



*REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES*

Impact Of U.S. Development
And Food Aid In Selected
Developing Countries

Departments of State and Agriculture
and Agency for International Development

On the U.S. aid programs in the Philippines,
India, Korea, and Chile the report notes that:

- The Agency for International Development has refocused its development assistance programs to reach poor people more directly than the older form of assistance which helped people through "trickle down" aid.
- The title II, Public Law 480, food donation program was providing nutritive assistance and was reaching large numbers of poor people in the three countries with ongoing programs.
- Except for certain indirect aid, it was difficult to say that the title I, Public Law 480, concessional sales program was helping the poor.

UNITED STATES GOVERNMENT

Memorandum

TO : AA/PPC, Mr. Philip Birnbaum

DATE: May 3, 1976

FROM : AG, Aubrey F. Mills *AFM*
GAO-IGA Liaison, Room 547 PP

SUBJECT: GAO Congressional Report "Impact of U.S. Development and Food Aid in Selected Developing Countries" dated April 22, 1976

The subject report has just been released by GAO with the agreement of the Committee on International Relations, House of Representatives. There are no recommendations specifically for AID action requiring a response to Congress under PL 91-510.

This report is being provided for information and action as appropriate by your office. It is also being provided to other offices having functions related to its contents or an interest in the findings.

Attachment: a/s

cc: AA/Asia, A. Gardiner
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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-146820
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The Honorable Lee H. Hamilton
Chairman, Special Subcommittee
on Investigations
Committee on International Relations
House of Representatives

Dear Mr. Chairman:

This report is in response to your request of July 29, 1975, that we make a brief study of the impact of Public Law 480 and development programs in certain countries.

As requested, we did not obtain written agency comments on these matters, but we did discuss them with responsible officials.

We believe this report would be of interest to other congressional committees and subcommittees and to the Departments of State and Agriculture and the Agency for International Development. Therefore, as discussed with your office, we are distributing this report to them.

Sincerely yours,

Frederic B. Steinhilber

Comptroller General
of the United States

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ABBREVIATIONS

AID	Agency for International Development
CARE	Cooperative for American Relief Everywhere
CRS	Catholic Relief Services
CWS	Church World Service
CWS/LWR	Church World Service/Lutheran World Relief
GAO	General Accounting Office

COMPTROLLER GENERAL'S
REPORT TO THE SPECIAL
SUBCOMMITTEE ON INVESTI-
GATIONS, HOUSE COMMITTEE
ON INTERNATIONAL RELATIONS

IMPACT OF U.S. DEVELOPMENT
AND FOOD AID IN SELECTED
DEVELOPING COUNTRIES
Departments of State and
Agriculture
Agency for International
Development

D I G E S T

From its brief study of the impact of U.S. development and food aid in the Philippines, India, Korea, and Chile, GAO found that foreign aid officials had relatively little information on the most needy persons in those countries. The programs were being directed to reach larger groups, such as the rural poor. Thus, GAO could not establish clearly the extent U.S. programs were benefiting the most needy people.

To clarify who the most needy are in Agency for International Development supported countries and what efforts are being made to help them, the Subcommittee may want to have the Agency identify the most needy groups and how programs are being designed to assist them.

This could be accomplished by having Agency missions abroad develop a profile of the most needy. GAO recognizes that recipient country data is deficient and that it will be difficult to accomplish this task. Nevertheless, a knowledge base will have to be developed if the congressional goal to help the poorest people is to be achieved.

The Agency has developed certain broad benchmarks to identify the poor in developing countries. These include average annual per capita income criteria of \$150 or less and certain life expectancy and health indicators. (See p. 6.)

Comparing the countries selected for review with these benchmarks shows marked differences in the number of people who would be identified as poor.

--In the Philippines about one-third of the population was considered a part of the

poor by the Agency's \$150 per capita benchmark, and the Agency was primarily directing its development assistance program at the rural poor. It was also supporting efforts to reduce population growth and alleviate malnutrition. (See pp. 10 and 11.) The title II food donation program was also assisting many poor people, particularly younger school children and pregnant and nursing mothers. (See pp. 11 to 13.)

--In India poverty was considered so pervasive that the poverty benchmark identified 91 percent of the population as part of the poor. The only ongoing U.S. assistance program was a large title II food donation program. (See pp. 13 and 15.)

--In Korea about 45 percent of the population was considered a part of the poor. Many of the poor were located in the urban big cities. The Agency program was in its final year of new funding in recognition of Korea's advanced stage of development, and projects were a mix of the "new directions" type aid and the older form of indirect aid. (See pp. 17 and 18.)

--In Chile 16 percent of the population was considered a part of the poor. The Agency directed a large part of its development program to poor people, but some poor groups were not participating because of difficulties in formulating programs to reach them. (See pp. 21 and 22.) The title II food donation program was being re-directed away from school feeding toward more emphasis on maternal child health programs. (See p. 22.)

The recently passed International Development and Food Assistance Act of 1975 will affect the future availability of title I concessional sales. The act earmarks 75 percent of the title I sales for developing countries with annual per capita income of \$300 or less. By this standard India and the Philippines will likely be included in the 75-percent availability category while Chile and Korea will be in the 25-percent availability category. Korea's assignment to the 25-percent category may make

it difficult to fulfill outstanding U.S.
pledges of some \$418 million worth of
title I sales credits. (See p. 17.)

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CHAPTER 1

INTRODUCTION

At the request of the Chairman, Special Subcommittee on Investigations, House International Relations Committee, we have made a brief study of the impact of U.S. development and Public Law 480 programs in the Philippines, India, South Korea, and Chile. The Chairman expressed specific interest in whether development and food aid projects were designed to get to the most needy individuals and regions in the four countries which were selected by the Subcommittee.

Our study included visits to the designated countries during October and November 1975. In each country we reviewed U.S. economic assistance programs and other supporting documentation and discussed the programs with Agency for International Development (AID) officials and other foreign aid officials. We also made brief field visits to observe how U.S. programs were operating. However, considering the large number and widespread locations of aid projects, our visits were limited compared to total program activities. Before the field review we developed background information and held discussions with officials of the Departments of State and Agriculture and AID in Washington, D.C.

The scope of our study was concentrated on fiscal year 1975 and 1976 development and food aid programs because we felt that these programs would reflect AID's "new directions" efforts to assist most needy recipients.

At the request of the Subcommittee, we did not obtain formal agency comments on this report. However, we did discuss the report with officials of the Departments of State and Agriculture and AID.

BACKGROUND

In the Foreign Assistance Act of 1973, the Congress enacted far reaching reforms on the purposes and operations of development assistance programs carried out by AID. The Congress directed that future U.S. bilateral development support focus on critical problems which affected the lives of the majority of the people in the developing countries in three high priority categories of assistance: food and nutrition; population, planning, and health; and education and human resources development.

The Congress also directed AID to give the highest priority to undertakings submitted by host governments which

directly improve the lives of the poorest of their people and their capacity to participate in the development of their countries.

The House International Relations Committee has had a continuing interest in AID actions to implement reforms and the Committee directed, in its report on the Foreign Assistance Act of 1974, that AID report on its implementation of the new directions reforms.

The AID report¹--submitted to the Committee, in July 1975--discussed the policy and procedural issues associated with implementing the reforms and pointed out certain factors affecting AID's capacity to produce dramatic results in a short time.

In reporting on the International Development and Food Assistance Act of 1975², the House International Relations Committee acknowledged AID's implementation report and AID's views and actions taken concerning the reforms. The Committee noted that although AID was initially slow in responding to the legislation it had made an effective start in turning its programs in the new directions embodied in the 1973 act and reaffirmed in the 1975 House bill. The Committee further urged AID to increase its efforts to analyze each project submitted to the Congress and to show actual results achieved and comparison of the results with the original or intermediate projections. This kind of information was expected to provide the Committee and the Congress with more reliable indicators of the impact of AID projects in terms of the new directions.

AID efforts to identify poor people

In addressing the question raised by the Subcommittee as to whether the development and food aid projects are designed to reach the most needy, it is appropriate to refer to how AID has defined certain pertinent terms and concepts. Appendix I of this report summarizes AID's definition of concepts pertaining to: the poor majority, AID's target groups, how direct aid should be, and the participation of the poor in aid programs. These definitions provided a frame of reference for how AID's programs are directed at reaching the poor.

¹"Implementation of New Directions in Development Assistance," dated July 22, 1975.

²Report No. 94-442, dated August 1, 1975.

U.S. development and food aid programs

The U.S. bilateral economic assistance program for developing countries usually consists of one or more of the following basic elements: an AID grant and loan program; a title I, P.L. 480, concessional sales program; and a title II, P.L. 480, food donation program.

AID mission programs

AID, through its missions located overseas, prepares a Development Assistance Program for each recipient country. This documentation outlines AID's assistance rationale and describes the form and content of the various grants and loans to be furnished.

Title I, P.L. 480, sales programs

Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480), provides for U.S. Government concessional financing of sales of U.S. agricultural commodities to friendly governments and private trade entities abroad. Its stated objectives are to expand international trade, develop U.S. export markets, use U.S. agricultural productivity to combat hunger and malnutrition, encourage economic development, and to promote in other ways U.S. foreign policy.

U.S. commodities are normally handled abroad by private importers or foreign government agencies and sold to local citizens for local currency.

The foreign government is supposed to use the local currency derived from the resale of the title I commodities for certain self-help economic development purposes specified in the P.L. 480 country-to-country agreement. The foreign government pays for the commodities under the terms of low interest loans with repayment periods up to 40 years.

Our study of the title I program focused on how the program affects the most needy. Thus, our review was not an overall assessment of how title I programs were being carried out abroad.

Title II, P.L. 480, donations

Under title II, U.S. agricultural commodities can be donated to meet famine or other relief requirements, combat malnutrition, promote economic and community development,

and help needy people and nonprofit school lunch and pre-school feeding programs. The title II programs are administered by nonprofit voluntary relief agencies or local government agencies and the U.N. Food and Agriculture Organization.

U.S. programs for countries
selected for review

The combined fiscal years 1975 and 1976 U.S. bilateral economic aid program levels for the countries selected for review is summarized below.

	<u>AID development assistance program</u>	<u>Title II food donation programs</u>	<u>Title I concessional sales programs</u>	<u>Total program level</u>
	----- (thousands) -----			
The Philippines	\$92,632	\$ 26,241	\$ (a)	\$118,873
India	^b 76,000	214,319	216,792	507,111
Korea	25,948	^c 6,446	209,528	241,922
Chile	36,519	13,863	91,657	142,039

^aNo title I sales agreements signed in fiscal year 1975. A proposed fiscal year 1976 program is under consideration.

^bAID's fiscal year 1976 congressional submission level. However, no specific program has yet been formulated for India.

^cTitle II programs for Korea carried out by the U.N. Food and Agriculture Organization.

Adverse impact of food aid
on developing countries

One of our recent reports to the Congress¹ comments on the adverse impact that food aid sometimes has had on agricultural production in developing countries. The report concludes that in some cases food assistance by the United States and other countries has hindered developing countries in expanding their food production and this has contributed to the critical world food situation. The report identifies specific disincentives to food production in India, the Philippines, and Chile.

¹"Disincentives to Agricultural Production in Developing Countries," (ID-76-2, Nov. 26, 1975).

With regard to India--a country where food production increases are critical--the report notes that the massive food aid the United States provided through P.L. 480 during the 1960s restricted agricultural growth by allowing the Indian Government to (1) postpone essential agricultural reforms, (2) fail to give agricultural investment sufficient priority, and (3) maintain a pricing system which gave farmers an inadequate incentive to increase production.

In the Philippines and Chile, disincentives to agricultural production included controls on producer and consumer prices, noncompetitive buying, and export controls and taxes. Chile also had exchange rate restrictions and restraints on credit and land tenure.

The report also questions whether P.L. 480, title I, self-help measures¹ are increasing agricultural production. Developing countries have extensive governmental policy for and institutional disincentives to the expansion of food production. These raise doubts about whether self-help requirements have been effective in bringing about agricultural reform. The report cites conflicting and subjective reporting on Indonesia self-help compliance as increasing these doubts.

The Department of State and AID agreed that increased emphasis should be placed on the use of food assistance to promote agricultural development in recipient countries. They felt that amendments to P.L. 480 contained in the International Development and Food Assistance Act of 1975 would further agricultural development objectives.

Another one of our reports to the Congress ^{2/} on U.S. economic aid to Korea also raised questions about the effectiveness of title I self-help measures.

The report noted that the Korean Government had not fully complied with self-help provisions and that AID had not independently verified the use of local currency funds derived from title I sales. The report also noted that the large title I sales program had (1) served as disincentive for the Korean Government to solve its agricultural problems and (2) had been used directly and indirectly to offset cutbacks in other U.S. assistance programs.

¹ Each P.L. 480 sales agreement commits the recipient country to self-help measures designed to stimulate agricultural development and related programs.

² "U.S. Assistance for the Economic Development of the Republic of Korea," (B-164264, July 12, 1973).

CHAPTER 2

WHO ARE THE MOST NEEDY?

Before addressing whether U.S. development and food aid programs are reaching the most needy, it is appropriate to first explore what foreign aid officials know about who the most needy people are and where they are located in developing countries.

The congressional mandate of the 1973 Foreign Assistance Act focuses on critical problems affecting the lives of the majority of people in the developing countries. It also directs that assistance priority be given to projects involving the poorest people. AID's report to the Congress on implementation of the new directions assistance talked in terms of aiding the "poor majority." AID noted that few officials in either the developed or the developing countries had spent much time defining the poor majority. To try to fill this void, AID weighed the pros and cons of using (1) specific country-by-country poverty benchmarks, for example, defining the poor majority as those in the lower half of the economic scale in each developing country, or (2) broadly uniform benchmarks of poverty that would be generally applicable to all AID-assisted developing countries. AID adopted a series of rough uniform benchmarks to identify the poor by considering per capita income, daily diet, and certain health indicators. AID rejected specific benchmarks because a relative definition such as the bottom half of a country's poor would exclude many in the upper half of countries like Bangladesh or Zaire even though they are poorer than many in the lower half of countries like Colombia.

AID advised the Congress that applying the benchmark of annual per capita income of \$150 or less to the 37 countries receiving AID assistance created a vast poor majority of some 800 million people. AID identified the following poor majority for the countries we reviewed:

	<u>Total popu- lation (millions)</u>	<u>Percent of popula- tion receiving below \$150 per capita</u>	<u>Poor majority population (millions)</u>
The Philippines	37.1	32	11.9
India	537.0	91	488.7
Korea	32.0	45	14.4
Chile	9.8	16	1.6

In field visits to the above countries we expected to find that foreign aid officials had identified the most needy from within AID's broad identification of the poor majority. We found, however, that the most needy had not been specifically identified. Instead, there was information and opinions on who the poor people were, and U.S. programs were directed at helping poor people rather than the more specific group--the most needy.

THE PHILIPPINES

AID mission officials told us that they did not have the benefit of clearly established poverty criteria in developing the fiscal year 1975 assistance program. However, through congressional hearings and guidance from AID headquarters they were aware that the Congress was interested in providing assistance to the rural poor. AID mission officials generally applied the term "rural poor" to those families with annual incomes of less than \$617 (equates to about \$114 per capita for comparison with AID's \$150 per capita benchmark). By this standard, the rural poor numbered 3.6 million families, or 80 percent of all rural families. AID missions directed much of their programs at this rural poor majority.

AID mission officials considered that some of the poorest regions in the Philippines were certain sections of Luzon, Eastern Visayas, and Southwestern Mindanao. However, AID mission officials did not conduct programs in areas that would endanger AID employees even if the areas had large numbers of poor people. These areas generally were the Muslim insurgent areas of Mindanao and areas in the central and northern Philippines frequented by the National People's Army. AID mission officials said that the practice of staying out of insurgent areas was in keeping with the U.S. Ambassador's policy for all U.S. Government personnel.

INDIA

AID mission officials had not determined who the most needy were in India. However, both AID mission and voluntary agency officials felt that it would be difficult to distinguish between the needy and most needy. This viewpoint was supported by AID data showing that some 91 percent of the population (almost 500 million people) fall below AID's \$150 annual per capita income benchmark.

The Indian Government considers the poverty level at a per capita income of 487 rupees (about \$61). By this standard 40 percent of India's population would be under the poverty level.

One voluntary agency official felt that the landless laborers and the scheduled class (one group of India's backward classes) were India's poorest because they suffered economic and social discrimination and had not benefited from Indian economic and social welfare programs. The Indian Government also recognized that the backward classes had been discriminated against and deprived of planned economic development. The backward classes represent more than one-fifth of India's population.

Another voluntary agency official felt that the most needy areas were rural drought areas, tribal areas, and urban slums. The large states of West Bengal and Bihar--where 100 million people lived--were singled out as the most crowded and poorest areas in India. About 70 percent of the population of these two states was considered to be below the poverty level. Voluntary agency officials also noted that the most needy were frequently located in remote areas where they could not be reached because of undeveloped conditions.

KOREA

The AID mission had not developed criteria to identify the most needy but felt that they were probably located in the big cities. They would be a portion of the rural to urban migrants--rural people who came to the big cities looking for jobs. Some of these people could not find work and had trouble adapting to the urban culture.

AID mission officials also felt that there were still many poor people in the rural areas even though considerable progress had been made in closing the rural-urban income gap. A 1975 World Bank study had concluded that rural income had increased substantially and that income distribution in Korea was more equitable than in comparable developing countries.

CHILE

AID mission officials did not have current data identifying Chile's most needy people. They said that the target for the development assistance program was the poorest one-third of Chile's population. We noted that by several of AID's key benchmarks Chile would not have much of a poor

majority. For example, data showed that Chile's average per capita income was about \$793 compared to AID's benchmark of \$150 per capita and Chile's life expectancy was about 63 years of age versus AID's benchmark of a 55-year life expectancy. Other indicators of poverty such as daily food consumption and availability of medical services could not be determined.

AID mission officials acknowledged that some needy people were not participating in AID programs. This included certain identifiably poor groups such as: the minifundistas, land-owning marginal farmers, who were excluded from the fiscal year 1975 program because there was no viable Chilean agency capable of administering a program for their benefit; certain Indian groups which were not selected as target groups for programs because of the absence of potentially beneficial and workable project proposals; and the urban poor which were excluded because of the emphasis on the rural sector. The latter group was particularly noteworthy since about three-fourths of Chile's population lived in the cities and AID data showed that there was an unemployment rate of about 15 percent in Santiago and other metropolitan areas.

CHAPTER 3

ARE U.S. PROGRAMS

REACHING THE MOST NEEDY?

U.S. development and food aid programs were helping some of the most needy described in the preceding chapter. How many were benefiting and by how much was difficult to measure because the programs were designed and implemented to meet the needs of large target groups, such as the rural poor. In some cases the aid was direct and immediate through food donation and other participation type programs. In others, it was indirect and was expected to be received sometime in the future as in the case of programs which help improve rural government and infrastructure.

THE PHILIPPINES

During fiscal years 1975 and 1976 the United States was furnishing the Republic of the Philippines an AID development assistance program and a title II, P.L. 480, food donation program. There were no title I, P.L. 480, agreements with the Philippines in fiscal year 1975; however, a proposed fiscal year 1976 program was under consideration.

Development assistance program

AID's grant and loan programs amounted to about \$55.3 million in fiscal year 1975 and \$37.3 million in fiscal year 1976. A profile of the program is shown in appendix II.

The AID development program set out to

- help the rural poor majority through agricultural research, small-scale irrigation, agrarian reform, rural electrification, and other projects designed to raise living standards;
- help both the urban and rural areas reduce the rate of population growth through family planning projects; and
- alleviate malnutrition through nutrition programs with special emphasis on infants, preschool children, and pregnant mothers.

The AID projects were aimed at demonstrating a particular development approach or aspect of technology. They also expected to establish a governmental capability to adapt, continue, and expand the activities being introduced. These projects were acknowledged to be indirectly helping the poor people, but they were more directed at this target group than the older type assistance.

Our observations

We made a brief field visit to Misamis Oriental Province in northern Mindanao to observe AID projects and activities in local water utilities, rural electricity, irrigation, nutrition, and rural roads.

In general we observed that AID activities were taking place in areas where poor people needed assistance. For example, in one area poor people were buying water by the bucketful and AID was supporting local government efforts to lay pipes to bring water to this community at lower cost. We also heard from some of the local people about improvements being made. A local official said rural electricity projects had considerably improved living conditions by permitting people to work productively in the fields or in small factories. During a visit to a small bakery and a school participating in the nutrition project we noted a general awareness of the importance of having the school children get more nutrition.

Our views on the development assistance program

Generally, we believe that fiscal years 1975 and 1976 AID development assistance for the Philippines was in accord with the new directions mandate of the Foreign Assistance Act. Projects were designed, and some were already being implemented, to benefit primarily the rural population. In many cases the rural poor will not receive the benefits directly and immediately because it will take time for aid projects to have their expected impact. In reviewing these AID projects though, it was difficult to say how much the aid was directed toward the most needy people.

Title II, P.L. 480, food donation program

The total title II program level for fiscal years 1975 and 1976 was about \$26 million.

The title II program was being administered by three voluntary agencies: the Catholic Relief Service (CRS), the Church World Service (CWS), and the Cooperative for American Relief Everywhere, Inc. (CARE). Title II foods were being made available for four projects.

<u>Project title</u>	<u>Type of recipients</u>	<u>Description of recipients</u>
Targeted maternal and child health program	About 480,000 pregnant and lactating mothers and preschool children ages 6 months to 6 years.	The food was intended for moderately and seriously malnourished children and pregnant and lactating mothers.
Targeted school nutrition program	1.2 million school children grades 1 to 4.	Targeted to those school children who were considered moderately or seriously malnourished.
Food for work program	About 249,000 unemployed and underemployed people.	The targeted group was considered to be part of the poor majority.
Other child feeding program	About 15,000 children in nurseries, orphanages, and hospitals.	The program was directed to organizations where nutritional insufficiency exists.

Our observations

We made a field visit to Pampangas Province, Luzon, to observe the implementation of title II programs being administered by CARE and CRS. We visited a school nutrition project, a maternal child health center, and a food for work project.

At the maternal child health center, we observed the monthly distribution of commodities and noted that recipients appeared to be of the lower income group. A nutrition supervisor told us the average family income in that area was only \$15 to \$20 per month. The elementary school we visited was not receiving its full allocation of title II foods, and we subsequently learned from AID officials that one of the reasons for this was limited trucking services available to serve that area. We also observed a food for work project where about 15 workers were repairing a rain damaged road. We were informed that the availability of title II foods made it possible for underemployed people to carry out a larger number of small repair type projects.

Our views on the
title II program

Overall, we believe that the title II donation program was complementing the new directions mandate of the 1973 Foreign Assistance Act in that many poor people were being assisted. The program was aimed at reaching the needy, particularly children below 12 years of age and pregnant and lactating mothers.

INDIA

There was a large title II food donation program ongoing in India and one title I sales agreement.

Title II, P.L. 480, food donation program

The title II program in India has traditionally been AID's largest worldwide; for fiscal years 1975 and 1976 the program level totaled about \$214 million. The program was being carried out by CARE, CRS, and Church World Service/Lutheran World Relief (CWS/LWR), and the World Food Program. The program elements are described on the following page.

<u>Project title</u>	<u>Type of recipients</u>	<u>Description of recipients</u>
Food for work program	About 822,000 project workers who were usually "landless laborers" received U.S. food for working on various small-scale economic development projects.	Landless laborers were considered one of the poorest segments in India.
School feeding program	About 7.6 million school children.	In some cases only needy school children were given food. In other cases, all children were being fed.
Maternal and child health and other child feeding program	About 3.3 million recipients, including pregnant and nursing mothers, pre-school children, and lepers and orphans.	This was the population group most affected by the short supply of food.

The large school feeding program was scheduled to be phased out by 1980 because it had the lowest priority according to AID headquarters guidelines. AID officials in India questioned whether the school feeding program was reaching the most needy of India's population because frequently the poorest were not able to attend school.

Our observations

We visited CRS and CARE offices in Calcutta; the CARE office in Madras, India; and selected title II projects in these areas to see how projects were benefiting poor people.

Our observations and discussions with voluntary agency and project officials indicated that the programs were reaching many people below the poverty level. For example, we visited a food for work project located south of Calcutta in an area where about one-third of the population of about 150,000 were poor landless laborers. Before the food for work project, the area was beset with problems of bad drainage causing crop destruction in the late 1960s and early 1970s. There was only one crop being produced where there could be two or three crops a year. The food for work projects undertaken with CRS support included digging wells, improving drainage, and reexcavation of

canal-irrigation system. Project officials said that the project had alleviated crop destruction through drainage system improvements. Also, the area can now grow crops the year round and employment opportunities for the landless laborers had improved.

AID management reports
on' donation programs

During 1975 the AID Auditor General issued reports on the three U.S. voluntary agency title II programs. The reports commented on the management of the programs but did not address the question of whether the food donations were reaching the most needy people. The Auditor General reported that:

- CARE's program management was generally satisfactory except for certain areas where further action was needed to improve program management.
- CRS did not maintain control over its program and under the circumstances AID's monitoring in India of the program was not as effective as it should have been. The Auditor General recommended that approval for the release of fiscal year 1976 food allocations be withheld until improvements were made.
- AID would not approve a CWS/LWR sponsored fiscal year 1975 program because of continuing management deficiencies. The agency representing CWS/LWR was closing out its operations by making disposition on unused food balances.

During our review an AID mission food aid official told us that he was setting up an evaluation unit to monitor the donation programs. He added, however, that even with additional staff it would be difficult to adequately monitor the large title II program for India.

Our views on the
title II program

The magnitude of the food donation programs in India presents a continuing management challenge to both the voluntary agencies and the AID mission. However, we believe that many poor people were being assisted.

Title I, P.L. 480, sales program

The United States was expected to enter into agreements with India for about \$217 million worth of commodities during fiscal years 1975 and 1976. Under one agreement signed on March 20, 1975, the United States will supply approximately 800,000 metric tons of wheat valued at an estimated \$128 million. Through September 1975, 735,000 metric tons had been delivered.

U.S. title I wheat, together with Indian wheat procured from domestic and external sources, was being sold to consumers through the Food Corporation of India, a government agency, and its public distribution system--a network of over 200,000 fair price/ration shops operating throughout the country. The majority of the shops are located in urban areas. Distribution takes place largely in urban areas and this does not reach such rural poor as landless laborers. The poorest in both urban and rural districts cannot afford wheat distributed through fair price/ration shops.

The March 1975 agreement requires that India use proceeds from the sale of title I commodities for financing the following self-help agriculture and economic development purposes: agriculture and related programs, irrigation and flood control, power, transportation and communications, education and health, family planning, and nutrition.

In January 1976 the U.S. Embassy forwarded the Indian Government's 1975 self-help report to Washington. The report describes the measures that the Indian Government says it is taking to increase agricultural production. The Embassy felt that the report met the provisions of the title I agreement. The Embassy previously said that it would rely on India's report and certification that the sales proceeds were expended for intended purposes.

Because of the general report information and limited Embassy monitoring, we found it quite difficult to assess (1) the impact of title I, P.L. 480, sales on India's economic development programs or (2) who was benefiting from the sales proceeds.

Development assistance program

AID's fiscal year 1976 congressional budget submission included a \$76 million loan and grant program for India, but no specific program was developed. AID Mission

officials told us that they have been programing on a contingency basis the last few years pending authorization of formal discussions between the two governments on the resumption of aid. The U.S. Ambassador's advice was that the program would remain on a contingency basis until the Indian Government made known what kind of program they wanted and decisions could be made on whether the United States could provide such an aid program. Since an aid program had not yet been developed, we were not able to determine whether AID's program would benefit India's most needy people.

KOREA

U.S. aid programs for Korea consisted of a residual AID development program and an ongoing title I, P.L. 480, sales program. The only title II food donation programs for Korea since fiscal year 1973 have been carried out by the United Nations Food and Agriculture Organization World Food Program.

Korea was a special case with regard to U.S. aid programs. For one thing it was a more advanced developing country that was designated to graduate from the U.S. aid program in fiscal year 1976. For another, the U.S. aid programs were not based entirely on developmental need. This stems from country-to-country agreements such as the 1971 U.S./Korea textile agreement whereby the United States was prepared to give Korea certain amounts of development loans and P.L. 480 concessional sales if Korea would restrict textile exports to the United States. U.S. officials told us that \$418 million was outstanding in meeting a previously agreed upon pledge of \$776 million in title I sales scheduled for Korea through fiscal year 1976.

The provisions of the International Development and Food Assistance Act of 1975 may make it difficult to fulfill the \$418 million in outstanding title I sales credits. The act earmarks 75 percent of total title I sales to countries with an annual per capita income of \$300 or less. As a more advanced developing nation, Korea will likely be assigned to the 25-percent availability category. Thus, its access to title I sales credits will probably be limited. 1/

1/The Comptroller General's report "U.S. Agreements with the Republic of Korea" (ID-76-20, Feb. 20, 1976) provides additional information on U.S. P.L. 480 commitments and notes that there is justification for renegotiating outstanding balances.

Development assistance program

In fiscal year 1975 and 1976, AID approved loans and grants totaling about \$26 million. The program particulars are described in appendix III.

AID in Korea was directing its fiscal year 1975 and 1976 programs to projects dealing with agriculture, rural development, and health, while continuing to provide support for Korea's educational industrial and scientific progress. The AID mission objectives were

- to bring existing projects to an orderly termination and
- to encourage a new United States-Korea relationship emphasizing mutually beneficial development activities without traditional highly concessional AID financing.

AID mission officials stated that the fiscal year 1975 and 1976 programs were in line with the congressional mandate.

Our observations

We visited some irrigation and family planning activities to observe how the poor were benefiting from these AID-supported programs.

We observed some completed and ongoing dam and canal construction which was increasing the amount of irrigated rice lands in the rural area visited. These projects were employing small farmers giving them a chance to increase their incomes. We were told that generally there was about a 25-percent increase in production from the irrigated rice paddies. In Seoul we visited a family planning center, a family planning clinic, and the National Medical Center. During these visits we learned that family planning activities were shifting away from the rural poor and focusing on the new urban poor. Also, AID was encouraging the training of paramedics to serve more of the poor. The family planning center was in a relatively poor neighborhood and center officials said that most of their patients were poor. At the National Medical Center we were told that about 30 percent of the sterilization operations were performed at no cost and that staff doctors were performing other sterilizations at cost.

Our views on the development
assistance program

We believe that the AID program for Korea has elements of both the "new directions" aid and the older form of aid. The loans and grants aimed at agriculture, rural development, and health represent the former type while the educational, scientific, and industrial projects were of the latter type, which may eventually reach the poor through indirect means. It was not surprising that the AID program included more sophisticated aid elements since Korea was one of the most advanced of the developing countries and AID had decided that fiscal year 1976 was the final year for new aid projects.

Title I, P.L. 480, sales program

During fiscal year 1975, Korea received \$69.3 million worth of rice under title I sales agreements--\$66.1 million went to the Korean Government and \$3.2 million was provided to a private trade entity. As of February 18, 1976, the United States had signed one fiscal year 1976 agreement for \$44.7 million worth of wheat and rice. Additional fiscal year 1976 sales were under consideration.

AID mission officials stated that commodities provided under title I were sold at market prices to the commercial sector for normal distribution along with locally-grown and commercially imported food grains. Proceeds received by the Korean Government from sale of title I commodities were to be used for economic development of the agricultural sector and expanding family planning services. One of our previous reports to the Congress¹ noted that the Korean Government was not complying fully with the title I self-help provisions. However, AID mission officials told us that the latest report for 1973 indicated that proceeds were applied to various development projects in the agricultural sector. There was no title I program for Korea in 1974 so there was no 1974 self-help report. The next self-help report, for 1975, was due in early 1976.

The proceeds derived from the sale of the rice provided for the private trade entity were to be used for constructing and equipping facilities for receiving, handling, and storing bulk grains in Inchon Harbor and for procuring related equipment.

¹"U.S. Assistance for the Economic Development of the Republic of Korea," (B-164264, July 12, 1973).

Housing investment guarantee program

Another form of U.S. economic assistance in Korea is the housing investment guarantee program. This program insures certain eligible U.S. investors against loss from AID-approved investments for constructing self-liquidating housing projects. These loans by private U.S. lenders were guaranteed by the Korean and U.S. Governments but no U.S. appropriated funds were involved.

Two fiscal year 1975 housing investment guarantee loans for Korea were:

--A \$25 million urban housing program for small apartment units affordable by families below the median income level.

--A \$10 million housing improvement program to improve or replace existing squatter housing.

AID mission officials stated that the \$25 million program will benefit urban low income people but not the poorest people because they cannot afford to participate in the program.

The \$10 million guarantee was expected to benefit the lower third of the family income group, but the program was still in the planning stages at the close of our fieldwork.

American schools and hospitals abroad

AID was also authorized to furnish grant assistance to schools, hospitals, and libraries in foreign countries founded by U.S. citizens which serve as centers for American ideas and practices. During fiscal year 1975 AID made two grants for American operated schools in Korea:

--For Sogang University, \$425,000 for construction of a classroom and faculty office building. This school, which has almost a 2,000 student enrollment, is open to the general public and has a scholarship program based on financial need and academic achievement.

--For Induk Vocational High School and Institute of Design, \$250,000 for construction of a two-story building to permit expansion at the Institute of Design. This 1,400 student school is also open to the general public and gives scholarships to 10 percent of the enrollment, thus assisting some poor students.

CHILE

In fiscal years 1975 and 1976 the United States was furnishing Chile a development assistance program and both title I and title II, P.L. 480, programs.

Development assistance program

Following the fall of the Allende Government, AID assistance to Chile increased from about \$359,000 programmed for fiscal year 1974 to about \$20.6 million for fiscal year 1975 and \$15.8 million in fiscal year 1976. About \$9.1 million in suspended loans were also reactivated in fiscal year 1975. The content of the program is described in appendix IV.

The AID program was giving highest priority to food and nutrition assistance. Agricultural problems affecting small farmers and the nutritional deficiencies of Chile's lowest income groups were receiving particular emphasis. AID said it was concentrating on programs it believed would, in the short run, increase agricultural production and productivity and help improve Chile's critical balance of payments situation. Chile's increasing housing shortage--one-third of the population was considered inadequately housed--was also selected for aid assistance through the AID administered housing investment guaranty program.

Our observations

We visited three Chilean cooperatives that had received AID loan funds to improve production and marketing capabilities. The AID loan was trying to reach small farmers by giving priority to cooperatives whose member farmers owned small parcels of land. At the time of our fieldwork, only a few subloans had been approved and the Chilean implementing agency was experimenting with analyzing the impact the subloans would have on the poor cooperative members.

At one cooperative visited, we were not able to obtain information on how many small farm owners were benefiting from loan funds. At another, we learned that some poor farmers who had purchased land in the late 1960s were now cooperative owners. They were working the land and paying off the mortgage to the former land owner.

Our views on the development assistance program

AID has directed a large part of the development program to Chile's poor people. There was little information, however, on whether the most needy were benefiting. Some of the most needy people were benefiting from U.S. aid, but other groups were not because of difficulties (as described on pp. 8 and 9) in formulating programs to reach these groups.

Title II, P.L. 480, food donation program

The title II, P.L. 480, food programs administered by U.S. voluntary agencies amounted to about \$13.9 million for fiscal years 1975 and 1976. The status of the program during the first quarter of fiscal year 1976 was as follows:

<u>Voluntary agency</u>	<u>Type of program and program recipients</u>			
	<u>School feeding program</u>	<u>Maternal child health</u>	<u>Food for work</u>	<u>Other (note a)</u>
CARE	747,000	-	-	-
CRS	122,000	12,100	14,100	14,700
SAWS (note b)	<u>3,000</u>	<u>14,800</u>	<u>-</u>	<u>24,700</u>
Total	<u>872,000</u>	<u>26,900</u>	<u>14,100</u>	<u>39,400</u>

^aMostly food programs in orphanages and other institutions.

^bSeventh Day Adventist Welfare Service, Inc.

The title II program was being redirected from an emphasis on the school food program to maternal child health in accordance with an AID worldwide policy shift.

Our observations

We visited three CRS food program sites: two schools and a nursing school to see who was participating in the program. We observed that the schools were located in poorer areas of high unemployment, but we could not determine if the most needy children were actually receiving the donated food.

Our views on the
title II program

We believe that the program was reaching some of the poor people in both rural and urban areas. There was no indication that particular groups of people or geographic areas were being discriminated against or excluded from the program.

Title I, P.L. 480, sales program

In fiscal year 1975 Chile received a title I program of about \$47.6 million worth of wheat and wheat flour. The wheat supplied was put into normal commercial channels.

The agreement calls for certain self-help measures to be taken in the agriculture and housing areas. AID officials advised us that the 1975 Chilean self-help report (which became available in January 1976) indicates that the Chilean Government used the equivalent of about \$8 million for agricultural and housing projects in compliance with title I agreements.

A fiscal year 1976 title I agreement was signed on July 31, 1975, to make available about \$44.1 million worth of wheat. The self-help measures were similar to those included in the fiscal year 1975 agreement. AID officials said they recently received a proposed list of self-help uses for the equivalent of \$45 million for 1976. AID officials believed that they could not control actual project selection or design as long as they were within the P.L. 480 agreement areas.

Our views on the
title I program

We were not able to determine to what extent the title I sales program was assisting Chile's poor people because the program operates through commercial channels and the self-help program was still in the early stages of implementation.

Housing investment guarantee program

AID was also administering this program under which the U.S. Government guaranteed loans made by private U.S. concerns to Chilean housing cooperatives. The United States in turn receives a guarantee of payment from the Chilean Government in case of default. The loans were to

be used to construct homes for members of housing cooperatives. The program also supplied balance of payments support to Chile. The program was funded for \$30 million in fiscal year 1975 and \$25 million in fiscal year 1976.

The housing program was directed at people with incomes less than the Chilean median income. To qualify, not more than 15 percent of the members of a housing cooperative could have incomes exceeding the median income. Chile's poorest people were not expected to participate because they couldn't afford to buy the houses to be constructed in this program.

CHAPTER 4

CONCLUSIONS

In our brief study of U.S. development and food aid programs in the four selected countries we concluded that:

- AID has refocused its development assistance programs to more directly reach poor people and to comply with the new directions mandate of the Foreign Assistance Act of 1973.
- The title II food donation program was providing nutritive assistance and was reaching many poor people in the three countries with ongoing programs.
- It was difficult to say that the title I concessional sales programs were helping the poor, except in indirect ways. In the three title I countries, the program was subsidizing the government budget and U.S. officials were relying on local government reporting to monitor the use of local currency proceeds. Thus, there was no clear indication of what self-help benefits were being derived from these programs.
- We were not able to establish to what extent U.S. programs were benefiting the most needy people in those countries. The reasons for this were that foreign aid officials had relatively little information on the most needy and for the most part programs were directed to reach larger target groups such as the rural poor.

In order to clarify who the most needy people are in AID-supported developing countries, the Subcommittee may want to have AID identify the most needy groups and how AID programs are designed to reach them. This could be accomplished by having AID missions develop a profile on the most needy.

AID'S DEFINITIONS OF
"NEW DIRECTIONS" CONCEPTS

In a July 1975 report to the House International Relations Committee, AID noted the importance of defining certain terms and concepts in addressing the issues raised by the new directions in foreign aid legislation. AID definitions of certain terms and concepts are summarized below.

WHO ARE THE POOR MAJORITY?

AID established the following rough "benchmarks" or standards of poverty for identifying the poor majority in AID-assisted countries.

1. Per capita income below \$150 per year.
2. Daily diet of less than 2,160 to 2,670 calories (depending on the country).
3. Several health indicators: life expectancy at birth of below 55 years; infant mortality over 33 per 1,000 children aged 0 to 1 year; birth rates over 25 per 1,000 population; or access to broadly defined health services for under 40 percent of the population.

AID noted that falling short of any one of these benchmarks was enough to place an individual in a group totaling over 800 million people or around three-fourths of the total population of AID-assisted countries.

HOW ARE AID'S TARGET GROUPS TO BE CHOSEN?

AID stated that its programs must attempt to reach large numbers of poor people but its primary target group will often be a limited portion of the poor majority in each country depending on its economic and social conditions, its capabilities and desires, and other considerations which determine the programs yielding the most impressive benefits at least cost.

In moving ahead with the new legislation, AID expected to

- concentrate on countries which have development policies that could be supported and which could utilize assistance effectively;

- concentrate on key sectors (food and nutrition, population, and health and education) affecting the basic well-being of the poor;
- provide key components (frequently with other donors) of development packages designed to involve and affect broad segments of the poor majority;
- support selected pilot programs testing new approaches for affecting many people.

HOW DIRECT MUST AID'S ASSISTANCE
TO THE POOR MAJORITY BE?

AID noted that, almost invariably its assistance would reach the poor majority through public or private intermediary institutions rather than through U.S. advisors working with villagers.

WHAT IS THE MEANING OF PARTICIPATION?

AID's definition of participation would apply to cases where: economic benefits are widely and significantly shared by the poor; decisions concerning the activities to be carried out are made, preferably by those benefited; the activity in which they participate is, ideally, a learning experience for benefited persons; the poor make a significant contribution in effort and resources to the activities from which they benefit; and the participation and contribution of women is explicitly taken into account.

PROFILE OF THE FISCAL YEAR 1975 AND 1976AID PROGRAM FOR THE PHILIPPINESBrief Project Description

RURAL ELECTRIFICATION LOANS AND GRANTS: A development loan of \$20 million (there were three previous AID loans for \$38 million) and development grants of \$875,000 (prior year AID grants were \$1.6 million) to help the Philippine Government extend electric services to the rural areas. The loan will finance the construction of up to 12 rural electrification cooperatives. The grants will finance the continued services of a U.S. project manager, the services of U.S. consulting engineers, and training in the United States for selected Filipino technicians.

Intended beneficiaries: Beneficiaries were expected to be about 12 rural electric cooperatives that will serve an average of about 10,000 customers per cooperative. Beneficiaries will include farms and small industries.

RURAL ROADS LOAN: A \$15 million loan to improve provincial roads for transporting agricultural products and other goods in rural areas. The funds will reimburse the Philippine Government for constructing and improving 750 kilometers of provincial roads and 2400 meters of bridges.

Intended beneficiaries: Beneficiaries were expected to be the rural population in up to 22 provinces where roads and bridges would be improved or constructed.

SMALL-SCALE IRRIGATION LOAN: A \$6.5 million loan to construct small irrigation systems in rural areas. The loan funds will finance construction of pump and gravity systems and training of the Irrigator's Service Association staff to own, operate, and maintain the systems.

Intended beneficiaries: About 25,000 small-scale farmers in 20 provinces were expected to eventually benefit.

LIBMANAN/CABUSAO AREA DEVELOPMENT LOAN: A \$3.5 million loan to be used for irrigation, drainage, and farm service roads in a pilot project being carried out in the Bicol River Basin area. The loan funds will finance construction, some equipment, and certain local currency costs.

Intended beneficiaries: About 2,300 farm families in project area were expected to benefit.

AGRICULTURAL RESEARCH LOAN: A \$5 million loan to help develop a research capability at four research centers. Loan funds will pay for technical advisory services, the construction and improvement of facilities at four major research centers, purchase of equipment, and training of selected Filipino staff both in-country and overseas.

Intended beneficiaries: The program was basically designed for institution building; however, research results were intended to indirectly benefit the small farmer by providing him a means to increase his productivity.

THIRD FEASIBILITY STUDIES LOAN: A \$2 million loan continuing AID's support of the Philippine Government's development planning capability by financing more feasibility studies. The loan will finance the foreign exchange costs of having foreign experts make prefeasibility and feasibility studies and other consulting services.

Intended beneficiaries: Studies eligible for financing were expected to be in congressional mandate areas such as food production, so the long-term beneficiaries were expected to be the rural poor.

SECOND LOCAL WATER DEVELOPMENT LOAN: A proposed \$10 million loan to design and construct potable water systems and improve the management of water district systems. AID previously made a \$15 million loan available for similar purposes. The loan funds will pay for consulting services and for construction and repair activities.

Intended beneficiaries: As of October 1975, the AID loan project paper had not yet been written. However, the project was designed to favor poorer people.

BICOL ROADS LOAN: A proposed \$10 million loan to rehabilitate and expand the road network as part of the Bicol River Basin project. The loan funds will finance road repairs and construction.

Intended beneficiaries: The population of selected areas of Camarines Sur and the Bicol River Basin including farms and small industries were expected to benefit from road improvements.

LOCAL DEVELOPMENT GRANT: A \$2.7 million fiscal year 1975-76 grant (AID previously made a \$1.1 million grant in fiscal year 1974) to improve local government planning and real property tax administration and to build roads and bridges primarily in the rural areas. AID expects to support this project through fiscal year 1978. The grant will pay for U.S. advisors and contract technicians; training of selected Filipinos in the United States; reconditioning of surplus U.S. heavy equipment; purchase of training aids, office equipment, and vehicles; and for contract personnel.

Intended beneficiaries: The project will be carried out in 28 designated provinces. The rural populations of these areas were expected to benefit from the improvements in local government.

BICOL RIVER BASIN GRANT: A \$1.1 million fiscal year 1975-76 grant (AID previously made a \$387,000 grant in fiscal year 1974) to further rural development in this area by helping to plan programs and projects and make technical and feasibility studies. The grant will finance U.S. technicians and contract consultants and finance primarily hydraulic and soils laboratory equipment.

Intended beneficiaries: Long-term beneficiaries were expected to be the 1 million rural people living in the Bicol River Basin.

AGRARIAN REFORM GRANT: A \$1.1 million fiscal year 1975-76 grant (AID previously granted \$546,000 in fiscal year 1974) to support the Philippine agrarian reform program. The grant will pay for U.S. technical and contract services, training selected Filipinos in the United States, and purchasing certain vehicles and equipment.

Intended beneficiaries: This project supports Philippine Government efforts to improve the socioeconomic standing of some 1 million corn and rice tenant farmers.

AQUACULTURE GRANT: A \$521,000 fiscal year 1975-76 grant to increase fish production by strengthening research and extension services. The grant will finance the services of U.S. consultants, training selected Filipinos in the United States, and the purchase of special commodities for training and extension service programs.

Intended beneficiaries: The protein-deficient population should benefit from increased availability of fish.

SMALL FARMER INCOME GRANT: A \$1.4 million fiscal year 1975-76 grant providing technical assistance to help increase rice and corn productivity and increase small farmer income. The grant will pay for U.S. technicians and contract consultants, training selected Filipinos in the United States, and purchase of vehicles and equipment.

Intended beneficiaries: Small rice and corn farmers were expected to benefit from increased productivity and incomes.

NUTRITION GRANT: An \$836,000 grant (AID previously granted \$404,000 in fiscal year 1974) to help the Philippine Government develop and administer an effective national nutrition program. The grant will pay for U.S. management and technical advisors, the training of selected Filipinos in the United States, and other support costs.

Intended beneficiaries: The improvements in local institutions were expected to eventually benefit malnourished people in the low income groups.

POPULATION PLANNING GRANT: A \$7.8 million grant (AID previously granted \$25.4 million since fiscal year 1967) to provide clinical services in family planning to reduce birth

rates. The grant will finance U.S. contract services; training of selected Filipinos in the United States; and purchase of contraceptives, medical supplies and materials, and other contract costs.

Intended beneficiaries: The general population with emphasis on rural, uneducated, and poor people.

GENERAL PARTICIPANT TRAINING GRANT: A \$175,000 fiscal year 1975-76 grant (AID has granted \$288,000 for this purpose since fiscal year 1968) to provide technical and management training in the United States and other countries in fields where instruction is not available in the Philippines. The grant will finance overseas training for selected Filipinos in the United States and other countries.

Intended beneficiaries: The individual participants received direct benefits. The Philippine population, particularly the rural sector, was expected to benefit indirectly.

PROFILE OF THE FISCAL YEAR 1975 AND 1976AID PROGRAM FOR KOREABrief Project Description

IRRIGATION LOAN: An \$8.5 million loan (AID previously financed a \$17.2 million loan for the same purpose) to help complete 66 rural irrigation projects. Loan funds will pay labor costs for constructing reservoirs, pumping stations, and primary canals.

Intended beneficiaries: About 95,000 rural farm households were expected to benefit.

GRADUATE PROGRAM EDUCATION LOAN: A \$5 million loan to help the national university develop a graduate-level teaching capability in the basic sciences. Funds will pay for visiting U.S. professors, Korean university faculty members studying in the United States, research activities, library materials, and laboratory equipment.

Intended beneficiaries: There were no specific beneficiaries, but the Korean population was expected to benefit from the anticipated educational improvements.

HEALTH DEMONSTRATION LOAN: A \$5 million loan to help the Korean Government establish a national health delivery system. Loan funds will be used to establish a Health Development Corporation which will plan and demonstrate a low cost health delivery system.

Intended beneficiaries: This project was supporting Korean Government efforts to improve health services for its low income citizens.

INDUSTRIAL STANDARDS LOAN: A \$5 million loan to help establish a Korean Standards Research Institute to develop a reliable industrial measurement system. The loan will pay for consultants, training of selected Korean staff, recruiting of foreign experts, and purchase of equipment and library materials.

Intended beneficiaries: Korean industrial firms would be expected to benefit from quality control and industrial measurement improvements.

FAMILY PLANNING GRANT: A \$349,000 fiscal year 1975 grant (AID made prior year grants of \$4.5 million) to increase the use of both male and female sterilization techniques. The funds will pay for hiring consultants, sending selected Korean technicians abroad for training, purchasing sterilization commodities, and pay other costs.

Intended beneficiaries: AID estimated that about 105,000 people would use sterilization services available under this project.

GENERAL TRAINING AND ADVISORY SERVICES GRANT: A \$553,000 fiscal year 1975-76 grant (AID made grants of \$740,000 in prior years) to continue a broad range of overseas technical and professional training and for U.S. advisory services. The funds will finance U.S. consulting services and training and observation trips to the United States by selected Korean managers and technicians.

Intended beneficiaries: The individual participants get direct training benefits. The Korean population may indirectly benefit in the future.

KOREA DEVELOPMENT INSTITUTE GRANT: The institute--which conducts research in social and economic development--was started in 1972 through AID grants. Through fiscal year 1974 AID grants amounted to \$1.2 million. The fiscal year 1975-76 grants of \$460,000 were to develop a comprehensive analysis of Korea's modernization process during 1945 to 1975. The grant will pay for salaries and fringe benefits of U.S. consultants and researchers and finance the fees of Korean researchers.

Intended beneficiaries: The project was expected to provide the Korean Government with an improved planning capability.

SCIENCE AND TECHNOLOGY GRANT: The fiscal year 1975 grant of \$100,000 (AID prior year grants amounted to \$345,000) aims to promote linkages between Korean and U.S. scientific organizations. The grant will fund the cost of U.S. consultants, training selected Koreans in the United States, and repatriating from the United States selected Korean scientists and engineers.

Intended beneficiaries: Korean industry and government and research institutions were expected to benefit. Also, American institutions, scientists, and technicians by developing a continuing interest in Korea.

IMPROVED AGRICULTURAL PLANNING GRANT: The fiscal year 1975-76 grant of \$650,000 (AID prior year grants amounted to \$657,000) seeks to help the Korean Government to strengthen its agricultural planning capability. The grant will pay for U.S. consultants and for training selected Korean officials in the United States.

Intended beneficiaries: Korean farm households since the goal of the project was to raise the average income of farm households over a 5-year period.

YOUTH REHABILITATION AND TRAINING CENTER: AID has supported this center since fiscal year 1972 through grants of \$250,000. The fiscal year 1975 grant of \$250,000 was to expand the physical facilities of the center and broaden its curriculum. The grant will finance construction and buy training aids and equipment.

Intended beneficiaries: The center was training indigent male and female youths aged 15 to 19 who had acquired at least a middle school education but could not further their education for lack of funds.

HEALTH PLANNING GRANT: The fiscal year 1975 grant of \$210,000 (AID prior year grant in fiscal year 1974 was \$500,000) was to help the Korean Government establish a health sector planning capability. The grant will pay for U.S. specialist and contract services; training selected Koreans abroad; and equipment, education materials, and other costs.

Intended beneficiaries: The project would be expected to generally help the government to formulate practical health strategies and programs.

PROFILE OF THE FISCAL YEAR 1975 AND 1976AID PROGRAM FOR CHILEBrief Project DescriptionREACTIVATED LOANS (note a)

SEAPORT CONSTRUCTION LOAN: A \$7 million loan to construct a seaport at San Vincenta. At time of reactivation, \$4.3 million remained to be obligated. The loan funds will finance the purchase of equipment for completion of the project.

Intended beneficiaries: None specifically identified. The Chilean population should benefit from this infrastructure project.

AGRICULTURAL CREDIT LOAN: A \$23 million loan to provide credit to cooperatives. At time of reactivation, \$2.1 million remained to be obligated. The loan will fund the purchase of research equipment and provide cooperatives with credit for purchase of fertilizer.

Intended beneficiaries: Cooperative members--both large and small farmers--were expected to benefit directly from credit segment and indirectly from research segment.

FEASIBILITY STUDIES: A \$2.5 million loan for funding environmental, marketing, and other studies. At reactivation, \$2.4 million was unobligated. Loan funds were to be used to fund studies mostly by U.S. firms on various subjects.

Intended beneficiaries: None specifically identified. Overall goal appears to be to improve marketing or environment or to develop resources.

^aAt the time of reactivation, these loans had an undisbursed balance of about \$9.1 million. AID resumed support of the projects in fiscal year 1975.

PROGRAM LOAN: A \$19.9 million loan for balance-of-payment support. About \$300,000 was undisbursed at time of reactivation. The residual funds will support the government by financing imports.

Intended beneficiaries: None specifically identified. Overall support of Chilean Government's financing of imports.

NEW LOANS

AGRICULTURAL COOPERATIVE DEVELOPMENT: A \$15 million loan to finance subloans to cooperatives which have a majority of small farmers as members. The loan funds will finance products and activities aimed at improving the production and marketing capabilities of farm cooperatives.

Intended beneficiaries: Small and large farmer members of cooperatives. Priority was to be given to those cooperatives having the highest proportion of poor members.

CREDIT FOR AGRICULTURAL PRODUCTION: A proposed fiscal year 1976 \$15 million loan to provide financial credit to certain cooperatives and farmers. The loan funds will fund purchases of fertilizers, improved seed, and pesticides.

Intended beneficiaries: Target group not yet fixed but expected to be small farmers who may or may not be farm cooperative members.

IMPROVEMENT OF IRRIGATION FACILITIES ON FARMS: A \$5 million loan to develop a water administration which will improve soil utilization and irrigation practices of farmers in Coquimbo Province. The funds will be used to improve irrigation practices by land leveling, interior canals, and purchase of water distribution equipment.

Intended beneficiaries: Farmers in Coquimbo Province, one of Chile's poorest, were expected to benefit.

CHILD NUTRITION LOAN: A \$5 million loan to finance studies which will define and test solutions to nutritional problems. Loan proceeds were earmarked for technical assistance, consultant fees, and to fund pilot projects.

Intended beneficiaries: Primarily nutritionally disadvantaged children.

GRANTS

SPECIAL DEVELOPMENT ACTIVITIES: Funded for \$95,000 in fiscal year 1975 and \$50,000 in fiscal year 1976 to be used for a variety of projects. For example, a fiscal year 1975 project provided working capital for a college textbook cooperative.

Intended beneficiaries: Various recipients ranging from college students to a poor Indian group.

RURAL ENVIRONMENTAL SANITATION: A fiscal year 1976 \$295,000 grant to improve water supplies in rural areas. The funds will finance materials to build wells and pumps and provide technical support.

Intended beneficiaries: Two provinces which have many poor people were tentatively selected for grants.

RURAL DEVELOPMENT TRAINING: A \$150,000 grant for training in rural development. Funds will be used to train Chileans in rural development at American universities.

Intended beneficiaries: The rural population was expected to benefit when the training was applied.

GENERAL DEVELOPMENT TRAINING: This grant has \$149,000 funded in fiscal year 1975 and \$50,000 funded for fiscal year 1976. Funds will be used for training Chileans in general business subjects.

Intended beneficiaries: No specific groups were designated as long-term beneficiaries.

TECHNICAL SUPPORT - FOOD AND NUTRITION: Grant of \$215,000 in fiscal year 1975 and \$100,000 in fiscal year 1976 to provide funds for studies of various food and nutrition projects.

Intended beneficiaries: The recipients vary with the types of projects receiving assistance.

TECHNICAL SUPPORT - SPECIAL DEVELOPMENT ACTIVITIES: Grant of \$50,000 in fiscal year 1975 and fiscal year 1976 to provide for project studies. The funds finance the cost of the U.S. consultants and others making the studies.

Intended beneficiaries: The recipients vary depending on the type of project.

CHILD NUTRITION PROJECT: A \$405,000 grant, related to a similar loan, whose purpose is to gather information on nutritional problems and to improve nutrition projects. The funds will pay the salaries of Chilean personnel in the AID Food for Peace office and to assist Chile's National Council for Food and Nutrition in its assessment of nutritional needs.

Intended beneficiaries: The nutrition improvements from the project were expected to benefit Chile's nutritionally needy children.

TRAINING FOR COOPERATIVE STAFF: A \$200,000 grant to develop the research departments of cooperatives. The funds will pay for in-country training of cooperative staff members in agricultural research.

Intended beneficiaries: Participating cooperative members including small farmers.

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Congress of the United States
Committee on International Relations
House of Representatives

July 29, 1975

MARIAN A. CZARNECKI
CHIEF OF STAFF

B-146820

Mr. Elmer Staats
Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Staats:

The Special Subcommittee on Investigations would like the General Accounting Office to undertake a brief study of the impact of P.L. 480 and development programs in certain states where violations of human rights have received considerable documented discussion.

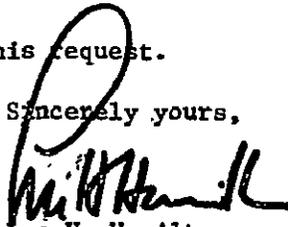
Specifically, we are interested in whether these programs are designed in such a way that the food and development projects are getting to the most needy individuals and regions in the country.

My staff consultant, Mike Van Dusen, would be happy to meet with your staff to discuss the scope and specific interests of the Subcommittee in this matter.

We would like your report not later than March 1976 so that its results can be of benefit to the Committee on International Relations during consideration of the Fiscal Year 1977 Foreign Aid Authorization Bill.

I appreciate your attention to this request.

Sincerely yours,



Lee H. Hamilton
Chairman, Special Subcommittee
on Investigations

LHH/dm

PRINCIPAL OFFICIALS
RESPONSIBLE FOR ADMINISTERING
U.S. ECONOMIC AND FOOD AID PROGRAMS

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF STATE</u>		
SECRETARY OF STATE: Henry A. Kissinger	Sept. 1973	Present

DEPARTMENT OF AGRICULTURE

SECRETARY OF AGRICULTURE: Earl Butz	Dec. 1971	Present
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AGENCY FOR INTERNATIONAL DEVELOPMENT

ADMINISTRATOR: Daniel Parker	Oct. 1973	Present
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U.S. OFFICIALS IN THE PHILIPPINES

U.S. AMBASSADOR: William H. Sullivan	July 1973	Present
DIRECTOR, AID/PHILIPPINES: Garnett A. Zimmerly	July 1975	Present

U.S. OFFICIALS IN INDIA

U.S. AMBASSADOR: William B. Saxbe	Jan. 1975	Present
AID AFFAIRS OFFICER: Alfred Bisset	July 1975	Present

U.S. OFFICIALS IN KOREA

U.S. AMBASSADOR: Richard Sneider	Aug. 1974	Present
DIRECTOR, AID/KOREA: (acting) John W. Roxborough II	Sept. 1975	Present

Tenure of office
From To

U.S. OFFICIALS IN CHILE

U.S. AMBASSADOR:

David H. Popper

June 1973 Present

DIRECTOR, AID/CHILE:

Stuart H. Van Dyke

Sept. 1974 Present

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