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AGENCY FOR INTERNATIONAL DEVELOPMENT

The purpose of our foreign aid program is to strengthen the security of the United States by strengthening the security of the free world. At present this program is directed at the enormous task of raising the standard of living in the less developed nations to a point where they are economically, politically, and socially secure. We believe that a strong and stable community of free nations is the best guarantee the American people can have.

The need for foreign aid has been recognized since its beginning by three Presidents, congressional representatives of both parties, and five Secretaries of State. Its support has been both bipartisan and nonpolitical.

The most striking success story in the history of our foreign aid program has been the recovery of Western Europe and Japan from the devastation of World War II and the building of their present economic strength. Although the development of the underdeveloped areas of the world is a different and longer-term challenge, we still are making real progress every year in raising the standards of living in the less developed countries to the point at which they no longer need our assistance. Last year we were able to end technical assistance to Israel and Spain. Technical assistance to Lebanon is being ended this year, and Greece and Taiwan have been informed that we anticipate withdrawing our missions in the near future.

With the economic recovery of Western Europe and Japan, the United States has asked the other free-world nations to carry a larger share of the burden of aid for the less developed nations. The main industrialized countries of Western Europe and Canada and Japan have for several years been extending significant and increasing amounts of aid to developing countries. They have joined with us in the 12-nation Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) with the central purpose of working cooperatively to achieve a larger, more effective common aid effort of the free world.

In
Brief

The United States believes, however, that further improvements can be made in the aid efforts of the free-world nations. We are working to increase the total amounts of aid provided by other countries and to liberalize the terms under which this assistance is given.

We are also working on better coordination of aid efforts through discussions and devices such as consortia. The World Bank and the OECD are sponsors of aid consortia for several important developing countries, including Pakistan and India.

THE NEW AGENCY

The year 1962 marked the first full year of operation for the new Agency for International Development. AID, as the new central authority for direction of our foreign aid, superseded a system in which authority was diffused among several agencies, including the former International Cooperation Administration and the Development Loan Fund, which provides long-term loans abroad at low interest. It also assumed certain functions of the Export-Import Bank, including "Cooley loans," a device through which U.S. businesses get loans in foreign currencies to conduct overseas operations.

AID now operates in some 75 countries. Overseas operations are carried out through four regional bureaus—for the Far East, the Near East and South Asia, Latin America, and Africa and Europe.

To carry out our foreign assistance programs—economic, technical, and

military—during fiscal year 1963, Congress appropriated approximately \$3.9 billion. Almost 70 percent of these funds will be used for economic development and social progress and will be administered by AID. The other 30 percent is for military assistance.

The AID agency's development programs throughout the world begin with the basic asset of a country—its people—and gradually build their skills and the institutions of their country until they are prepared to handle larger capital projects such as dams, transportation and communication systems, and industries.

GRANTS

The two principal forms of development assistance are development grants and development loans. Development grants go primarily to those nations which do not as yet have the trained personnel or the economic structure to handle larger, capital projects. They do not involve repayment and are directed chiefly at human resource development. Last year more than half of the \$457 million in development grants went to the nations of Latin America and Africa.

LOANS

Development loans go to nations which have sufficient trained personnel, planning, and utilization ability to carry out loan projects in a way that will strengthen their economies. They are extended on a long-term, low interest or service charge basis



DAVID E. BELL, Administrator of the Agency for International Development, 44; financial expert with experience in the underdeveloped areas; director of Bureau of the Budget, 1961-62; secretary of Harvard's Graduate School of Public Administration, lecturer on economics and research associate at Harvard; field supervisor for 3 years for Planning Board of the Government of Pakistan; administrative assistant to President Truman; rose from private to first lieutenant in Marine Corps in World War II; began Government career in Bureau of the Budget; graduated Phi Beta Kappa and with highest honors from Pomona College, 1939; LL.D., 1961; M.A., Harvard; born Jamestown, N. Dak.

with substantial grace periods before repayment, in dollars, begins. All purchases made under development loans are made in the United States.

Last year, nearly 70 percent of a total \$1,088 million development loans went to the Near East and South Asian areas. Of that sum of \$757 million, over half was for India and over a quarter went to Pakistan—two nations that have made rapid progress economically in the last decade.

EDUCATION

In the area of developing basic human resources the largest single portion of the AID agency's technical assistance funds goes to education. These funds go to train students at every level in schools, colleges, graduate work, and adult education, and to farmers, government officials, technicians, and middle-level administrators. In 1962 alone, AID education projects included:

- training in the United States for 1,600 teachers, government officials, and labor and industrial specialists from the Far East;

- printing and distributing 15 million textbooks for schools in the Philippines;

- opening a new Indian Institute of Technology at Kampur, India, which is being assisted by nine leading U.S. engineering schools;

- providing some \$1.2 million for the establishment of a Polytechnic Institute in Léopoldville for the former Belgian Congo;

- running a program in Latin

America under which 57 Latin American institutions of higher education in 18 countries were assisted by 37 U.S. universities.

AGRICULTURE

In most of the developing countries more than 80 percent of the people earn their living through agriculture. Thus the development of agriculture is, next to education, the most important technical assistance field in AID activities overseas.

Some recent AID-assisted projects in this area have included:

- financial help for the Shah of Iran's broad-land-reform-program;

- the establishment of Cooperative Agricultural Services in Costa Rica to increase agricultural output.

- the establishment of a forestry industry in Cambodia. The number of powered sawmills was increased from 30 to 134, and the annual timber cut was more than tripled;

- the promotion of fertilizer use in India through over 1.2 million demonstrations, 24 testing laboratories, and an increase in production from 25,000 tons to 347,000 tons.

- the development of Pakistan's fisheries. U.S. assistance has increased the number of motorized fishing craft in West Pakistan nearly sevenfold in 3 years and has raised fisheries earnings 10 times through the introduction of motorized fishing, modern equipment, improved marketing methods, and a modern fish harbor at Karachi.

The AID agency also made \$54 million in loans to countries with

more advanced agricultural systems for projects such as irrigation in Thailand, grain storage facilities in Syria and the United Arab Republic, and supervised agricultural credit systems in Mexico and Venezuela.

HEALTH

In addition to education and agriculture, health plays a key role in human resource development. In the field of health a large portion of the AID agency's efforts has been devoted to the World Health Organization's worldwide campaign to eradicate malaria. As a result of U.S. work in this program:

- over a million and a half houses were sprayed in Brazil last year with equipment supplied by AID. By 1964 this figure is expected to go over 4 million homes—nearly all the houses in Brazil's malarious areas;

- malaria has been virtually wiped out in Taiwan;

- it now accounts for only 1 percent of India's disease where it once was responsible for 10 percent of that country's illness;

- malaria eradication in the Philippines has opened new lands for settlement and has been a major factor in the expansion of the logging and lumber industry;

- in Guatemala in a treated area the malaria incidence in the population dropped from 30 percent to 3 percent, the amount of land under cultivation nearly quadrupled, and the value of the agricultural output in the region increased 60 times.

The AID agency also works around

POWER: The Karnafuli multipurpose dam at Kaptai, East Pakistan, constructed with the aid of U.S. funds.

the world on training medical personnel and building up health and training services which will enable the countries to run their own health programs.

HOUSING

Housing is also an important factor in the AID agency's program to help supply the people of the less developed countries with their basic needs. This program is concentrated in Latin America and is divided into two phases: self-help housing for the very poor and the establishment of housing credit facilities such as savings and loan institutions to help put home ownership within the reach of these same families.

Recently under these programs the AID agency:

- assisted Chile in completing plans for a nationwide savings and home loan association system. A similar association in the Dominican Republic opened in July 1962 and by January had made loans to finance 106 middle-income houses;

- helped Colombia build 30,000 housing units in 1962;

- through a self-help program in school construction in Guatemala plans to build 425 schools by December 1963 for a U.S. contribution of \$1.5 million—about the cost of one good-sized high school in the U.S.

- also in Guatemala sponsored a program of self-help housing with homes for 2,267 families. It is now being entirely run by the Guatemalan Government with their trained personnel and with capital

provided for additional homes by repayment of present owners.

COMMUNITY DEVELOPMENT

The agency also works on developing governmental and administrative institutions within the less developed countries. One phase of this program is carried out through community development programs. These programs contribute to economic development through the digging of wells and construction of bridges, roads, and schools. But their real goal is to change the attitudes of millions of villagers as they learn that, by working together and organizing, they can help themselves to a better life and greater share in their own government.

These community development programs are of extreme importance in countries threatened directly by Communist military forces, such as Thailand and Viet-Nam. There the governments are engaged in a vital struggle to win the sympathies of the rural villagers so they will not support Communist guerrillas. Community development is also critical in countries such as Colombia, Brazil, and Venezuela where the Communists are making widespread attempts to win the allegiance of the poverty-stricken rural people.

PUBLIC ADMINISTRATION

While community development programs are intended to develop government skills at the grass-roots level, the AID agency also sponsors public administration training pro-

grams to improve the quality of national administration. Last year, the agency ran 123 projects in 57 countries for the specific purpose of improving government organization and administration, including fiscal and budget administration.

Some of the recent AID-sponsored activities in this area have included:

- the training of 120 tax inspectors to assist Chile's new tax reform program;

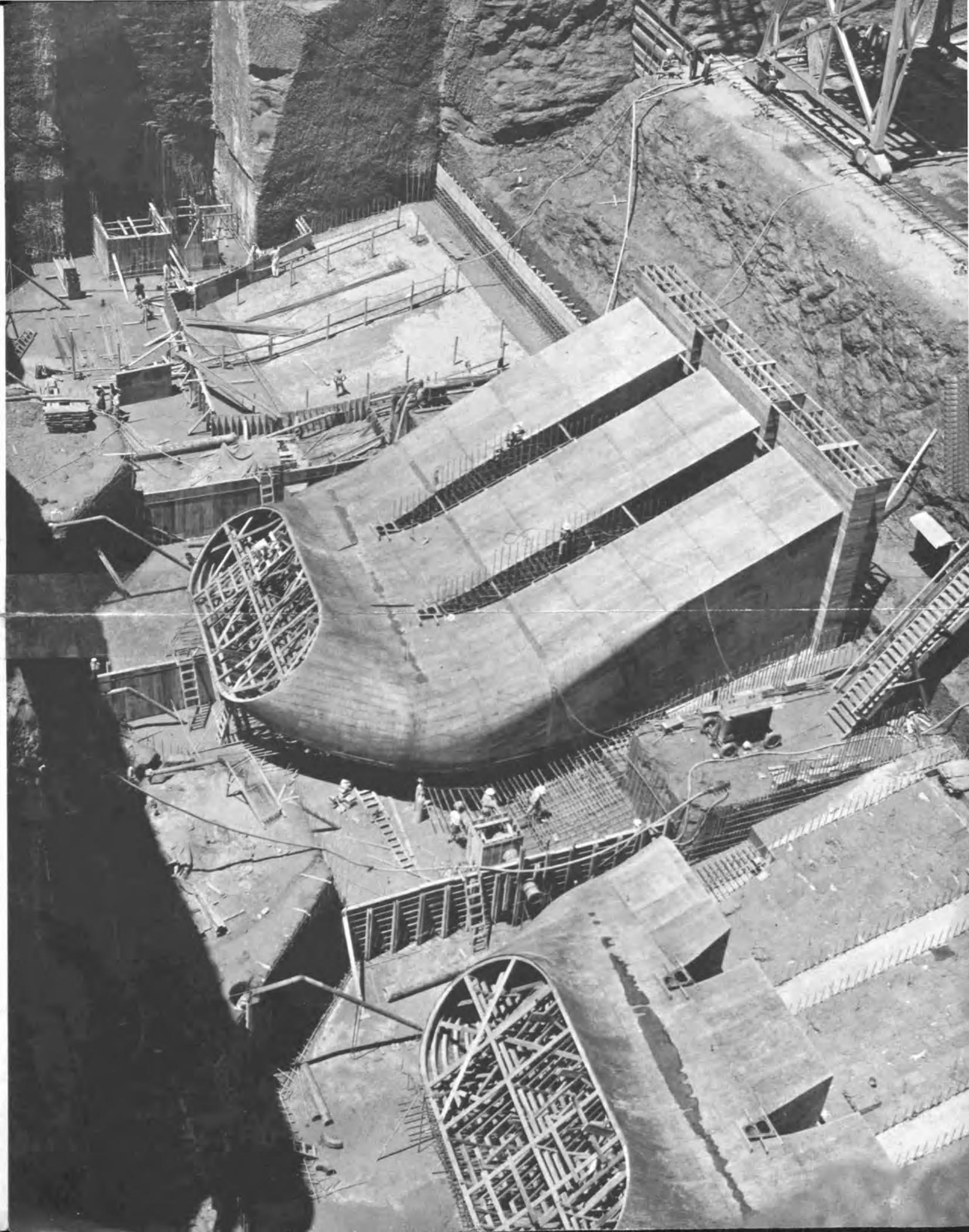
- an increase of 21.7 percent in total government revenues in Paraguay in 1962 done solely through the introduction of better fiscal and control procedures in the Customs and Tariff Departments;

- the discovery in Iran, through the assistance of a U.S. technical adviser to the Iranian government, that Iran's gross national product was underestimated by at least a third;

- the enactment in Thailand, on the basis of studies made by U.S. advisory teams, of a new budget law providing for a Budget Bureau. Thailand's budget system is now considered one of the best in Asia;

- the establishment in Kenya of an Institute of Administration to train Kenyans to replace expatriates now manning 4,500 government posts.

As a less developed nation acquires the skilled personnel and the institutions required to undertake larger, capital projects, it can become eligible for development loans to help finance projects intended to benefit the economy as a whole. These can include highways, port facilities, railways, water systems, telephone lines, radio





broadcasting stations, and dams. The loans are used to meet the costs of imported materials or equipment. For local costs of materials or labor, U.S. controlled local currency is also available from sales of U.S. agricultural commodities under Public Law 480—the Food-for-Peace Program.

SELF-HELP

The concept of “self-help” is central to all AID programs. The shift in recent years in emphasis in the allocation of AID funds from grants to loans is one way we have stressed the fact that aid is a partnership, not a gift. The aid agreements signed with each recipient country outline the contribution expected of the host country as well as the uses to which U.S. assistance will be put. The host country’s contribution may be in money, labor, and specific reforms required to make a particular development project effective—land reform legislation or tax reform, for example. All institutions built up through AID assistance are intended to strengthen the recipient nation’s ability to help itself. This extends from universities, medical schools, and other educational institutions, which the country will eventually run, through capital credit groups, such as savings and loan institutions, and agricultural credit institutions, and on down to the local groups set up to run self-help housing projects.

Private enterprise also plays a key role in our foreign aid program. The AID agency encourages private free enterprise in the participating countries

in many ways. It promotes a vigorous private sector within the economy of these countries by encouraging the establishment of local development banks to supply credit locally on reasonable terms. In addition AID brings local businessmen to the United States for training in private enterprise.

PRIVATE INVESTMENT

AID also encourages and promotes investment opportunities for U.S. private enterprise in less developed countries in order to stimulate local investors and to open new possibilities for American capital.

Through the agency’s Investment Guaranty Program investors may be protected against risks involving convertibility, expropriation, or war damage.

AID can also make dollar loans to private borrowers for well-conceived investments where other borrowing is not available. So-called “Cooley loans”—of U.S.-controlled local currencies obtained from Public Law 480 agricultural sales—are available to U.S. investors.

SUPPLEMENTAL ASSISTANCE

The economic development work of the AID agency is supplemented by a number of other assistance programs. One is military assistance to counter threats of Communist aggression. The weapons we sent to India last year, when the Chinese Communists attacked her, and our military assistance to Viet-Nam show the need for this program, which is

supported by about 30 percent of our total foreign aid funds.

Supporting assistance is given in grants or loans to support nations whose defense outlays are larger than they can afford to maintain and still work for economic development. Viet-Nam, Iran, and Turkey are among countries receiving this help.

There is also an AID contingency fund to meet emergencies that arise during the course of the year.

The Peace Corps is another important program which supplements the work of the AID agency. Over 4,000 Peace Corps volunteers are now working in the field all over the world in important areas such as teaching, community development, and agriculture.

The Food-for-Peace Program is also closely linked to the work of the AID agency, which supervises the distribution of much of the food used abroad under this program. Last year alone over 92 million people were recipients of food under assistance programs administered by AID; 8.3 million of them were children in Latin America, a quarter of that continent’s school-age population.

Additional development funds are provided for use abroad both by the United States (Cooley loans) and recipient countries through the sale of surplus American food under P.L. 480. India’s giant Rihand Dam was largely financed by a grant generated by sales of U.S. surplus food.

VARIED U.S. AID: (right) a sanitation expert inspects a well and pump installed at a Paraguayan school; (far right) a senior vocational school machine shop, Indonesia; (center) inservice teacher training in Honduras; (below) an agricultural assistant employed by AID conducts soil analysis in Nigeria; (bottom) scene from a film produced by AID for India's Ministry of Health to attract young women to the nursing profession.



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DEPARTMENT OF STATE
Washington 25, D. C.

This pamphlet is a reprint of a section of a 152-page illustrated "report to the citizen" recently published by the Department of State.

The book not only deals with the activities of the Department's geographic and functional bureaus, but also describes some of its offices less well-known to the general public. Included are brief accounts of the experiences of individual Foreign Service officers, biographic sketches of senior personnel, charts and other illustrative material.

Copies of "Department of State 1963" are on sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. for \$1.50.