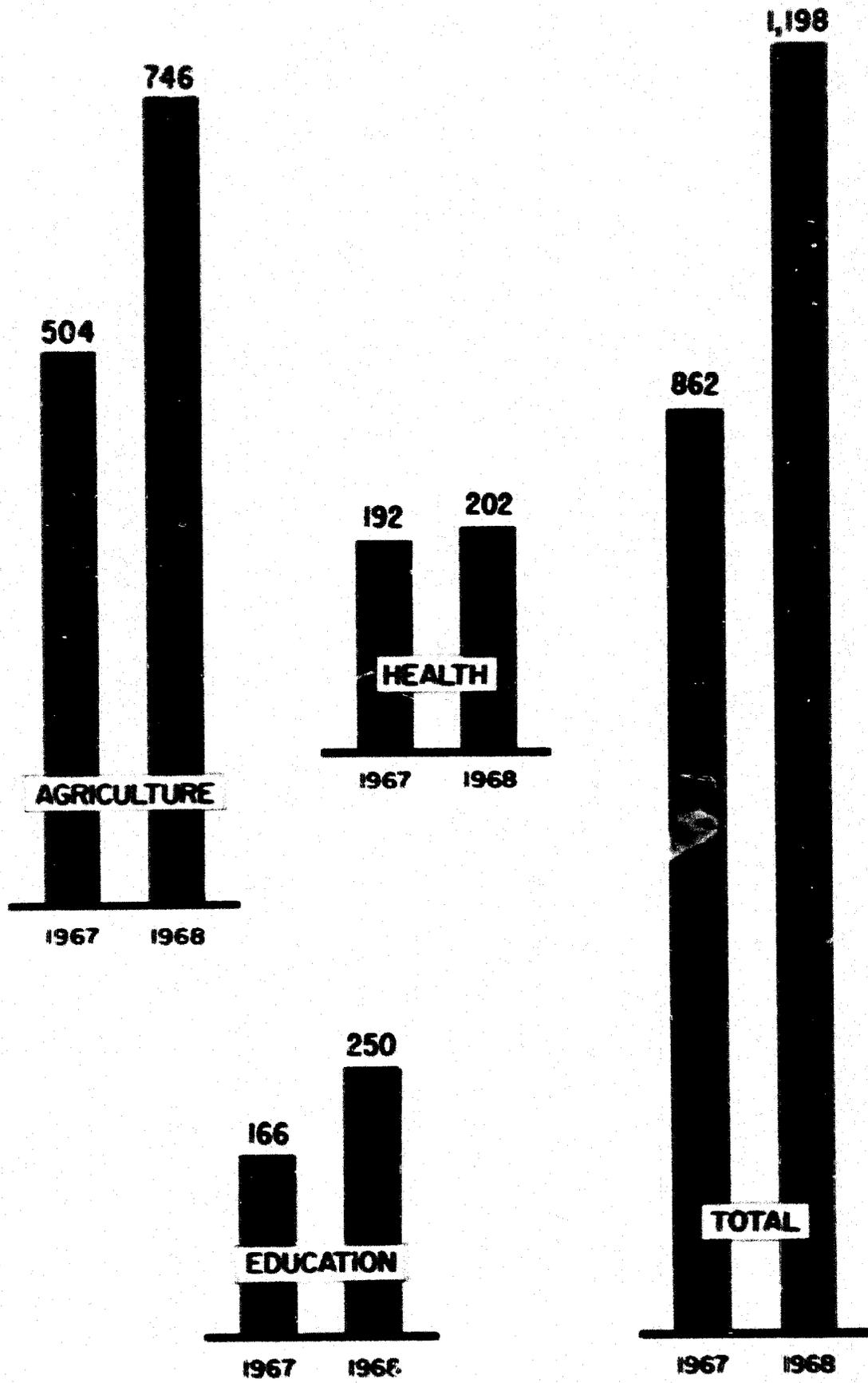
AID expects to help 65 countries in fiscal 1968 but it will concentrate the bulk of its development assistance in those whose size, population, resources and self-help performance give promise that development programs will succeed:

- Only 16 countries will receive 87 percent of its direct country assistance;
- 82 percent of AID's development lending is programmed for just eight countries—Brazil, Chile, Colombia, India, Korea, Pakistan, Peru and Turkey.

But AID also concentrates its Supporting Assistance, a type provided to countries having urgent needs for outside help in the interest of economic or political stability; or where the United States has strong interest in such stability:

- In fiscal 1968 only four countries—Vietnam, Korea

PRIORITY PROGRAMS IN ECONOMIC ASSISTANCE*



The War on Hunger

The War on Hunger succinctly describes the U.S. approach to the worldwide problem of bringing food supply into balance with the mouths that must be fed. It is an action program dictated by the frightening reality of food production that stands still or nearly so while population climbs ominously. The \$746 million AID proposes to help improve agricultural production in developing countries in fiscal 1968 is more than a quarter of its entire program. The amount is 48 percent above the comparable fiscal 1967 figure of \$504 million.

As with all development problems, the key is self-help. Even if it sought to do so the United States does not have the capacity to make up the grain deficit of developing countries beyond 1985, only 18 years hence, if present trends in production and population continue. The only available strategy is that the United States and other developed nations make the deficit good in the immediate future while using every possible means to assist developing nations to grow their own food and curb the upward spiral of population.

Both objectives are feasible. There is enough arable land. The technology of higher production is known, although there are problems of adaptation. Effective family planning is largely a matter of national recognition, education and organization.

AID in fiscal 1968 will continue and significantly broaden its programs to help put food-short developing countries on the road to agricultural self-sufficiency. It will heavily finance fertilizer, both through exports from the United States and, more importantly, through increased production facilities within the developing countries themselves. Farm credit, irrigation, better seeds and pesticides, farming methods, land tenure, transportation, warehousing, pricing practices that bring a farmer a fair return, the tailoring of education to serve agricultural improvement, distribution systems that give play to private initiative—all these will be objects of technical and financial assistance allocated in response to the preponderance of effort and resources that must come from countries concerned.

While AID furnishes American experts, commodities and financing to help grow more food, the Food for Freedom program in which the Department of Agriculture, AID and the Department of State cooperate will continue to help meet present food deficits under a recently amended Public Law 480. Its food donation programs are the vehicle for adding important nutritional supplements that will continue to benefit millions of children.

AID's newly-created Office of the War on Hunger will also coordinate expanded assistance to countries requesting help with family planning pro-

Health and Development

The \$202 million AID proposes to help developing nations improve the health of their citizens in fiscal 1968, representing a two-year rise of 60 percent in allocations for this purpose, will carry the work forward on two fronts:

- By assisting in control and eradication of disease;
- By helping developing countries train an adequate supply of indigenous health workers.

For example AID assists 19 West African countries in a drive to bring measles under control by 1971, and to eliminate smallpox in the same area by 1975. Between fiscal years 1962 and 1967, AID-supplied vaccine provided an estimated total of nearly six million inoculations against measles. In the smallpox program, AID-supplied vaccine provided the protection of more than 16 million vaccinations in fiscal years 1966 and 1967.

By December 1966 an activity in which AID cooperates with international institutions such as the World Health Organization and the United Nations Children's Fund had eradicated malaria in 34 of 148 countries with a malaria problem, bringing protection to 650 million persons and opening new lands to settlement and cultivation.

AID also contributes to the fight against cholera, including support of the SEATO Cholera Research Center in East Pakistan that has developed a promising high-potency vaccine against that disease.

At the same time AID helps developing countries battle enteric diseases at their source in polluted water supplies, having assisted in construction or expansion of 56 water supply systems in 37 countries in the last five years.

On the health manpower front, the most critical problem is not in doctors and nurses, although shortages in these professional fields are acute, but in trained auxiliary workers capable of bringing elementary health measures to large numbers of people, particularly in the countryside. Illustrating AID's contribution in this field are the more than 4,500 workers being trained in fiscal 1967 in facilities AID helped establish, or the more than 800 new health centers being completed in the same period.

Education and Human Resources

A single statistic—300 million developing country school age children are not in school—explains why AID plans to commit \$250 million to the cause of education in the developing world in fiscal 1968, a figure up 50 percent from fiscal 1967 and about 82 percent from fiscal 1966.

On the record, however, the AID contribution to education for development already is significant as is evident, citing one example, from the more than 378,000 teachers trained in institutions AID helped establish. In many countries such teachers are upwards of a third of the teaching force.

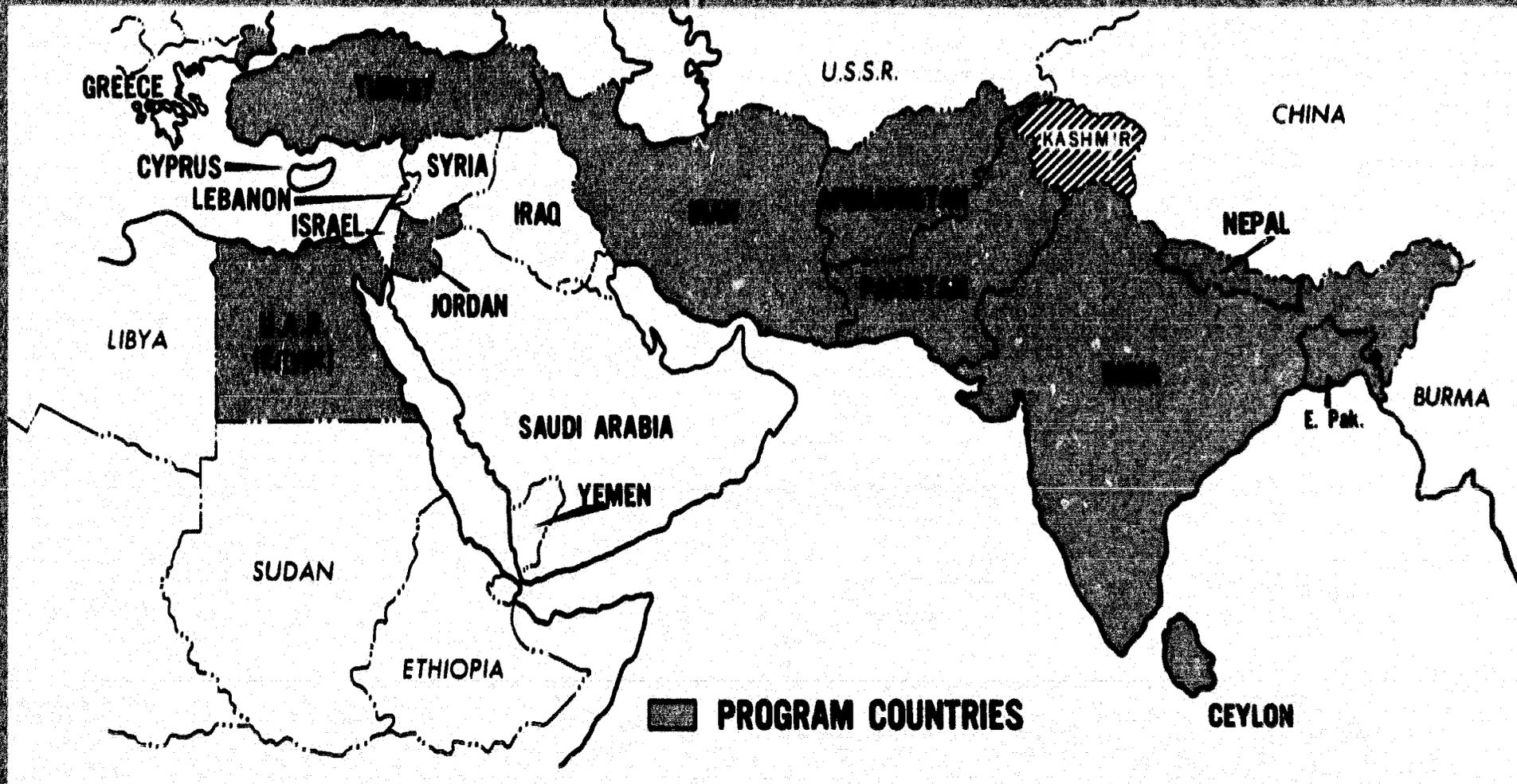
Today AID continues its focus on teacher training and as well provides a wide range of assistance directed to realistic assessment of future man-

LATIN AMERICA

BY THE PROGRAM — \$724 million



**NEAR EAST and SOUTH ASIA
FY 1988 PROGRAM . . . \$780 million**



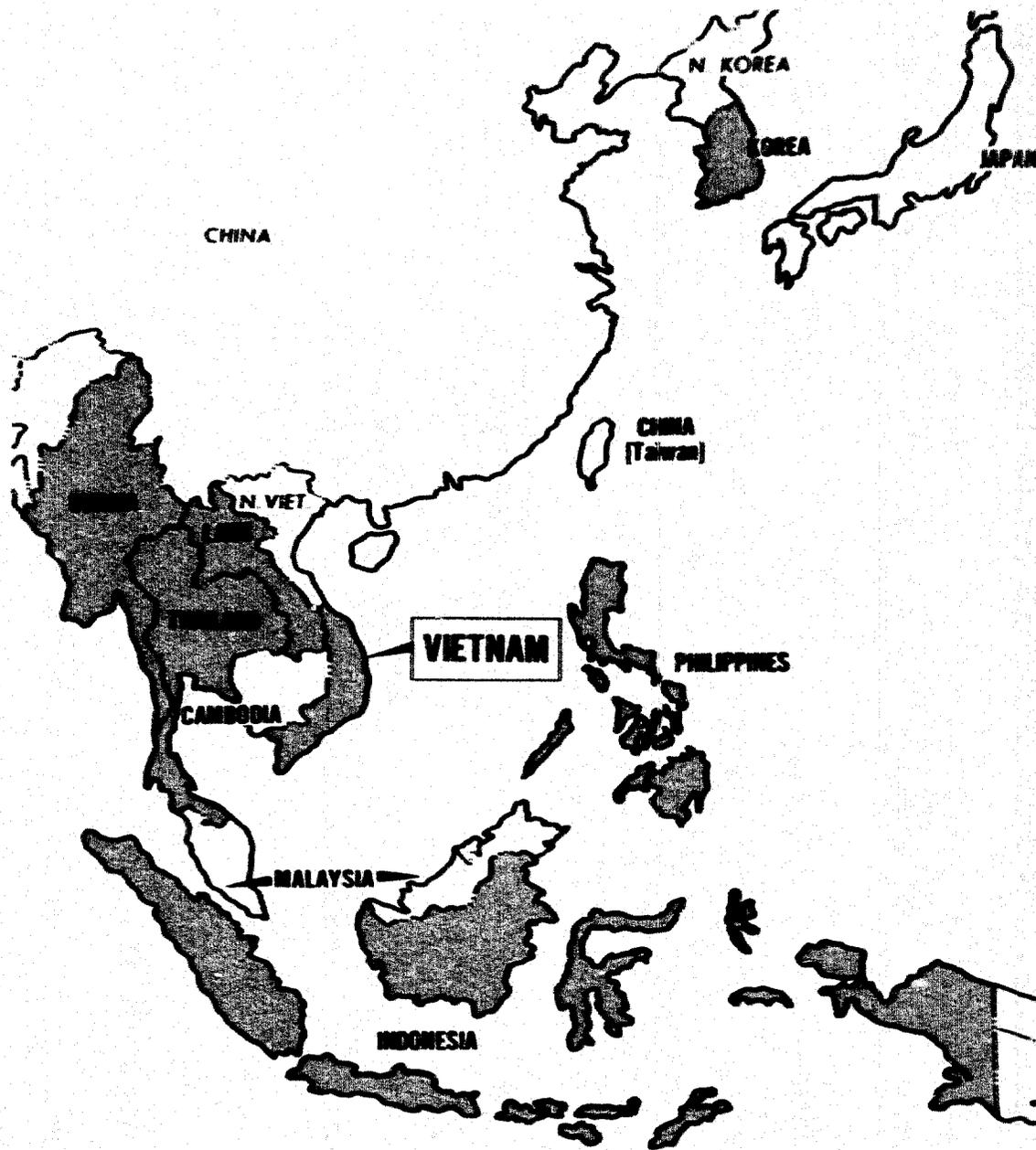
BEST AVAILABLE DOCUMENT

EAST ASIA and VIETNAM

FY 1968 PROGRAMS

EAST ASIA... \$200 million

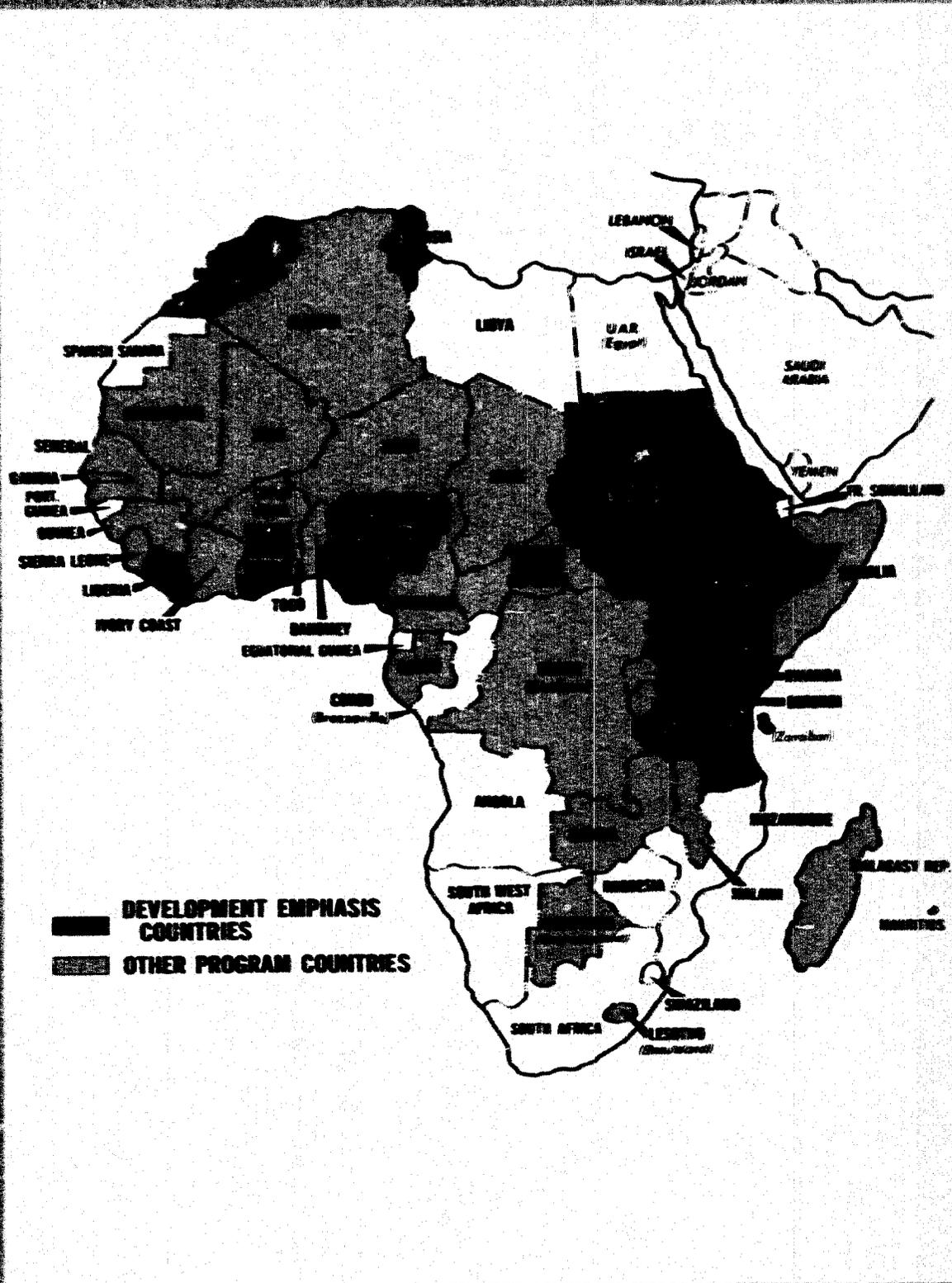
VIETNAM... \$500 million



PROGRAM COUNTRIES

AFRICA

FY 1985 PROGRAM ... 1985 BUDGET



is imperative that they not be wasted training people in skills irrelevant to development. In both programs, AID largely relies not on its own staff but on experts from American colleges and universities who work under government contract. In two typical examples:

- Michigan State University and the Stanford Research Institute are helping Thailand plan its educational system from primary schools through universities;

- In Nigeria a group of 10 U.S. universities and the Board of Education of Washington County, Md., provides help to some 200 schools, including three advanced teachers' colleges and 50 that train teachers for elementary schools.

In a less traditional field—television—AID finances exploration of that medium as a way of extending the services of a limited supply of teachers. More than 50 developing countries have transmitters and in Colombia educational television already reaches 400,000 schoolchildren.

SHARING DEVELOPMENT RESPONSIBILITY

The United States believes in cooperation with other prosperous free world nations that assist less developed countries, whether through its contributions to international development institutions or through active coordination of its own bilateral programs with those of other aid-giving countries.

It also believes in promoting cooperation among less developed nations themselves, especially in those regions where neighbors share common resources and would mutually benefit from their common development.

Both concepts—multilateralism and regionalism—receive increasing emphasis in AID. So does the continuing effort to persuade other nations to increase and liberalize their economic assistance:

- In Africa during fiscal year 1968 the AID program will reflect a new policy of increasingly using regional and multilateral assistance machinery and reducing the number of bilateral assistance programs;

- AID already commits about 85 percent of its Development Loans in a multilateral context and proposes that this practice be required by the Foreign Assistance Act of 1967;

- AID will encourage formation of consultative groups, beyond those for eight developing countries in which it now participates, and will continue membership in formal consortia of developed nations that annually pledge the

and Turkey:

- AID will finance a \$75 million contribution to the United Nations Development Program while exploration is proposed of ways in which AID Technical Assistance funds might be used by the UNDP to support agricultural and educational projects in Africa;

- AID will support the African Development Bank, with a membership of 29 African nations, through technical experts and financing of loan studies;

- In Latin America support for regional activities such as the Central American Common Market will be broadened to implement the commitment by the April 1967 "meeting of the Presidents" to create a Latin American Common Market in the 1970's.

In their own bilateral assistance programs other industrialized nations also continue to share aid responsibilities with this country. In fact three provide proportionately more and five lend for development on more generous terms. Seven furnish relatively more aid on a grant basis while more than 75 percent of experts and volunteers working in developing countries come from aid donors other than the United States.

PRIVATE RESOURCES AND THEIR ROLE

AID's view of the relationship between development and the private sector is unequivocal:

- Development programs succeed best and fastest in countries where local private initiative has ample freedom to function and where sound investment from the outside is encouraged and made welcome;

- The United States itself has no better instrument for assisting development than its own private enterprise system with its reservoir of skills and investment capital.

AID helps improve the climate for private investment in developing countries through both loans and technical assistance directed to specific purposes and in many cases through financing that supports and assists broad changes of policy:

- Recent large loans to India, to a great extent helping strengthen its agricultural sector, paralleled measures by that country to liberalize farm policies, reduce certain import and other controls, and encourage private foreign

where technical and marketing skills were needed in addition to investment capital;

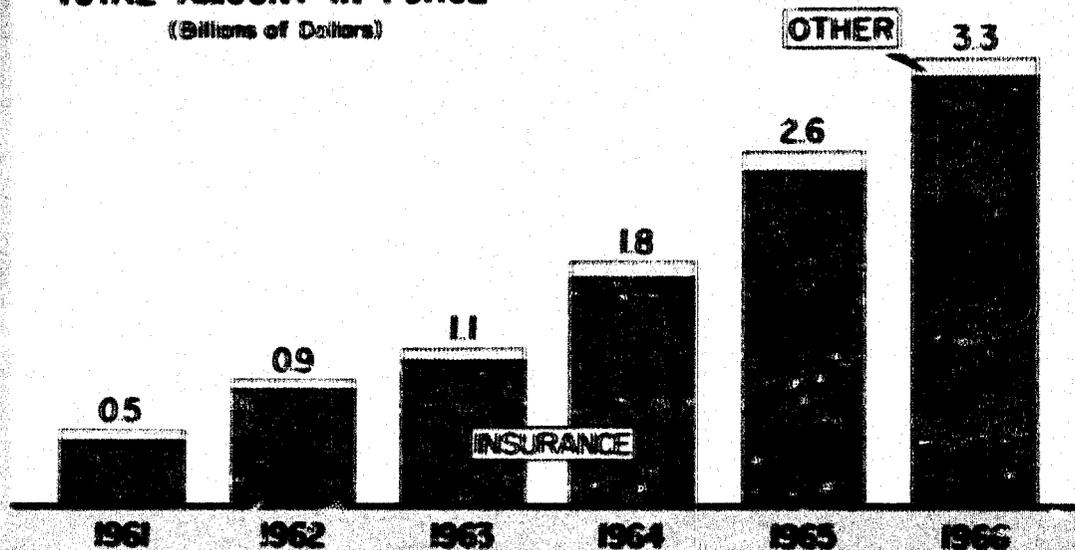
- Loans to a private nylon filament plant in Korea and to the Ethiopian Investment Corporation for further lending to private companies exemplify direct AID assistance to private enterprise;

- Similarly helpful to private initiative is AID assistance to Brazil in drafting capital markets legislation or to Peru in establishing a graduate school of business administration.

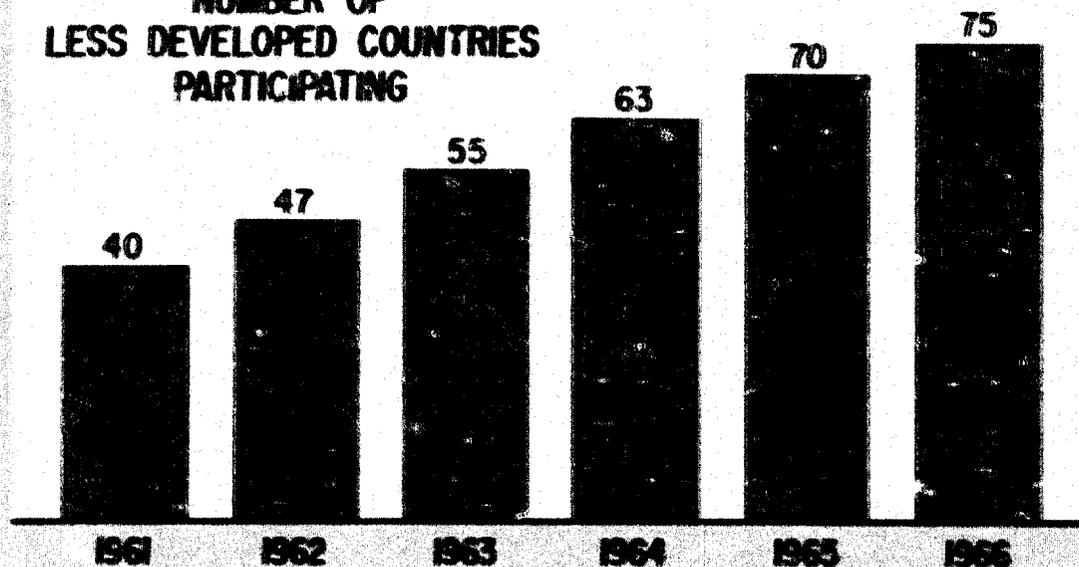
INVESTMENT INSURANCE and GUARANTY PROGRAM (As of December 31)

TOTAL AMOUNT IN FORCE

(Billions of Dollars)



NUMBER OF LESS DEVELOPED COUNTRIES PARTICIPATING



The vast private sector of the American economy plays a major role in programs financed by AID. Two of every five experts that AID fields in developing countries are in fact employees of American businesses, universities, non-profit groups, labor unions, etc., with which AID has contracts. In addition AID cooperates with and assists the 67 voluntary agencies registered with it in conducting overseas programs that are increasingly related to development.

The rate of private U.S. investment in developing countries is still unsatisfactory, however, although it is rising. To encourage and assist such investment AID provides a range of services through its newly-established Private Investment Center, itself part of the Office of Private Resources created in a recent re-organization.

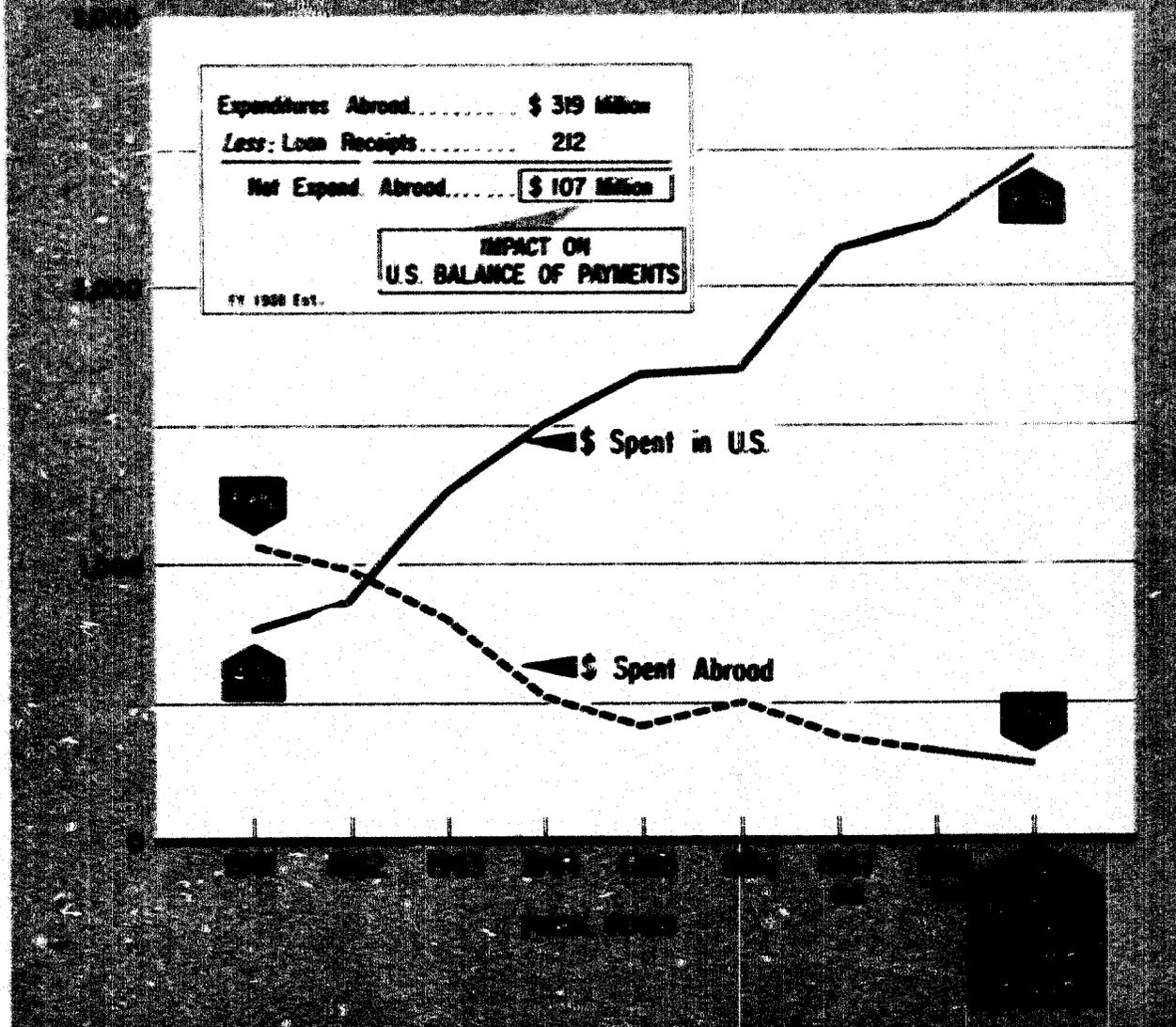
Through these services AID supplies a variety of information, not only on doing business with AID but on direct investment opportunities to be found in the developing world. In addition it underwrites pre-investment feasibility and marketing studies and issues low-cost investor insurance and guaranties against a number of risks. For example, at the end of December 1966, AID's outstanding coverage in specific risk insurance (against loss from expropriation, inconvertibility, damage from war, revolution and insurrection) was \$3.1 billion and rising. The program is authorized in 75 countries.

AID constantly searches for new ways of assisting American business and management skills to become involved in development. As one instance, it is considering using cost-plus-incentive-fee contracts to induce investment in critical fields, for example food production, where special risks foreclose normal investment. And it points with pride to successful operation of a program—the International Executive Service Corps—which it helped launch on a frankly experimental basis and still helps support. This private non-profit corporation has more than 2,600 experienced businessmen on its rolls who are available to work with developing country counterparts who need the kind of expert advice the Americans can supply. IESC volunteers worked on 154 projects in 1966 and are working on well over 300 in 1967.

EFFECT ON THE ECONOMY

In the largest sense the U.S. economy is one of the chief beneficiaries of economic assistance since the peace and security such programs help assure is vital to its future growth and health.

It is also plain that further benefits accrue as developing countries, increasingly familiar with American products, pick up economic momentum and begin normal commercial trading with the United States, a trend already making itself felt. Taiwan's commercial imports from this country



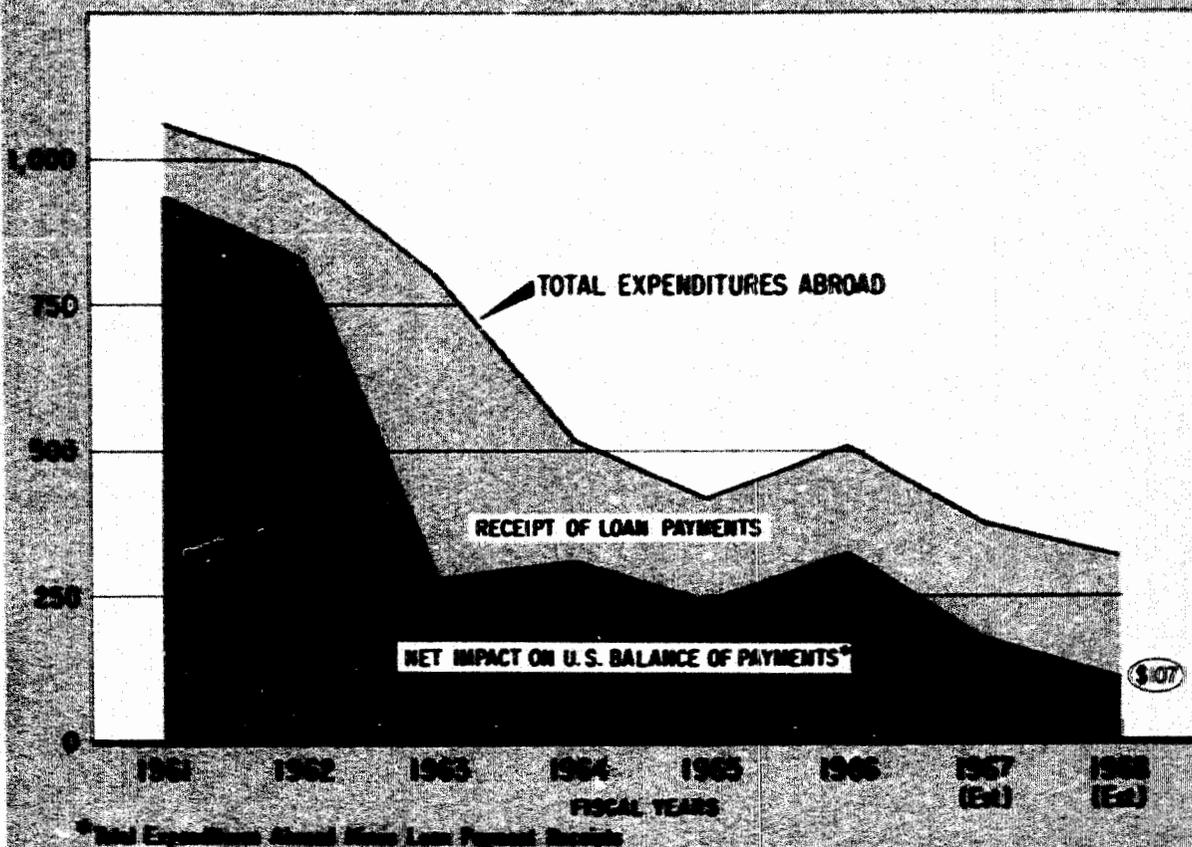
rose from \$71 million in 1963 to \$119 million in 1965 while Israel's rose from \$102 million to \$132 million in the same period.

Moreover, AID expenditures provide immediate gains to the present economy although they were not designed for that purpose. For it is not dollars but American goods and services that for the most part flow overseas in consequence of AID programs.

In fiscal 1966, for example, AID estimates that the \$1.1 billion in foreign aid commodity purchases it financed in this country (90 percent of the total) involved over 4,500 companies in the 50 states, the District of Columbia and Puerto Rico, and resulted in payments of about \$85 million to U.S. shipping lines. At the end of the same period AID had in force technical service contracts worth \$478 million with private organizations or individuals in 49 states. Agricultural commodities shipped abroad in that period under Food for Peace legislation, with Department of Agriculture financing and AID overseas administration, were worth \$1.6 billion to a total of 45 states.

AID's policy of tying its spending for commodities and other purposes to U.S. sources reflects its concern that economic assistance have the smallest possible impact on the country's balance of payments deficit.

U.S. BALANCE OF PAYMENTS DEFICIT (Millions of Dollars)



In fiscal 1967, for example, the estimated impact, after deduction of loan repayments, is only \$175 million. And, as tight procurement policies continue into fiscal 1968, AID anticipates a net effect in that year of \$107 million. This is a drop of 88 percent from 1961 when \$934 million was the net figure.

FRUSTRATING AGGRESSION IN SOUTHEAST ASIA

For so long as Communist policy is dedicated to military operations, subversion and terror applied against independent nations in Southeast Asia the larger tasks of economic and social development there will be severely hampered or postponed.

At the same time the United States and its allies in the area recognize that these forms of aggression exploit unrest produced by unsatisfactory economic and social conditions—particularly among rural populations. Efforts must be made to improve these conditions, even as aggression occurs. The attempt to do so, which in Vietnam has been called the “other war,” has parallel and related urgency in both Thailand and Laos.

An important AID effort in Vietnam assists that government's program of "Revolutionary Development," aimed at bringing constructive change to rural people. AID also finances the large-scale import of commodities needed to prevent inflation from sapping the economy's capacity to sustain national resistance.

Although carried out in the face of enormous difficulties of security, logistics and management, successes have been achieved in such fields as the training of rural development workers; in completion of thousands of self-help projects in education, health, public works and agriculture; in care of refugees fleeing the Viet Cong; provision of medical care; and in the expansion of desperately pressed port facilities. Inflation has been significantly dampened.

In Thailand AID supports an accelerated rural development program in regions most vulnerable to Communist penetration and assists with training of civil police forces. In Laos emphasis is on helping selected "village clusters" to become models of governmental and popular cooperation while contributing to security.

The United States has not permitted continuing Communist pressures to deter active support of programs potentially beneficial to the entire Southeast Asia region. It considers that regional cooperation is not only an effective means of development but conducive to future peaceful relations between the area's nations. Recent notable steps of a regional character include establishment of the Asian Development Bank, creation of the Southeast Asia Ministers of Education Secretariat, expansion of the Mekong Basin program, and a number of productive conferences among regional development leaders.

THE FISCAL YEAR 1968 REQUEST IN SUMMARY

Authorization for two years is requested for all programs carried out under the Foreign Assistance Act with the exception of Development Loans and Alliance for Progress loans and Technical Assistance grants which already are authorized through fiscal year 1969.

A multiyear authorization assures developing nations and other aid donors of the long-range character of the U.S. commitment. At the same time it permits the Congress to examine policy and program issues in greater detail than is the case when the entire Foreign Assistance Act is considered for authorization each year.

The two-year authorization proposal has no effect on appropriation of actual funds. As always, this process would take place annually.

Appropriation Request for Fiscal Year 1968

ECONOMIC ASSISTANCE	<i>In millions</i>
Development Loans	\$774.0
Technical Assistance	242.8
Alliance for Progress	643.0
Development Loans	(533.0)
Technical Assistance	(110.0)
Supporting Assistance—General	170.0
Supporting Assistance—Vietnam	550.0
Contingency Fund	31.0
Contributions to International Organizations	141.0
American Schools and Hospitals Abroad	13.9
Pre-Investment Assistance	2.0
Administrative Expenses—AID	59.3
Administrative and Other Expenses— Dept. of State	3.4
Total Economic Assistance	\$2,630.4
MILITARY ASSISTANCE	596.0
TOTAL ASSISTANCE	\$3,226.4

AID requests appropriations totaling \$2,630 million, a figure \$100 million higher than proposed in the President's Budget and Foreign Aid Messages. The new total is entirely accounted for by the Alliance for Progress for which the President sought the additional support after the April 1967 "meeting of the Presidents" in Punta del Este. An appropriation of \$596 million is requested for military assistance.

AID-FINANCED COMMODITY EXPENDITURES

MAJOR COMMODITIES PURCHASED

FY 1966 - 1960

