

New Directions for AID



***A Summary of
The Presentation
To the Congress***

***Foreign Assistance
Programs
For Fiscal 1978***

Agency for International Development



Helping the millions of poor people in the developing countries is the objective of the AID programs, which aim to overcome

poverty, disease, illiteracy, and hunger. The programs for fiscal 1978 are geared to this goal.

For millions of people, U.S. foreign economic assistance is a vital resource in their struggle to overcome:

- **Poverty**—More than one fourth of all people on Earth exist on incomes of less than \$3 a week.
- **Hunger**—Between 400 million and 500 million people are seriously malnourished.
- **Ignorance**—More than half of the school-age children in the developing countries are not in classes.
- **Disease**—Tens of millions in Africa, Asia and Latin America have no access to health care.

According to the Development Assistance Committee of the Organization for Economic Cooperation and Development: *"The situation for the poorer regions is more serious than indicated . . . present assistance efforts are not adequate . . ."*

Although help for the poorest people of the world is in the American humanitarian tradition, there are other compelling reasons for economic assistance to developing countries:

For more than a quarter of a century the American people, through the Agency for International Development and its predecessors, along with other agencies and activities, have sought to help the people of the developing countries surmount these and other serious obstacles to their economic and social progress.

AID, an arm of the Department of State, has some 6000 employees working in Washington, D.C. and more than 60 countries around the world to help administer U.S. foreign economic assistance. Much progress has been made through this assistance. Food production has increased significantly; life expectancy has lengthened; smallpox, measles and malaria no longer are the scourges that once killed millions; literacy has inched upwards; and the Gross National Product of most developing countries has risen.

But uncontrolled population growth; shortages of energy, housing and jobs; inflation; inadequate infrastructure and insufficient investment have frustrated the development of many countries.

- The American people cannot escape the economic and political effects of population pressures, food and energy shortages, environmental influences and other policies and actions of the developing countries.

- Economic progress in the developing countries means an expansion of trade for the United States. These countries—not including the oil-producers—accounted for 25 percent of our exports and 23 percent of our imports in 1976. U.S. goods bought by less developed nations account for up to 2.8 million jobs in the United States.

- Our fundamental security interests are bound up with potential regional conflicts in the Third World.

- U.S. foreign policy more and more is conducted in large multilateral forums where developing nations exert strong influence.

To address these challenges of an interdependent world, the U.S. foreign assistance effort takes several forms:

Development Assistance—Programs aimed at helping developing countries meet their pressing economic and social problems.

Security Supporting Assistance—Programs directed at providing economic support for the continuing effort to achieve peace and stability in the Middle East, southern Africa and other areas essential to U.S. interests.

Multilateral Assistance—Contributions to international financial institutions engaged in economic development programs.

Food for Peace—Sales and donations of U. S. agricultural commodities to alleviate hunger and food shortages by direct food aid.

Peace Corps—Direct people-to-people assistance.

The Cost

In 1976, these forms of economic assistance totaled \$4.4 billion, about .26 percent of the U.S. Gross National Product. The United States stood 12th among donor nations in the percentage of GNP provided for economic aid.*

U.S. foreign aid accounted for one-quarter of 1 percent of the nation's GNP—considerably less than what the American people spend for alcoholic beverages, or pet food, or cosmetics. Over the past several years, the annual cost to the United States of foreign aid has amounted to slightly more than one cent out of each Federal budget dollar.

This report is concerned primarily with *Development Assistance* and *Security Supporting Assistance*, administered by the Agency for International Development (AID).**

Development Assistance

This category of assistance consists of grants and loans for programs aimed at:

- Increasing and improving *food production and nutrition*.
- Encouraging *family planning*;
- Making available *health care services*.
- Providing guidance and materials for *education and human resources*.
- Extending *technical assistance* and other programs focused on *energy, research, reconstruction, and selected development problems*.
- Sustaining *American schools and hospitals abroad*.
- Contributing to *international organizations and programs*.
- Meeting emergency needs of *disaster victims*.
- Funding U.S. participation in a long-term, multi-donor effort for the *development of the African Sahel*.

Food and Nutrition

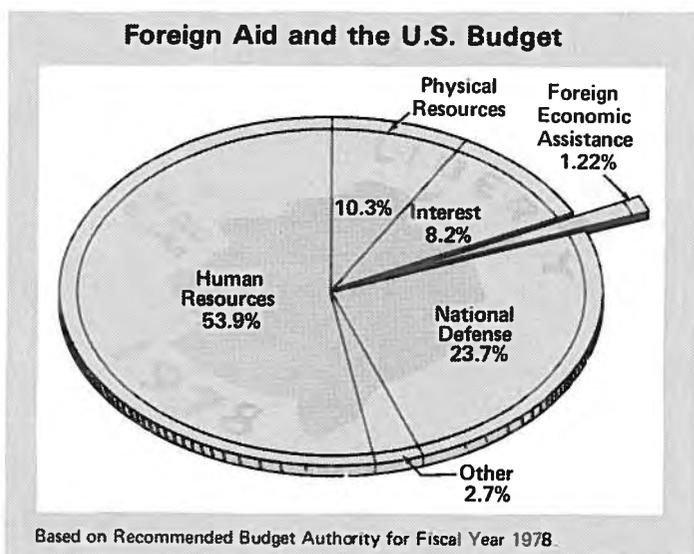
Food production in developing countries has only barely kept pace with rapid population growth. If the trends of recent years continue, it has been estimated that the developing country food grain gap could increase to over 100 million tons by 1985. Yet even at current levels of production, perhaps 500 million people suffer from malnutrition.

Increased food production is needed to alleviate hunger and malnutrition and to provide the production base for expanded rural employment, growing rural incomes and resources, and broader access to infrastructure and social services.

The key to increased food production and progressive modernization of the rural economy is improved access by potentially efficient small producers—farmers, herders, fishermen, processors—to profitable, appropriate technologies. Better access requires various combi-

* Development Assistance Committee Report, January 1977.

** Funds for contributions to international financial institutions, Public Law 480 (Food for Peace) and the Peace Corps are authorized by Congress under legislation separate from the Foreign Assistance Act, the AID authorizing legislation.



A small part of the U.S. budget goes to foreign economic aid.

nations of access to productive assets; vigorous local political, economic and social institutions; adequate incentives; aggressive efforts to develop and diffuse relevant technologies; and appropriate infrastructure and institutions for input supply marketing, finance, and rural manufacturing.

The response to the 1974 World Food Conference has indicated broad agreement among developing country governments and international bilateral assistance agencies on the need for an increased commitment of resources to food production and rural development. AID's own allocations to the Food and Nutrition account have increased from \$275 million in FY 1974 to \$586.9 million requested in FY 1978.

About one-fifth of the amount proposed for the FY 1978 Food and Nutrition program will assist in the development and diffusion of improved technologies for small producers:

- AID will continue to provide financing for the International Agriculture Research Centers within the framework of the Consultative Group on International Agricultural Research (CGIAR); the work of the centers now embraces the major food crops and animals of the developing world and most of its ecological zones.
- AID-funded research and adaptation efforts carried out by U. S. universities and other institutions will contribute to the development of improved technologies in such areas as crop, livestock and fish production; fertilizer use; production and use of appropriate mechanical implements; resource assessment; and energy production.
- Developing country research capacity will be strengthened, with particular emphasis on adapting research efforts to the needs of small producers; for example, Paraguay will establish a small-farmer research institute using multi-disciplinary field teams and numerous on-farm demonstrations for applied research and extension.

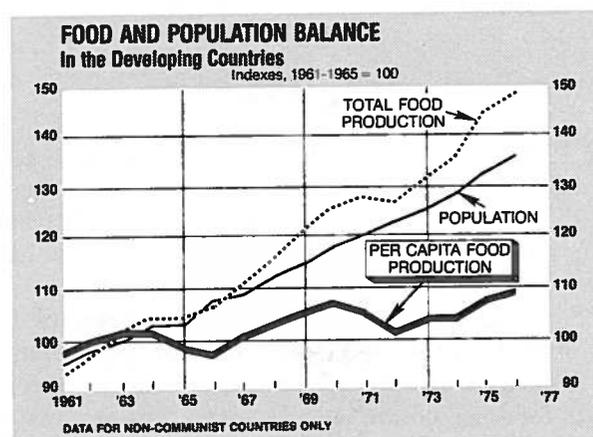
One-tenth of the proposed amount will support activities which address the policy and institutional factors which broadly influence access to improved technologies and the impact of rural change:

- In the Philippines, programs will provide continued or expanded support for land tenure reform, cooperative development, and the strengthening of provincial and local administration.
- Small farmers and the landless in Guatemala and Peru will receive assistance in the settlement of new lands.
- Cooperatives and other small farmer and local organizations will be assisted in Ghana, Liberia, Bolivia, Honduras, Nicaragua, Paraguay, and Indonesia.

Two-fifths of Food and Nutrition program funding will support the expansion of rural physical infrastructure and related institutions, including land and water development, secondary and rural roads, and rural

electrification:

- Programs in water development stress improved access to water for small farmers and better on-farm water management; for example, Pakistan will initiate a large-scale program to apply demonstrated watercourse improvement, land levelling, and water management techniques to small and medium-size farms.
- AID will assist in strengthening range, soil and watershed management programs in Kenya, Tanzania, Cameroon, Chad, Mali, Mauritania, Niger, Senegal, Bolivia, Honduras, Nicaragua, and Yemen.
- Rural road programs provide maximum access for the resources invested by using cost-effective construction methods; for example, AID will initiate support for Kenya's program of low-cost, labor-intensive rural road construction.
- Rural electrification programs will be assisted in Bangladesh, Pakistan, Indonesia, and Honduras.



Per capita food production has made only slight progress.

Roughly one-third of the Food and Nutrition program will help developing countries provide small producers with better access to inputs, finance and market:

- For example, Rwanda is expanding grain storage which will sharply reduce post-harvest losses.
- Bolivia will provide technical assistance and financing to small-scale rural enterprises and agribusiness to expand the market for small farmer crops and generate rural employment.

The alleviation of hunger and malnutrition requires specific nutrition programs in addition to increased food production and expanded employment and incomes for the poor; activities planned for FY 1978 include:

- Continued testing and development of low-cost nutritious foods; assessment of alternative nutrition interventions; nutrition surveys; and planning and initiation of research on the impact of varying degrees of malnutrition.

In addition, AID administers P. L. 480 food aid (Food for Peace, Title II), allocated by the Department

of Agriculture, to alleviate suffering of disaster victims, combat hunger and malnutrition, and promote economic development through the use of food as a development resource.

For fiscal 1978, AID is requesting 1.5 million metric tons for *donations* (Title II) to humanitarian programs, principally maternal and child care. Together with Title I *sales* (negotiated by USDA) the United States provides between 5 million and 6 million tons of food annually to food-short countries.

AID also administers the \$200 million U.S. contribution to the International Fund for Agricultural Development (IFAD) now in process of ratification by the international community. The \$1 billion fund, an outgrowth of the World Food Conference, is designed to increase the flow of resources to help improve food and nutrition in developing countries. It is expected to become operational later this year.

Substantial increases in development assistance levels are necessary to address the global food problem. In the meantime, the United States must be prepared to continue a substantial program of food aid. Food aid is often critical in the near term to provide low-cost food imports for the poor countries and to alleviate emergency and disaster situations. For the longer term, food aid can be used to support economic development.

Population Planning

Since the late 1960s, many developing countries have expanded fertility control programs and adopted development policies encouraging smaller families. Some decline in birth rates gives real hope that population growth can be effectively contained in the long run.

- In Indonesia, Taiwan, Korea, Thailand, and Colombia, more than 20 percent of eligible couples are now using effective means of birth control.
- Indonesia, Thailand, and the Philippines are rapidly expanding family planning services to the majority of their populations. Village-level auxiliary personnel are being added to existing health services.
- Nepal opened 60 new rural health clinics and trained 200 village-level workers for family planning outreach programs.
- In Jamaica and Bangladesh, commercial sales of contraceptives are being expanded through small shops and local salesmen.

But the scope of the population problem remains enormous. Substantially more resources will be required on a global scale to bring population growth to manageable proportions. To achieve a "replace-



This woman already has four children. In countries requesting assistance, AID is helping in family planning programs.

ment" fertility level of approximately two children per family, for example, about 65 percent of all fertile couples need to practice some form of contraception.

Pilot studies to test new and simpler village and household delivery systems are underway in Egypt, Korea, Mexico, Tunisia, Bangladesh, Taiwan and Nicaragua. Others are planned in Morocco, Thailand and the Philippines.

Financing of contraceptives and family planning services, particularly programs that emphasize low-cost, village-based services, is a major emphasis when requested by developing countries and participation is voluntary.

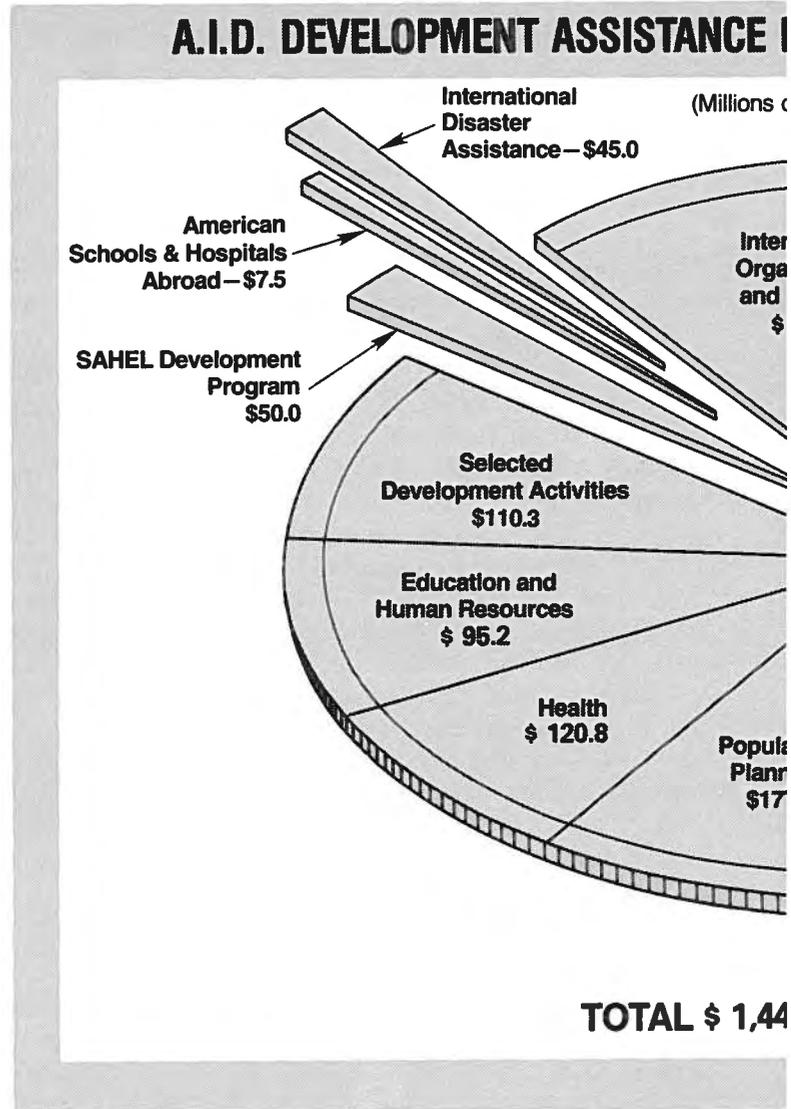
Where countries have both fertility and health objectives—Thailand, El Salvador, and Tunisia, for example—AID concentrates on integrating basic health, nutrition, and family planning services so accessible care can be provided at affordable cost.

Crucial to this effort will be the extension of networks of paramedics. In Java and Bali, paramedic networks are being used to reach rural residents.

AID will continue to support the International Planned Parenthood Federation, Pathfinder Fund, and other non-profit family planning organizations pioneering in new family planning activities in countries whose governments do not yet participate in population programs. Africa and Latin America lag behind other regions in adopting national policies.

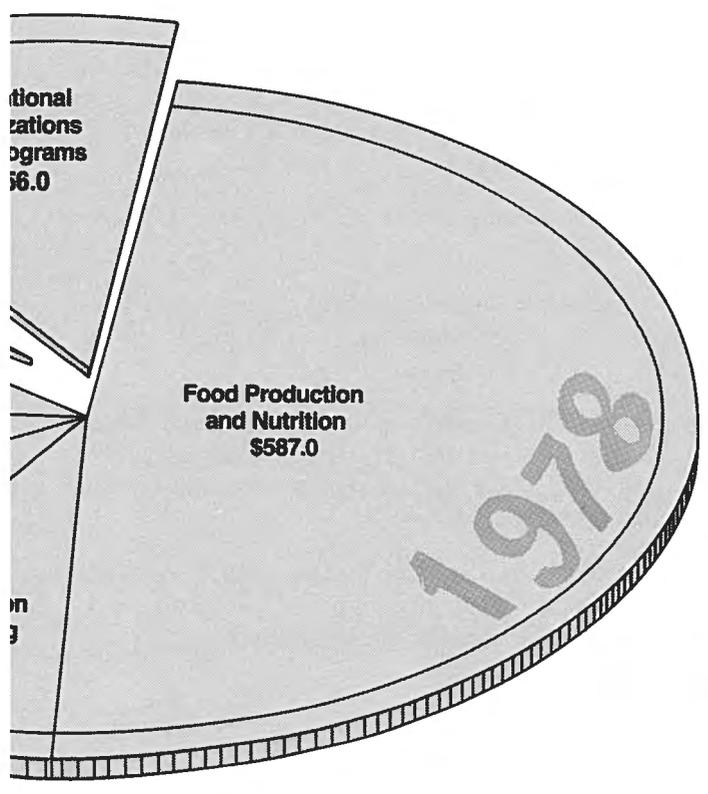


Above, food from UNICEF is carried to a village in the mountains. Below, a man plows his field with the hope that the agricultural methods he has been taught through AID programs will give him a better yield. In countries where human existence is directly related to agriculture, such programs are vital.



PROGRAMS PROPOSED FOR FY 1978

(Dollars)



Above, life is changing for poverty-stricken nomads who need medical care, education, and a way of making a living. Below, an adult education class is underway. AID programs in education seek to use innovative, practical methods rather than traditional means which are not always feasible.



AID will expand operations research, program evaluation, and demographic studies to assess the demographic impact of AID population assistance. Management information systems, for example, are in use in Indonesia, the Philippines, Pakistan and Jamaica.

AID is proposing a new section in the Foreign Assistance Act which would focus additional resources on assessing the impact of development programs and policies on population growth. For example, the AID Mission in Pakistan has reviewed national development plans and AID programs for their fertility impact and found ways to modify several projects by employing women.

Health

A major rethinking of ways to improve health in the developing countries is underway. AID is developing more effective technologies to provide simple, effective and affordable services for the poor.



Under an AID program, this woman helps provide health care, family planning services, and nutritional instruction.

Integrated health delivery systems, still at an early stage of development, offer promise for improving the health of the poor majorities significantly over the next decade:

- In Thailand, a project to develop and evaluate such services has found cost-effective ways to use middle-level health auxiliaries and community

health workers in the delivery of basic health care to rural residents.

- Liberia has introduced the concept of village health workers trained and supported to operate within their homes areas.
- A pilot project financed by AID in Bolivia is being extended to rural areas with an AID grant. Similar grant or loan programs are planned in Guatemala and Haiti.

In addition to better health services, AID is assisting with:

- Better health planning, relating the impact of agricultural, educational, and other kinds of development to health needs.
- Environmental control, particularly pure water and sanitation systems to curtail the spread of enteric, viral, and bacterial diseases and major parasitic disease.
- Control of major tropical diseases such as malaria, schistosomiasis, trypanosomiasis (sleeping sickness), and onchocerciasis (river blindness).

Education and Human Resources Development

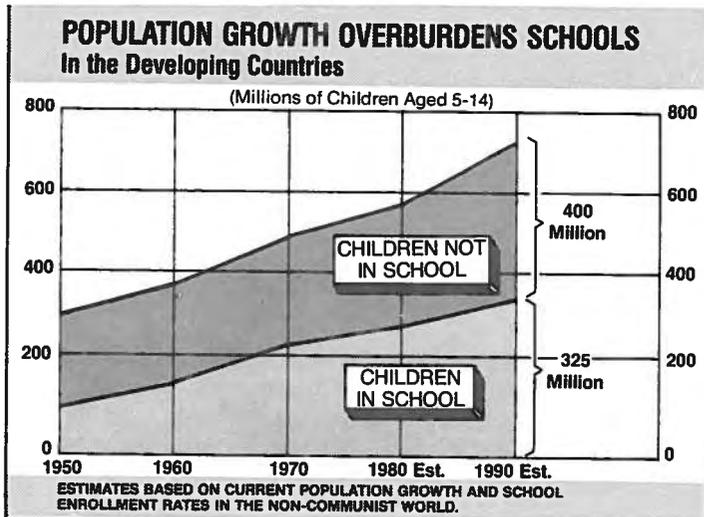
Skills and knowledge are crucial to the efforts of the world's poor to improve the quality of their lives. In Africa, median educational attainments are less than one year; in Asia, less than two years.

To reach the millions outside formal school systems, AID is encouraging developing countries to adopt alternate forms of low-cost education:

- In Ghana, Morocco, Senegal, and Upper Volta, where women play a key role in agriculture, programs of informal education are improving women's skills in food production as well as in health, nutrition, and family planning.
- Ethiopia is developing 25 community skills centers to reach the rural poor.
- Barrio schools built with AID's help in the Philippines will also serve as community learning centers for young people not in school and adults.

In other programs in fiscal 1978, AID will support efforts by the developing countries to:

- Train elementary school teachers, improve curricula, and develop inexpensive learning materials.
- Train civil servants and upgrade the training capacity of development institutions whose programs reach the poor.



As population increases, the burden on schools grows.

- Expand research programs for overcoming problems of illiteracy, school dropout, and other educational deficiencies.
- Examine interrelationships between education, health, and nutrition policies so as to make sound educational investments through increased production and conservation of energy.
- Conduct research on the development process to increase benefits of assistance to developing countries.
- Assist in reconstruction following natural or man-made disasters.
- Help solve special development problems in the poorest countries.
- Assist the development efforts of regional and international development organizations.
- Develop approaches to strengthening urban-based activities that support the development of rural areas and meet basic needs of the urban poor.

Sahel Development Program

Prolonged drought in the African Sahel has threatened the survival of seven countries: Senegal, Mauritania, Upper Volta, Chad, Mali, Niger, and The Gambia. Desertification is occurring on a large scale. The food production capacity of West Africa is seriously endangered.

In response to a coordinated program initiative by these countries, AID is playing a leading role in building broad international support for a multi-donor development investment program dedicated to the goal of eventual self-sufficiency for the Sahel:

- Drawing on the \$5 million fund appropriated by the Congress for that purpose, AID has been working with other donor governments and the Sahelian states in long-range planning for coordination of assistance programs.
- AID is working on a package of effective projects and a long-term development strategy that the United States could support.
- Assistance will be furnished as part of a multi-donor development plan based on an equitable sharing of costs with other donors and recipient countries.



In the Sahel, training in new agriculture methods and equipment is helping the people recover from a prolonged drought.

International Disaster Assistance

The American people traditionally have responded generously to appeals to reduce human suffering abroad brought about by natural or man-made disasters. While it is not possible to predict the timing, location, or intensity of disaster situations, experience indicates that the United States will respond to between 25 and 50 disasters annually.

AID's Office of Foreign Disaster Assistance, which coordinates the U.S. response, committed \$62.1 million for the relief and rehabilitation of disaster victims in fiscal 1976 and the transition quarter, includ-

ing victims of:

- Major earthquakes in Italy, Guatemala and Indonesia;
- Floods in Ethiopia;
- An Epidemic in Benin;
- Landslides in Nepal;
- Civil strife in Angola, Lebanon, and the Western Sahara.

The fiscal 1978 request includes an increase of \$20 million for Lebanon relief and rehabilitation beyond that already authorized, in addition to \$25 million for AID's world-wide disaster assistance program.



The water hole is almost dry, a result of a disastrous drought. Well-digging projects ease the problem.

American Schools and Hospitals Abroad

Assistance to schools and hospitals abroad founded or sponsored by U.S. citizens focuses on projects that demonstrate American ideas and practices.

International Organizations and Programs

The \$256 million request for voluntary contributions by the United States to selected development programs of the United Nations and the Organization of American States (OAS) will support ongoing programs:

- \$130 million for the UN Development Program (UNDP)
- \$52 million for the UN Relief and Works Agency (UNRWA) in support of food, health and educational services for Palestine refugees.
- \$20 million for the UN Children's Fund (UNICEF).
- \$17.5 million for the Organization of American States.
- \$36.5 million for other programs including the International Atomic Energy Agency (IAEA), World Meteorological Organization (WMO), World Food Program (WFP), UN Institute for Training and Research (UNITAR), training for southern Africans, and the UN Revolving Fund for Natural Resources Exploration.

A contribution of \$10 million for the United Nations Environment Fund will complete the current U.S. commitment to provide \$40 million to assist this organization to coordinate international cooperation in protecting the human environment.

Security Supporting Assistance

Regional conflicts continue to threaten fundamental U.S. security interests in the Middle East, southern Africa, and other areas around the world.

The Security Supporting Assistance Programs—closely coordinated with the President, Secretary of State and Congress — proposed for fiscal 1978 are designed to help recipient countries address their economic problems through efforts consistent with U.S. interests in security, stability, and peace.

Middle East

Movement toward a permanent peace in the Middle East, although delayed by events in Lebanon, now appears to have promise of gaining renewed momentum. Realization of that promise will depend in part on continued strengthening of the economies of the region.

The Israeli-Arab peace settlement led, with U.S. economic support, to solid economic gains for the region as a whole:

- Israel after virtually no growth in 1975 and large increases in the balance of payments deficit, registered a gain of 3 percent in GNP in 1976. Rising exports have substantially reduced the trade deficit.

Despite arduous efforts and measurable progress, the Middle East countries continue to confront massive economic problems. For fiscal 1978, AID is requesting:

- **\$785 million to help Israel** meet very substantial financial burdens. Of this, \$635 million would continue imports of sorely needed U.S. agricultural and industrial commodities and related services (\$375 million in grants and \$260 million on concessional loan terms).

The remaining \$150 million will be provided as a cash grant in consideration of the continuing readjustment costs resulting from the Sinai withdrawal.

- An additional \$8.3 million in P.L. 480 (Food for Peace) Title I sales is programmed in fiscal 1978, supplemented by \$25 million in Housing Investment Guaranties.
- Egypt continued to rebuild the Suez area. The Egyptian economy benefitted particularly from the reopening of the Suez Canal and return of the Sinai oil fields.
- Jordan's economy received strong stimulus from the growing remittances of workers emigrating to the Gulf states.
- Syria, on the other hand, has had to adjust economic plans in part due to economic strains caused by Syrian involvement in Lebanon and the burden of Lebanese refugees.
- **\$750 million for Egypt:** \$271.5 million in concessional-term loans to carry forward the National Development Program; \$250 million in loans to finance essential imports; \$190 million for reconstruction and development of the Suez area (\$60 million as a grant for water and sewage facilities; \$30 million as a loan for port development and a \$100 million loan for an electric generating plant); \$38.5 million in assistance grants for rural development, health, population, education and manpower projects benefitting the poor majority.
- The National Industrial Bank will be assisted under the Development Program loans, together with major projects in telecommunications, railway rolling stock, cement and flat-glass plants, food storage, and agricultural mechanization.
- An additional P.L. 480 program of \$130 million in Title I food sales (primarily wheat) and \$16.1 million in Title II donations is planned.
- **\$93 million for Jordan:** \$42 million in budgetary support grants; \$46 million in capital loans for rural development in the Jordan Valley and water and sewage facilities in Aqaba; \$5 million in technical assistance grants for food and nutrition,

health, education, and selected projects in planning and development; P.L. 480 programs of \$5.9 million in Title I food sales and \$1.8 million in Title II donations.

- **\$90 million for Syria's development effort:** \$28 million as a loan for the Akkar Plain irrigation system; \$60 million in loans to improve highway transportation between Latakia and Tartous; \$2 million in technical assistance grants for agriculture, nutrition, health, and training; \$15.6 million Title I and \$36 million Title II P.L.480.
- **Middle East Special Requirements Fund: \$ 25 Million**
- \$3 million will assist U.S. private voluntary organizations working in the West Bank of the Jordan and Gaza areas.

Other Programs

- \$9.5 million for Malta: U.S. share of NATO commitments under a 1972 agreement.
- \$7 million for Spain: To finance the second installment of the five-year Treaty of Friendship and Cooperation signed by the United States in September 1976, and providing for programs in educational, cultural, scientific, and technological cooperation.

Africa

The United States is dedicated to the attainment of majority rule in southern Africa through peaceful means. Prospects for a successful transition to majority governments will depend in part on alleviating the region's economic distress.

The dislocation of large numbers of people who have fled their homes as refugees is further complicated by a general disruption in regional transport links. Adding to the general economic deterioration is a decline in copper prices and other export commodities.

The Administration's request for southern Africa as a whole consists of two Supporting Assistance Programs:

- A southern Africa Special Requirements Fund, for which AID is requesting \$100 million.
- New and ongoing development projects, for which AID requests \$35 million.

The Special Requirements Fund will be used to meet still undetermined needs in the region as efforts toward a political settlement go forward. Specific country requirements will depend to a large extent on intervening developments in the region, for the Zimbabwe Development Fund.

Jamaica

The United States and Jamaica, the largest of the English-speaking Caribbean Islands, share close ties built on common democratic traditions and a high

degree of economic interdependence.

- Jamaica provides 51 percent of U.S. bauxite and 23 percent of U.S. alumina requirements.
- The United States provides nearly 40 percent of Jamaican imports.
- U.S. private investment in Jamaica exceeds \$1 billion.
- More than 500,000 Jamaicans have migrated to the United States and a large number of American tourists visit Jamaica each year.

Jamaica currently faces an economic crisis severely aggravated by the near depletion of its foreign exchange reserves. Confronted with a continuing adverse balance of payments situation, the Jamaican Government in January 1977 initiated an austerity program designed to cut back imports, reduce other outflows of foreign exchange, and limit her fiscal deficit by increasing government revenues.

However, this austerity program threatens to contribute to a further slowdown and disruption of the economy, thus increasing unemployment which already affects an estimated 24 percent of the labor force.

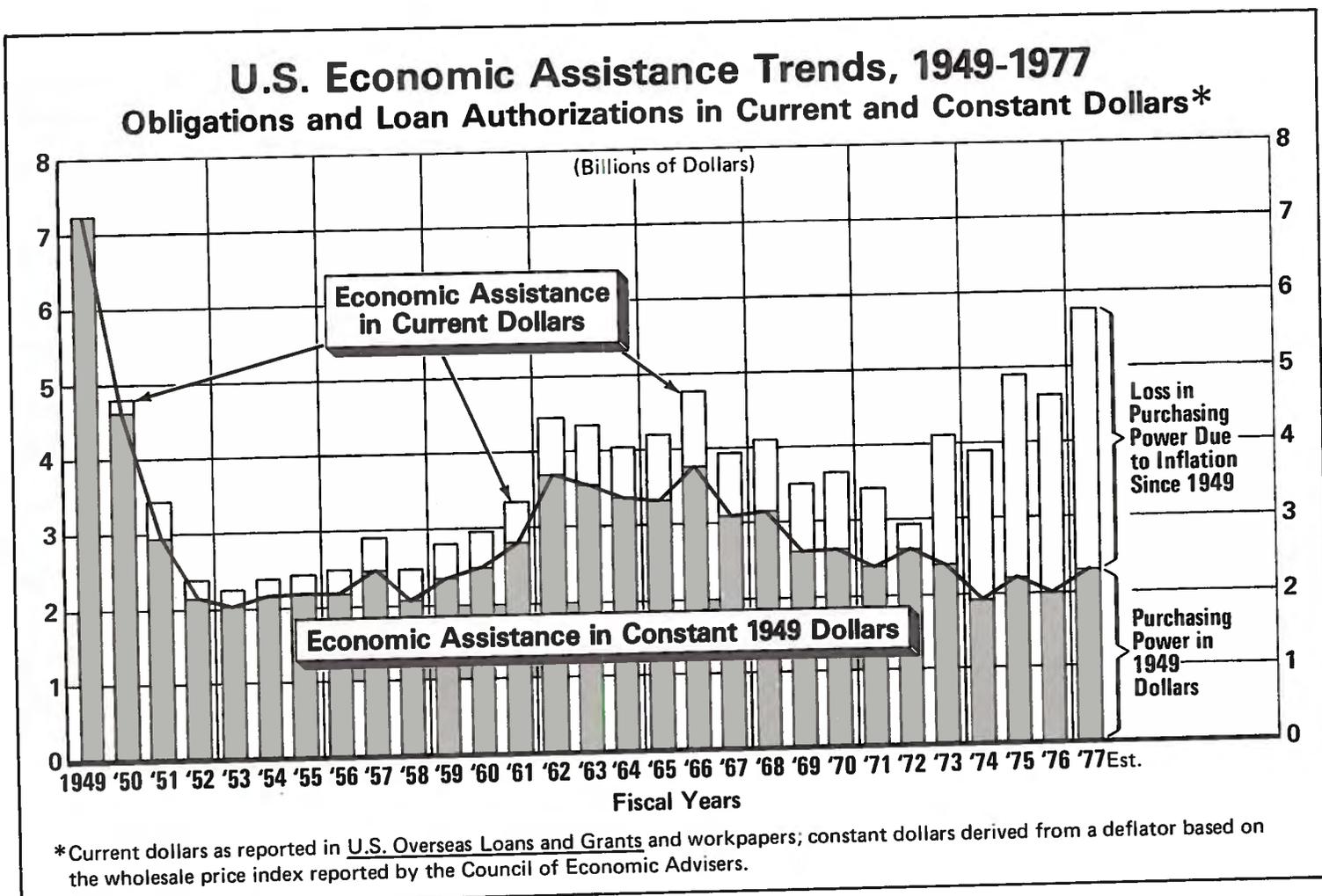
AID proposes to reorient its fiscal 1978 program to augment the efforts of the Jamaican Government.

Subject to further discussions with the Government, supporting assistance of \$10 million will finance essential commodity imports from the United States and grant technical assistance. It is anticipated that counterpart funds generated from imports will be programmed for priority development activities.

This program will supplement assistance from other friendly nations including Canada and Trinidad and Tobago, which have helped Jamaica through its present economic difficulties.

Our Goal

As President Carter stated in a recent address to the Congress, "The future of the United States will be affected by the ability of developing nations to overcome poverty, achieve healthy growth, and provide more secure lives for their people. We join with other nations in combining our efforts, knowledge, and resources to help poorer countries overcome the problems of hunger, disease, and illiteracy."



In 1949, during the Marshall Plan, the economic aid dollar went a lot farther than it does now in providing help to the poor

countries of the world. Inflation has made its mark on the U.S. foreign assistance program.