

# War on Hunger

*A Report from The Agency for International Development*

VOLUME II, No. 10  
OCTOBER 1968

**IN THIS ISSUE**

The U.S. and the Developing World—A Reassessment, by Nicholas deB. Katzenbach ... 1

While the War Goes On, by Donald G. MacDonald ..... 3

Higher Incomes In Developing Nations Put Pressure On Marketing System ..... 5

TVA Helps AID's Fertilizer Programs ..... 6

Balahar And The Kitchen's Children ..... 9

Rural Electrification Program Boosted In Philippines ..... 13

**THE TECHNICAL FRONT:**

The Rural Banking System of the Philippines, by Robert L. Fowler ..... 14

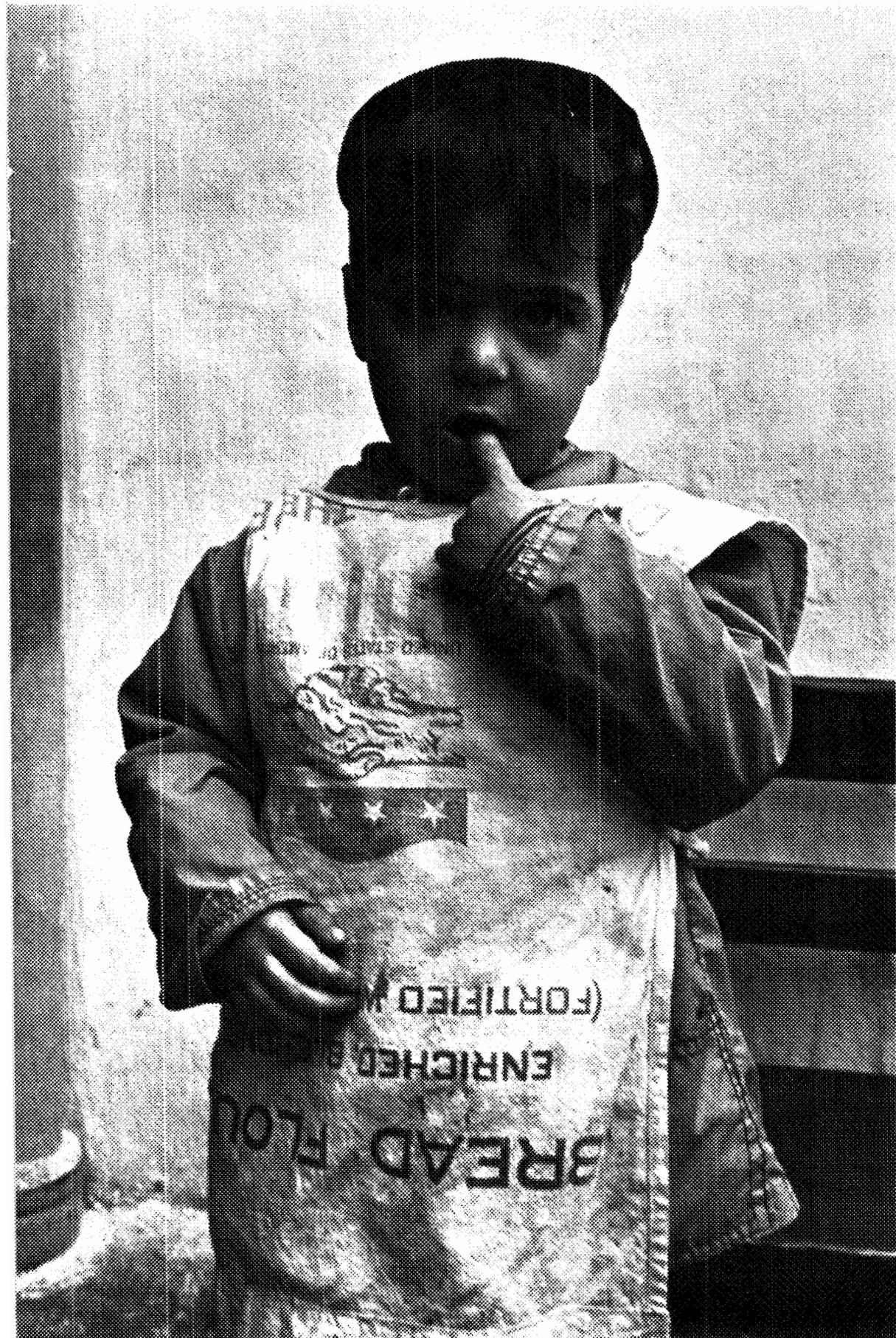
Quotes ..... 18

In Brief ..... 19

In Print ..... 20

**COVER:** A Casablanca kindergarten student finds himself twice-blessed by U.S.-donated food commodities. He participates in a school feeding program and makes use of the flour sacking as well.

**OFFICE OF THE  
WAR ON HUNGER**



# War on Hunger

A Report from The Agency for International Development

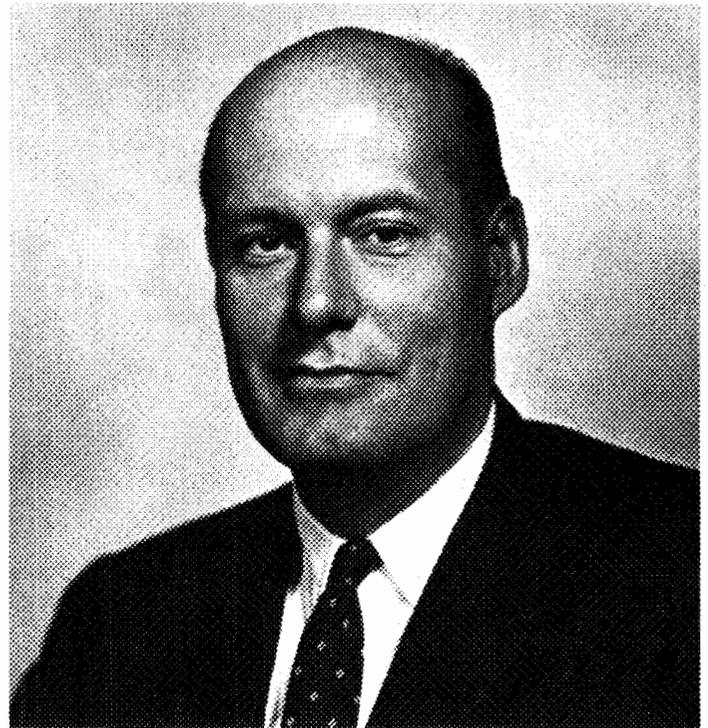
Published monthly by the Office of the War on Hunger,  
Agency for International Development.



William S. Gaud, Administrator

H. Brooks James

Assistant Administrator for War on Hunger



*Nicholas deB. Katzenbach, former Attorney General of the United States, became Under Secretary of State in September 1966. A graduate of Princeton University and Yale Law School, Mr. Katzenbach was a Rhodes Scholar at Oxford; served with the Air Force during World War II. He served on the law faculties of Yale Law School and University of Chicago. He is the author (with Morton A. Kaplan) of "The Political Foundations of International Law", 1961. The accompanying article was adapted from an address before the World Affairs Council, Los Angeles, August 8, 1968.*

Produced by the Reports and Information Staff,  
Room 2879, State Department Building  
Washington, D. C. 20523.

Readers are invited to submit news items, original manuscripts (including speeches) and photos on any aspect of the War on Hunger. Contents of this publication may be reprinted or excerpted freely.

Front Cover Photo: by Murray Kass, courtesy of the American Jewish Joint Distribution Committee.

Ever since World War II, our policy toward the world's less-developed countries has been based on the assumption that they are, on the whole, important to United States national security. Our goals have been peace, economic and social progress, and the encouragement of democratic institutions—the chance for these countries to develop peacefully.

To preserve their independence, we have helped improve their defenses, worked for the peaceful settlement of disputes, played our part in deterring, and dealing with, external threats. To promote economic growth we have contributed technical and financial assistance. To encourage peaceful social development and change, we have prodded their governments to speed up internal reform.

In pursuing these policies, we have, of course, been mindful that some countries are more important to us than others. Our involvement in the less-developed world has always been selective, and has become more so in the face of tough budgetary criteria.

Yet after more than twenty years of turbulence, crisis, and unremitting effort abroad, it is not surprising that questions and doubts are being raised about the wisdom of continuing these policies.

There is in this country today a mood of reappraisal more persistent in some ways than is normal for a Presidential campaign—a mood which urges us to cut back foreign commitments in favor of urgent domestic needs—a mood which, in particular, questions the scope and importance of United States involvement in the less-developed world. Indeed, perhaps for the first time since World War II, there is a small but significant and highly articulate minority which challenges fundamental assumptions of value and fact underlying our foreign policy.

I would like to reassess our relationship to the less developed world by asking four basic questions:

First, is the fate of the less-developed world really important to the United States national security?

Second, what should we be doing in these countries?

Third, what are Soviet motives and intentions toward these areas? How should our policies relate to those of the Soviet Union?

Finally, how much influence can we in fact hope to exercise on the development process itself?

#### **Weak Because They're Poor**

A realistic appraisal of our national interest must acknowledge that these countries are relatively weak, and will not, over the foreseeable future, constitute a direct threat to our security.

They are weak in part because they are poor: their agriculture often is stagnant, they lack a developed industrial base. But more important, their political and social fabric remains exceedingly fragile. Development into a modern nation state will be a matter of decades, if not generations.

Why, then, should their fate concern the United States?

First of all, let us acknowledge that our foreign policy contains a significant humanitarian, idealistic component. I, for one, have never seen any thing wrong about that. As the world's richest country, with an enormous reservoir of skill and technology, our people want to help their less fortunate fellow men. They want this because it is right. To do otherwise would be to deny an essential part of our national heritage.

Nevertheless, in the case of many less-developed countries, our concern for their progress transcends humanitarian purposes and has a national security component as well. This has certainly been true of all the major recipients of United States aid.

Our national security interest is involved in several ways.

To begin with, there are the countries like Turkey or Korea that are of strategic importance to the United

# **THE U. S. and the DEVELOPING WORLD . . . A REASSESSMENT**

by Nicholas deB. Katzenbach

States. We need to keep these countries out of hostile hands. Our aid, quite simply, is designed to make them economically and militarily self-reliant nations.

Another group—countries like India, Brazil, Indonesia or Pakistan—are weak economically and heavily dependent on international aid, but with the potential of becoming major powers.

The basic issue is whether these countries will become a friendly force in world affairs conducive to world peace. Outside assistance can ease their difficulties of transition and, at this stage of their development, while they still form their institutions, influence the way they will approach the world.

### **Can We Run The Risk?**

There is also the reverse side of the coin—stagnation, disintegration, collapse, and chaos—these could not help but have a profoundly unsettling effect on the world situation. Countries like India would become, more than ever before, an area of contest between contending forces. Would we really be willing to run the risk of seeing a genuine democracy of 500 million people turn towards other—perhaps authoritarian—solutions—or to stagnate in growing poverty indefinitely? Would we be ready to contemplate with equanimity rising inequality, poverty, and exploitation among the 280 million people of Latin America? Just as we cannot hope to maintain domestic tranquility so long as important segments of our own populace remain heavily disadvantaged, so I do not believe world tranquility can be maintained unless there is steady improvement of economic conditions in the less-developed world.

It is right that we take a new hard look at our involvements overseas. But I think we will find that there is, in fact, no turning back from the key areas of a rapidly changing world—without, in a very fundamental sense, endangering world order and our own security.

For years we have been urging other affluent countries to do more—only to find that these countries are now doing more than ourselves. True, developing countries must learn to do more for themselves. But the fact is that development cannot be accomplished overnight. Greater efforts will be required by all the industrial countries, particularly also this affluent country, if the struggle against world poverty is to be won.

### **Create Conditions For Development**

These considerations make clear what should be the guidepost of what we do and where. In sum, it should be, quite simply, to help create the conditions for peaceful development under institutions responsive to the popular will. Happily, this is, I believe, also the objective of the vast majority of the people in the less-developed world.

This is a simple truth but, in practice, one from which we can be easily diverted.

There is understandable irritation in this country when recipients of our aid turn against us in interna-

tional forums, criticize our policies, or withhold their support. In fact, this irritation is one cause of the disenchantment with aid. This mood is reflected in the increasing number of restrictive provisions written into the aid legislation by the Congress each year.

We should, of course, through a better explanation of our positions, seek to improve cooperation between ourselves and the less-developed countries. But I do not think we can—or should—expect that recipients of our aid can all be persuaded to agree with us on every major issue.

We cannot hope to buy people. Nor should we even want to do so. We do not want people to give up their freedom of speech and thought, and their independence. Our objective is to help build free, self-confident, viable, sovereign nations. And as we move closer towards that goal, there will be ever greater independence of expression in the international community. We must win others over with the cogency of our arguments—rather than by reliance on aid.

### **Little Political Payoff**

But, as both we and the Soviets have found, the political payoff afforded by aid is even now very limited. Developing nations are sensitive about their dependence on foreign aid. As a matter of domestic politics they had to be: for, being so heavily dependent, they must bend over backwards to avoid the impression, before their own citizens, that they have sacrificed the independence of their foreign policy. Aid, for this reason, can be a liability as well as an asset to bilateral relations. These countries strongly resent the use of aid for purposes they consider extraneous to the aid relationship—namely as a lever to compel conformity to our—or any other donor's—foreign policy. The fact is that these countries will not sacrifice what they consider important national concerns—even at the cost of reduced aid.

So I believe it is important that we not be deflected from our central objective toward a view of aid as primarily a way of buying political influence. If we obtain from our aid a fall-out in political influence and good-will—well and good. But faithful conformity to our foreign policy views has not been, and should not be, the criterion for eligibility.

### **Soviet Russia's Role**

This issue of political influence in the less-developed world leads to the consideration of the role of the Soviet Union and, to a lesser extent, that of Communist China.

It is fair to say that at one time the rationale of our whole policy toward the less-developed world was put largely in terms of the threat of Communist influence and penetration. And, this remains an extremely important consideration in our policy. But it is also true that this issue of Communism in the developing world, and particularly of Soviet motives and behavior, which once was—or seemed—so straightforward, is now far more complex.

*(continued on page 12)*

# WHILE THE WAR GOES ON . . .

by Donald G. MacDonald



*Donald G. MacDonald, AID Mission Director in Vietnam, former Director of AID Missions in Nigeria and Pakistan, has served with AID and predecessor agencies since 1952. He won the National Civil Service League Award in April 1967, for outstanding government service.*

In the 1966 Declaration of Honolulu, President Johnson said, "we will help (the Vietnamese people) build even while they fight . . . to stabilize the economy, to increase the production of food, to spread the light of education, to stamp out disease."

Since January 1966, significant agricultural and industrial progress has been achieved and notable economic gains secured. With all its force, the war has failed to halt economic and—to a frequently unnoticed extent—social progress. The work of AID has been to help Vietnam achieve that progress.

Except for the production of rice, agricultural production has more than held its own. And there is now great promise for a sweeping improvement in rice production. Industrial output has risen by 15 percent. Health care for most Vietnamese has improved; the numbers of children being educated have dramatically increased. And many other technical advances have been achieved—the nation is now equipped with modern physical facilities in its seaports, airports and roads; in its telecommunications capability; in its ever growing numbers of highly skilled personnel in all walks of industrial and economic life. The economy of Vietnam has proved more durable and resilient than most economists dared hope in early 1966. It was feared then—and with every reason—that there could be runaway inflation and, possibly, economic collapse. Instead, there has been a remarkable measure of economic stability.

## **Imports Play Major Role**

Imports, financed directly and indirectly by U.S. funds, have played a major role in the relative success of anti-inflation efforts here. Rice has been imported in large quantities, and a wide variety of consumer goods has been made available in substantial volume. These imports have permitted an increase in consumption as well as providing the means for increasing investment and production.

In the face of intensified military action, the Vietnamese economy has supported an increasingly heavy military effort and a more or less constant standard of living without rising levels of imports. This holds much promise for the future.

In many ways, 1967 was a remarkable year for the Vietnamese economy. Not only did the urban and industrial sectors continue to progress, *but* the signs of emerging, economic transformation in the countryside were unmistakable. High prices for agricultural products—the other side of inflation—led not only to higher rural incomes, but to increased demand for fertilizer and pesticides and motor pumps and agricultural machinery needed to raise rural productivity and lay the base for genuine agricultural development. And as an important part of this process, 1967 witnessed the development of a rural distribution network, linking farmers everywhere—but particularly in the Delta — with the resources and commercial energy of the towns and cities.

## **Crop Yields Increase**

In general, the Vietnamese economy is in satisfactory condition. Business could be better, incomes could be higher, prices could be lower. Is there a country anywhere about which this could not be said? In any case there is no economic crisis in Vietnam today. Apart from refugees, there is no unemployment, and no apparent dire poverty. It can be said that even with the problems of the last few months, the country's economic situation is considerably better than it was two and a half years ago.

With the increase in the tempo of the war in 1965



*On your mark, Get set, Go! Vietnamese farmers prepare, not for a running race, but for planting "miracle" IR-8 rice seeds at designated intervals. Trainees at Vo Dat learn to insure proper spacing of seedlings by using a planting guide—a long piece of wire with knots every 20 centimeters marking the spot for implantation.*

and early 1966, there was a quick, sharp and dangerous decline in Vietnam's production of primary staples—of rice and proteins. In 1967, not only was this halted but the groundwork was laid for a dramatic production increase beginning with this year's rice harvest.

Crop yields have been increased by wider use of fertilizer, by fertilizer-responsive crop varieties, by pesticides, by irrigation, and by improved methods of cultivation. Incentive prices and educational agricultural extension programs have stimulated farmers to modernize their methods and to invest their money in greater productivity. Fertilizer usage in South Vietnam is now, proportionately, the highest in Southeast Asia—ranging from three to ten times as great as that in India, Thailand, Cambodia and the Philippines.

Distribution of the new "miracle rice" (IR-8 and IR-5 stock) has been successful. A pilot project inaugurated at Vo Dat only ten months ago, and under poor conditions, produced a harvest double the average yield for that area. This year's post-Tet program envisages that these new rice seeds will be planted on up to 37,000 hectares with technical assistance provided to farmers who invest in the new rice seeds. The first harvest will begin in late September and it is confidently expected that average yields of these new seeds, nation-wide, will exceed the 100 percent increase achieved at Vo Dat. Despite the war and the obvious difficulties entailed in achieving radical production increases in the short run, the progress of the recent past gives the Vietnamese every reason to strive for self-sufficiency in rice production by 1971.

The United States Secretary of Agriculture, Orville Freeman, declared in Saigon in July that South Vietnam is achieving an agricultural revolution. His last previous visit to Vietnam was also two and a half years ago, just following the first Honolulu Conference.

He had noticed then that few of the things farmers needed were available to them and said on his departure that the non-military war was of equal importance to the military effort—that providing fertilizer for farmers was as important as providing bullets for soldiers. On his recent visit, he was impressed to see that Delta farmers now seemed to have access to virtually all the production inputs they require—including new seeds, fertilizers, pesticides, pumps and, to a lesser extent, farm machinery as well.

During the same period, farm credit has been multiplied, largely as a result of the government's establishment of the agricultural credit bank in January 1967. In its first year, the bank made three times as many individual loans as the annual average of its predecessor Agency, The National Agricultural Credit Organization, the total loan amount, \$1.5 billion piasters, was four times that previously loaned by NACO.

*(continued on page 8)*

*Bullock power is an important adjunct in preparing the Vietnamese paddy for planting IR-8 rice, and the work goes on, war or no war, to produce rice, the mainstay of the Vietnamese diet.*



# Higher Incomes In Developing Nations Put Pressure On Marketing System

*Note: This article is based on the report, (Elasticity of Food Consumption Associated with Changes in Income in Developing Countries), originally published by USDA in 1965, recently reprinted. Copies are available from Information Division, OMS, USDA, Washington, D. C. 20250, Ask for FAER No. 23.*

Increased per capita income in a developing country may be a mixed blessing. The extra dollars enable people to buy more and better food. But if there is too little food to meet the demand, or if there is a bottleneck in the marketing system, the additional dollars can spell trouble for a development plan. Food prices often soar, leading to national inflation. More food may have to be imported, particularly for urban consumers, using much-needed foreign exchange. At worst, food riots could ensue.

Highly important to government planners in an expanding economy is the rate of growth in the demand for food that passes through the marketing system. U.S. Department of Agriculture economists studied how rapidly the demand for food sold through retail stores rises in the early stages of economic growth.

Why? As a nation develops, one of the first things that happens is a migration of people from rural to urban areas. And people who migrate to the cities can't grow their own food. The result: an increase in demand for food which must pass through marketing channels en route from the farm to the consumers. The economists found that anywhere from 40 to 90 cents of every extra dollar earned in developing countries will be spent on food. Urban people consequently spend a large proportion of their increased income on food which passes through the marketing channels.

Furthermore, when extra dollars generated by development start pouring in, there is an additional pressure on marketing facilities.

The USDA study points out that in the early stages of economic development, government officials can reasonably expect a five percent increase per year in the demand for food.

For example, if population and per capita income are both growing at three percent a year, and if the average person spends about 70 cents of

each extra dollar on food, the total demand for food will grow about 5 percent a year. But at the same time the demand for food sold at retail may increase by almost 10 percent.

Even at slower rates of growth, say with population increasing at two percent and per capita income rising at only one percent a year, consumers will want to spend three percent more for food, and nearly six percent more at retail.

These conditions — increased urban population and increased per capita income—bring about the necessary pressures which may force a breakdown in marketing facilities unless necessary improvements are undertaken. Thus, economic growth not only calls for more food but also for an expanded marketing system. When the average per capita income of a country is only \$50 a year, the demand for food at retail is about 25 percent of the total demand for all food. But when incomes start to rise, the proportion of retail food becomes a larger proportion of the total demand for all food, increasing to about 50 percent at the \$200 per capita income level; to about 70 percent at an income of \$500 per capita; and to around 85 percent at \$1,000 per capita. In terms of actual dollars spent for food, such changes would mean a consumer expenditure at the retail level of only \$9 at the \$50 a year income level but a \$155 and \$326 expenditure at the \$500 and \$1,000 per capita income level.

One important policy implication following from this study is that governments planning for economic development should be aware that rapid increases in the flow of food through marketing channels are likely to cause inflationary pressures on food prices unless marketing channels are made capable of handling these increased food flows. And, since the demand for food at retail is influenced by particular rates of economic growth and food elasticities, development planning should be closely geared to their specific economic conditions, if bottlenecks and food inflation are to be avoided. —Edward Koenig, U.S. D.A.

Retail Food Path	Ratio of Food at Retail to Total Food with per capita income as follows:			
	\$50	\$200	\$500	\$1,000
	Percent	Percent	Percent	Percent
Low .....	10	30	50	75
Medium .....	25	50	70	85
High .....	60	75	90	95

Note: The low, medium and high retail food paths each represent shifts in the ratio of food at retail to total food as countries undergo economic development and experience higher levels of per capita income.



*Dr. S. E. Allen, greenhouse supervisor, explains to international group—from Turkey, Brazil, Kenya, Egypt, and India—how TVA makes preliminary evaluations of potential new fertilizer products.*

## TVA Helps AID's Fertilizer Programs

International research and development centers are proving to be potent weapons in the world struggle against mass starvation. Use of the interdisciplinary approach to problem solving has created new advances that have helped renew hope of averting food famine. Such advances include the so-called miracle varieties of rice, wheat, corn, and sorghum.

TVA's National Fertilizer Development Center (NFDC) at Muscle Shoals, Ala., has many attributes of these recognized international centers. The interdisciplinary approach of the NFDC staff of some 250 scientists—chemists, engineers, economists, soil scientists, agronomists, marketing specialists, and communication specialists—provides an unequalled competence of experience and know-how in the field of fertilizers.

The Agency for International Development has recognized TVA's competence in fertilizers and since 1965 has maintained a general agreement which makes available the personnel resources, capabilities and experience of the NFDC staff to the effort in the War on Hunger.

The broad coverage of the many aspects of fertilizer production, distribution, marketing, and use, make the

center a fruitful training ground for fertilizer technicians and executives from developing countries. This training takes the form of formal courses in production, marketing, and use; plant operation and maintenance; and management. Informal training for periods of a few days to several months—allow participants to work with world-recognized scientists and engineers and to specialize in their fields of interest.

Formal training courses stress to the participants the interdisciplinary nature of fertilizer problems. By working with other disciplines in problem solving situations, students better understand the complexity of fertilizer problems and their solution. To eliminate biases and political influences, problem solving in the TVA courses is based on a mythical country and its problems. Once the participants learn to address themselves to problems on this basis they are in a better position to approach and solve their own.

Training to date has involved over 100 participants from 16 different countries. To further extend and expand this training TVA is now preparing a handbook for training courses in fertilizer. Through this approach it is anticipated that returning trainees can

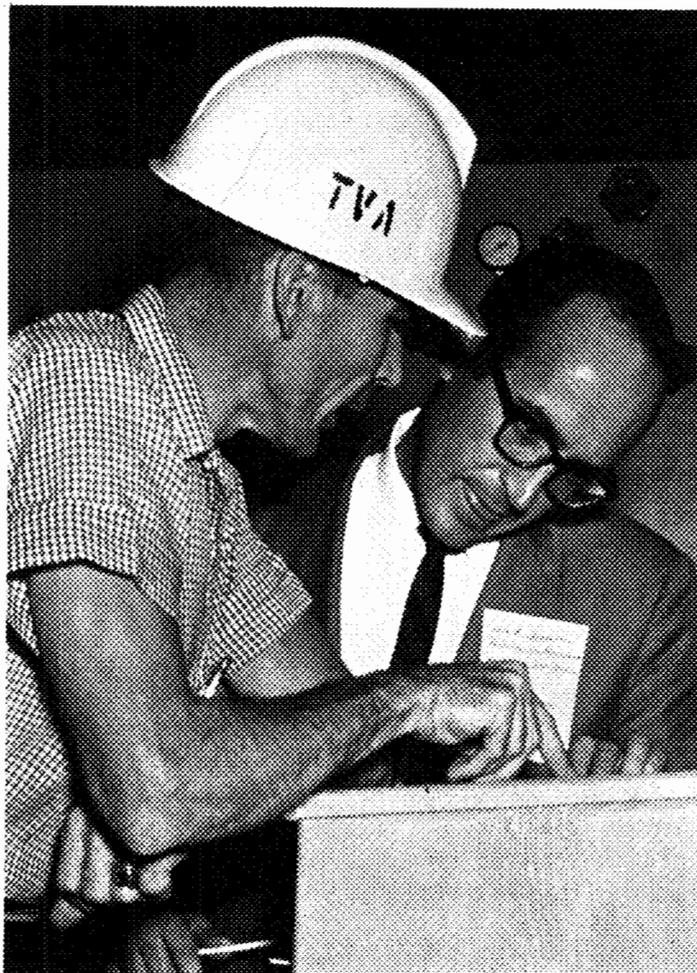
conduct additional training courses in the LDCs and with a minimum of outside assistance many additional participants can receive meaningful training.

TVA has also furnished technical teams for a number of developing countries. The broad training and experience of TVA's technical staff, make possible a broad range of interdisciplinary studies. The results of this work are manifest in the type of fertilizer plants that have been built in Korea, Turkey, and Morocco, in fertilizer use estimates for Thailand, Turkey, Morocco, Uruguay, and Peru and in recommendations for improved fertilizer marketing systems for India, Afghanistan, Morocco, and Peru. Overall these studies and their related reports have contributed to increased and more wise use of fertilizers which in turn has contributed to improved food production.

TVA further conducts a number of studies that are keyed to AID's policy on fertilizers. A publication entitled, "Estimated World Fertilizer Production Capacity as Related to Future Needs" keeps AID and others informed of fertilizer production potential worldwide and regionally in relation to estimates of use. Where obvious inequalities appear, additional emphasis can be exerted on a timely basis to avert imbalances.

A study evaluating the various high-analysis fertilizer intermediates such as ammonia, urea-ammonia solutions, liquefied natural gas, elemental phosphorus, phosphoric acid, superphosphoric acid, etc., for use by the developing countries shows promise for providing improved fertilizers for some countries and regions at savings in total cost, in foreign exchange, and in capital outlay.

*TVA Director of Chemical Development, T. P. Hignett, known throughout the world as an outstanding fertilizer researcher, discusses fertilizer products with members of multinational group. (These represent India, Turkey, and Kenya.)*



*Engineering aide explains results of pilot-plant test run with new process to industry visitor during biennial demonstration of new TVA fertilizer developments. The two-day event attracts about 600 people from throughout the U.S. and 18-20 foreign countries.*

TVA also functions in other ways: fertilizer raw materials are evaluated chemically and for processing into finished fertilizers. New promising fertilizers such as urea - ammonium phosphate, ammonium polyphosphate, slow-release materials, etc., are available through TVA for testing under different climatic and cropping regimes. A world fertilizer information center is being maintained at the National Fertilizer Development Center at Muscle Shoals, Alabama. This library is fast becoming the most complete fertilizer information center in the world. A monthly publication "Fertilizer Abstracts" reviews and catalogs recent fertilizer information and publications. This service has been offered for only six months and about 700 paid subscriptions are being serviced. TVA also plays an important role in AID emphasis on fertilizers by sponsoring and participating in fertilizer conferences and symposiums and through its international visitor programs.

The National Fertilizer Development Center is playing and can be expected to continue to play an important role in encouraging greater and wiser use of fertilizers to produce more food to relieve human misery throughout the developing free world.

## Vietnam—continued from page 4

Similarly, protein production has revived. In 1966, diseases destroyed one-third of the total swine stock. Since that time a major effort to develop local vaccine has been undertaken and its production has gone up sharply. Livestock diseases are being reduced. Meat and poultry production is beginning to increase.

As a consequence, with the exception of temporary hardships among those hardest hit by the war, in different places, at different times, the great majority of the Vietnamese people has enjoyed a diet well above normal health standards in caloric requirements, nutritional value and variety. Anyone who remembers the spartan rations of Europe in World War II must be impressed by the comparative abundance and quality of the diet of the Vietnamese people.

### Strides Made in Health

What has been done to stamp out disease?

Improved health care services to more and more people in South Vietnam have shown rapid growth. In February 1966, the Vietnamese civilian hospital system treated less than 30,000 patients per month, including outpatients and admissions. This year, the average per month is 205,000.

By the end of 1966 the total bed capacity of the Health Ministry's Hospital System had been brought to 15,555.

It has been further increased to 16,055 at present. The treatment capability has been multiplied largely

*Special seedbed called "dapog," makes its appearance at Vo Dat. Rice seeds are planted very close together over a matting of banana leaves, and the seedbed is kept quite moist. After 14 days, the matting can be rolled up with the seedlings inside and their roots outside, and taken to the paddy for transplanting. Ordinary rice seedlings require a full month before transplanting, require too much valuable growing area, while the new "dapog" seedbed can even be grown inside a farmer's house.*



*Slushing through hip-deep water, AID Agriculture Adviser Ray Russell leads IR-8 rice trainees out to the paddies in Vo Dat demonstration project to check out the rice crop. Impressed with the success of Vo Dat, AID Mission Director MacDonald declared that "despite the war and the obvious difficulties entailed in achieving radical production increases in the short run, the progress of the recent past gives the Vietnamese every reason to strive for self-sufficiency in rice production by 1971."*

by an outpatient care system reinforced by American and free world public health assistance teams throughout the country. Free world medical assistance personnel have been sent by ten countries; their numbers on duty in Vietnam average over 90 doctors and nearly 300 nurses and technicians, U.S. health assistance teams comprise approximately 400 doctors, nurses, technicians and administrators. Also, some 500 American physicians have served 60-day tours in Vietnam as unpaid volunteers.

Immunization against smallpox, cholera and plague is being carried out on a large scale. In 1966 such immunizations totalled 4,100,000. In the first four months of this year alone, nearly 9,000,000 immunizations have been given.

This, then is the record of some of the Vietnamese accomplishments over the past two and one-half years in the economic and social sphere—a record in which is mirrored the activities of the U.S. Agency for International Development during that time. AID has been extensively engaged in programs supporting each of the Vietnamese efforts I have discussed. I take considerable pride that AID involvement has frequently been a significant and sometimes an essential element in these achievements. But it is important to note that these are primarily Vietnamese successes, in which the U.S. has played only a supporting role.

The people of Vietnam have built even while they fought—not only to stabilize the economy, but to improve the economic well-being of most Vietnamese; to increase the production of food; to spread the light of education; to stamp out disease.

*—From a speech to the Saigon Lions Club, August 12, 1968.*

*These healthy Indian children are typical participants in a school feeding program.*



# BALAHAR...

## and the kitchen's children . . .

Hungry and malnourished children are facts of life in many of the world's less developed countries. AID, in cooperation with U.S. voluntary agencies and national governments, seeks to do something about them.

Last year, for example, 48 million children in 106 countries were fed nutritional foods donated through Food For Freedom programs. These children received conventional foods such as non-fat dry milk, wheat and corn as well as a variety of blended foods which have been especially prepared for use in mass-feeding programs.

One of the newer of these foods has been developed by the Food Corporation of India and has been named Balahar — a romantic-sounding word combining the Hindi words “bal” (child) and “ahar” (food). It contains 70% cereal, 25% peanut flour, 5% non-fat dry milk plus vitamin and mineral additives. At present, the U.S. is supplying the cereal needed while the Indian Government is supplying the remainder. One pound of the product is ample to provide six children with their full daily protein requirements and one-fifth of their caloric needs.

The basic concept of Balahar is to provide a balanced diet containing carbohydrates as well as the requisite quantities of protein from a wide range of interchangeable sources. There is no single formula, as such. Rather, local supplies and tastes will determine the composition.

Balahar began as part of the U.S.-assisted famine relief program for the state of Bihar in India during 1967. Of the \$25 million appropriated by the U.S. Congress for famine relief, \$5 million was for the production of Balahar. After some testing, it was produced in larger quantities to be introduced into already existing feeding and relief programs. Through July of 1968, more than 21,000 metric tons had been produced.

The Food Corporation, an Indian Government enterprise, is responsible for the production of Balahar although the actual milling and processing is done by private concerns. The Food Corporation acts as a catalyst in identifying ingredients and encouraging popular acceptance. It is currently making efforts at the commercialization of the product and is distributing

samples and promotional material through retail channels.

The magnitude of AID's efforts in child feeding and school lunch programs can clearly be seen in the current reports from India. There, almost 9.5 million children are participating in lunch programs, 40,000 are being aided in other programs and 4 million more are receiving temporary assistance in drought-stricken areas — a total of 13.5 million children.

U.S. voluntary agencies carry out the majority of these programs with most of the basic food commodities and logistical support provided by AID. The voluntary agencies seek AID's assistance and concurrence in their programs and provide the administrative personnel to coordinate them in the field.

In India, CARE is the principal agency involved in child and school feeding programs, feeding 8.6 million children of the total 9.5 million now being reached.

A concept now being tried with great success in India is that of the central kitchen. Through experience, both AID and CARE came to realize that allowing each individual school to prepare, store and distribute the food allotted to them did not always produce the best results. The solution, they thought, was the establishment of central kitchens which could prepare the food in large quantities and with more uniform results.

A pilot project, employing this idea and using Balahar, has begun in Madras state. Large thermal containers are employed to keep the food hot and trucks are used to carry the food to distant schools and to return the reusable containers to the kitchen for washing. With this method, a standard nutritional quality is more easily obtained and more sanitary conditions are introduced to already effective feeding programs.

Implicit in all these programs is the encouragement of both the firm establishment of the school lunch as a part of local culture and the gradual increased assumption of local responsibility and financing. The pictures on the following pages show the work being done in India on the production of Balahar and the Pilot Central Kitchen Project.



# BALAHAR... and the kitchen's children



*A central kitchen truck delivers lunch.*



*Balahar: a handful of health*



*CARE representative, William Huth, inspects the thermal containers*



*Balahar being processed in roller machines at the mill.*



*Bagging Balahar at the South Indian Flour Mills*



*The finished product is stored prior to shipment*



*Preparing the day's meal at the central kitchen*



*Staple grains for the production of Balahar arrive at the mill*

## **Katzenbach—continued from page 2**

First, it is, of course, no longer correct to think of this problem in terms of a single unified movement of world Communism. There is the Sino-Soviet split. In many countries—in Africa in particular—we find active competition between the Soviet Union and Communist China. In some countries we find Moscow-supported orthodox Communists, Trotskyites and Maoist oriented groups. And in Latin America, we find a split between Castroite-Marxist forces, with their emphasis on guerilla warfare and violent revolution, and the traditional Marxist parties which, while not ruling out violence at some future time, would for the present try to gain power by non-violent means.

Second, Soviet policy, as we now clearly see, has both an ideological and a national security component. At different times and places, one or the other component may be dominant. And the two are not always fully consonant. In South Asia, the Soviet Union has generally worked for stability, economic development, and a relaxation of tensions between India and Pakistan. In West Africa, the Soviets have tried to improve relations with Turkey and Iran. And in Latin America, apparently unlike Castro's policy, Soviet policy, at least in the short-term, has tended to emphasize correct state-to-state relations.

### **Relationship is Complex**

None of this is to say that the Soviet Union has now become a helpful influence in the developing world. Soviet intentions toward the United States certainly remain antagonistic. But we should also recognize that the relationship between the Soviets and ourselves in the developing world is a complex one, that it contains elements not only of competition but also occasional strands of parallel action and interest.

Third, in judging the threat of communism, we should not forget the tremendous force of nationalism and the profound opposition in all these countries to external domination. Events in Eastern Europe have once again demonstrated the strength of these forces as has, in a different way, the history of Castro's relations with the Soviet Union or that of Sino-Soviet relations. In Africa—the area, in some respects, most vulnerable to Communist penetration—Soviet and Communist Chinese intrigues have been spectacularly unsuccessful. The lesson we should draw is that the possibility of Communist takeover will be determined, except in special circumstances, by developments within these societies themselves rather than by external intrigue and manipulation—and that the prospects for totalitarian solutions will be diminished to the extent less-developed countries make reasonable progress in solving their problems.

The other lesson we should draw is that—profound antagonisms notwithstanding—there is some common ground in this arena for occasional parallelism of Soviet and United States actions and interests. Over the long term, we should try to explore using this common ground to reduce conflict between the Soviets and our-

selves in these areas of competition, as we are trying to do in others.

### **How Much Influence?**

Finally, let us consider the question of how much influence we ourselves, other Western countries, or the Soviets, for that matter, can hope to exercise on the direction and the final results of the development process itself.

On this point, all that can be said is that there are grounds for optimism and hope. We should acknowledge, with due humility, that we stand here before very large processes of history whose eventual shape and outcome we can not, at this time, fully foresee. But this should not deter us from the attempt to influence history.

Taking first the economic aspects, all of us are familiar with the long list of problems and obstacles to rapid development.

—The sheer poverty: the painful choices between saving and consumption;

—The problem of exploding populations;

—The problem of how to increase export earnings.

But there have also been, to turn to the other side of the ledger, spectacular success stories. The list of countries graduating from the aid rolls is lengthening. And in much of the developing world, dramatic changes of economic structure are taking place, creating a solid base for further progress.

One example, in particular is worth noting: the revolution in agricultural productivity now under way, associated with new high-yielding seed strains. Indian farmers of the Punjab are using new seeds which have increased wheat yields by up to 200-300 percent. In East Asia, the miracle rice developed in the Philippines is accomplishing a similar revolution. Already, trends in food supply are dramatically being reversed. Where only a few years ago the outlook in much of non-Communist Asia was one of growing food deficits, the prospects now are for self-sufficiency in grains some time in the 1970s.

### **Problems of Progress**

Turning to the sociological and political aspects of the development process, we sometimes too readily assume that steady economic progress assures orderly social change.

This overlooks the many psychological and institutional and special interest barriers to development. In some cases, these barriers may be so strong that peaceful reform becomes impossible. In these cases, development may result in—even require—violence. We hope that such cases will be few. But we can expect such occurrences and should not be frightened by them.

Development is a profoundly unsettling experience. It involves the uprooting of ancient ways, the obliteration of traditional group and class distinctions, the willingness to opt for new ways of life. In a very real sense, it requires a new conception of self.

This, then, is the true scope of the task: each of the developing countries must construct a new national identity fusing ancient ways with the new values required for the conduct of a modern economy. Our own role in these processes must be approached with great humility, with the recognition that our efforts must necessarily be limited, and that the results may not always be what we expect.

India for many years now has been the single largest recipient of United States development aid.

A visit to India is an eye-opener. The dominant impression is the enormous potential of this vast, endlessly varied country; the progress made and the promise of further progress, despite great difficulties; and the growing confidence of India's leaders — and its people—that, after all these years, success in dealing with some of India's formidable economic problems is coming in sight.

This new optimism has its solid ground in this year's bumper harvest—following two years of disastrous drought. But, more important, the agricultural revolution, for the first time, has brought in sight self-sufficiency in food, some time in the 1970s—some Indian planners think as early as 1971. In a country where such a large part of the population is dependent on agriculture, it would be difficult to over-estimate the importance of this prospect.

There is no doubt in my mind that India will, some day, be one of the major powers in Asia—as, in fact, it already is a significant voice on the international scene. Despite occasional major disagreements, which are an irritant to our relations, we share with that country a common set of beliefs about the value of individual life and the importance of free democratic institutions. Success of the Indian experiment—to develop this enormous country under free institutions—will be of enormous consequence for the world—the general climate of international security in which we and future generations of Americans will live — and, more particularly, the emerging political order in Asia, which is vital to stability in the Pacific region.

The case of India clearly illustrates that this is not the time to abandon our commitment to the cause of peaceful, non-totalitarian modernization. Our domestic needs are urgent and important to the health and well-being of our own society. Appraisal and reassessment of our involvements abroad is desirable. There will be —and should be—adjustments. But when all is said and done, this searching reexamination of our policies will confirm the soundness of our commitments, begun and carried forward under both Democratic and Republican Administrations, in the key areas of the developing world.



## RURAL ELECTRIFICATION PROGRAM BOOSTED IN THE PHILIPPINES

Two pilot rural electrification projects in the Philippines will be financed by loans recently authorized by the Agency for International Development.

The two projects, based on feasibility studies made by consultants from the National Rural Electric Cooperative Association, are expected to lead to a nationwide program of rural electrification. The program will be an integral part of the efforts of President Marcos' administration to promote rural development.

One loan, for \$2 million, will finance generating and other equipment, as well as engineering services, from the United States for a cooperative at Victorias in Negros Occidental province, to serve an area with a population of about a quarter million.

The other loan, for \$1.1 million, will pay for U.S. transmission and distribution equipment and engineering services for a cooperative in the province of Misamis Oriental, Mindanao, to serve a coastal area of about 120,000 persons.

The NRECA consultants will provide advisory technical and management assistance for the projects under AID contracts.

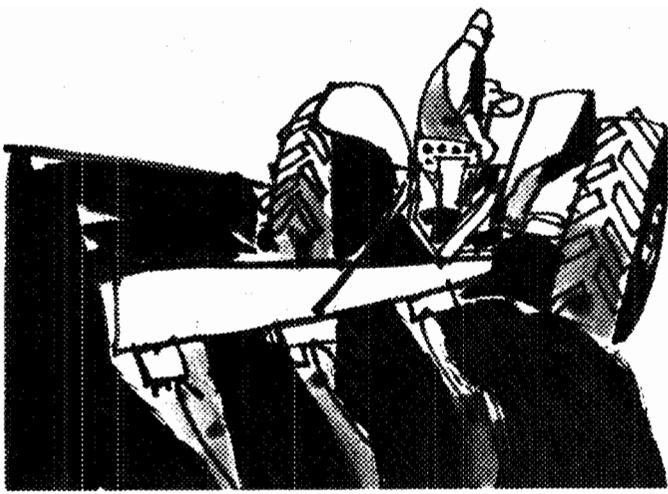
The borrower will be the Government-owned Development Bank of the Philippines, with a loan guaranty from the Government of the Philippines. The loan funds will be re-lent to the respective rural cooperatives, whose leadership comes from the communities to be served.

Local costs will be advanced by the Electrification Administration, a national Government agency responsible for assisting local governments, cooperating associations and private utilities to obtain low-cost, dependable electric power. These costs are estimated at the equivalent of \$475,000 for the Victorias project and \$560,000 for the Misamis Oriental project.

Technical supervision for the design, construction and initial operating phases, as well as general technical assistance to the cooperatives, will be provided by the National Power Corporation of the Philippines Government, the Electrification Administration and the NRECA advisors.

The AID loan funds may be spent only for U.S. goods and services. The loans are repayable by the Development Bank in 25 years, including a principal grace period of 5 years, with interest of 3½ percent annually on outstanding principal.





# THE TECHNICAL FRONT

## THE RURAL BANKING SYSTEM *of the* PHILIPPINES

By Robert L. Fowler

*Chief, Agricultural and Rural Development Division, East Asia Technical Advisory Staff, East Asia Bureau, AID.*

The Rural Banks Act, authorizing the establishment of the Philippine Rural Banks' program, was enacted into law on June 6, 1952, by the late President Elpidio Quirino. This legislation was based on the experience of more than 40 years' effort by the Government to establish an institution that would provide a workable solution to solving the age-old credit problem of the small farmers, small merchants, and private entrepreneurs. Money lenders traditionally have been the principal source of capital available to Filipino farmers. But their high interest rates have served as deterrents to borrowing. It was not, however, the purpose of the new banking system to replace the money lender but rather to involve him into the system. In this way the farmer could take advantage of his capital and expertise under controlled interest rates.

The Agency for International Development and its predecessor organizations have played an important role in helping the Government of the Philippines (GOP) to develop a Rural Banking System. In 1950 President Truman, at the request of the President of the Philippine Republic, appointed a U.S. Economic Survey Mission to consider the economic and financial problems of that country and to recommend measures that would enable the Philippines to become and to remain self-supporting. Among its many recommendations there was one to establish small rural banks in strategic locations within easy access of the more important agricultural regions. The Mission emphasized that these banks were the solution to the credit problems of small land owners and responsible

tenants. The Mission also recommended that the rate of interest should be moderate and equivalent to about that charged by commercial banks for larger loans to agricultural producers in a strong financial position. It further recommended that the banks should provide farmers with a management service.

Shortly after the enactment of the Rural Banks Act of 1952, the first rural bank opened its doors for business in the town of Pasig, Rizal.

Rural banks comprise an important element of the total banking structure of the Philippines. They are designed specifically to serve a segment of the population—the small farmer, the small businessman, and small entrepreneur—who are not adequately covered by commercial banks. Instead of competing with commercial banks, rural banks tend to supplement or complement them. Although the volume of business of the rural banks is small in comparison with the commercial banks, they are reaching greater numbers of small credit-worthy people each year and arranging for them to obtain needed credit. These rural banks are playing an important role in agricultural development in the Philippines.

### Establishment of Rural Banks

The initiative to organize a bank comes from private Filipino citizens, usually a family (not less than five or more than 15 people) who petition the Central Bank of the Philippines for the necessary authorization to form a stock corporation. Each application is carefully screened by the Central Bank to determine the competency of the management. The Central Bank also determines the suitability of the proposed location of the bank to serve the credit needs in the area.

When a rural bank is authorized, it is granted a charter for 50 years. Then the management issues common stock to private investors to raise the capital authorized by the Central Bank. If private subscription fails to raise the necessary paid-in working capital, the Rural Bank may raise additional money through sale of non-voting preferred stock to the Development Bank



*Filipino farmer Antonio Aldemita receives part of a loan from a Laguna Rural Bank to take care of expenses expected to be incurred in transplanting, weeding, harvesting and other emergency expenses for the high-yielding rice variety seedlings on his farm. This form of assistance is covered by the Agricultural Guarantee and Loan Fund (AGLF), a supervised credit program of the Philippine Central Bank.*

of the Philippines (DBP) in an amount not to exceed the fully paid subscribed capital of the private shareholders. Government subscription is on a matching basis, i.e., on a peso-for-peso basis. The preferred stock is paid off as soon as possible from the profits. The par value of the shares of common and preferred stocks ranges between one peso (\$0.262)<sup>2</sup> and 100 pesos (\$26).

The DBP and the Philippine National Bank may also make loans to a rural bank repayable in ten years with interest at two per cent per annum against securities offered by any stockholders of the rural bank. In case of emergencies, the Central Bank may extend a loan to any Rural Bank against any asset considered acceptable by the Central Bank. Rural Banks, providing they are in good standing, may also increase their loan funds through rediscounting with the Central Bank eligible paper covering loans to borrowers at preferred rates of from two to three per cent per annum. The Central Bank permits discounting when banks find it necessary to adjust their asset position to meet credit requirements beyond their financial limitations. These eligible papers may consist of agricultural promissory notes, industrial promissory notes, and eligible commercial, and cooperative papers. The rediscount rate is based on the age of the bank as well as its capacity to make a profit. The rate should be about 2½ per cent for bank that has been in business for two years.

<sup>2</sup> 1967 rate of exchange \$1 = 3.91 Pesos.

The Rural Banks Act provides that at least 60 per cent of the voting (common) stock shall be held by Filipino citizens and that all members of the Board of Directors (between 5 and 11 persons) shall also be Filipino citizens. Each Director must own at least one share of stock. Officers and salaried employees of the Government are not eligible to hold office in a rural bank, but they may subscribe to the stock. The minimum paid-up capital requirement for a rural bank is 50,000 pesos (\$12,800). There are no limits on the maximum amount of capital that may be invested in rural banks. However, a bank must receive approval from the Central Bank in order to increase its authorized paid-in capital stock. The average rural bank has a total capitalization of about 270,000 pesos (\$69,000).

#### **Supervision of Rural Banks**

The Central Bank of the Philippines is charged by the Government of the Philippines with the authority and responsibility to administer and supervise the activities of the rural banks. At least once a year it reviews the lending policies and operational affairs of each rural bank. To encourage the development of these banks, the Rural Banks Act authorizes adequate incentives and privileges such as tax exemptions (so long as capitalization of the bank excluding government preferred shares does not exceed one million pesos or \$256 thousand), free technical assistance, including credit supervisory assistance, and certain commodity assistance. The Central Bank also offers special training programs to ensure that management personnel is adequately trained to perform competently. The Central Bank also sends two training officers to work with the newly established banks for a period of two weeks. They return later to give further assistance if the examiner's report shows that the bank still needs help. The Banks are under a uniform accounting system and are first examined two months after their establishment. As a result, few rural banks have had to be suspended because of unsound banking practices or irregularities.

The Central Bank has provided the Rural Banks with several guiding principles on sound lending. These include:

1. Loans must be tailored to meet the needs of the borrower;
2. Repayments should be so scheduled that maturity dates coincide with income dates;
3. Loans should be used for their intended purposes;

4. Primary consideration in making loans should be given to the borrower's character and his capacity to repay as shown by past production records and present condition of his business.

#### Growth and Credit Function

Since the enactment of the Rural Bank legislation, the number of rural banks has steadily increased. By the end of 1966, there were 338 banks in operation with total resources of 323 million pesos (\$82.6 million).<sup>3</sup> Since 1953 loans have aggregated 1.5 billion pesos (\$383.6 million). Approximately 79 per cent of the loans granted during this period (more than 2.1 million) went to small farmers, 16 per cent to small merchants, and 4 per cent went to operators of small industries. In 1966 the total loans granted to small farmers amounted to 247.5 million pesos (\$63.3 million) that was 83.7 per cent of all loans granted. These loans were made to 315,595 farmers. The majority of the loans granted were between 100-1,000 pesos (\$26-\$256) each. The interest rate is one per cent per month or 12 per cent per annum. This rate is considered reasonable in view of the 25-50 per cent or more charged by traditional lending sources and the size of individual loans.

Production loans vary according to the kind of crop, as indicated in the following table.

Crop	Maximum Percentage Allowable	
	Based on Value of Previous Year's Production	Based on Value of Visible Production
Rice & Corn	50	70
Other Agricultural Crops	40	60
Perishable Crops (fruits & vegetables)	30	40

In determining the amount of the loan, the rural banks take into consideration the established value of either the farmer's previous year's crop or his visible harvest, whichever is appropriate. Loans based on the visible harvest are generally larger, as much as 20 per cent. The Rural Banks may also make loans for the feeding of livestock in an amount not to exceed 40 per cent of the value of the livestock at the time the loan was approved. In case of marketable stock, the Banks may loan up to 60 per cent of its commercial value.

#### Special Financing Programs

There are several far-reaching developments underway:

1. The International Bank for Reconstruction and Development (IBRD) has established

<sup>3</sup> See Appendix A for comparative statement of total resources and liabilities of all the rural banks.

an agricultural credit line of \$5 million to the Central Bank for financing medium-term and long-term loans for the acquisition of farm machinery and equipment by small farmers. The Central Bank establishes time deposits in the rural banks, which enables the farmer to make his purchase through them.

2. The Central Bank has also entered into an agreement with the Rice and Corn Administration (RCA). Under this arrangement the RCA, in its efforts to stabilize the price of palay (rice) and corn has authorized the rural banks to serve as its agents. It establishes an account in the bank for the purchase of rice and corn from producers at stabilized prices. As of December 31, 1966, the rural banks that were participating in the program had spent 115.6 million pesos (\$29.6 million) for rice and corn.

3. In 1966 the Central Bank entered into an agreement with the National Economic Council and the USAID Mission to establish and operate an Agricultural Guarantee and Loan Fund (AGLF). Under the provisions of the agreement, AID has contributed 5 million pesos to the Fund for agricultural purposes only. The Fund is made available to the rural banks by the Central Bank in the form of special time deposits. Eighty-five per cent of the Fund on deposit in the rural banks at any given time, unless special approval is granted, may be used for short-term production loans (one year or less) and 15 per cent for medium-term credit in support of the IBRD loans. Preference is given to the small farmer-operator. A Review Committee, composed of one representative each from the National Economic Council, the Central Bank, and the USAID Mission, has been established to review periodically the Agricultural Guarantee and Loan Fund. The AGLF deposits in the Central Bank earn 4¼ per cent interest which accrues to the Fund. Rural Banks which utilize the fund pay 6% interest to the Central Bank, a portion of which goes into the guarantee fund or account. Borrowers of loan funds from the rural banks are charged one per cent per month. As of April 1, 1968, there were 174 rural banks participating in this program and 26.1 million pesos (\$6.7 million) had been loaned to cooperating farmer-borrowers. The repayment under this program with the exception of a few banks continues to be satisfactory. In some cases inclement weather literally destroyed crops and has created some collection problems.

### Supervised Credit Program

The Rural Banks Act of 1952 authorized the Central Bank of the Philippines to provide supervisory loan assistance to the rural banks. This innovation resulted from past observations by bankers that farmers who used the loan proceeds as intended generally derived the greatest benefit from them. Some rural bank officials report that repayment by farmers and other borrowers has increased from less than 80 per cent for unsupervised loans to well over 90 per cent for supervised loans. Except in a few cases, individual rural banks are not yet in a position to employ trained credit supervisors. Recently, the Central Bank arranged through umbrella agreements at the national level with selected government agencies, including the Agricultural Productivity Commission and the Bureau of Plant Industry, for the field employees of these agencies to work closely with the banks in their supervised credit program.

The supervised credit operations of the rural banks in the Philippines do not differ essentially from those in other countries. The extension agents help the farmers prepare farm plans and budgets. Then they recommend to the bank that loans be given to these farmers on the basis of such plans. Loans are made in kind or by purchase orders insofar as possible. During the crop season, the technicians make frequent visits to the farms to help farmers apply the proper cultural recommendations. The banks arrange for local suppliers to furnish the farmers with needed chemicals and other inputs. The dealers are reimbursed by the bank, which in turn charges the costs of these supplies to the loan accounts of the farmers.

Besides providing agricultural loans to the small farmer (operations not more than 50 hectares dedicated to agricultural production, 123.5 acres), rural banks also provide financial assistance to the small businessman whose capitalization is not more than 25,000 pesos (\$6,400), to rural industrialists whose capitalization also does not exceed 25,000 pesos (\$6,400), and to cooperatives of small farmers and merchants. Industrial or enterprise loans of small denominations, for example, are granted to fishermen and to manufacturers of articles such as textiles, pottery, and leather goods. These essential rural manufacturing operations would all be classified as small-scale cottage industries. Loans are also made to rural businessmen for purchasing and stocking needed agricultural production inputs such as fertilizer and

pesticides, which will be resold to farmers. In 1966 the commercial loans totaled 36.6 million pesos (\$9.4 million) while the industrial loans totaled 10.4 million pesos (\$2.7 million). The number of loans granted for each were 28,318 and 7,887, respectively.

In addition to production loans, consumption loans of small denominations may also be obtained from rural banks by non-farm borrowers to cover immediate family expenditures.

During 1966 a total of 355,531 loans were granted for agricultural, commercial, industrial and other uses, of which 61.2 per cent were less than 500 pesos (\$128) per loan, 33.7 per cent ranged from 500-2,000 pesos (\$128-\$512), per loan, and 5.1 per cent were more than 2,000 pesos (\$512) per loan. 77.2 per cent of the loans were secured with real estate and a minimal 6.3 per cent were unsecured.

Rural banks are aware of the importance of mobilizing local savings and are making use of this source. Some of the inducements used by the banks to secure depositors are: distribution of kitty banks free or at a small cost to people with small saving potentials; organizing college clubs and awarding a one year's scholarship to the young person with the highest amount of deposit in each club at the end of the campaign; cashing government checks without service charge; and giving school children a peso as counterpart to the initial peso deposited. By 1965 there were 32,000 savings and time deposit accounts, which totaled about 78.7 million pesos (\$20.1 million). By the end of 1966 total deposit liabilities had exceeded 100 million pesos (\$25.6 million). The interest rate paid on these deposits is about 6 per cent per annum.

### Rural Banking Goals

The Rural Bank program continues to expand each year. The immediate goal is to establish 500 banks strategically located over the country. The long-term objective is to have one or more rural banks in each of the more than 1200 municipalities with a population of 10,000. It is also planned to carry out the supervised credit program on a nationwide scale. Through this banking system farmers are learning that credit is an important tool for increasing agricultural production and is not meant solely for urgent consumption needs. Officials are continuing to evaluate and study the system in order to improve the legislation, rules, and regulations so that the rural banking system will become more flexible in meeting changing economic conditions.

# Quotes

"There is no greater challenge to young people than this: to build a world in which human hunger is merely a nightmare memory. We all know that there is enough technology in the developed nations of the world today, if properly distributed, to do away with hunger and want. The men and women and children in the developing world realize that they no longer need to live like their ancestors, a step away from starvation.

"The affluent nations simply must be willing to share their vast storehouse of knowledge with the rest of the world which needs it so desperately. We must do this for our own sake, and we must do it for the sake of peace in the world."  
—Dr. H. Brooks James, *AID Assistant Administrator for War on Hunger*, August 1968.

\* \* \*

"Perhaps the low estate of the foreign aid concept says something about the American character. We are willing to spend unlimited billions on useless militaristic adventures in the name of restraining 'Communism.' But we refuse to finance the economic measures that would cost very little and that would eliminate many excuses for war. We seem ready to repress violence in the slums but will not supply the money that would eliminate the causes of domestic violence.

"This irresponsibility toward the slum-dwellers of the United States and the slum-dwellers of the world is of a piece . . . American society must share its affluence if it is to protect itself from domestic violence, and it must share its affluence with the poor and developing nations if it is to secure the United States against revolutionary world forces."

*St. Louis Post-Dispatch*  
Sept. 28, 1968

"Whatever the name of the next president of these United States . . . and whichever party he represents . . . he must deal and deal forcefully with foreign aid.

"Foreign aid remains a very important part of America's foreign policy . . . her world-wide public relations . . . and . . . although few either realize it or want to admit it . . . America's economics as well.

"The bad boy image of foreign aid has been terribly oversold . . . via the 'give-away' libel. Foreign aid is . . . and always has been self-serving. It is in our own national interest to buoy up the economies of other nations for economic as well as political reasons. We need not only political friends in a world where our number of friends seems to be shrinking rapidly. But we also need trade and access to as many foreign markets as we can get. Further . . . whenever we can . . . we need to help develop new foreign markets.

"Foreign aid a give-away? . . . 92 cents out of every U.S. dollar that is spent on such is spent . . . right here in these United States! And that stimulates our own economy! . . .

"Careful statisticians have studied surveys and reported that one third of the world goes to bed hungry every night. And a grumbling stomach can start dreams of revolution. More startling . . . perhaps . . . is the fact that 12 thousand people die of starvation every day because they simply have nothing to eat to keep them alive. . . .

"And now let us all prepare to be surprised and amazed when another country filled with hungry, ignorant people we failed to help when they needed it turns to communism or some other form of government that is anathema to us!"—  
*Alex Drier over ABC Network*,  
Aug. 12, 1968.

\* \* \*

"How many times have we seen the phrase 'Yankee Imperialism' or some such painted on the walls of our city as a demonstration of hate toward the United States! We won't go into the political reasons for such propaganda but we do wish to call attention to it as we contemplate the generosity and altruistic spirit of the government of the United States and the American residents in our country in these moments of intense suffering and grief for our homeland.

"The American people have responded quickly and generously, not only in material goods and economic aid, but also with acts of personal courage which the Costa Rican people will never forget. A group of men left their work and their homes and marched toward the scene of the tragedy to cooperate with the rescue and refugee efforts, even at the risk of their own lives . . .

"So today those grimly lettered signs on our city's walls are all the more obvious and painful, because we know they do not represent the sentiments of the Costa Rican people.

"We think we speak for our people—for the men who have suffered irreparable losses, for the homeless, the bereaved, for the children in their innocent suffering—as we express our thanks to all our sister countries who have responded to our needs, and to the government and the people of the United States who with so much Christian liberality and compassion have given us an example of their inner 'imperialism'."

*La Republica*  
*San Jose, Costa Rica*  
August 2, 1968



# IN BRIEF

## Campus Planning

A book on campus planning in the developing nations is being co-authored by A. P. Kanvinde, the noted Indian architect, and Professor H. James Miller of Kansas State University's College of Architecture and Design. The project is being supported by AID through Kansas State's Office of International Agricultural Programs. The collaborative effort is intended for use as an authoritative guidebook for university administrators in the less developed nations whose knowledge of campus planning is limited.

\* \* \*

## Floods Peril Rice Crop

The AID Mission in Pakistan has reported that the worst summer floods in 20 years have ravaged East Pakistan.

Approximately 3.8 million persons will need assistance, principally in the form of free grain, due to the emergency. Initially, Australia has promised 25,000 tons of wheat and Canada will provide about 50,000 tons under its Colombo Plan program which will be made partly available to the flood victims.

As of late August, the U.S. was awaiting a more complete picture of the extent and impact of the flooding to determine long-term funding requirements.

\* \* \*

## Food for Freedom Aids Congo

A large portion of the proceeds from a new Food for Freedom sales agreement with the Congo will be used for the repair and maintenance of bridges, roads and transport facilities. Priority will go to those directly related to the movement of agricultural produce.

Funds from sales of the U.S. wheat flour also will be used for food production projects with emphasis on those programs aimed at increasing rice production. The \$2,440,000 credit agreement with the Congo was signed August 12.



The Indian Government's Department of Posts and Telegraphs has issued a commemorative 20 pice (about 2½ cents) stamp to celebrate the success of wheat in India's agricultural revolution.

The attractive green and gold stamp shows stalks of wheat against



the library of the Indian Agricultural Research Institute in New Delhi with a bar-graph depicting Indian wheat production in 1951 and 1968. The stamp was first issued by Prime Minister Indira Gandhi at a special ceremony in New Delhi on July 17.

## Ships for Power

Drought-stricken Chile has asked for assistance from the United States. Among the items requested is a ship or barge capable of generating 50,000 kilowatts of electricity to dock at Concepcion to tide over the city's industrial power needs, particularly for the state-owned steel mill at Concepcion. Chilean sources said the ship, which would be leased by the Chilean Government, would be needed until May, 1969, by which time work is expected to be completed on a tunnel to nearby Lake Laja, which will furnish both water and hydroelectric power to the area.

\* \* \*

## AID Contracts for Research in Protein Food Marketing

Two U.S. firms will develop and test market low-cost, high protein food and drink products in India and Pakistan for the Agency for International Development.

AID has signed contracts with the Commercial Research Foundation, a subsidiary of Swift & Co., and General Mills Corp. for the project, whose primary objective is to test such products for use as supplements to basic diets.

The foods and beverages to be developed must be from local food sources. Preliminary testing of commercial feasibility will also be undertaken after the products are developed.

The Commercial Research Foundation will work in India with an AID grant of \$41,325, plus the equivalent of \$18,924 in U.S.-held local currency. General Mills will seek to develop a product in Pakistan, with a grant of \$26,000, plus the equivalent of \$30,000 in local currency.

\* \* \*

## Moran Elected PRB Head

The Population Reference Bureau has announced the election of William E. Moran, Jr., former Dean of the School of Foreign Service of Georgetown University, as President to succeed Robert C. Cook.

Mr. Moran, a ten-year veteran of U.S. Foreign Assistance Programs overseas, has acted as Vice President of the Bureau since 1965 and is the author of *The Handbook of African Economic Development* and *Population Growth: Threat to Peace?*

\* \* \*

## Conference on Dryland Farming

An International Conference on Mechanized Dryland Farming will be held under the auspices of the Freedom-from-Hunger Campaign of the Food and Agriculture Organization of the United Nations in August 1969. Preliminary discussions will take place in Moline, Ill., and practical field demonstrations will be given near Great Falls, Montana. The conference will be sponsored by Deere & Company, agriculture machinery firm.

## AID to Help Hawaii Center in Family Planning Studies

To help meet the critical need for highly trained experts in the fields of population problems and family planning, the Agency for International Development has contracted with the East-West Center in Hawaii to establish a Population and Family Planning Studies Program.

The contract provides \$1 million for the first year's costs and contemplates support for a five-year program. Financial support for the program will also come from regular East-West Center appropriations and from private foundations.

The program will concentrate on training, education and research in family planning and population dynamics in Asia. Most of the students, researchers and staff will come from Asia.

This program reflects the priority AID has given during the past year to helping developing nations establish family planning services and other programs to moderate high population growth rates. Asia has one of the highest population growth rates of any area in the world.

The University of Hawaii will arrange courses in public administration, demography, nursing, sociology, economics, anthropology, obstetrics and gynecology, with emphasis on their significance to population problems and family planning.

The East-West Center was authorized by Act of Congress in May of 1960 as a U.S. Government project to work in cooperation with the University of Hawaii. Its purpose is to promote better relations and understanding between the United States and nations of Asia and the Pacific.

The Population Program has the strong support of Governor John Burns of Hawaii who is Chairman of the National Review Board of the East-West Center and to whom much credit belongs for the Center's accomplishments. 

# In Print

## Recent Publications of Interest

*Estimated World Fertilizer Production Capacity as Related to Future Needs*, June 1968. (Agency for International Development—Tennessee Valley Authority.) Copies may be obtained by writing: National Fertilizer Development Center, Muscle Shoals, Alabama 35660.

A report prepared for AID by the Tennessee Valley Authority indicating there will be a heavy reliance in the less developed countries on fertilizer imports at least until 1972. Fertilizer production in the LDCs is only one half to two-thirds consumption at present while per capita use is increasing at about 15 percent annually.

The report gives a regional breakdown and analysis of future LDC production and fertilizer needs. Heavier fertilizer use, the report notes, places added importance on pest control, water utilization, distribution and marketing and the food processing industry.

\* \* \*

*Take Off Point*, Agency for International Development, 1968, Available on request from the Information Staff, AID.

A brief, illustrated brochure sketching the success stories of Taiwan and Iran—two of the former aid-recipients which have achieved self-sustaining growth in their economic development.

\* \* \*

*Food for Freedom: 1967 Annual Report on Public Law 480*. GPO, Washington, D.C. 160pp.

This is the President's report to Congress covering Food for Freedom activities during Calendar 1967, first year under the revised legislation. Self-help efforts of selected recipient countries are described, in addition to detailed accounts of sales, donations and barter programs. The illustrated report contains 80 pages of tabular material. A limited number of copies are available from the Reports and Information Staff, Office of the War on Hunger, AID.

*Food Aid and Economic Development*, by David R. Wightman. An *International Conciliation* analysis published by the Carnegie Endowment for International Peace. March 1968, No. 567, 72 pp. \$.60. Copies available from Taplinger Publishing Co., Inc., 29 East 10 Street, New York, N.Y. 10003.

An objective presentation of the complex relationships involving food aid as a part of the total developmental process. Recommended either as an initiation to the subject or as a means of providing some new ideas for those acquainted with current programs in food assistance.

The author, David R. Wightman, bears the title of Reader in International Economic History at the University of Birmingham, England. He has served as a consultant on food aid problems to the United Nations and to the World Food Program. Mr. Wightman is the author of several works on international economic co-operation and has collaborated in the preparation of Gunnar Myrdal's *Asian Drama: An Inquiry into the Poverty of Nations*.

After an examination of the current food problem, the author analyzes the origins and operations of the U.S. PL 480 programs as well as other bilateral efforts, and describes the multilateral or international approach of the more recently established World Food Program. With regard to past efforts, he remarks that, "the relative neglect of agriculture is a criticism that can be leveled at the aid operations of the donor countries as well as the development policies of recipient countries." He then outlines how this past neglect is now being corrected in the development planning of the less developed countries.



# THE PARTY PLATFORMS ON FOREIGN AID

## REPUBLICAN

The world abounds with problems susceptible of cooperative solution—poverty, hunger, denial of human rights, economic development, scientific and technological backwardness. The world-wide population explosion in particular, with its attendant grave problems, looms as a menace to all mankind and will have our priority attention. In all such areas we pledge to expand and strengthen international cooperation.

A more selective use of our economic strength has become imperative. We believe foreign aid is a necessary ingredient in the betterment of less developed countries. Our aid, however, must be positioned realistically in our national priorities. Only those nations which urgently require America's help and clearly evince a desire to help themselves will receive such assistance as can be diverted from our own pressing needs. In providing aid, more emphasis will be given to technical assistance. We will encourage multilateral agencies so that other nations will help share the burden. The administration of all aid programs will be revised and improved to prevent waste, inefficiency and corruption. We will vigorously encourage maximum participation by private enterprise.

No longer will foreign aid activities range free of our foreign policy. Nations hostile to this country will receive no assistance from the United States. We will not provide aid of any kind to countries which aid and abet the war efforts of North Vietnam. . .

Ties of history and geography link us closely to Latin America. Closer economic and cultural cooperation of the United States and the Latin American countries is imperative in a broad attack on the chronic problems of poverty, inadequate economic growth and consequent poor education throughout the hemisphere. We will encourage in Latin America the progress of economic integration to improve opportunity for industrialization and economic diversification. . .

In cooperation with other nations, we will encourage the less developed nations of Asia and Africa peacefully to improve their standards of living, working with stronger regional organizations where indicated and desired.



## DEMOCRATIC

The American people share the aspirations for a better life in the developing world. But we are committed to peaceful change. We believe basic political rights in most states can be more effectively achieved and maintained by peaceful action than by violence.

Since World War II, America's unprecedented programs of foreign economic assistance for reconstruction and development have made a profound contribution to peace, security, and a better life for millions of people everywhere. Many nations and economies all over the world which have been dependent upon American aid are now viable and stable as a result of this aid.

We support a strengthened U.S. and UN development aid program that is responsive to changing circumstances and is based on the recognition, as President Johnson put it, that "self-help is the lifeblood of economic development." . . .

Like the burden of keeping the peace, the responsibility for assisting the developing world must be shared by Japan and the Western European states, once the recipients of aid and now donor states.

Development aid should be coordinated among both donors and recipients. The World Bank Group, the International Development Association, the United Nations and the UN development program, and Asian, African, and Latin American agencies for investment and development should be fully utilized. We should encourage regional cooperation by the recipients for the most efficient use of resources and markets. . .

We believe priority attention should be given to agricultural production and population control. Technical assistance which emphasizes manpower training is also of paramount importance. We support the Peace Corps, which has sent thousands of ambassadors of good will to three continents.

Cultural and historic ties and a common quest for freedom and justice have made Latin America an area of special concern and interest to the United States. We support a vigorous Alliance For Progress . . . and urge further efforts in the areas of tax reform, land reform, educational reform, and economic development to fulfill the promise of Punta Del Este.



