

355,9202

108

AID

... in summary

Agency For International Development

TOTAL COUNTRY PROGRAMS
20 MAJOR COUNTRIES

Afghanistan	Korea
Bolivia	Laos
Brazil	Morocco
Chile	Nigeria
Colombia	Pakistan
Congo (Leo.)	Peru
Dominican Republic	Thailand
Ethiopia	Tunisia
India	Turkey
Jordan	Vietnam



DEVELOPMENT LOANS....

.... 8 COUNTRIES

India	Colombia
Brazil	Korea
Pakistan	Chile
Turkey	Nigeria



SUPPORTING ASSISTANCE....

.... 5 COUNTRIES

Vietnam
Korea
Jordan
Dominican Republic
Laos



AID

... in summary

Reprinted from the Agency's Summary
Presentation to the Congress outlining
the proposed economic assistance pro-
grams for fiscal year 1967.

Agency For International Development
Washington, D. C.

BUILDING THE FOUNDATIONS FOR PEACE

Major changes in U.S. foreign assistance programs are proposed for fiscal year 1967.

The broad purpose of foreign assistance, however, remains unchanged: to help other countries develop the ability to grow on their own, and to help protect their independence while they do it.

In his State of the Union message, President Johnson called for "a massive attack on hunger and disease and ignorance in those countries that are determined to help themselves." To meet this challenge, AID assistance will be directed toward maximum progress in agriculture, health and education.

Self-help—the most important single factor in successful development programs—will receive even greater stress in 1967. AID's standard of assistance will call for "action, not promises." The less-developed countries will be required to provide the major share of the resources required for development projects.

AID will place increased emphasis on programs to deal with direct or indirect Communist aggression, particularly in the countries of Southeast Asia.

AID will also rely more in its operation on the resources of America's private sector. The United States will also continue to press for more generous and effective aid from other free world countries and the encouragement of new arrangements for channeling more assistance through multilateral agencies.

Military and economic assistance programs are being proposed in separate legislation and the President has asked the Congress to authorize the program for five years subject to annual appropriations of the funds needed each year.

Following the trend of recent years, the AID programs will be concentrated in a few countries. More than 90 percent of direct country assistance is programmed for just 20 countries and the major share (84 percent) of development loans is proposed for eight nations.

Response to New Challenges

Change in the direction and the emphasis of foreign assistance is a direct response to new challenges.

Without major attention, now, to such problems as the world food crisis and indirect aggression, the foundations for progress laid down since World War II in Asia, Africa and Latin America could be swept away. These foundations now exist in countries locked for centuries in want and stagnation.

The successful completion of the AID program in Greece and the Republic of China on Taiwan, and the steps toward self-support in such countries as Mexico, Chile, Korea and Turkey are evidence that steady progress is, in fact, possible.

With their own effort and with help from the United States and others, the nations of Africa, Asia and Latin America have pushed their industrial production upward at a rate higher than six percent annually since 1950. They have managed to increase their gross national product at an average rate of four percent annually for the past 10 years.

Even agricultural output has been rising, at a lower average rate of about 2½ percent a year. This is, nevertheless, an important sign that change is possible, for agriculture involves the largest number of people in the less-developed countries, the people most steeped in tradition and least exposed to new educational opportunities.

THE FOOD CRISIS

Although food output has been rising in the less-developed countries, it has barely kept pace with rising populations. It has not kept pace with the rising demand for better diets from people with a bit more money to spend as the result of growth in other sectors of their nation's economy. In country after country today, lagging agricultural growth threatens the momentum of progress. AID's increased emphasis on agricultural assistance is a direct response to the growing food crisis in the less-developed world.

The food deficit of the less-developed countries now amounts to about 16 million tons annually, met by imports from the developed countries, mostly on concessional terms. Without a rapid increase in food output, the deficit will rise to 88 million tons by 1985.

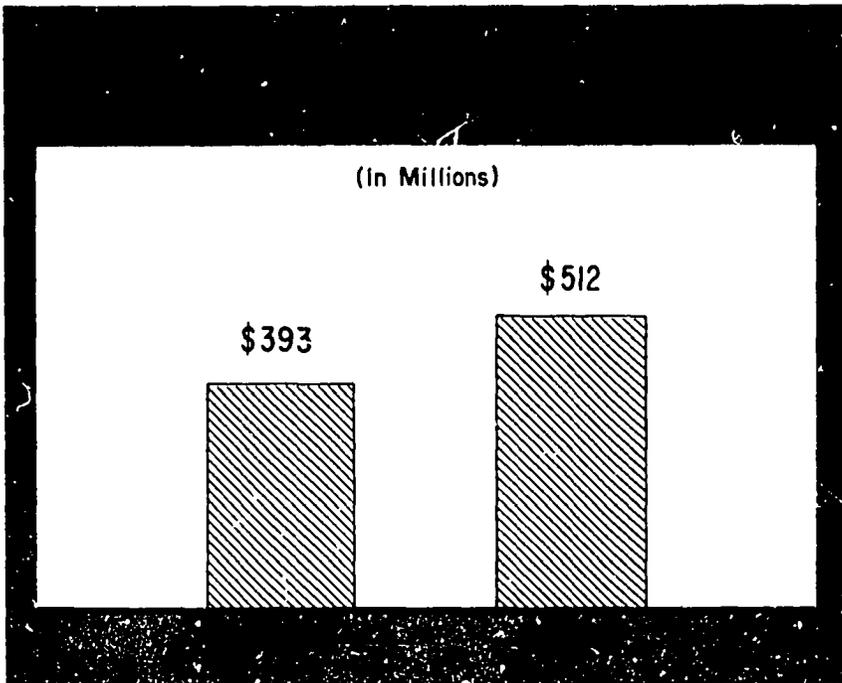
A shortage of this size would be disastrous. It is avoidable. During the past 10 years, 12 AID-assisted countries (including Taiwan, Thailand, Israel, and Mexico) have increased their food output at a rate better than four percent a year, well ahead of both population increases and the rise in food demand.

With enough help from outside and vigorous effort on their own parts, most of the less-developed countries could grow enough food to meet the

needs of their own people by 1985. The others will probably be earning at a rate sufficient to be able to purchase the additional food they require through regular commercial channels.

In fiscal year 1967, AID proposes to invest about \$512 million in programs to speed agricultural growth—a third more than in the current fiscal year, and half again as much as in fiscal year 1965.

In addition, the weight of the entire AID program will be used as leverage to speed action within the food-short countries themselves. In negotiating assistance agreements, AID will regard as a major index of self-help the size of a country's investment in agriculture, and the adoption of national policies that encourage agricultural growth.



Nearly a third of AID assistance to agriculture is proposed for fertilizer—both to finance exports from the United States and to expand fertilizer production in the less-developed countries:

- One million dollars in U.S. wheat will feed 70,000 people for a year overseas, but one million dollars in fertilizer, properly used, can grow enough grain locally to feed 200,000.

In addition to fertilizer, increased AID assistance will be available for the expansion of irrigation and water resources, the initial financing of farm credit systems, the improvement of agricultural transport and ware-

house facilities and for the equipment of farm-related industries such as plants to make pesticides and farm machinery. More AID-financed technicians will be provided to improve and expand agricultural extension and research in the less-developed countries, enlarge agricultural education and training facilities and to help speed land reform and streamline national farm marketing and pricing policies.

While farm output is being raised in the less-developed countries food aid will still be required to meet the existing gap.

The new Food for Freedom program proposed by the President will relate American farm production directly to growing food aid requirements in the less-developed world. The gradual shift from local currency sales to long-term dollar credits proposed in the new food aid program will further stimulate the food-deficit countries to give immediate attention to increasing their own food output. The negotiation of food aid agreements will also be tied closely to self-help efforts in raising food output in the aided country itself.

THE HEALTH PROBLEMS OF THE DEVELOPING COUNTRIES

Some of the most dramatic progress in the past two decades has been made in the field of health in developing countries, but major problems remain to be solved.

The threat of malaria has now been eliminated for half a billion people but about 700 million persons are still unprotected.

Measles and smallpox are serious problems in sub-Saharan Africa, killing up to a fourth of their victims and leaving many survivors blind, deaf or disfigured. Enteric diseases, caused by poor sanitation and polluted water supplies, remain the biggest single cause of infant mortality in the less-developed world.

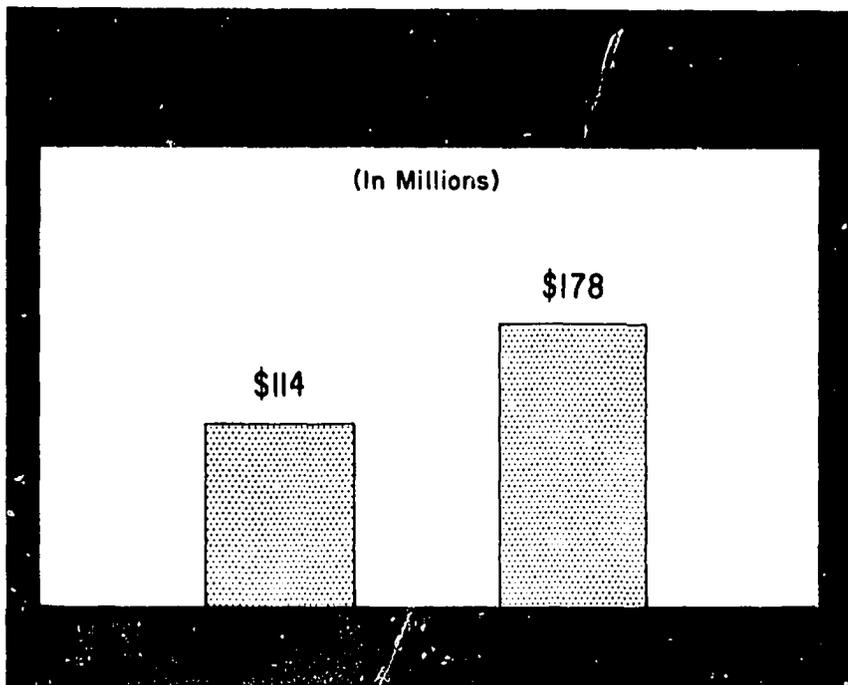
Malnutrition, common in the developing countries, is a major cause of illness and misery. Improper diets not only stunt physical growth but, during their first five years, cause irreversible damage to the mental development of children and reduce their productivity as adults.

To bring about a balance between population and national resources many of the less-developed countries have launched family planning programs and view this effort as a major challenge in the field of health.

American assistance will help developing nations cope with these problems. In fiscal year 1967, AID proposes to commit \$178 million for assistance to national health programs—more than double the \$88 million committed for health assistance during fiscal year 1965.

About one-half the proposed AID commitment will be used in cooperation with the UN World Health Organization and the Pan American Health Organization to support the elimination or permanent control of widespread killing and crippling diseases. Malaria eradication programs will be undertaken in 17 countries and AID will support a campaign to control measles by 1971, and eradicate smallpox by 1975 in 19 African countries.

To help eliminate enteric diseases which plague much of the less-developed world, AID will expand the assistance available to develop pure water supplies and establish modern sewerage disposal systems. AID loans



have already helped modernize water or sewerage systems in major cities of 17 Asian, African and Latin American countries.

AID will step up its support for programs to provide enriched supplements for the diets of pre-school children and expects to obligate \$10 million for the program in fiscal year 1967—more than double the current level of support.

Through school-feeding programs, 70 million children are now receiving some American food aid. AID's long range target is to reach 150 million children with iron and vitamin-fortified, supplemental feeding programs in the less-developed countries by 1971.

For a number of years AID has provided technical assistance for improved maternal and child health programs, demographic studies and research into population problems in the less-developed countries. Since fiscal year 1965, the Agency has also responded to requests for help in carrying out national family planning programs. The Agency plans to invest \$10 million in fiscal year 1967 in these programs. AID assistance will be given only on request and only to programs that assure freedom of choice to individuals. AID will not finance contraceptives or equipment to make them.

To help developing nations conduct their own health programs, AID will more than double its assistance for training of health manpower—doctors, nurses, midwives, sanitarians, and auxiliary personnel.

EDUCATION AND ECONOMIC DEVELOPMENT

A shortage of skilled, educated manpower is one of the greatest barriers to rapid development. It hampers economic and social development and the effective participation of people in improving their lives and their governments.

For the 1967 fiscal year, AID proposes a \$176 million program to expand specialized, technical, and basic education in the less-developed countries. In addition, some \$60 million is budgeted for education and manpower training in the fields of health and agriculture.

A shortage of teachers and institutions to train them has been a basic problem.

- In fiscal year 1966, more than 210,000 students are enrolled in normal schools and teachers colleges established with AID assistance in 37 Asian, African, and Latin American countries.

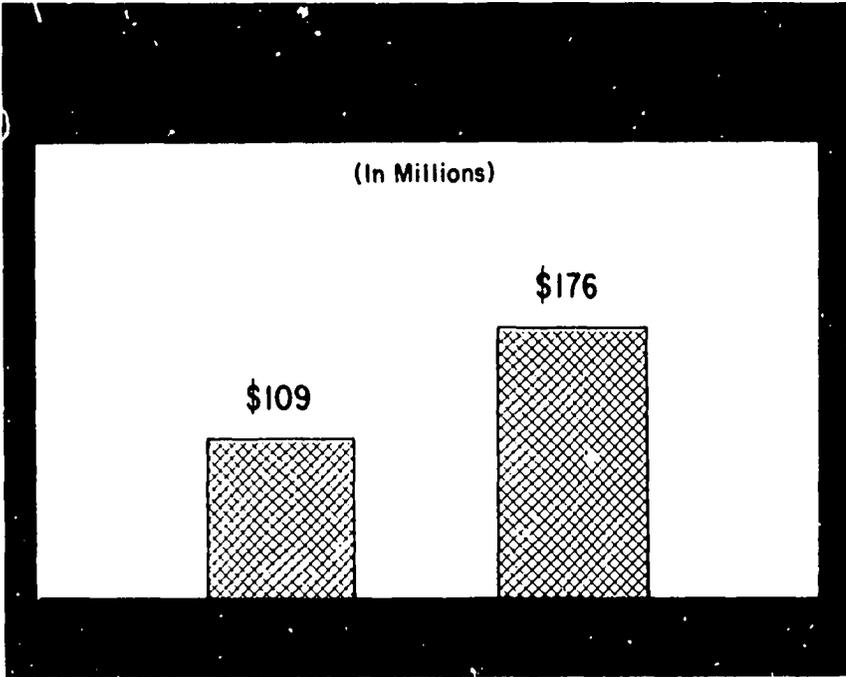
The expanded program of AID assistance in education—particularly in teacher-training and support of institutions—will be carried out primarily through contracts with American educational institutions.

AID support will also be available for projects in the use of radio and television to stretch the existing supply of trained teachers and bring education rapidly to remote villages and understaffed urban classrooms.

AID support will help to alleviate critical shortages of textbooks, and to develop new texts that relate student learning directly to practical problems in country development.

In both Africa and Latin America, AID will increase its support for scholarship programs to bring outstanding students to the United States for degree and postgraduate study.

Finally, more emphasis will be placed on AID support for the educational assistance efforts of private American groups and organizations.



School-to-school cooperation in Latin America will be fostered through AID's "Partners of the Alliance" program.

To spur the growth of private educational assistance in the less-developed countries themselves, AID will propose the establishment of bi-national educational foundations with U.S.-owned local currencies that are excess to U.S. needs in a number of countries.

STRENGTH AGAINST NEW FORMS OF AGGRESSION

In the period since World War II, American defensive alliances and the build up of national resolve and defense strength through foreign aid programs has helped reduce the threat of direct Communist aggression.

The independent countries of Asia, Africa, and Latin America continue to be threatened by indirect aggression—by subversion, selective terror and foreign-controlled "wars of national liberation."

By concentrating on the most neglected regions (and few less-developed countries are without these), by using terror to weaken the authority of existing government, and by the selective assassination of the most competent officials, Communists seek to create the civil chaos within which their own disciplined cadres can seize power.

The strategy is announced and deliberate. Terrorist techniques, developed earlier in Greece, Burma, Malaya, and the Philippines, are carefully taught to local agents at Communist schools.

The prime targets of Viet Cong sabotage in Vietnam, for example, have long been the country's transportation network and the government's most visible attempts to build a better life for people: schools, health clinics, water systems, village dams, and bridges.

The prime targets for assassination (more than 600 provincial officials have been murdered in the past two years) have been the most effective government officials—most recently those officials specially trained to carry out programs of social reform and construction in rural areas.

In the long run, the best counter to indirect aggression is broad-based social and economic progress of the kind supported by AID whenever possible.

But progress moves unevenly in any country. A government must survive in the short run in order to undertake an effective development program. AID's response to the threat of indirect aggression, is threefold:

First, in countries such as Vietnam and Laos where the civil effectiveness of government is under continuing massive attack, AID is mounting one of the most extensive programs of technical assistance ever carried out, in support of government-sponsored rural construction and development programs. The number of American experts and the flow of American supplies required to help improve farm credit and extension work, carry out land reform, provide more and better health services, train more teachers and build more local schools, and improve the ability of civil and police officials to do their jobs, has been sharply increased;

Second, in countries with clearly vulnerable areas, special emphasis is given to speeding the pace of progress in neglected rural areas;

Third, AID has developed a program of assistance in the field of public safety to help Asian, African and Latin American countries establish civil security forces that are capable—with proper support from the armed forces—of maintaining law and order while earning the confidence and support of the public they serve.

These programs have been formulated under the direction of a high-level interagency committee created in 1961 to insure continuous, close attention to the growing problem of indirect aggression.

AID currently has public safety programs in 34 less-developed countries, training more than 50,000 police officers annually. The International Police Academy, which was established by AID in 1963 in Washington, has already trained nearly 1,500 foreign police officers.

SELF-HELP—THE KEY TO EFFECTIVE USE OF AID

In its proposed program for fiscal year 1967, AID will place greater stress than ever before on the self-help efforts of countries seeking assistance. The key to the effective use of aid is what the recipient is doing for itself.

In money terms alone:

- 20 countries receiving major development assistance from the United States today invest an average of six of their own dollars for every dollar of U.S. assistance received.

Self-help, however, is more than a question of how much another country does for itself. It is equally a question of whether it is doing the right things in the right order.

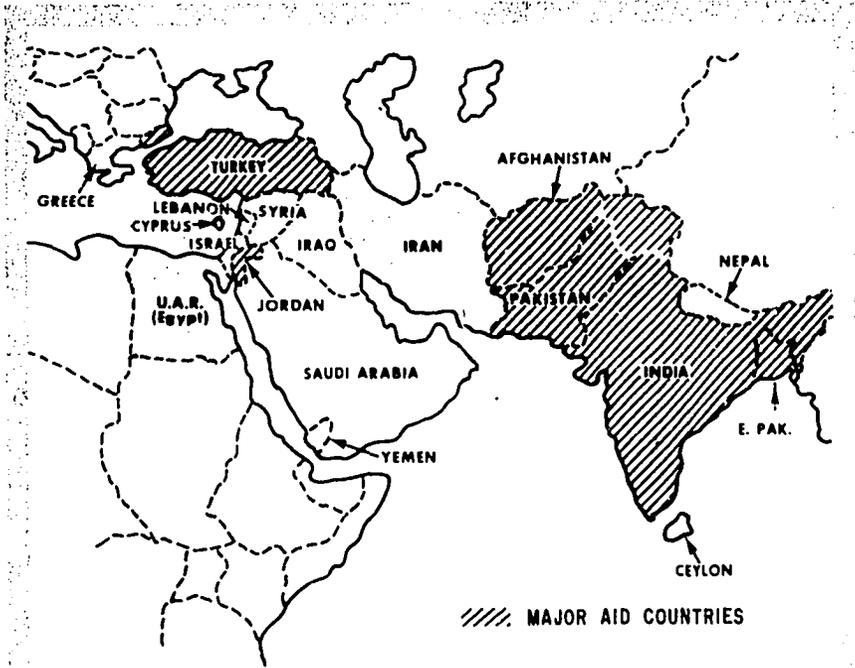
To encourage countries to adopt policies that will speed national progress, AID has pioneered the use of formal agreements covering large development loans. These agreements require that aid recipients institute specific reforms or take agreed-upon self-help steps as a condition to receiving assistance. For example:

- Disbursement of a program loan to an Asian country was explicitly tied to elimination of a licensing system that slowed the import of needed raw materials, stifled private sector growth and invited corruption. The controls were removed, the loan disbursed in full—and the reform led to a sharp spurt in private industrial output and an end to black market dealings in the freed items.

Such agreements have force because AID has stood by them. Recently, one loan was held up and no new loans authorized for a full year in a Latin American country which failed to take the agreed steps to end its budget deficit or improve balance of payments management.

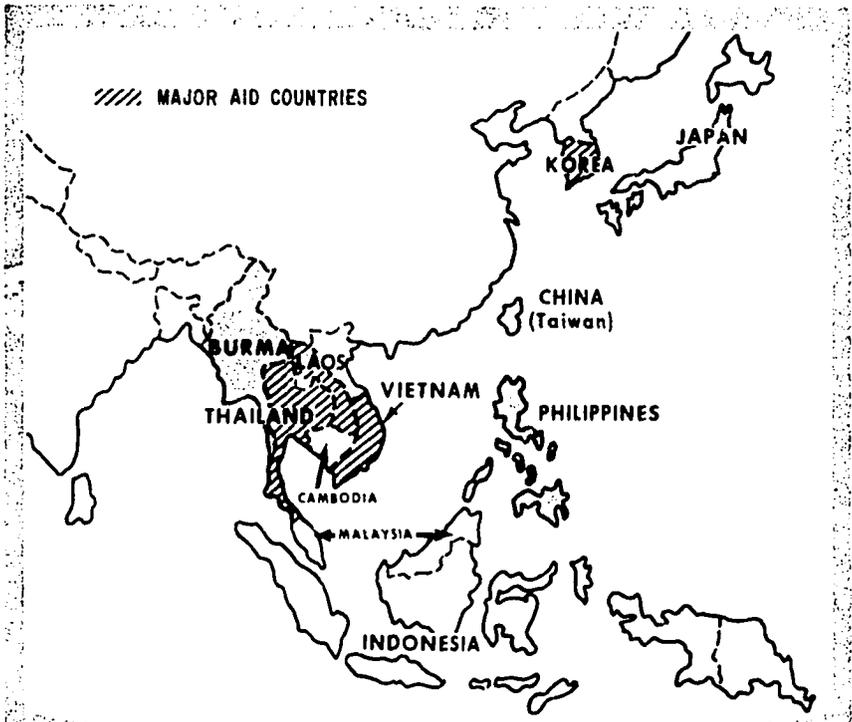
Self-help agreements have covered tax and fiscal reforms, land reform, steps to improve education and free private initiative. Future agreements will also include country performance in agricultural development as a priority index of self-help.

- A \$50 million AID loan made to India in late 1965 to purchase American fertilizer was tied to Indian purchase of a larger amount of fertilizer with its own foreign exchange and to specific steps to improve fertilizer distribution and encourage private investment in fertilizer production in India itself.

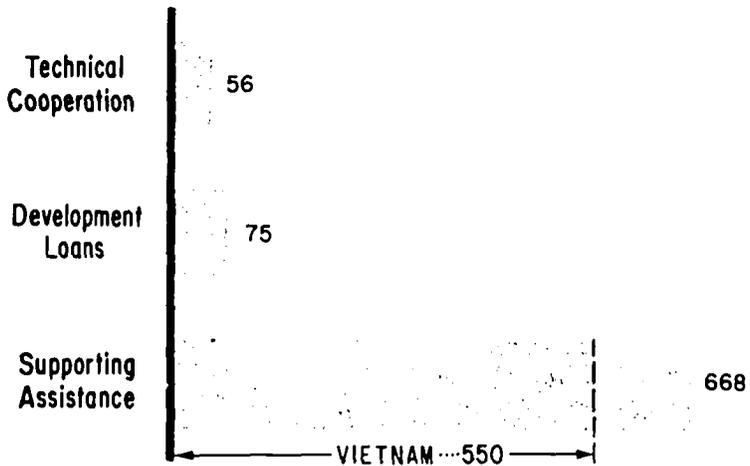


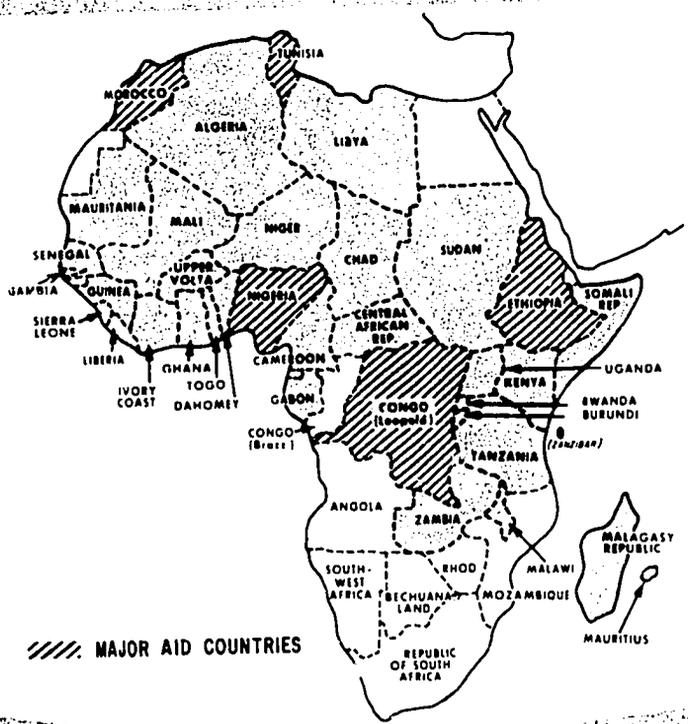
**NEAR EAST & SOUTH ASIA
FY 1967 PROGRAM --- \$799 million**

Supporting Assistance	32
Technical Cooperation	48
Development Loans	719



FAR EAST - FY 1967 PROGRAM --- \$799 million





AFRICA - FY 1967 PROGRAM --- \$221 million

Supporting Assistance

27

Technical Cooperation

94

Development Loans

100

THE AID PROGRAM IS CONCENTRATED

Although economic assistance is proposed for some 70 countries in fiscal year 1967, the great bulk of the AID program will be directed to a relatively few countries where the need is greatest or where outstanding self-help performance shows substantial aid can best be used.

- 92 percent of direct AID country assistance is planned for 20 countries;
- 84 percent of proposed Development Loans (including loans under the Alliance for Progress) is planned for just eight countries: Brazil, Chile, Colombia, India, Korea, Nigeria, Pakistan, and Turkey;
- 93 percent of the Supporting Assistance proposed for fiscal year 1967 is planned for just five countries: Vietnam, Laos, Korea, Jordan, and the Dominican Republic. Vietnam alone will account for 72 percent of planned Supporting Assistance.

ENCOURAGING PRIVATE INITIATIVE

AID relies heavily on the resources of America's private sector in carrying out assistance programs.

- Private American construction and engineering firms are at work in more than 50 countries on AID-financed capital projects: roads, bridges, fertilizer factories, irrigation systems, and the like.
- Two of every five AID-financed technicians in the less-developed countries today are the employees of private American universities, non-profit associations, business firms, and labor unions with whom the Agency contracts for technical assistance.
- More than 1,300 technical service contracts with private U.S. institutions, business firms, colleges and universities and service organizations were in effect on December 31, 1965. With a total value of approximately \$439 million, they financed projects in 69 countries.

A major objective of the AID program is to encourage private initiative in the less-developed countries themselves, and to increase U.S. private participation in international development.

AID program loans make it possible for hundreds of privately-owned small and medium-sized firms to get the American imports they need for new investment or current operations. AID helps open more sources of

capital for private ventures in both industry and agriculture. Through fiscal year 1965, AID loans and technical assistance have helped to establish:

- 38 industrial development banks in 23 countries which have made over 3,000 sub-loans to borrowers for new or expanded industrial ventures.
- 13 farm credit banks in nine countries to enable farmers to finance land improvements, fertilizer, seeds, and new equipment.
- 84 savings and loan associations in seven Latin American countries, with \$11 million in deposits for investment housing and other ventures.

During the past few years, AID has sharply expanded its programs to encourage private American investment in the less-developed countries:

- The number of less-developed countries where AID Investment Guaranty insurance is available has risen from 40 at the end of 1961 to 70 at the close of 1965.
- The value of Specific Risk Investment Guaranty coverage outstanding (AID insurance against risk of war, expropriation and inconvertibility) has increased five fold since 1961, from \$535 million to \$2.5 billion at the end of 1965.

American business is making increased use of other AID incentive programs, including guaranties for private housing investment, "Cooley" (local currency) loans and the Investment Survey program under which AID will share the costs of exploring potential ventures in the less-developed countries.

OTHER FREE WORLD AID

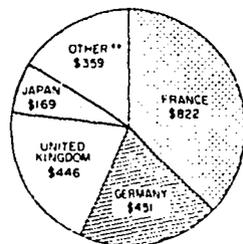
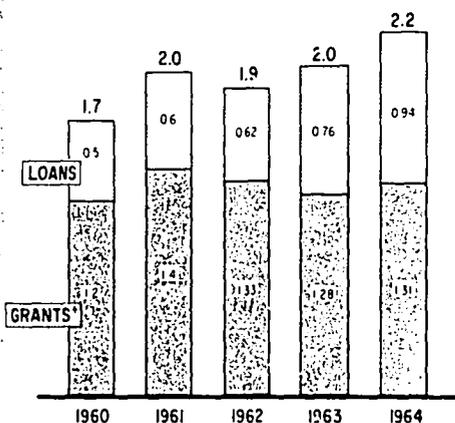
The United States continues to press for more generous and effective aid from other free world donors and for the channeling of more aid through international agencies.

The total volume of free world aid to the less-developed countries and the percentage of total assistance provided directly by multilateral institutions such as the United Nations, the World Bank, and the Inter-American Development Bank has remained fairly constant in recent years.

The total volume of free world economic aid commitments has continued at about \$6 billion annually for the past four years. The U.S. share in this total has stayed relatively stable at about 60 percent. (The U.S. share includes not only AID programs, but subscriptions to international agencies, Food for Peace Programs, long-term loans of the Export-Import Bank, and the Peace Corps.)

OTHER FREE WORLD ASSISTANCE TO UNDERDEVELOPED COUNTRIES BILATERAL ASSISTANCE FROM OTHER D.A.C. COUNTRIES

Net Official Disbursements* - Billions of Dollars



DONOR COUNTRIES
1964 Total ... \$2,247 million

* Excludes 1-3 Years Loans, and Reflects Receipt of Loan Payments
* Includes Grant-free Contributions

** Canada, Belgium, Portugal, Italy, Netherlands, Austria, Norway and Denmark

The share of total assistance channeled through international agencies is about 17 percent of total commitments. The United States is willing to provide more aid through multilateral channels as rapidly as other countries do the same.

The United States has led the way in encouraging the international coordination of bilateral aid. U.S. assistance to Latin America is carried out through the institutional framework of the Alliance for Progress. Our assistance to India, Pakistan, and Turkey is coordinated with that of 10 to 15 other nations and international agencies through formal consortia sponsored by the World Bank or the Organization for Economic Cooperation and Development. Consultative Groups sponsored by the World Bank or the Inter-American Development Bank coordinate assistance to Colombia, Ecuador, Nigeria, Sudan, Tunisia, Thailand, and Malaysia. Ad hoc consultative groups initiated by the Development Assistance Committee of the OECD are now helping to coordinate free world economic assistance to Vietnam, Liberia, Ceylon, and Sierra Leone. World Bank or IDB-sponsored consultative groups are being planned for at least three more major aid recipients.

In addition, AID relies increasingly on the World Bank and the International Monetary Fund to design currency stabilization and economic reform programs that serve as a condition for U.S. assistance and to evaluate a country's performance in carrying them out.

In a separate message to the Congress, President Johnson urged full U.S. support for the Asian Development Bank as a major unifying force

in that region. AID is also prepared to assist the newly-organized African Development Bank which holds some of the same promise. With progress towards an East African economic community and other sub-regional common markets, the United States expects to rely increasingly on regional institutions and regional projects in its assistance to African countries.

In Latin America, the United States has already extended its commitment to the Alliance for Progress—a commitment that has included strong AID support for the successful Central American Common Market and the development of the Latin American Free Trade Association.

AID AND THE BALANCE OF PAYMENTS

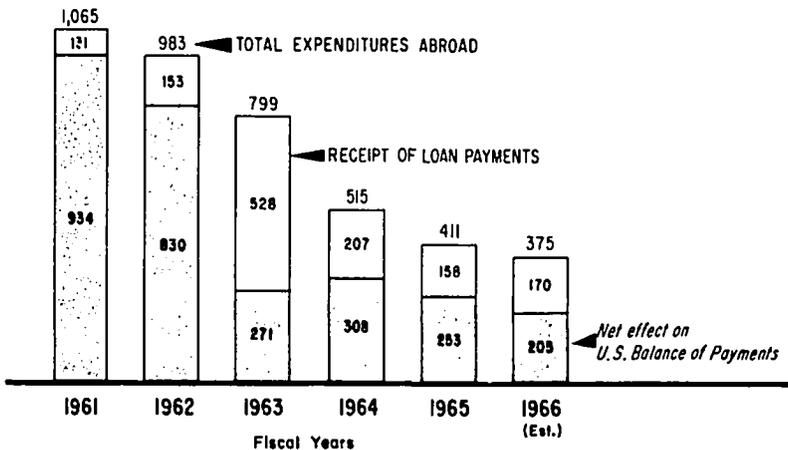
The impact of AID programs on the U.S. balance of payments has been sharply reduced by steps taken since 1960 to tie U.S. economic assistance tightly to the procurement of American goods and services.

Most AID dollars today are spent directly in the United States for the purchase of American products and the services of American experts needed in the less-developed countries. The goods and services go overseas and the dollars stay here to pay for them.

Rigid tying cut AID offshore spending from \$799 million in fiscal year 1963 to \$411 million in fiscal year 1965—less than 20 percent of total AID expenditures for the year. The net “dollar drain” from AID programs

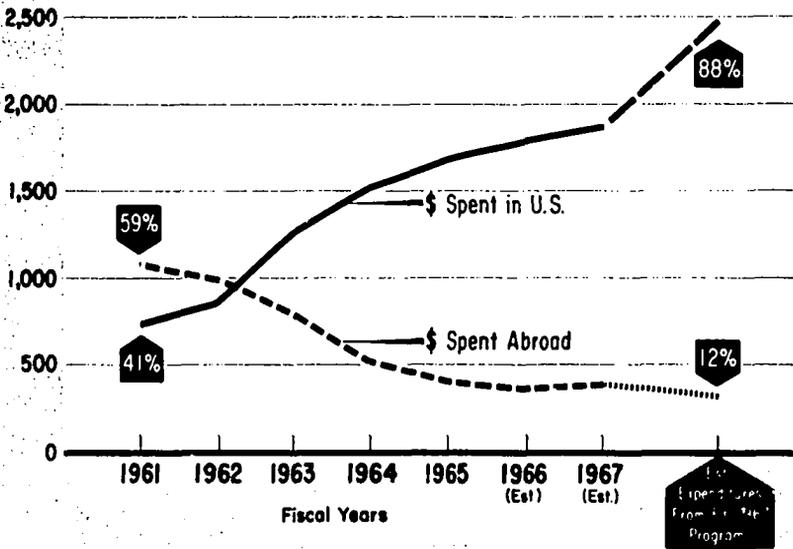
AID EXPENDITURES ABROAD

(Millions of Dollars)



AID EXPENDITURES - IN THE U.S. AND ABROAD

(\$ Millions)



was reduced even further by dollar repayments made to the United States during the year on earlier AID and predecessor agency loans. Repayments of \$158 million during fiscal year 1965 reduced the net dollar drain to \$253 million for the year. In fiscal year 1966, expenditures abroad are estimated at \$375 million. With estimated loan repayments of \$170 million, the net effect on the U.S. balance of payments is expected to drop to \$205 million.

One result of AID "tying" is a sharp increase in the volume of AID-financed export business for American industry.

As recently as 1960, American firms supplied only 40 percent of the \$1,040 million in commodities financed by the AID program.

In fiscal year 1965, however, American business and industry supplied 92 percent of the commodities financed by AID for a total of \$1.2 billion in AID-financed export shipments. American shipping lines were paid an additional \$80 million to deliver these products to their overseas destinations.

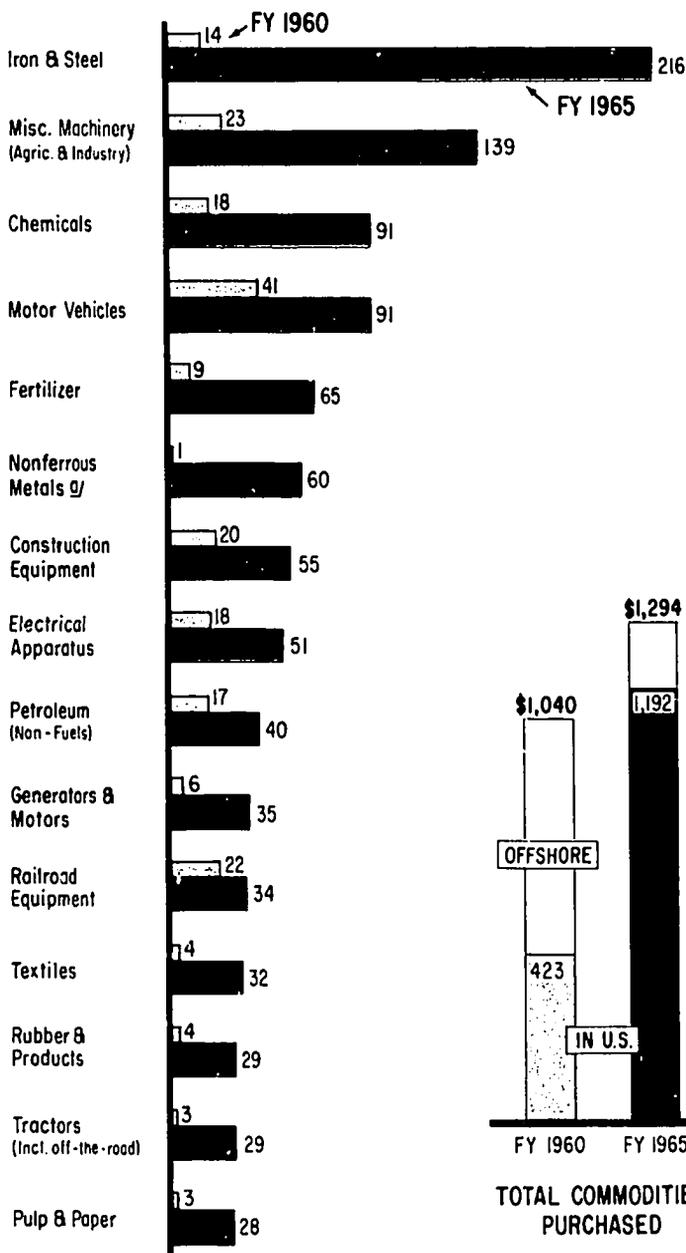
The major contribution of the AID program to the U.S. economy, however, begins when other countries achieve self-supporting growth and become prosperous trading partners of the United States. Developed countries are the best export markets for American business and industry.

American export sales to Western Europe have more than doubled since the Mashall Plan and beginning of European recovery. They have more

A I D - FINANCED COMMODITY EXPENDITURES

MAJOR COMMODITIES PURCHASED IN U.S.

FY 1965 VS FY 1960 - Millions of Dollars



^{g/} Mostly Copper and Aluminum

than quadrupled to Japan, following postwar assistance to that country and rapid growth in Japan's prosperity.

In the less-developed world today, the AID program is introducing American products and performance standards to some of the great potential markets of the future. There are already indications of the export prospects that will open as these countries begin to prosper.

American commercial exports to Taiwan, where the AID program has ended, totalled \$100 million in 1964, compared with only \$67 million just two years earlier. U.S. commercial sales to Israel, which is nearing self-support, have climbed from about \$70 million in 1960 to more than \$125 million in 1964.

The growing prosperity of other countries means cash markets for the products of American farms and industry. Japan has now become the biggest single cash customer for American farm exports, buying roughly half a billion dollars worth each year. Great potential markets in Asia, Africa and Latin America today have no foreign exchange to spend on food; many countries must rely on AID-financed shipments to meet their own current food deficits.

AID's contribution to their ability to produce more of their own food may well be critical to the hopes of these countries for achieving self-supporting growth and becoming, in time, major cash markets for American exports.

