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U.S. FOREIGN AID IN PERSPECTIVE

A.I.D.
HISTORICAL
COLLECTION

Extracted from the Proposed Mutual
Defense and Development Programs for
Fiscal Year 1966.

A.I.D. A.I.D.
Reference Center Development Information Center
Room 1056 NS Room 105 SA-18
Washington, D.C. 20523-1801

AGENCY FOR INTERNATIONAL DEVELOPMENT

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1966

Mutual Defense and Development Programs

INTRODUCTION

Our investment in the recovery of Western Europe and Japan is completed and the returns are plainly visible. We now have prosperous and militarily strong allies. They no longer need help, but share with us in helping others.

Our investment, through foreign assistance, in the continued independence and the progress of the less-developed countries of Asia, Africa and Latin America is still under way. Of necessity, this is a long-term investment because development is a much more difficult challenge than recovery.

We undertook to help, not because success was certain or imminent, but because help from outside offered the only hope of success either for those countries trying to withstand Communist pressure, or those trying to break the bonds of age-old poverty without resort to the harsh disciplines of Communist dictatorship.

The destiny of the hundreds of millions of people in the less-developed countries is of immediate concern to us. In helping them, we act in our own self-interest. But it is also true, as President Johnson has said, that "the pages of history can be searched in vain for another power whose pursuit of that self-interest was so infused with grandeur of spirit and morality of purpose."

There is no lack of evidence that progress in Asia, Africa, and Latin America is difficult. But there is also clear evidence that progress is possible, given serious effort on the part of the country involved and practical help from the outside.

A decade ago, the immediate threat in the great arc of Asia from Turkey to Korea was the threat of direct and continuing Communist pressure. In response, two-thirds of our aid was military assistance, and a great part of our economic aid was defense support to help threatened countries survive in the short term.

--Today, survival is still directly at issue only in Southeast Asia; elsewhere in Asia, development goes forward behind a defensive shield built up by our military assistance programs. The ratio of our aid has been reversed; two-thirds of our foreign assistance is now economic, and all but 15% of that provides capital and technical assistance for long-term development and progress toward self-support.

In the years since 1950, the less-developed countries of Asia, Africa and Latin America have:

- increased total production at an average of over 4% a year;
- increased industrial output at an average of 8% annually (except for Latin America, which averaged 6%); and
- increased the value of their exports from \$19 billion to \$29 billion between 1950 and 1962, despite falling world prices for primary products.

Since 1958, the less-developed countries have increased their investment in education an average of 15% annually.

Great strides have been made in health:

- Reported cholera cases dropped from 211,943 in 1950 to 32,827 in 1960, and cholera deaths from 130,481 to 12,806 in the same period.
- By 1963, 700 million of the 1.4 billion people who live in the less-developed world's malarious areas were protected by malaria eradication programs; for more than 300 million of these the threat of malaria has been completely eliminated.

The most significant sign for the future, however, may well be the growing determination of the less-developed countries to help themselves and their increasing competence in the task.

- For every \$1 of U.S. bilateral assistance, the 20 major U.S. aid recipients in Asia, Africa, and Latin America allocated an average of \$6 for development from their own limited resources.

The U.S. contribution (including P.L. 480 surplus agricultural commodities) represents less than 1% of the GNP in a country where per capita GNP now exceeds \$3,000 a year. The developing countries' own contribution to their progress represents about 12% of GNP, in countries where GNP per capita averages about \$145 a year.

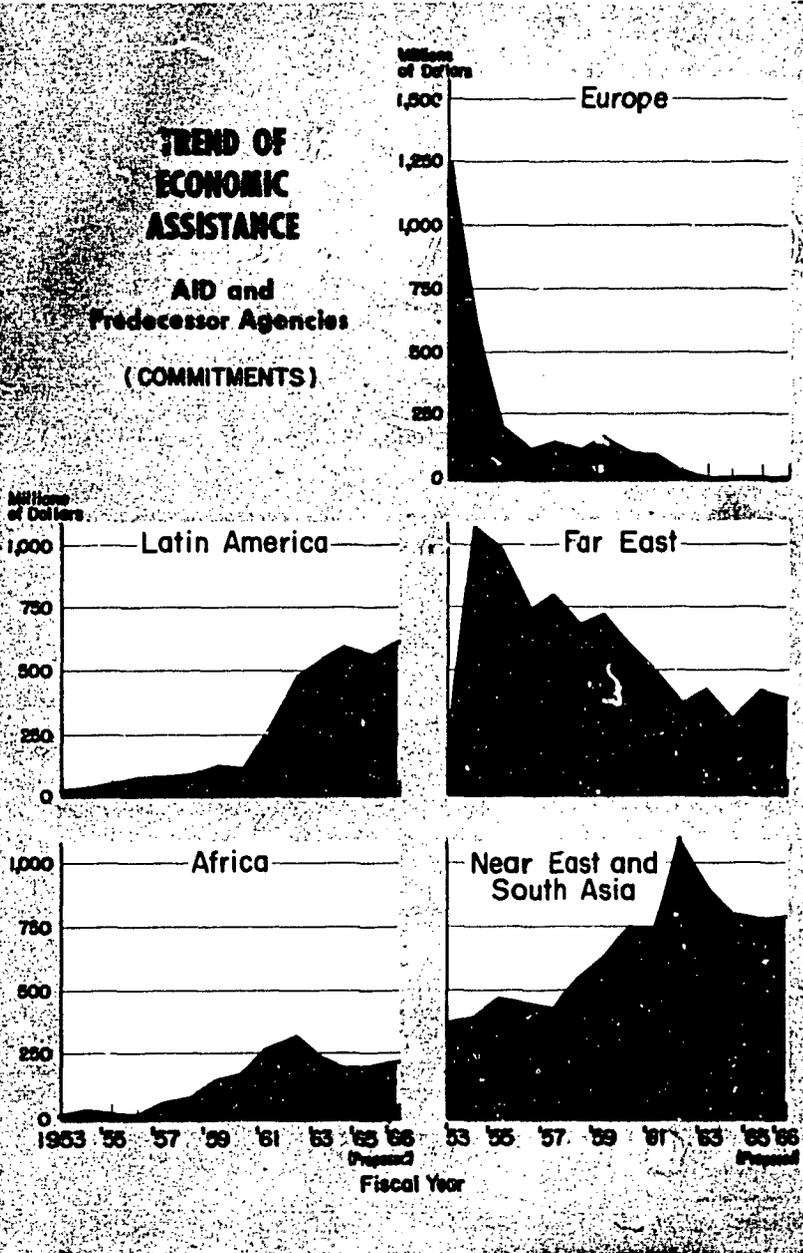
In Latin America today, widespread poverty, rapidly rising population and political unrest remain continuing threats to orderly progress. But the war on poverty in Latin America is beginning to move. A major development effort, matched by substantial U.S. assistance under the Alliance for Progress is beginning to show results.

In the Near East and South Asia, ancient hostilities and new political disputes still trouble the region. Yet its three largest countries -- Turkey, Pakistan, and India -- press for-

TREND OF ECONOMIC ASSISTANCE

AID and Predecessor Agencies

(COMMITMENTS)



ward with sustained development efforts, financed primarily from their own limited resources. With our help, Greece and Israel have reached the threshold of economic self-support.

In the Far East, Vietnam and Laos are still locked in bitter conflict with Communist insurgents, and our help is essential to their continued resistance. But Korea has survived a ruinous war with our help, and now mounts an increasingly effective development effort. A.I.D. assistance to the Republic of China on Taiwan can end this year, for China can now progress on her own.

In Africa, a few countries like Tunisia and Nigeria start with the leadership and experience to mount substantial development efforts, matched by substantial assistance from Western Europe, the United States and international agencies. But in most African countries the immediate needs are for more trained leadership and the forging of national unity. The tragic turbulence in the Congo illustrates what could happen elsewhere, if the hopeful beginnings are permitted to falter.

Much has been achieved, but there is still a long way to go. Vietnam and the Congo are plain evidence that the Communists will still feed civil strife wherever they find an opening. The Communists' growing belief in the importance of the less-developed world is spelled out clearly by the sharp increase in their activities this past year, which pushed Communist aid commitments to \$1.3 billion -- the highest level in their history.

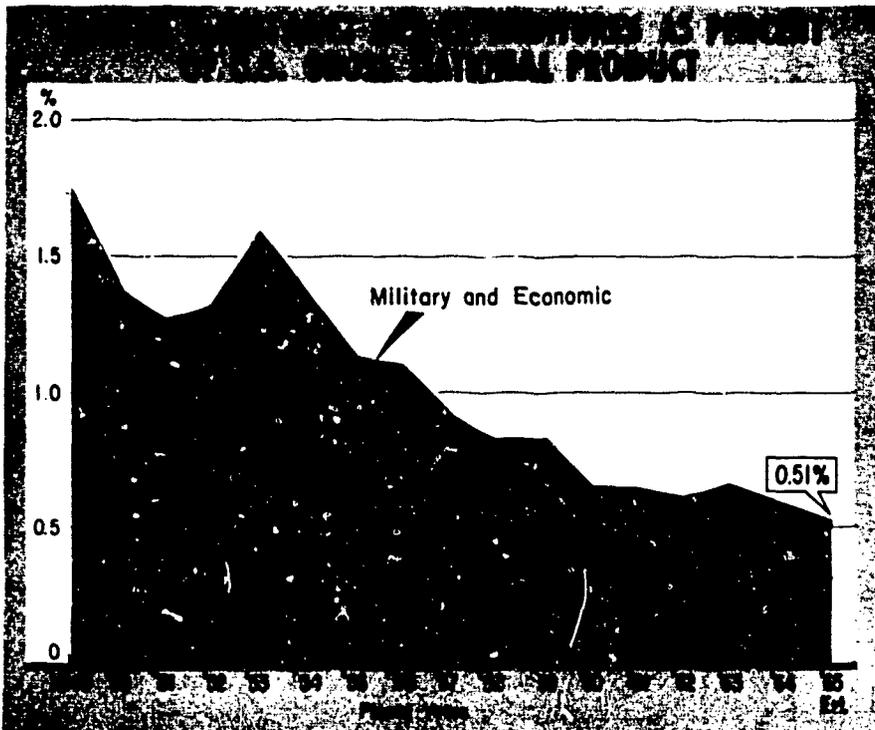
FY 1966

The Foreign Assistance Act of 1961 set our assistance goals. Consistent with that Act and its objectives, the program for FY 1966 will:

- intensify the concentration of our aid and our insistence that aid be tied to self-help and performance;
- improve the quality of assistance through greater reliance on private skills and resources;
- continue tightening the management of assistance; and
- increase reliance on multilateral aid coordination, and seek to put more free world aid on a multilateral basis.

The \$3,380 million request for FY 1966 is the lowest request in the history of the foreign assistance program.

This minimum request reflects a determination to present to the Congress the lowest aid budget consistent with the national interest. It takes full account of the increasing efficiency of the assistance program, and the increasing availability of assistance



funds from international agencies in which the costs are shared among a number of countries.

It represents the smallest burden on the American taxpayer: one-half of 1% of our GNP (compared with 2% of GNP at the height of the Marshall Plan), and 3-1/2% of the federal budget (compared with nearly 12% 17 years ago).

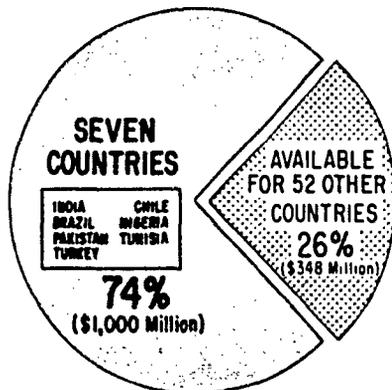
Concentrating Assistance

The program proposed for FY 1966 will intensify the concentration of U.S. assistance in countries of priority need and best performance.

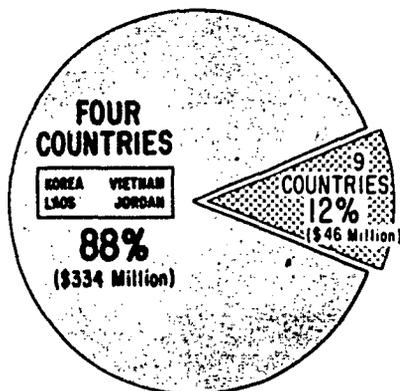
--Of a proposed total of \$1,667 million in development assistance (Technical Cooperation and Development Loans), two-thirds is presently planned for seven countries which are engaged in strong, self-help, development programs: Brazil, Chile, Nigeria, Tunisia, India, Pakistan, and Turkey.

--Of a proposed \$380 million in Supporting Assistance, nearly 90% is planned for four countries whose security or stability depends on continued U.S. support: Vietnam, Laos, Korea and Jordan.

**FY 1966
PROPOSED
DEVELOPMENT
LOAN
PROGRAMS**



**FY 1966
PROPOSED
SUPPORTING
ASSISTANCE
PROGRAMS**



--Of a proposed \$1,258 million Military Assistance Program, nearly three-quarters is planned for 11 countries now maintaining 3-1/2 million of their own men under arms in defensive forces rimming the Communist world.

In recognition of the priority the United States places on the progress of our Latin American neighbors and in response to the momentum achieved under the Alliance for Progress, Latin America

will again be the scene of our most intensive assistance effort. The \$596 million planned for Alliance countries during FY 1966 represents nearly a third of total A.I.D. country assistance and a per capita aid level of \$2.73, by far the highest for any region.

Emphasis on Self-Help

Foreign assistance can add an important margin of resources and skills to the self-help efforts of other countries. But it cannot spare others the need to make the major effort themselves.

Self-help was formally made a criterion for aid in the Foreign Assistance Act of 1961. Since then, A.I.D. has led the way among free world donors in relating assistance to sound self-help measures.

At the simplest level, this means cost-sharing in any A.I.D.-assisted project, with the U.S. contribution of experts or American commodities related to the host government's carrying its share of local costs.

--In Thailand in 1964, for example, the Thai Government contributed more to the cost of A.I.D.-assisted development projects than we did. A.I.D.'s contribution for American experts and commodities totaled \$6.9 million, and the Thais contributed the equivalent of \$7 million for local costs: labor, materials, support services and the like.

Performance in development, however, is more than a matter of sharing project costs. It involves every major aspect of a country's development effort: tax policies, budgeting, exchange controls, government actions that effect the climate for private initiative, the relative emphasis being given to agriculture, industry, education, health and the like.

In countries to which the United States is giving substantial development assistance, self-help and the measurement of satisfactory performance is a complex matter. Over-all country performance must be thoroughly reviewed and taken into account. In some instances assistance agreements are entered into which contain specific provisions as to what an aid recipient will or will not do. For example:

--Disbursement of a large program loan to a Latin American country was explicitly tied to action on measures to slow a sharp rise in living costs, including specific limits on government surpluses, reform of foreign exchange rate policy and fixed limits to the expansion of bank credit. The conditions were met and the loan was disbursed on schedule.

--In an Asian country an increased commodity loan to finance essential U.S. imports for the private sector was linked to

elimination of controls that slowed the import of needed raw materials, stifled private sector growth and invited corruption. The country removed import licensing requirements, introduced an excise tax to discourage speculation, and the loan was authorized.

--The U.S. assistance program for another Latin American country was tied to performances on a stated series of reforms including reduction of the government's cash deficit, tax reform, tighter money control and the adoption of measures to eliminate operating deficits in public enterprises. U.S. assistance was to be released in stages, based on performance. On the basis of performance at the time, the bulk of the assistance was withheld.

In measuring self-help, A.I.D. is concerned with performance that directly affects economic growth and social development. Assistance is not tied to political conformity or the way a country chooses to vote in the United Nations.

But when countries divert their scarce resources into arms in order to mount political adventures against their neighbors, they waste substance badly needed for the welfare of their own people.

The United States cannot afford to provide major assistance to countries that choose to make their own development a minor concern.

The minimum appropriations requests for both FY 1965 and 1966 reflect A.I.D.'s determination to limit assistance to those making the best use of it. The 1966 request leaves no room for the support of marginal activities or for costs that aid-receiving countries are able to carry themselves.

Improving the Quality of Assistance

Many efforts are under way to make better use of the tremendously productive and diverse skills and resources of the private sector of the American economy.

For example, the agricultural revolution in the United States was sparked by the nation's great land grant colleges and universities, which provided both a research and a training base for the agricultural extension network that helped to make American agriculture so productive.

In the developing countries today, it is proving very difficult to raise farm output. As a result, food supplies are lagging behind demand in several countries and serious shortages could develop in a few years' time unless strong measures are taken quickly.

Surplus American food, provided through the Food for Peace Pro-

gram, can help greatly, but the ultimate answers lie in improving these countries' ability to buy food from abroad and, most important, in making their farms more productive.

The United States is relying heavily on the same institutions that transformed American agriculture to apply their skills and experience to the difficult agricultural problems of the developing nations. Through more extensive contracts with the land grant universities and colleges and broader use of Department of Agriculture experts provided through inter-agency agreements, A.I.D. will increase emphasis in its FY 1966 programs on agricultural development in Asia, Africa and Latin America.

A great share of A.I.D. technical assistance is already carried out by non-governmental institutions and private firms.

--American colleges, universities, business and professional firms and service organizations hold more than \$400 million in A.I.D. contracts for technical assistance work in 76 countries.

--A.I.D. emphasis on the development of cooperatives and thrift institutions overseas has increased sharply since 1962, with four times the technicians now at work in the field. Of the 360 technicians now helping other countries developing savings and loan associations, credit unions, electric distribution, housing and farm marketing cooperatives, more than 200 are the employees of private American thrift and cooperative associations with whom the Agency contracts.

--Private American engineering and construction firms are now at work in over 50 countries, supervising the design and construction of more than \$4 billion in A.I.D.-assisted capital projects; irrigation systems, power dams, fertilizer factories, and the like.

ENCOURAGING PRIVATE INVESTMENT

Private investment puts management skill as well as capital to work in the less-developed countries, and encouragement of more private American investment in Asia, Africa and Latin America remains a priority objective in the A.I.D. program.

Since the establishment of A.I.D. in 1961, there has been a dramatic growth in programs available to American investors through A.I.D., and a significant improvement in the management of existing incentive programs.

--More developing countries have undertaken formal agreements with the United States which enable A.I.D. to extend Investment Guaranty coverage to new American private investments in these countries. The number of less-developed countries with Investment Guaranty agree-

ments has risen from 40 in December 1961 to 63 by December 1964. Investment Guaranty coverage during the same period nearly quadrupled from \$487 million to a total of \$1.8 billion by the end of December 1964.

--The handling of Investment Guaranty applications was streamlined in 1964, and the 468 specific risk contracts written during the calendar year is more than double the 188 contracts written the previous calendar year.

--Increased use is being made of the Investment Survey program initiated in 1962, under which A.I.D. will share the cost of studying a potential investment opportunity overseas. By the end of 1964, A.I.D. had issued 110 survey grants. As a result of surveys already completed, American investors have decided to proceed with new investments with total potential of \$15 to \$20 million.

--A.I.D. compiled a catalog of more than 1,200 recent economic and feasibility studies made in the less-developed countries -- the first such listing ever to be made available to potential American investors. The first printing of 10,000 was exhausted within six weeks of its release in May 1964; a second edition listing 351 more studies was issued in July; and a third edition, further enlarged, is scheduled for March 1965.

The Congress has been asked to approve a tax credit for investments in the underdeveloped countries, which is expected to provide further inducement for American investors to risk the uncertainties of ventures in the less-developed countries and act to increase the flow of U.S. private capital to them. The proposal would grant a tax credit against the total tax liability of an investor equal to 30% of his new investment in underdeveloped countries.

Before the close of FY 1965, the Agency expects a report from its distinguished Advisory Committee on Private Enterprise which is reviewing current programs and will suggest new or more effective means to encourage greater private participation in economic development.

Strengthening the Private Sector

The developing countries that have made the best progress are those in which private initiative and private enterprise have been encouraged to play a vigorous role in national growth.

A.I.D. has long provided technical assistance to private industry, encouraged government measures that improve the climate for private initiative and helped to strengthen productivity councils and trade associations designed to raise standards and performance in private industry.

One of the greatest bottlenecks to growth in both the private industrial and agricultural sectors has been a shortage of credit on reasonable terms. To ease this, A.I.D. has emphasized the establishment of thrift institutions and intermediate credit institutions such as development banks, housing and farm credit banks. Among the results by the end of FY 1964 are these:

- 36 A.I.D.-assisted industrial development banks in 30 countries have made 2,400 sub-loans for private industrial ventures, including the expansion of existing enterprise as well as the initiation of new ventures.
- A.I.D.-assisted agricultural credit banks in ten countries (nine of them in Latin America) have made more than 40,000 sub-loans for farm improvements.
- Savings and loan associations organized with U.S. assistance, and almost non-existent in Latin America a few years ago, have accumulated local deposits of \$75 million for investment in housing and other ventures.

Another continuing handicap in the growth of private enterprise in the less-developed countries is a shortage of experienced managerial help -- people skilled in management, marketing, and production control. With strong encouragement from A.I.D., the International Executive Service Corps was established under private auspices during 1964 to provide the help of experienced American businessmen to entrepreneurs in the less-developed countries. Private business firms in more than 30 countries have expressed interest in assistance from the Corps.

Finally, A.I.D. commodity loans have become an increasingly important factor in the growth of private enterprise in countries such as India, Pakistan, Chile, and Brazil. They are made available to countries with sound development programs, and they make it possible for private enterprise to import a wide variety of American goods and equipment needed to maintain or expand existing plants, repair or increase the supply of farm equipment, and the like. In India alone, for example, \$220 million (about 80%) of \$275 million in commodity loans made during 1964 went directly to finance American exports badly needed by India's private enterprise sector.

TIGHTENING MANAGEMENT OF ASSISTANCE

A.I.D. is continuing its drive for efficiency and economy in the management of assistance. The Agency has reduced the number of employees, raised performance levels, cut operating costs, and instituted improved management procedures.

In FY 1964, the Agency reduced direct-hire staff by 1,140 -- from 16,782 at the beginning of FY 1964 to 15,642 by the close of FY 1964.

Further reductions are being made through improved operating procedures and continued improvements in job performance.

A.I.D. has increased attention to the professional improvement of its staff, setting high performance standards, rewarding competence and weeding out ineffective employees. Procedures initiated to this end include a new performance evaluation system, field visits by headquarters staff to review personnel procedures on the spot, and an improved initial selection process.

We expect to take further steps in this direction, in the context of a program designed to strengthen the personnel capabilities of all foreign affairs agencies of the government.

Rotating the foreign aid staff between headquarters and field assignments is important to the achievement of a common well-knit staff operation. Experience has also underscored the value of assigning new foreign service reserve appointees to headquarters operations before they undertake a first overseas tour. To this end, we are requesting broadened authority to appoint foreign service reserve officers to initial duty in Washington, without the existing limitations on the number, duration, or purpose of such assignments.

Cutting Operating Costs

The drive to reduce A.I.D. operating costs continues to produce substantial economies. A number of changes in operating detail have contributed to these cost reductions.

For example, during FY 1964, rescheduling air service within Laos for the movement of cargo and personnel saved an estimated \$106,808. More than \$200,000 was saved by a thorough screening of periodical Agency publications which eliminated some, and cut production costs on others. Savings estimated at more than \$100,000 resulted from one change in handling routine communications between Washington and the field.

Tighter purchasing practices have contributed to lower costs. A.I.D. continued to utilize Government-owned excess property wherever possible, in place of new procurement for field needs. At the cost of some \$4.1 million to the Agency, excess property with an original purchase price of \$36.1 million was provided for use in A.I.D. projects overseas. Consolidated buying of DDT supplies for malaria control programs during the industry's slack season cut costs by \$1,737,000.

Mechanizing routine operations wherever possible has also helped cut costs. For example, efficiency has been increased 20% by mechanizing the servicing of loan collections and investment guarantee premiums. The number of loan and guaranty agreements serviced annually increased from 900 in 1961 to 2,400 in 1965, but the man-hours required to service each agreement have been cut 58%.

IMPROVING THE FREE WORLD AID EFFORT

The United States strongly supports the principle of multilateral assistance for development. We will persist in our efforts to channel more free world aid through multilateral agencies and we will increase our own contributions to international institutions as rapidly as other members do so.

Use of Multilateral Agencies

There has been a steady increase in the amount of economic assistance provided through international agencies such as the World Bank, the International Development Association (IDA), the Inter-American Development Bank (IDB) and the European Development Fund (EDF).

The multilateral share of the total free world aid flow has increased from 12% in 1960 to 17% in 1963; in the past four years, the multilateral agencies have increased the amount of their capital assistance to the less-developed countries by 50%, to a total of \$1.4 billion in new commitments in 1963.

The U.S. share of official contributions to multilateral agencies now ranges from 30% of World Bank subscriptions up to 43% of the subscribed ordinary capital of the IDB. (The United States does not participate in funding the EDF and other European multilateral assistance programs.)

Coordinating Bilateral Aid

The United States has been a leader in seeking improved international coordination of bilateral aid. The United States was instrumental in the formation of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD), the central review body for major free world aid donors.

We have participated from the outset in the aid consortia and consultative groups set up by the World Bank and by the OECD for India, Pakistan, Turkey, Greece, and more recently, Colombia, Nigeria, Sudan and Tunisia. During FY 1966, 85% of all A.I.D. development loans in Asia and Africa will be committed through these multi-national consortia or consultative groups.

All U.S. assistance to Latin America is provided within the international framework of the Alliance for Progress. The Inter-American Committee for the Alliance for Progress (CIAP) is rapidly becoming a most useful forum for the coordination of assistance to Latin American countries.

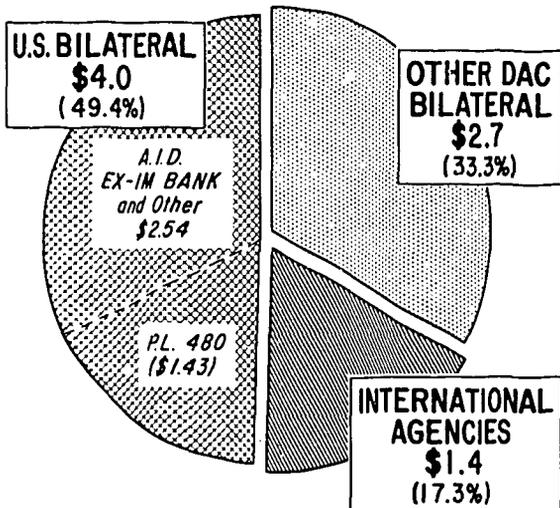
The activity of the CIAP, and the World Bank's expressed willingness to expand its role as a sponsor of multi-national consultation will greatly strengthen the international framework within which a substantial portion of U.S. bilateral aid is already being provided.

The U.S. share in the total free world aid burden has declined with the rise of other free world aid. By 1963 -- the last year for which complete figures are available -- the U.S. bilateral share declined to just under 50% of the \$8.1 billion total in new aid commitments, a drop from 56% the previous year.

**ASSISTANCE
RECEIVED
BY THE
DEVELOPING
COUNTRIES**

Commitments of
Grants and Loans
of Over 5 Years
Maturity in
Calendar Year
1963

Total . . . \$8.1 billion in 1963



Working primarily through the Development Assistance Committee of the OECD, the United States is pressing other free world donors to continue enlarging their efforts.

THE PROBLEM OF ~~LIBERALIZED~~ TERMS

The most pressing problem in the common aid effort remains the terms on which aid is extended, and the effect these terms are having on the debt burdens of the recipient nations. Some improvements have taken place. But the aid terms of most other free world donors remain significantly harder than ours. In most cases their interest rates are higher and their maturities are shorter.

The growing debt service burden of Turkey illustrates the problem that will soon face many developing countries if the terms of other bilateral aid-givers aid commitments are not liberalized.

--In the next few years, 40% of Turkey's short maturity debt will fall due, and fully half its export earnings will be required for debt service.

The debt repayment burden of the less-developed countries now totals nearly \$5 billion annually and is rising by 15% each year. The DAC has established a working party to study the problem, and to work actively for better terms in both official and private credits. Unless the debt service burden can soon be substantially reduced, the effectiveness of new assistance will be sharply reduced and the development prospects for a number of countries will dim.

AID AND THE U.S. ECONOMY

The Mutual Defense and Development Programs proposed for FY 1966 represent the smallest burden the American economy has been asked to bear since the beginning of the Marshall Plan. It is a burden the American economy can easily support. It represents one-half of 1% of our GNP. In per capita terms, it represents a drop from \$30.52 for every American in 1949, during the Marshall Plan, to a cost of \$17.51 per person for FY 1966. (Per capita GNP in the United States has nearly doubled in this time, rising from \$1,760 in 1949 to an estimated \$3,320 today.)

The U.S. procurement policies followed over the past four years have minimized the drain of our assistance programs on our balance of payments. Over 85% of all aid dollars is now committed directly for purchase of U.S. goods and services.

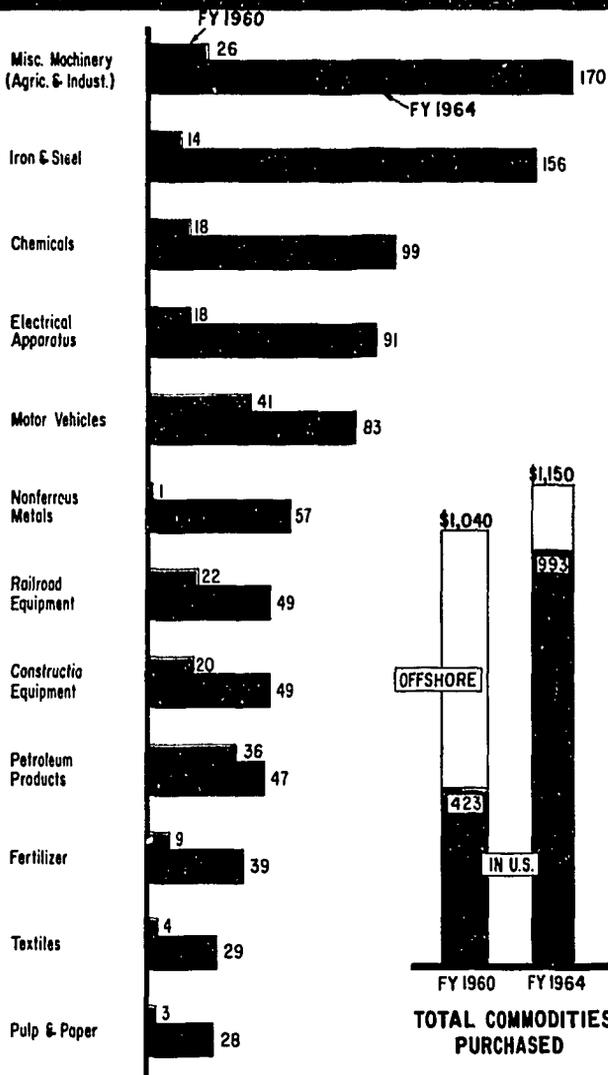
Another result of A.I.D.'s procurement policy is a substantial export business for American private enterprise. A.I.D. economic programs alone financed the export of nearly a billion dollars in American products during FY 1964, and American shipping lines were paid more than \$80 million to carry these products to their destinations in the less-developed countries.

In effect, the A.I.D. program helps to introduce American products and American industrial know-how to new markets. American farm surpluses provided as aid to Japan after World War II changed the Japanese diet, and Japan is now the biggest single cash customer for U.S. farm exports -- some \$500 million per year. The American Coal Exporters Association traces more than \$250 million in current annual coal export business directly to new markets opened by aid shipments of U.S. coal to postwar Europe and Japan.

The most important long-term benefits of the mutual development program, however, are those that stem from the expanding export markets that are the product of successful development.

Since the Marshall Plan and the recovery of Western Europe, our exports to European markets have more than doubled. They have quadrupled to Japan during the same period

Today, with the success of their effort and our assistance, the first of the developing countries are emerging as self-supporting cash customers. As Israel approaches self-support, American



commercial exports to that country increase steadily. U.S. commercial exports to Israel (those not A.I.D.-financed) have nearly tripled -- from \$85 million since 1958 to \$235 million in 1963 -- and they continue to increase at a rate of 15% to 20% a year. U.S. commercial exports to the Republic of China on Taiwan, where economic aid ends this year, rose from \$49 million in 1962 to an estimated \$80 to \$85 million in 1964. They are sure to rise further as the Taiwanese standard of living continues to improve.

The expanded trade opportunities already opened by the process of development make it clear that the economic progress of other free countries is in the direct, long-term interest of our own economy.

THE PROGRAM FOR FY 1966

Authorizations and Appropriations for FY 1966

Requirements for military and economic assistance for FY 1966 have been carefully reviewed, including a thorough study of the present situation and prospects for each country receiving U.S. help. Based on the best estimates that can be made today, minimum fund requirements will be \$3,579 million. Of this amount, \$199 million can be met from estimated loan repayments, recoupments of prior year obligations, etc.

This leaves a need for \$3,380 million in new appropriations. \$1,364 million of this amount will not require new authorizations, since authorizations enacted by the Congress in 1961 for Development Loans (\$1.5 billion) and for the Alliance for Progress (\$600 million) for FY 1966 are sufficient, as is the continuing authorization for State Department administrative expenses.

By appropriation account, the President's request for new authorizations and appropriations for FY 1966 is as follows:

(In millions of dollars)

	Authorizations	Appropriations
Development Loans	-	780
Technical Cooperation	210	210
Alliance for Progress (DL and TC)	-	580
Supporting Assistance	369	369
Contributions to International Organizations	155	155
Contingency Fund	50	50
American Schools and Hospitals Abroad	7	7
A.I.D. Administrative Expenses	55	55
State Administrative Expenses	-	3
Total Economic	846	2,210
Military Assistance	1,170	1,170
Total Military and Economic	2,016	3,380

The President is also requesting a special standby authorization for Military or Supporting Assistance to be used only in Vietnam and only in case funds are needed to protect vital U.S. interests.

Program for FY 1966

The total program for FY 1966 is slightly larger than the FY 1965 program, reflecting primarily a rise in requirements for the Alliance for Progress. A summary by funding category of actual obligations in FY 1964, current estimates for FY 1965, and proposed FY 1966 programs follows:

MUTUAL DEFENSE AND DEVELOPMENT PROGRAM

(In millions of dollars)

	FY 1964 Commitments	FY 1965 Estimated ^{a/}	FY 1966 Proposed
<u>Development Assistance</u>	1,616	1,573	1,667
Development Loans	836	814	840
Alliance for Progress Loans	479	435	508
Technical Cooperation	208	236	231
Alliance for Progress Technical Technical Cooperation	93	88	88
<u>Military and Supporting Assistance</u>	1,703	1,700	1,688
Military Assistance	1,236	1,223 ^{b/}	1,258
Supporting Assistance	360	421	380
Contingency Fund	107	56 ^{b/}	50
<u>Other Assistance and Administrative Expenses</u>	193	212	223
Investment Surveys	1	1	1
American Schools and Hospitals Abroad	20	18	7
Contributions to Int'l. Organizations	116	134	155
Administrative Expenses	56	59	60
TOTAL	3,512	3,485	3,579

- a/ \$300 million of funds appropriated by the Congress for FY 1965 are reserved in accordance with Title I of the Foreign Assistance and Related Agencies Appropriation Act, 1965 (P.L. 88-634). Funds may be released from the reserve on a determination by the President that the release is in the national interest. It is now estimated that these funds will be required for use.
- b/ Military Assistance estimated FY 1965 program includes an anticipated transfer of \$50 million from the Contingency Fund.

Increased Investment Guaranty Program

Investment Guaranty programs are basic to A.I.D.'s efforts to enlarge the role of American private enterprise in the development process. Increased private American investment in less-developed countries provides both know-how and capital to further the overall development of those countries.

Based on recent trends in applications, the Congress has been asked to provide authority for A.I.D. to issue additional investment guaranties in the following amounts. No additional appropriations are necessary.

--For Specific Risk Guaranties, to increase the present issuing authority of \$2.5 billion by an additional \$2.5

billion. More than \$2.2 billion in specific risk guaranties were issued by December 31, 1964. Guaranties issued in calendar 1964 amounted to \$708 million, almost double the amount of specific risk guaranties issued in 1963. The growth of this program -- which guarantees against loss due to expropriation, inconvertibility, or war risk and revolution -- has continued at a high rate in FY 1965.

--For Latin American Housing Guaranties, to increase the present issuing authority of \$250 million by an additional \$100 million for the next two years. This program provides extended risk coverage for self-liquidating housing projects in Latin America. More than 18,000 houses have been completed or are being constructed under guaranties already issued. It is proposed to modify the program on the basis of experience to date.

Regional Emphases in the Proposed Program for FY 1966

Development assistance is the prime focus of U.S. aid efforts in the Latin America, Near East and South Asia and Africa regions. In each of these regions, development assistance will account for at least 88% of proposed FY 1966 A.I.D. programs. In Latin America and Near East and South Asia, development assistance is concentrated in development lending. In the Africa region, development assistance is about evenly divided between Development Loans and Technical Cooperation funds.

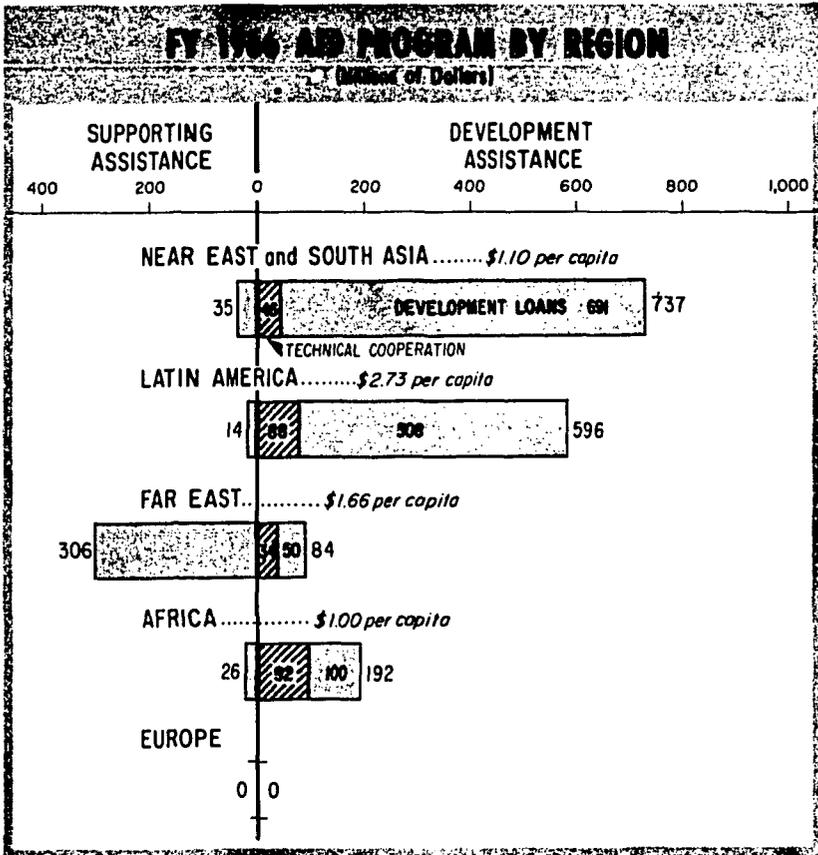
The following table summarizes development assistance programs proposed for FY 1966 in each region.

DEVELOPMENT ASSISTANCE BY REGION

	(In millions of dollars)			
	Latin America	Near East South Asia	Africa	Far East
Total A.I.D. Regional Program	610	771	218	390
Development Assistance	596	736	192	84
Development Loans	(508)	(690)	(100)	(50)
Technical Cooperation	(88)	(46)	(92)	(34)
Development Assistance as % of A.I.D. Regional Program	97%	96%	88%	22%

In the Far East region, emphasis continues on Military and Supporting Assistance, to help the free nations of this region defend themselves against Communist aggression and subversion. Even in the Far East, however, efforts are continuing to shift from security support to development where possible.

DEVELOPMENT ASSISTANCE



NATIONAL
 COLLECTION