

CHAPTER V

THE WAR ON HUNGER: FOOD, NUTRITION, HEALTH

- A. Background
- B. Food Production
- C. Other Food for Peace Programs
- D. Nutrition
- E. Health
- F. Research
- G. Institutional Grants

A. Background

In February, 1966, President Johnson proposed "a war against hunger" in a message to the Congress. His phrase implied programs

- to increase agricultural production;
- to improve nutrition standards;
- to eradicate major diseases; and
- to control population growth. 1/

(Population policy and programs are discussed in the next chapter.)

The war on hunger proposal was a culmination of a growing concern about the world's ability to feed itself and the determination to integrate A.I.D. and P.L. 480 programs to assure that the developing countries would take the necessary actions to increase their agricultural productivity.

The need to emphasize agriculture had been expressed before 1966 but the President's message and subsequent policy made the emphasis operationally meaningful. Some of the chronology of concern was:

- June, 1963 - FAO, World Food Congress recognized self-help as
a key instrument in achieving freedom from hunger. 2/
- July, 1964 - Conference on International Development, attended by
major land grant colleges, on how to use the resources
of the U.S. better to fight hunger.

Summary

Food for Freedom - P.L. 480

Net Obligations and Loan Authorizations

(U.S. Fiscal Years - Millions of Dollars*)

	1962	1963	1964	1965	1966	1967	1968 (Prelim.)	Total 1962-1968
Total	1443	1561	1591	1484	1754	1040	1440	10,313
Regional								
Near East and South Asia	780	726	717	896	834	535	668	5156
Latin America	128	167	296	104	187	69	233	1185
East Asia	182	206	208	151	188	138	187	1260
Vietnam	32	53	57	52	145	75	140	553
Africa	99	209	133	118	138	165	151	1014
Europe	176	153	122	111	202	15	18	797
Oceania	<u>a/</u>	<u>a/</u>	-	-	-	-	-	1
Non-Regional	46	47	56	52	60	43	41	346

* Details may not add to totals due to rounding

a/ Less than \$50,000

Source: A. I. D. Special Report Prepared for the House Foreign Affairs Committee

Selected countries

Food for Freedom - P. L. 480

(U.S. Fiscal Years - Millions of Dollars*)

	1962	1963	1964	1965	1966	1967	1968 (Prelim.)	Total 1962-1968
Near East and South Asia								
India	251	253	271	415	599	377	338	2507
Pakistan	158	179	164	164	22	97	164	948
Turkey	113	48	52	50	21	8	13	306
East Asia								
China, Republic of	50	47	46	61	30	5	17	256
Indonesia	31	55	22	3	22	28	61	222
Korea	71	74	113	63	122	67	95	606
Philippines	21	10	16	14	6	30	7	105
Vietnam	32	53	57	52	145	75	140	553
Latin America								
Brazil	74	49	160	25	114	22	87	532
Chile	7	22	27	15	18	8	37	133
Colombia	15	17	13	9	15	15	26	111
Dominican Republic	1	14	13	11	5	4	20	68
Mexico	5	15	18	7	-	-	-	45
Peru	7	6	13	7	8	2	7	51
Africa								
Algeria	9	75	44	14	20	21	-	185
Congo (Kinshasa)	16	35	18	9	17	21	17	134
Ethiopia	2	3	1	-	9	3	-	18
Morocco	18	45	20	23	35	40	63	244
Tunisia	17	34	21	34	2	30	35	173

Selected Countries

Food for Freedom - P. L. 480

(U.S. Fiscal Years - Millions of Dollars)

	1962	1963	1964	1965	1966	1967	1968 (Prelim.)	Total 1962-1968
Europe								
Italy	22	14	10	6	5	1	-	59
Poland	7	8	15	4	7	5	11	56
Spain	11	9	7	7	44	3	3	84
Yugoslavia	114	112	72	88	139	2	-	527

* Details may not add to totals due to rounding

Source: A. I. D. Special Report Prepared for the House Foreign Affairs Committee

- December, 1965 - White House Conference on International Cooperation, Committee on Agriculture and Food, urged that the U.S. "affirm - as a matter of high policy - that the elimination of world hunger is a major national objective." 3 /
- 1965 - "Changes in Agriculture in 26 Developing Nations" quantified the problems of increasing agricultural production and the prospect of population outrunning food production. 4 /
- July, 1966 - Fifth Annual High-Level Meeting of the DAC focused on the growing imports of food by the developing countries and the current trends in food production and population growth. 5 /
- August, 1966 - Administrator, A.I.D., upon taking office: "A.I.D.'s vigorous pursuit of the War on Hunger requires personnel throughout the Agency to give high priority attention and energy to the use of food resources." 6 /
- January, 1967 - State of the Union Message: "Next to the pursuit of peace the really greatest challenge to the human family is the race between food supply and population increase. That race tonight is being lost.

"The time for rhetoric has clearly passed. The time for concerted action is here and we must get on with the job. We believe three principles must prevail if our policy is to succeed:

"First, the developing nations must give highest priority to food production, including the use of technology and the capital of private enterprise.

"Second, nations with food deficits must put more of their resources into voluntary family planning programs.

"Third, the developed nations must all assist other nations to avoid starvation in the short run and to move rapidly towards the ability to feed themselves." 7/

- May 1967 - President's Science Advisory Committee which arrived at four basic conclusions:
- "1. The scale, severity, and duration of the world food problems are so great that a massive, long-range innovative effort unprecedented in human history will be required to master it.
- "2. The solution of the problem that will exist after about 1985 demands that programs of population control be initiated now. For the immediate future, the food supply is critical.
- "3. Food supply is directly related to agricultural development and, in turn, agricultural development and overall economic development are critically interdependent in the hungry countries.
- "4. A strategy for attacking the world food problem will, of necessity, encompass the entire foreign economic assistance effort of the United States in concert with other developed countries, voluntary institutions, and international organizations." 8/
- July 1967 - Report of the National Advisory Commission on Food and Fiber which concluded that:

"The world's food and population problem can only be solved through active population control efforts and faster development of agriculture in the hungry countries. Therefore, it is recommended that U.S. aid programs for developing countries should be shifted much more heavily toward technical assistance for increasing food production and population planning in the developing countries." 9 /

Although food production in the less developed countries had risen-- from an index of 101 in 1958 to 113 in 1962 and 121 in 1965--the number of consumers also continued to rise--120 new humans every minute; sixty million more mouths every year. The result was that the average individual in the developing countries was little better off in 1966 than he was in 1957-58. The following table shows the stationary conditions of per capita food production over the period.

Food and Population Trends
Less Developed Countries
(Indexes - 1957-59 Average=100)

	<u>1957-59</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Food	100	119	122	121	122	131
Population	100	113.1	116.0	118.8	122.0	125.1
Per Capita Food Production	100	105	105	102	100	105

The stagnation of per capita food production was dramatized in 1965 and 1966 when widespread droughts in Asia threatened mass

starvation in India. Rapid increases in food shipments under P.L. 480 soon highlighted another fact--U.S. agricultural surpluses had been significantly reduced by increasing exports and could no longer be counted on to meet the requirements of the developing countries. In 1966, the U.S. increased its grain acreage specifically to meet the need of the developing countries. This factor, plus the decision to use the provision of U.S. agricultural commodities to obtain improvements in the recipients' agriculture sector, drastically changed U.S. agricultural policy. The P.L. 480 program, originally designed to sell U.S. agricultural surpluses, became part of an aid effort which used food, technical assistance and loan financing in an intensive attack on low agricultural productivity and all aspects of hunger.

1. Food Assistance. U.S. assistance in the form of agricultural food commodities had been used for some time to bridge the gap between food production and food needs in the less-developed countries. Under the Agricultural Trade Development and Assistance Act of 1954, U.S. agricultural surpluses were shipped overseas in large quantities. P.L. 480, as the Act became commonly known, was directed toward several goals:

- promotion of U.S. trade through market development,
- disposition of surplus agricultural commodities,
- humanitarian aid to hungry people,

-- use of foreign currencies obtained for the commodities to pay U.S. obligations, support U.S. overseas investment, and finance defense and development.

Since 1954, U.S. farm products worth nearly \$11 billion were exported and sold for local currency; \$748 million were exported under dollar credit; over \$3 billion were donated. A.I.D., mutual security programs and barter transactions accounted for a further \$4.8 billion. Total value of these commodities was \$19.5 billion, of which \$17.2 billion were exported under P.L. 480.

U.S. food aid efforts, however, could not be continued indefinitely. Commercial exports were increasing and U.S. surpluses were dwindling. Reliance on U.S. supplies permitted developing countries to place less emphasis on agriculture, even though most of their populations worked in this area and rapid growth was possible. In September, 1963, the A.I.D. Administrator took specific note of this problem:

"Several questions confront us. One of them involves the incentives in countries to achieve increased agricultural productivity on their own account. . . . We have no intention of using American commodities to reduce the incentive for local people in these underdeveloped countries to achieve the kind of progress that they must have."10 /

Finally, the dependence on U.S. supplies reached physically unmanageable proportions. For instance, in 1966-67, India required ten million tons of foodgrains, an amount which created major logistical problems in the U.S. and in India. It became evident that food

assistance would not solve the world's food problem; the low productivity in agriculture needed to be tackled and, simultaneously, the rate of population growth slowed down.

2. A New Strategy. As part of the fiscal year 1965 budget discussion, Secretary of Agriculture Orville Freeman, A.I.D. Administrator David Bell and Budget Director Charles Schultz met with the President at the LJB Ranch in December, 1964. Behind the many aspects of the problem they discussed were these facts: Per capita food production in the developing countries was stagnating; populations were increasing; U.S. food surpluses were disappearing, and P.L. 480 did not contemplate using agricultural surpluses as an incentive for the recipient country to improve its own productive capacity. In addition to the problem of inadequate foodgrain, there was increasing evidence of serious malnutrition because of dietary deficiencies.

At the conference it was agreed that a drastic change in food assistance and A.I.D. programs was called for. This agreement evolved into the guidelines that were to become the War on Hunger.

A Task Force was set up to study how food aid could be related more explicitly to the economic development problem of the receiving countries. P.L. 480 was to be related to A.I.D. technical and capital assistance programs in agriculture. In addition, new programs would focus on nutrition with emphasis on child feeding. The Task Force was also to work out proposal for a revision of P.L. 480 and the implications for A.I.D. programs.

The work of the Task Force was incorporated in President Johnson's 1966 Annual Message to Congress when he called upon the U.S. to "lead the world in a war against hunger". Specifically, he proposed:

- "1. Expanded food shipments to countries where food needs are growing and self-help efforts are underway.
- "2. Increased capital and technical assistance. (to agriculture)
- "3. Elimination of the 'surplus' concept in food aid.
- "4. Continued expansion of markets for American agricultural commodities.
- "5. Increasing emphasis on nutrition, especially for the young.
- "6. Provision for adequate reserves of essential food commodities." 11

The new emphasis on food and agriculture would be expressed in two ways: through the P.L. 480 Act of 1966 and the A.I.D. programs.

3. Food for Peace Act, 1966. During the period 1954 to 1960, P.L. 480 was essentially a surplus disposal program. In 1960, in response to the growing awareness of the importance of increased agricultural productivity in the economic development of the less-developed countries--the main recipients of P.L. 480--Congress amended the Act to provide for programming food commodities to aid development. A new self-help emphasis was added to the Act when P. L. 480 was extended in 1964.

In 1966 amendments to the Act along the lines proposed by President Johnson in his message to Congress refined the program's goals to further emphasize self-help efforts and removal of the surplus requirement for U.S. food aid shipments, nutritional improvement, technical assistance support, family planning, and greater emphasis on multilateral assistance.

Emphasis on self-help - To qualify for food aid, developing countries must have an effective program to provide increased agricultural production and provide more of their own food requirements. The President must evaluate such programs before entering into P.L. 480 sales agreements.

Removal of "surplus" requirement - Food aid shipments would be made up of "available" commodities, rather than "surplus". Reserve acreage would be returned to production as needed--to produce for U.S. use, commercial exports, and food assistance exports.

Nutritional improvement - Additional stress would be placed on foods for children to ensure adequate proteins, minerals, and vitamins.

Technical assistance - Self-help efforts would be reinforced with technical and scientific support.

Family planning - Local currencies generated from the sales of P.L. 480 commodities could be used for population and family planning programs.

Assistance from other countries - In recognition that the world food problem required the efforts of as many countries as possible, the Act supported the expansion of international food and agricultural assistance programs, including the World Food Program.

To further stimulate efforts to increase foodgrain production, the new Act provided for a transition from local currency to dollar sales. Sales of P.L. 480 commodities for the currency of the recipient country had meant that such commodities were easier to obtain and created less of a burden on scarce foreign exchange than commodities financed by A.I.D. under dollar loans. The new Act provided that P.L. 480 sales would be shifted to a dollar basis within five years--making it relatively more attractive to purchase the inputs to increase foodgrain production than the food itself.

(Subsequent to the passage of the 1966 P.L. 480 Act, an Executive Order was drafted to delineate functions of the Department of Agriculture, A.I.D. and other agencies. Until 1965, a Food for Peace Office had existed under White House auspices. A principal function was to coordinate operations of the Food for Peace Act between various

participating agencies. The Office then was placed in the Department of State, but was allowed to phase out. The Executive Order which would have helped to clarify specific administrative functions was never signed.)

B. Food Production

The War on Hunger rightly identified low agricultural productivity as a major target. A.I.D. Administrator Bell, appearing before the House Appropriations Subcommittee on Foreign Operations in April, 1966, described A.I.D.'s objectives in relation to the food and population problems:

" . . . to help each developing country, as soon as possible, to gain enough economic strength either to produce the food it needs or to purchase it commercially. Major efforts . . . will be made to expand agricultural extension service activities, provide training for more agricultural technicians, develop new irrigation facilities, build farm-to-market roads, encourage sound programs of land reform, and expand agricultural credit facilities." ^{12/}

Agriculture had been largely ignored in many developing countries and the U.S. programs consisted of scattered technical assistance activities. Investment in agriculture was low, research either non-existent or not related to actual problems, fertilizer usage was minimal, distribution and credit systems were antiquated, prices were inadequate to attract the farmer to improved practices, and new, high-yielding seeds were not being adapted. The self-help requirements of the new P. L. 480 Act,

emphasis on agriculture policy, and specifically price incentives, and the increased funds devoted to agricultural programs created new prospects of what could be done to increase agricultural production.

In major countries self-help efforts included:

- purchasing large amounts of fertilizer and turning fertilizer distribution over to the private sector;
- revising investment policies to attract U.S. companies to invest in new fertilizer plants;
- raising minimum prices for foodgrains;
- developing price support programs and subsidies for agricultural inputs;
- new credit systems;
- better storage facilities; and
- more funds for investment and research.

Simultaneously, new high yielding seeds, developed after many years of work financed by the Ford and Rockefeller Foundations, became available. With fertilizer and attractive prices, the new seeds became rapidly popular.

Few of these self-help measures were introduced without difficulty. They all involved difficult and lengthy negotiations with the recipient governments, but none were ultimately imposed--in the course of these debates indigenous forces favoring the same emphasis on agriculture

gained strength and formulated and implemented their own agricultural development plans.

The emphasis on agriculture and the new role of P.L. 480 to effect self-help measures had wide-ranging effects. Its first application was in India where two successive droughts pointed up the urgent need for better performance in agriculture. Major reforms of policy were discussed as part of the P.L. 480 negotiations over the course of a year. Elsewhere, too, A.I.D. became involved more intimately in the planning for agricultural growth, the introduction of new seeds, the financing of increased amounts of fertilizer, and in demonstrating the importance of adequate water development programs. This new emphasis on agriculture, coupled with very favorable climatic conditions, yielded dramatic results. In 1967-68, India and Pakistan harvested record wheat and rice crops, Turkey's wheat crop was a record as was the rice crop in the Philippines. The A.I.D. program did not finance all of the additional inputs but the emphasis the U.S. placed on self-help measures in agriculture served to activate the recipient countries to greater efforts.

Many of the problems of low agricultural productivity remain to be solved and a more intensive agriculture creates new problems--plant protection, storage, distribution, research. However, contrasted with 1954, there is today reasonable hope that food production can win the race against population.

C. Other Food for Peace Programs

Title II of the revised P.L. 480 law provided for donations by A.I.D. of agricultural commodities to voluntary agencies for school lunch and other feeding programs, emergency and disaster relief and food-for-work programs.

Up to the mid-1960's the voluntary agencies had been concerned primarily with relief feeding and disaster and emergency assistance. Almost no emphasis was placed on development.

This was changed in 1964 when Congressional action permitted U.S. voluntary agencies to shift able-bodied adults from dole feeding (i.e., feeding unemployed or underemployed, able-bodied adults on a continuing basis) to food-for-work activities. 13/ By the end of calendar year 1967, the voluntary agencies had passed the half-way mark in their goal to complete the shift by the end of 1970. Between 1966 and 1967 the numbers of food recipients benefiting from voluntary agency community work projects almost doubled, rising from 1.9 million to 3.7 million.

In calendar year 1967 one million metric tons of food commodities valued at \$180 million were shipped overseas for distribution by voluntary agencies, much of it going to food-for-work activities.

In addition to this new emphasis, the voluntary agencies continued to be particularly effective in providing on-the-spot assistance during

disasters and other emergencies, using P.L. 480 commodities. They also continued their extensive programs of providing school lunches, feeding babies and nursing mothers, and pioneered the distribution of low-cost, high-protein foods. From 1963 through 1967, assistance for these types of programs totaled \$1,069 million.

In addition to greater assistance to voluntary agencies, there was also a marked increase over the period in the assistance to international organizations, particularly the World Food Program. The World Food Program was established in 1963 as a multilateral program to provide development aid to the less-developed countries in the form of food commodities instead of money and technical assistance. It is the largest such multilateral organization. The U.S. has pledged up to \$160 million in food commodities, services, and cash for the support of the program.

D. Nutrition

In his War on Hunger message, President Johnson called attention to the need for improving the quality of food in the developing countries:

"Beyond simple hunger there lies the problem of malnutrition. We know that nutritional deficiencies are a major contributing cause to a death rate among infants and young children, that is thirty times higher in developing countries than in advanced areas. Protein and vitamin deficiencies during pre-school years leave indelible scars.

"Millions have died. Millions have been handicapped for life--physically or mentally. Malnutrition saps a child's ability to learn. It weakens a nation's ability to progress. It can--and must--be attacked vigorously.

"We are already increasing the nutritional content of our food aid contributions. We are working with private industry to produce and market nutritionally rich foods. We must encourage and assist the developing countries themselves to expand their production and use of such foods." 14 /

In passing the "Food for Peace Act of 1966, "Congress responded by adding "combatting malnutrition especially in children" as a purpose of the Act.

One of A.I.D.'s earliest involvements in child feeding programs on a large scale was the program known as Operacion Ninos, a special "impact" effort begun in 1962 in Latin America. It was humanitarian but it also was meant to show that the Alliance for Progress could reach the people, and not governments alone. Food for Peace commodities were used in feeding the children and a total of \$2.2 million was committed for two years. More than ten million children were benefitted from supplementary feeding programs.

Taking note of this project, a 1965 Task Force on Food and Agricultural Assistance to Less-Developed Countries made five important recommendations in the area of nutrition:

1. that increased attention should be given to malnutrition in children;
2. that future U.S. food assistance efforts should insure that all programs are of maximum nutritional value to the recipients;

3. that future programs should involve increased participation on the part of the recipient countries;
4. that local foreign and U.S. private enterprise should be encouraged to help achieve program goals;
5. that there should be a comprehensive and integrated approach to the problems of malnutrition in each country, with involvement of all relevant agencies and interests. ^{15/}

Although child feeding programs were carried on prior to the passage of the P.L. 480 Act of 1966, the former legislation did not authorize the inclusion of high-protein supplements among the commodities being distributed. Initially, therefore, AID provided funds for needed fortification of non-fat dry milk with vitamins A and D, for fortifying milled cereals with calcium. At the same time, new nutritious food blends were being developed. With the passage of the Food for Freedom Act of 1966, the U.S. Department of Agriculture was given authority to fortify the commodities and to purchase the food blends.

1. Protein Foods. The first of such foods to be purchased by the U.S. Government for use in its food assistance programs was CSM--a highly nutritious blend of sixty-eight percent cornmeal, twenty-five percent soya flour, five percent non-fat dry milk with two percent vitamins and minerals added. Developed and test-marketed by the private sector, CSM was first used in India in May, 1966. Acceptability was high

and A.I.D began further testing. The first purchase was made in September, 1966. Since that time, A.I.D has used increasingly larger amounts of CSM, programming some 300 million pounds in fiscal year 1967 and nearly 500 million pounds in fiscal year 1968.

Another blended food developed for use in U.S. food assistance programs was WSB--a wheat-soy flour blend--for use in areas where wheat was preferred to corn. WSB was first utilized in fiscal year 1968, in which a little more than five million pounds was programmed.

A.I.D. was also interested in fortification as well as formulation. Legumes, cereals, and other basic foods continued to be studied over the period to determine how they could be made more beneficial in the diets of the peoples of the less-developed countries. Improvement of grain quality would have the potential of reaching every farmer and villager and not only those who purchased processed flour or cereal products.

Genes that could increase the protein content of wheat by as much as twenty-five percent have been identified. In 1968, the University of Nebraska, under contract with A.I.D., was working on the development of high-yield, high-protein wheat strains for use in the less-developed countries and Purdue University was working on high-lysine varieties of corn in Brazil and high-lysine /high-protein strains of grain sorghum.

Cereal grains can also be improved by supplementing them with amino acids and protein concentrates. Lysine fortification is particularly practical in countries in which the distribution of bread grains is centrally organized. In 1968, A.I.D. was engaged with the Government of Tunisia in a project to test large-scale lysine fortification of wheat in Tunisia.

2. Food from the Sea. Because of the bulk of the protein in human diets in the less-developed world comes from plant sources, such diets usually lack one or more of the essential amino acids found in animal sources.

Meat is an unattainable luxury for millions of families in most developing countries and tens of millions of other people will not eat it in any case because of religious or other restraints. For this reason, the President in his War on Hunger message stated that greater attention and emphasis should be given to the sea as a source of animal protein.

Several members of Congress also have been keenly interested in developing new sources of animal protein. One of them was Senator Edward Kennedy. He and others introduced an amendment to the Foreign Assistance Act of 1967 which authorizes the President to:

" . . . conduct a program designed to demonstrate the potential and to encourage the use of fish and other protein concentrates as a practical means of reducing nutritional differences in less developed countries and areas." 16/

In September, 1967, after six years of testing, a stable, highly nutritious powered protein concentrate made from whole fish was developed and approved for use by the Food and Drug Administration. A.I.D. obtained initially small quantities of fish protein concentrate (FPC) for limited testing. When the tests proved satisfactory, A.I.D. contracted for a greater quantity for further testing in conjunction with already established Food for Freedom P.L. 480 programs.

The Food from the Sea program now has two distinct components. First, to help establish in selected developing countries a commercial market for FPC manufactured from low-cost, locally available fish; and second, under the Food for Freedom Act of 1966, to provide FPC in blended grains to children, pregnant women and nursing mothers through food donation programs in needy countries.

3. Participation of Private Enterprise. The private sector has been extensively involved in the effort to develop nutritional foods.

On February 24, 1967, A.I.D. signed the first contract for a High Protein Food Studies Program designed to increase supplies of protein foods in developing countries. The contract was signed with the Pillsbury Company of Minneapolis which, through an affiliate in El Salvador, determined the acceptability and marketability of a new protein food product based on locally produced sesame seed as a protein source.

Subsequently, A.I.D. signed food contracts with nine major companies for the development and test-marketing of high protein foods. The products will be inexpensive, nutritious, resistant to spoilage -- and most important from the point of consumer acceptability -- they will taste good.

On June 12, 1968, A.I.D. Administrator William S. Gaud signed an agreement with a consortium of scientific organizations which will provide information and assist in solving technical problems in nutrition and child-feeding programs. Known as the League for International Food Education (LIFE), the consortium will act as a clearing house for advice and information on food and nutrition. Composed of six professional food-related societies, LIFE will be able to call on skills from among more than 100,000 scientific specialists to respond to the nutritional needs of the developing world. ^{17/}

E. Health

Following President Johnson's War on Hunger Message to Congress in 1966, A.I.D. identified four long-range objectives for assistance in health fields:

1. Eradication and control of killing and debilitating diseases that sap the human resources of the developing countries; specifically, the U.S. would seek to eliminate malaria in fifteen countries and smallpox in nineteen countries.

2. Progressive elimination of malnutrition.

3. Participation in worldwide efforts to reduce the pressures of relentless population growth.

4. Development of training and research facilities in the developing nations to provide manpower to run their health programs. 18/

Mass diseases such as malaria and smallpox seriously affect the agricultural population of the developing countries and inhibit productivity. The eradication or control of malaria, for example, could make available large areas of fertile land that otherwise would remain idle or undercultivated. A.I.D. has had a major role in providing assistance to lesser developed countries in the global malaria eradication program.

Also, intestinal diseases directly affect nutrition and feeding programs. A.I.D. has provided more than \$210 million to the developing countries to provide safe drinking water and develop environmental health programs for disposal of sewage and waste.

Some of the specific activities included:

- assistance to eighteen malaria eradication programs; protecting a total of 738 million people;
- support to a regional smallpox immunization program in nineteen West and Central African countries designed to reach 110 million people by 1971;

- assistance to programs to provide safe, reliable water supplies for provincial cities and rural areas;
- financing the training of some 2,600 participants from the Near East and South Asia in public health at the American University in Beirut;
- providing funds for physicians and public officials in the less-developed countries to come to the U.S. to study in the fields of public health administration, medical social work, and public health dentistry;
- support of the SEATO Cholera Research Laboratory in East Pakistan to improve methods in cholera prevention and control.

F. Research

Although research is now considered essential to economic assistance programs, especially in the areas of agricultural development and family planning, it is a comparatively recent addition to foreign aid activities.

Prior to 1962 there had been some research specifically directed toward the needs of the developing countries. In the 1950's, for example, research work on kenaf as a substitute for jute was carried on with foreign assistance funds. Also, some research work was included in the process of building research and educational institutions in the developing countries.

Generally, however, research in the earlier days of foreign aid programs was discouraged. It was assumed that U.S. knowledge and expertise, with minor adaptations, would provide the answers to less-developed countries' problems. But unlike the developed countries of Europe under the Marshall Plan, the less-developed countries of Asia, Africa and Latin America required a different approach. U.S. science and scientific expertise provided an excellent resource but was not directly applicable to most of the problems of these countries. New knowledge and ideas had to be developed.

Through the stimulus of the President's Science Advisory Committee (PSAC), a section was written into the Foreign Assistance Act of 1961 providing for research.

The A.I.D. Administrator underscored the need for research, emphasizing that rural development required pragmatic methods derived from the research and experimentation. He also encouraged U.S. universities to take a much larger role to play in the development effort. ^{19/}

Operation of the research authorization was not immediately auspicious, however. Contracts were awarded for several projects which aroused considerable criticism in Congress and elsewhere. These were cancelled before any expenditures were made. As a result, the administration of the program was changed.

The new approach evolved into a Central Research Program that has handled 107 contracts in the last six years, involving the obligation of

more than \$50 million. The research projects included:

- | | |
|--|--|
| -- Analysis of Data on the Nutrient Status of Soils in Latin America | North Carolina State University |
| -- Development and Use of Improved Varieties of Major Cereals | USDA Agricultural Research Service |
| -- Diffusion of Innovations in Rural Societies | Michigan State University |
| -- Program of Research and Training in Land Tenure and Reform in Latin America | University of Wisconsin |
| -- Malaria Eradication Research | Communicable Disease Center, U.S.P.H.S. |
| -- Mathematics Curriculum Development in Africa | Educational Development Center, Inc. |
| -- Research on the Feasibility of Applying New Educational Media in Developing Countries | International Institute for Educational Planning |

G. Institutional Grants

A program aimed at building the competence of American research and educational institutions in economic and social development was authorized by Congress in 1966.

Under Section 211(d) of the Foreign Assistance Act, the Agency for International Development could assist participating institutions to strengthen "centers of competence". One of the criteria for participation in the program was that the institution should offer promise in developing its capacities in specified fields in which A.I.D. is interested.

During fiscal year 1968, the first year funds were available, A.I.D. Administrator William S. Gaud signed agreements providing a total of \$7.35 million for ten institutions. Six of the institutions, comprising a consortium of universities which had been assisting in the rural development of India, received \$200,000 each to develop capabilities in specific aspects of Indian agriculture. The universities and their fields of specialization were:

- University of Illinois, crop diseases;
- Ohio State University, soil fertility and plant-water relationships;
- Kansas State University, food grain drying, storage, handling, and utilization;
- University of Tennessee, agricultural economics and rural sociology;
- Pennsylvania State University, seed production and technology;
- University of Missouri, plant breeding.

Other institutional grants include:

-- A grant of \$2.4 million to the University of North Carolina to develop special competence in population and family planning.

-- \$1.8 million to Johns Hopkins University to develop capabilities in Public Health as related to the health needs of developing countries, with special emphasis on the ways in which the medical profession could influence attitudes toward and improve programs in family planning.

-- \$1.25 million to the University of Michigan to develop capability in training, research, and service in the population field.

-- \$700,000 to Tufts University's Fletcher School of Law and Diplomacy to promote special competence in the processes which would assure maximum participation of people in the social and political aspects of development.

Strengthening AID-University Working Arrangements

Throughout 1968, A. I. D. and representatives of the universities working in A. I. D. projects conducted an intensive review of the form of contract used between them. This was intended to improve their ability to work together efficiently and to produce greater impact in their joint efforts overseas. The effort culminated in a number of substantial improvements in the standard A. I. D. -university contract, and also in agreement between A. I. D. and the universities to examine together a broader range of possibilities for improving their methods of working together and the results. The latter joint examination was launched in December, 1968.^{20/}

-- \$1.25 million to the University of Michigan to develop capability in training, research, and service in the population field.

-- \$700,000 to Tufts University's Fletcher School of Law and Diplomacy to promote special competence in the processes which would assure maximum participation of people in the social and political aspects of development.

-
- 1/ Message from the President of the United States to Congress Relative to a War on Hunger, February 10, 1966.
 - 2/ "Report of the World Food Congress," Food and Agriculture Organization of the United Nations, Washington, D.C., June 4-18, 1963, pp. 83-103.
 - 3/ The White House Conference on International Cooperation, National Citizens' Commission, "Report of the Committee on Agriculture and Food," November 28 - December 1, 1965, p. 5.
 - 4/ "Changes in Agriculture in 26 Developing Nations, 1948 - 1963," Foreign Agricultural Economic Report #27, Economic Research Service, U.S. Department of Agriculture, p. 4.
 - 5/ Final Communiqué dated July 21, 1966 on the Fifth High-Level Meeting of the OECD Development Assistance Committee.
 - 6/ "The Green Revolution: Accomplishments and Apprehensions," address by William S. Gaud, Administrator, Agency for International Development, March 8, 1968.
 - 7/ President's Message to Congress on Foreign Aid, February 9, 1967.
 - 8/ The World Food Problem. A report of the President's Science Advisory Committee, Report of the Panel on the World Food Supply, Vol. I, Government Printing Office, May 1967, p. 11.

- 1/ Message from the President of the United States to Congress Relative to a War on Hunger, February 10, 1966.
- 2/ "Report of the World Food Congress," Food and Agriculture Organization of the United Nations, Washington, D.C., June 4-18, 1963, pp. 83-103.
- 3/ The White House Conference on International Cooperation, National Citizens' Commission, "Report of the Committee on Agriculture and Food," November 28 - December 1, 1965, p. 5.
- 4/ "Changes in Agriculture in 26 Developing Nations, 1948 - 1963," Foreign Agricultural Economic Report #27, Economic Research Service, U.S. Department of Agriculture, p. 4.
- 5/ Final Communique dated July 21, 1966 on the Fifth High-Level Meeting of the OECD Development Assistance Committee.
- 6/ "The Green Revolution: Accomplishments and Apprehensions," address by William S. Gaud, Administrator, Agency for International Development, March 8, 1968.
- 7/ President's Message to Congress on Foreign Aid, February 9, 1967.
- 8/ The World Food Problem. A report of the President's Science Advisory Committee, Report of the Panel on the World Food Supply, Vol. I, Government Printing Office, May 1967, p. 11.

- 9/ Food and Fiber for the Future, Report of the National Advisory Commission on Food and Fiber, Government Printing Office, July, 1967, pp. 11-42.
- 10/ "Some Comments on the Role of Food for Peace in the Total Foreign Assistance Effort," David E. Bell, National Conference Proceedings, American Food for Peace Council, September 30, 1963.
- 11/ Message from the President of the United States to Congress Relative to a War on Hunger, February 10, 1966.
- 12/ Foreign Assistance and Related Agencies Appropriations for 1967, Hearings before a Subcommittee of the Committee on Appropriations, House of Representatives, 89th Congress, 2nd Session, April 20, 1966, pp. 8-9.
- 13/ Public Law 88-638 approved October 31, 1964, amending Public Law 480, 83th Congress, Title III, Sec. 416 (4).
- 14/ Message from the President, 1966, op. cit.
- 15/ "Meeting Nutritional Needs," A Report of the Sub-Group on Nutrition, Inter-Agency Task Force on Food and Agricultural Assistance to Less-Developed Countries, pp. 1-2. March 3, 1965.
- 16/ Foreign Assistance Act of 1961, as amended, effective November 14, 1967, Section 218, (a), p. 9.
- 17/ See A.I.D. Press Release 68-31, dated June 12, 1968.
- 18/ "Report on the Health and Sanitation Activities of the Agency for International Development, Department of State, for Fiscal Year 1967," prepared by the Office of International Health, U.S. Public Health Service, Department of Health, Education and Welfare, November, 1967, p. 5
- 19/ "Toward a more Effective Partnership in International Rural Development," presented by David E. Bell; Proceedings of the Conference on International Rural Development, Washington, D.C., July 27-28, 1964.
- 20/ See Chapter VII, Private Resources, Section C, Pp. 154-155.

- 9/ Food and Fiber for the Future, Report of the National Advisory Commission on Food and Fiber, Government Printing Office, July, 1967, pp. 11-42.
- 10/ "Some Comments on the Role of Food for Peace in the Total Foreign Assistance Effort," David E. Bell, National Conference Proceedings, American Food for Peace Council, September 30, 1963.
- 11/ Message from the President of the United States to Congress Relative to a War on Hunger, February 10, 1966.
- 12/ Foreign Assistance and Related Agencies Appropriations for 1967, Hearings before a Subcommittee of the Committee on Appropriations, House of Representatives, 89th Congress, 2nd Session, April 20, 1966, pp. 8-9.
- 13/ Public Law 88-638 approved October 31, 1964, amending Public Law 480, 83th Congress, Title III, Sec. 416 (4).
- 14/ Message from the President, 1966, op. cit.
- 15/ "Meeting Nutritional Needs," A Report of the Sub-Group on Nutrition, Inter-Agency Task Force on Food and Agricultural Assistance to Less-Developed Countries, pp. 1-2. March 3, 1965.
- 16/ Foreign Assistance Act of 1961, as amended, effective November 14, 1967, Section 218, (a), p. 9.
- 17/ See A.I.D. Press Release 68-31, dated June 12, 1968.
- 18/ "Report on the Health and Sanitation Activities of the Agency for International Development, Department of State, for Fiscal Year 1967," prepared by the Office of International Health, U.S. Public Health Service, Department of Health, Education and Welfare, November, 1967, p. 5
- 19/ "Toward a more Effective Partnership in International Rural Development," presented by David E. Bell; Proceedings of the Conference on International Rural Development, Washington, D.C., July 27-28, 1964.

CHAPTER VI

WAR ON HUNGER; POPULATION

- A. Background
- B. Changing Legislative Attitudes
- C. The A. I. D. Program
- D. Program Limitations

A. Background

U.S. interest, leadership and assistance have done much to strengthen concern with the problems of the world population explosion.

Particularly in the last two decades, private U.S. foundations and organizations have worked hard to create a wider awareness of population problems and have provided assistance for conducting family planning programs. In this connection, special recognition should be given the Population Council, International Planned Parenthood Federation, Ford Foundation, Rockefeller Foundation, Pathfinder Fund, and others.

Another area of U.S. leadership in this period was in the development of contraceptives. The contraceptive pill was developed and popularized in the U.S. In addition, the foremost means used in population programs in the LDC's during the period 1963 to 1968, the intra-uterine device, or IUD, although not discovered in the U.S., was refined in the U.S. The "Lippes Loop" model of the IUD, developed in the U.S., has been widely used in the India and Pakistan programs.

Official U.S. involvement and assistance also had a positive effect upon population planning and programs. U.S. aid in the main was channeled through A. I. D. The period 1963 to 1969 saw a sharp

increase in the level of the U.S. commitment to population and family planning programs in the developing countries, with the major proportion occurring in the second half of the period. This expansion accompanied A. I. D. 's increased emphasis on food production during the five-year period.

The rapid expansion of U.S. support is reflected in the amount of funds and services committed for population and family planning programs. In fiscal year 1965, the amount spent on these programs by A. I. D. totaled \$2.2 million. In fiscal year 1968, it had risen to \$35 million, and for fiscal year 1969, the Foreign Assistance Act authorized \$50 million. ^{1/}

This commitment was also marked by a major shift in the kind of population and family planning programs assisted by A. I. D. In the early part of the period, A. I. D. funds were used solely for the collection and analysis of demographic data, training, and the support of universities and foundations concerned with population matters. In the latter part of the period, A. I. D. had moved to a more aggressive and direct involvement in planning and implementing family planning programs on a bilateral and multilateral basis.

Four decisive acts brought about these changes. The first was a press conference statement by President Kennedy stressing the need for research in population problems. Following this, A. I. D. Assistant

Administrator, Leona Baumgartner, consulted extensively with interested groups to develop acceptance for U.S. Government participation in family planning programs. She developed the themes of complete reliance on voluntary decisions and the freedom to choose among the various methods available. On this basis, she was able to obtain agreement with Catholic groups not to oppose family planning programs for non-Catholics. This was followed by President Johnson's declaration in 1965 that the U.S. would seek "new ways" to attack the problem of exploding populations. Then came the Congressional recognition of the importance of population and family planning vis-a-vis food production and economic growth in the less-developed countries, which was followed by A. I. D. 's decision in 1967 to finance the sale and distribution of contraceptives.

The U.S. official awareness of the dangers of rapidly accelerating population growth was not a sudden thing. Private groups and experts in the U.S. for many years had been concerned with the danger to the health and well-being of families that were unable to provide adequately for large numbers of children. That this was a factor in economic development was recognized, but it was considered an extremely delicate subject in foreign policy considerations; family planning was not considered a field for official government assistance.

President Eisenhower, for example, clearly indicated that he felt that government had no role to play in the solution of population ^{2/} problems.

During the 1960's, however, the food-population crisis and its effect on economic development could be ignored no longer. New advances in public health and economic progress, in which U.S. aid played important roles, had helped bring about a dramatic decline in death rates in the less-developed countries, while birth rates ^{3/} remained virtually unchanged. For the five-year period 1963 to 1968, more than 300 million people came into the world -- two-thirds of them in the countries least able to feed and support them. The less-developed areas of Asia, Africa and Latin America -- with an average population growth rate of two and one-half percent annually -- were finding their food production and economic progress matched, and in some cases offset, by population gains.

Initially, U.S. scholars and private foundations began to assemble the information needed to convey the urgency of the problem and to offer recommendations on how to attack it. The help of concerned U.S. officials was usually in cooperation with voluntary and international agencies such as the International Planned Parenthood Federation and in technical assistance programs designed to help the less-developed nations indirectly in the establishment of their own family planning policies.

Under President Johnson's Administration, A. I. D. began actively to meet the population problem. Early A. I. D. assistance centered primarily on education, training and communication in the family planning field. A. I. D. funds were also budgeted to finance meetings and seminars of private organizations and training courses in demography and family planning, training, and support of research. In addition, A. I. D. encouraged the collection and analysis of population growth data and the study of attitudes about family planning. Requests for information and assistance, however, were referred to private agencies such as the International Planned Parenthood Federation, Ford and Rockefeller Foundations.

Multilateral efforts were also supported by A. I. D. The U. S. , in 1963, strongly endorsed a United Nations resolution calling for a study of the population problem; A. I. D. Missions were directed to assist, on request, host governments in responding to the U. N. Population Commission questionnaires.

U. S. representatives also participated in the U. N. Economic and Social Council Ad Hoc Committee of Experts in the Field of Population, and attended the 15th Colombo Plan Consultation Committee Meeting, and the ECAFE Asian Population Conference in December, 1963, in New Delhi.

By the end of 1963, A. I. D. was actively engaged in helping other countries develop official demographic statistics and was beginning to discuss informally with host countries the possibility of establishing population and family planning programs.^{4/} In January, 1964, A. I. D. established a special population unit in its Latin American Bureau -- the first within the Agency. A. I. D. also began to set up training programs for its staff.^{5/}

Shortly thereafter, A. I. D. sent a message to all of its Latin American missions recommending the establishment of population/ family planning programs within the structure of existing health institutions. The airgram also suggested that each of the missions should appoint a "high official" to be responsible for population programs and to explore the attitudes of officials of the host government on the subject. The airgram suggested various courses of action -- mostly along the lines of training research and demographic information.^{6/}

Until the following year, however, the role of the United States in helping to check the population growth rate in less-developed countries was vague. The President, in his State of the Union Message in January, 1965, changed that. He said: "We will seek new ways to use our knowledge to help deal with the explosion of world population and the growing scarcity of world resources."^{7/}

A. I. D. followed up the President's message with a policy statement to the A. I. D. missions setting basic guidelines for A. I. D. action. The statement made clear that A. I. D. 's role was not that of an advocate; that the U. S. opposes any effort to dictate population policies to another country; that every family should have complete freedom of choice in accordance with its conscience; that official family planning programs would not be a criterion for receiving U. S. aid; and that assistance would be provided on request only. ^{8/}

The President continued to direct attention to the population problem. Addressing himself to the topic on several occasions, he clearly indicated that the American Government was fully aware of the economic, social and political consequences of population growth.

Some of the President's significant statements on the population problem were:

June 25, 1965 - Commemorating the 20th Anniversary of the United Nations at San Francisco:

"Let us in all our lands--including this land--face forthrightly the multiplying problems of our multiplying populations and seek the answers to this most profound challenge to the future of the world. Let us act on the fact that less than \$5 invested in population control is worth \$100 invested in economic growth. "

Aug. 18, 1965 - At the swearing-in ceremony of John W. Gardner
as Secretary of HEW in the Rose Garden of the
White House:

"This administration is seeking new ideas, and
it is certainly not going to discourage any new
solutions to the problems of population growth and
distribution. "

Aug. 30, 1965 - In a letter to U. N. Secretary General U Thant at
the Second U. N. World Population Conference in
Belgrade:

"In extending my best wishes for the success of
your conference, it is my fervent hope that your
great assemblage of population experts will
contribute significantly to the knowledge necessary
to solve this transcendent problem. Second only to
the search for peace, it is humanity's greatest
challenge. "

Feb. 1, 1966 - Foreign Aid Message:

". . . population growth now consumes about two-
thirds of economic growth in the less-developed
world. As death rates are steadily driven down,
the individual miracle of birth becomes a collective
tragedy of want. " 9 /

Jan. 19, 1967 - State of the Union Message:

"Next to the pursuit of peace, the really greatest
challenge to the human family is the race between
food supply and population increase. That race
tonight is being lost. The time for rhetoric has
clearly passed. The time for concerted action is
here and we must get on with the job. " 10 /

Shortly before the President's 1967 Message, the Secretary of State, A. I. D. Administrator, Acting Peace Corps Director and the Director of the United States Information Agency announced in a joint policy statement that their agencies would give high priority to helping to limit excessive rates of population growth and increase food production. U.S. Ambassadors and Mission Directors were instructed to consider the problems and requirements of the population crisis as a primary responsibility. ^{11/}

B. Changing Legislative Attitudes

This new awareness and leadership in the Executive Branch and the increased scope of A. I. D. in matters concerning population and family planning were paralleled in a large measure by increased Congressional recognition of the problem. The subject was first recognized legislatively in the Foreign Assistance Act of 1961. In Title V of the Act -- "Development Research" -- the President was authorized to carry out research programs into the factors affecting development in the less-developed countries. In paragraph (b), commonly known as the Fulbright Amendment, this research authority was expanded to cover problems dealing with population growth. The amendment stated: "Funds made available to carry out this section may be used to conduct research into the problems of population growth."

The new title provided a separate and comprehensive authority for U.S. assistance to family planning and population-related programs. Title X authorized programs that included, but were not limited to, "demographic studies, medical, psychological and sociological research and voluntary family planning programs, including personnel training, the construction and staffing of clinics and rural health centers, specialized training of doctors and paramedical personnel, the manufacture of medical supplies, and the dissemination of family planning information and the provision of medical assistance and supplies." ^{12/}

Title X also set aside \$50 million (later reduced to \$35 million) of economic assistance funds for fiscal year 1968 to be used only for family planning and population-related programs.

The sense and the intent of Congress in this matter were evident in the House report accompanying the Act. This report said in referring to family planning assistance:

"The committee feels it is important that this be pursued aggressively. In order to counteract any possible tendency for the Agency for International Development to continue business as usual and to regard family planning programs as a fringe operation, \$50 million (later changed to \$35 million) of economic assistance funds have been set aside to be used only for this purpose."

A. I. D. objected to such earmarking, on the general basis that this would restrict its flexibility in administering other assistance

programs, especially since available funds were limited. In addition, many country programs were not yet at a stage where they could profitably use large amounts of money.^{14/}

Nevertheless, when the earmarking provision was incorporated into the legislation, and President Johnson signed the Act on January 2, 1968, A. I. D. Administrator Gaud cabled all A. I. D. Missions that "all practicable steps must be taken to facilitate development and approval of projects and programs." Calling for sound and imaginative assistance efforts, he said, "It is my purpose to see that Congressional interest is carried out to the fullest while avoiding any form of coercion."^{15/}

The 1968 P. L. 480 Act extending the Food for Peace Program continued the new initiative of Congress to earmark funds for population-related programs. It provided that "not less than five percent of the total (local currency) sales proceeds received each year shall, if requested by the foreign country, be used for voluntary programs to control population growth."

In addition, the so-called "self-help" section of the Act was amended to read: ". . . the President shall consider the extent to which the recipient country is . . . carrying out voluntary programs to control population growth." This provision also included voluntary programs of population control among the self-help measures that the

President should consider before entering into an aid agreement, thus making family planning a major factor to be considered in extending aid to a country under the Act. ^{16/}

Throughout this period of increasing Presidential, Congressional and A. I. D. emphasis on family planning and population matters, and the accompanying new initiatives in these areas that were taken by A. I. D., there was an ambivalence in Congress with regard to the proper role of A. I. D.

It was claimed by some that A. I. D. could not go beyond the area of "research" as specifically mentioned in the existing legislation. This was expressed on February 16, 1966, by Representative Clement J. Zablocki (D-Wisc.) of the House Foreign Affairs Committee, who said in a letter to David E. Bell, Administrator of A. I. D., that "the agency (A. I. D.) has been guilty of a grave misuse of authority in providing any aid, other than research assistance, in the population field. Such a sweeping change in the focus of U.S. aid efforts should have been subject to Congressional debate and vote. "

A. I. D. 's position, however, was that the Foreign Assistance Act gave the agency authority to conduct technical assistance activities in the field of family planning. ^{17/}

At the same time, Senators Ernest Gruening and J. William Fulbright and other Members of Congress maintained that A. I. D. was

not doing enough in the population and family planning field. ^{18/}

Further, the Senate Report accompanying the 1968 FAA authorization legislation stated: "Assistance to foreign nations on population problems has not been given the priority it deserved by Department of State and A. I. D. officials." ^{19/}

The dilemma as to the nature and extent of A. I. D. 's proper role was resolved in 1967, at the opening of the Congressional hearings on the Foreign Assistance Act. Mr. Zablocki himself set the stage for a "sweeping change" on which he had commented the previous year. On April 4, 1967, William S. Gaud, who had succeeded David Bell as A. I. D. Administrator, testified before the House Committee on Foreign Affairs and was asked by Mr. Zablocki: "Do you foresee any change in this (population) policy in the coming year?"

Mr. Gaud replied, in part: "To date, we in A. I. D. have not financed contraceptives or the material to manufacture contraceptives. My guess is. . . it won't be too long before we will be asked to do this. We will be faced with the question of whether we should use our resources for that purpose. My inclination would be to change our policy in that respect and use our resources for that purpose. "

Because of Congressman Zablocki's previous concern over A. I. D. 's policies and programs, observers in the hearing room expected a

colloquy to follow. Mr. Zablocki, however, asked only if there would be any coercion and upon receiving the answer of "None, " pursued the matter no further. ^{20/}

The following day newspapers reported the event as "a major policy shift" and "precedent-making. " ^{21/}

Reaction was favorable and Administrator Gaud proceeded to set A. I. D. on its new course. In May, 1967, one month after the Foreign Affairs Committee hearing, a message was sent to all A. I. D. offices in Washington and overseas announcing that contraceptives had been removed from the Ineligible Commodity List, thereby allowing them to be financed with A. I. D. funds.

The message said, in part, "By removing contraceptives and equipment for their manufacture from the list of ineligible commodities, greater freedom is afforded the Agency to consider fully all the needs of family planning programs and related activities for each country concerned. " ^{22/}

The new policy was implemented in September, 1967, when the Administrator announced that A. I. D. would provide \$1.3 million to India for the purchase of contraceptives. It was the first commitment of this type by the U. S. in the history of foreign aid.

C. The A. I. D. Program

Guidance and leadership in the planning of population and family planning programs was provided by the Population Service of the Office of the War on Hunger, established in March, 1967, and by the Regional Bureaus and overseas Missions. Population officers were designated by the Regional Bureaus of A. I. D. in Washington. Abroad, each A. I. D. Mission named a similar officer. Also, full-time population specialists were placed in a number of countries, sometimes several in a single mission. Overall, the A. I. D. staff concerned with population matters was increased to some fifty-five persons by the end of fiscal year 1968.

The changing attitudes, specific legislation and increasing activities called for an updating of program guidelines. They were issued by Administrator Gaud, based on the premise that the A. I. D. function was to provide, in response to requests, needed help for activities being planned and conducted by developing countries.

Specifically, the new guidelines stated:

1. Assistance could be extended through official program agencies and, where appropriate, through international and national voluntary organizations.
2. Individual participants should be free to participate or not, as they choose, and should be free to select the method or methods of

family planning in accordance with their personal beliefs, wishes, and cultural environment.

3. A. I. D. would encourage attention to population trends and their significance for national development, food supplies, and ^{23/} general levels of living.

Under these guidelines, help available through A. I. D. for family planning and population program activities included technical consulting services; staff training; provision of essential commodities including contraceptives; help in establishing and equipping facilities; equipment such as transportation facilities; and help in meeting research, analysis and informational needs.

In fiscal year 1968, A. I. D. committed \$34.7 million in this area, compared to \$11 million total for the previous three fiscal years. In addition, approximately \$50 million in local currencies had been allocated to population and family planning programs, as against \$5 million in fiscal year 1967.

The increased emphasis and the improved and expanded programs are only the very beginning of a long battle. Limitation on family size involves cultural patterns, religious beliefs, economic security, health conditions and education. In the developing countries the problems of explaining the benefits of family planning to the largely illiterate rural masses are tremendous, as are the problems of providing the necessary supplies and health services. Although

millions of families are already benefiting, it will take time for programs to reduce rates of overall increase in many countries. Existing high growth rates have already created populations with a majority of people under twenty-five. In these, large increases in potentially fertile couples are in prospect. Substantial efforts will be necessary in such situations to reduce population growth rates or even to hold them to present levels.

Finally, the labor force which will enter the market for the next fifteen years has already been born, as has the new school population for the next six years. The relief from the economic and social drag caused by excessive population growth can only be obtained gradually.

Following are some of the countries which have made substantial efforts to cope with population problems. Some of the programs predated A. I. D. 's assistance, reflecting the awareness and concern of the less-developed countries with this problem. It should also be noted that in most programs the recipient countries self-help efforts have far exceeded A. I. D. assistance.

India

India's population has grown by around one million people a month over the past decade. In 1947, her population was 340 million people; in 1967, it was 517 million. This high population growth rate absorbed

much of India's economic progress and created additional impediments (urban overcrowding, overloading of educational facilities, fragmentation of land holdings) to development.

India has had a family planning policy and program since 1951 -- although for years it was neither dynamic nor effective. In 1967-68, under new leadership and with a new sense of urgency, the program began to move more rapidly. With the assistance of the U.N. and the Ford Foundation a multi-faceted national program has been adopted with the specific target of bringing the population growth rate down from two and one-fourth percent to one percent in 1975.

A. I. D. provided help in a number of ways. Mentioned previously, A. I. D. granted \$1.3 million in September, 1967, for the purchase of contraceptives, the first authorization for the purchase of "commodities" and the largest single commitment by A. I. D. up to that time for family planning purposes. A. I. D. also provided assistance in fiscal year 1968 for the purchase and use of condoms and oral pills, as well as for research, training, and technical assistance.

Pakistan

The fifth most populous nation in the world, with some 124 million people, Pakistan's birth rate is extremely high, around fifty per 1,000. The goal of Pakistan's population program is to reduce this birth rate to forty per 1,000 by 1970.

The program has emphasized the use of IUD's primarily, although vasectomies and contraceptives play an important role.

The Government of Pakistan, with President Ayub Khan playing a major personal role, gave high priority to family planning programs. It has experimented successfully with the use of paramedical personnel to do IUD insertions and with financial incentives to attract interest. In fiscal year 1968, the Pakistan Government spent the rupee equivalent of almost \$12 million on official family planning programs, while U.S. assistance amounted to approximately \$6 million in dollars and rupees. Part of the U.S. amount was a local currency loan in fiscal year 1967 to help finance a pharmaceutical factory to produce contraceptive pills and other commodities. The \$6 million in fiscal year 1968 represented a sharp increase in U.S. assistance, which from 1964 through fiscal 1967 amounted to about \$500,000, in the form of technical help, training, and commodities. These statistics do not reflect fully the close advisory relationship which has existed between the Government, A. I. D. and the Ford Foundation,

Taiwan

The Taiwan family planning program, several years old in 1968, drew considerably upon private non-profit organizations such as the Population Council, the Pathfinder Fund, and the University of Michigan.

A key element in the program's success in reducing the birth rate from forty-five per 1,000 in 1956 to thirty-three per 1,000 in 1966 was the financial support provided by a trust fund, established with local currency accumulated from P. L. 480 sales.

The Taiwan program was helped by favorable endemic factors such as a high literacy rate which made education relatively easy, and complete and up-to-date demographic data, which facilitated accurate planning.

Korea

This program also has been increasingly effective and for many of the same reasons as in Taiwan. Like Taiwan, the Korean literacy rate was high and the demographic data up to date and accurate. While there was little direct U.S. support until recently, the continuing broad U.S. support of the Republic of Korea has done much to strengthen the program.

In 1968, over twenty percent of all South Korean families were estimated to be practicing family planning. Since 1963, the population growth rate had been cut from 2.9 percent to 2.4 percent, against a goal of 1.9 percent by 1970.

D. Program Limitations

There were certain limiting factors common to many family planning programs. The lack of adequate funding was one such factor, reflecting a lack of awareness of the urgency of the population problem.

In this respect the use of excess foreign currencies generated from the sale of P. L. 480 commodities has not been as effective as anticipated by some since these funds provided no additional resources to the countries and were subject to the usual budgetary restraints as other funds. The amount of funds required was, and is, small relative to other development expenditures and it was the change in priority, in part as a result of U.S. emphasis, that provided adequate funding rather than the increased resources the U.S. made available.

Another general limiting factor is that the IUD's have not proved as successful as had first been thought. Physiological discomfort, rumors among the people that the IUD's were harmful, and normal bodily rejection reduced the average retention rate of the IUD to seventy percent after one year and to about fifty percent at the end of the second year. India also provides a good example of this. In following up on 200 cases after a crash campaign for participation in a family planning project in a Punjab community, for example, only forty of the IUD's were found to be in place after only a month. This type of problem has emphasized the importance of the need for research and the desirability of the cafeteria approach --i.e., relying on a wide variety of methods, in every program.

Also, sterilization has been found to have several drawbacks. For example, reaching the desired population is a problem. In Madras,

a study showed that only about half of the reported sterilizations were of actually potentially fertile couples. ^{24/} It seems that couples resorted to this method of family control only after they had a large family. Similarly, the pill has been used only on a limited basis. Not only is a certain minimal educational level required for the optimum use of the pill, but it continues to be too expensive for most of the child-bearing population.

Religious constraints also have been a limiting factor and may continue to be so, particularly in the Latin American countries with large Roman Catholic populations. Pope Paul's encyclical of July, 1968, prohibiting the use of contraceptives, abortion or sterilization as "licit means of regulating births" added to the intensity of these religious constraints.

The cultural barriers to family limitation vary widely and little is known about them. Consequently, it has been difficult to design education and advertising programs to stimulate interest and participation in family planning activities. A great deal of information is needed on attitudes and behavior to enable family planning programs to reach an increasing percentage of the population.

Despite these problems it is clear that, for the first time, the world is focusing on its population problem in a systematic fashion and the urgency with which it is being treated holds out the promise of increasingly effective programs.

Footnotes, Chapter VI

- 1/ Foreign Assistance Act of 1968, Title X, section 292.
- 2/ The New York Times, December 3, 1959, p. 1. It should be noted that President Eisenhower saw the matter quite differently after he left office and later reversed his position.
- 3/ The World Food Problem, A report of the President's Science Advisory Commission, U.S. Government Printing Office, Washington, D.C., May, 1967, Volume II, p. 20. Also, The Growth of World Population, National Academy of Sciences, Washington, D.C., 1963, p. 10-15.
- 4/ See A. I. D. memo from L. Gaumgartner to W. W. Rostow, "Outline of Current U.S. Private and Government Technical Assistance in the Population Field Available to Requesting Countries," dated April 16, 1965; also, A. I. D. working paper prepared by L. Corsa, Consultant for The Population Council, "National Programs to Control Population Growth," dated January, 1965; also, A. I. D. Background Paper, "Population Growth Trends in Less Developed Countries, 1965; also, AIDTO Circular LA 158, dated May 11, 1964, which gives an account of the evolution of A. I. D. 's population policies and activities.
- 5/ AIDTO Circular LA 158, dated May 11, 1964.
- 6/ Ibid.
- 7/ New York Times, January 5, 1965, p. 16.
- 8/ AIDTO Circular A 280, dated February 25, 1965.
- 9/ New York Times, February 2, 1966, p. 1; 4.
- 10/ New York Times, January 11, 1965, p. 1.
- 11/ Department of State Airgram CA-4609, 'Increased Responsibilities of the Department of State, A. I. D. and Missions in Population Matters," December 20, 1966. (Classified Confidential)
- 12/ Foreign Assistance Act of 1968, loc. cit.

- 13/ U.S. Congress. House. Foreign Assistance Act of 1967. Report of the Committee on Foreign Affairs. House. 90th, 1st. Report No. 551. Washington: U.S. Government Printing Office, August 11, 1967. p. 31.
- 14/ Letter from William S. Gaud to Senator J. William Fulbright, dated June 2, 1967, makes this position clear. See also U.S. Senate, Report of Proceedings, Hearing held before the Subcommittee on Foreign Aid Expenditures of the Committee on Government Operations, Thursday, February 1, 1968, pp. 2053-2059.
- 15/ AIDTO Circular X 3309, January 13, 1968.
- 16/ See House of Representatives 90th Congress 1st Session, Report No. 1642, "Extension and Amendment of Public Law 480, 83d Congress," July 3, 1968. Also Public Law 90-436, 90th Congress, S. 2986, July 29, 1968.
- 17/ Letter dated February 16, 1966. See also A. I. D. Memo from M. L. Srager to Mr. J. M. Kearns, dated March 15, 1966, which explains A. I. D. 's position fully.
- 18/ Letters from Senator Ernest Gruening to William S. Gaud, dated January 17, 1968; from Senator J. William Fulbright to William S. Gaud, March 18, 1967.
- 19/ U.S. Congress. Senate. Foreign Assistance Act of 1967. Report of the Committee on Foreign Relations. Senate. 90th 1st. Report No. 499. Washington, D. C.: U.S. Government Printing Office, August 11, 1967. p. 23.
- 20/ Hearings Before the Committee on Foreign Assistance, House of Representatives, 90th Congress, 1st Session, on HR 7099 and HR 12048, April 4, 1967. p. 81.
- 21/ New York Times, April 6, 1967, p. 1. The Washington Post, April 6, 1967. p. 1.
- 22/ A. I. D. Manual Circular 1454.3, dated May 11, 1967.

- 23/ "AID Policy on Family Planning and Population Growth," Statement of the Honorable William S. Gaud. . . before the Subcommittee on Foreign Aid Expenditures of the Senate Government Operations Committee February 1, 1968. (Published by A. I. D. , February 10, 1968)
- 24/ Rosa, Franz W. End of Tour Report. Transmitted from New Delhi in TOAID 1624, dated June 28, 1968. p. 5.

CHAPTER VII

PRIVATE RESOURCES

- A. Background
- B. The Private Investment Center
- C. The Private Resources Development
Services

A. Background

During the past five years A. I. D. has placed increased stress on more effectively utilizing the private sector in international development. Programs in this area have been directed towards increasing the flow of private capital to the LDCs, increasing the technical assistance contribution of the U. S. private sector, and developing strong private sectors in the LDCs. The unique contribution U. S. private investment could make to the growth of the less-developed countries had long been recognised and had frequently been discussed. What was unique in the 1963-68 period was the scope of the effort to involve the U. S. private sector in overseas development, the organizational changes within A. I. D. to deal with the private sector and the tools which were refined to attract private sector interest. Simultaneously, increased attention focused on developing responsible and dynamic private sectors in the developing countries.

There were several reasons for directly involving the business community and other private organizations in development. One was the recognition of the fact that American business is better equipped than the government to supply commercial experience, managerial skills, and technology for industrial growth. Similarly, non-profit business and labor groups such as the National League of Insured Savings and Loan Associates, the Cooperative League of the U. S., the AFL/CIO, and the International Executive Service Corps are best

qualified to provide technical assistance in their respective fields. Secondly, U.S. private investment provides much needed capital, reducing the recipients requirements for assistance. This seemed particularly important as Congressional appropriations declined. Finally, U.S. interest in private sector development in the LDCs derives from the traditional American belief in the efficiency of the free enterprise system as the foundation of economic progress and a "free" society.

Two significant agency-wide policy changes have had a direct influence on the involvement of U.S. private resources in private sector development.

First was the concentration of assistance on fewer countries. The resulting more comprehensive assistance programs better identified specific projects for the private sector and led to an integration of the U.S. private sector activities in aid strategy. For instance, in India the analysis in 1964/65 clearly indicated an urgent need to increase fertilizer production. A.I.D. played a major role in getting India to develop policies which would make it attractive for U.S. corporations to invest; participated extensively in locating interested firms; provided guarantees and local currency loans; and financed the fertilizer which was used to develop the markets prior to the completion of the plants.

Secondly, the emphasis on food production, nutrition, and housing directed attention to the private sector. In such areas as fertilizer production, cooperative credit facilities, and food processing U. S. business had a unique capacity while the developing countries' capacity in these areas was minimal.

The concept of A. I. D. encouraging private sector participation in overseas development goes back many years. The fore-runners of A. I. D. (ECA, FOA, MSA and ICA) had private enterprise offices which served as a liaison with U. S. business, and the U. S. Government had been guaranteeing U. S. private foreign investments against the political risks of war, expropriation and inconvertibility since 1948. In 1957 the Development Loan Fund was established and focused on private industrial investment in the LDCs. In 1959 Undersecretary of State C. Douglas Dillon committed the U. S. to an aid policy in Latin America fostering social development projects -- using U. S. private as well as public sources of technical assistance. Also, in the late 1950s, the International Bank for Reconstruction and Development (World Bank) established its International Finance Corporation (IFC) to finance and promote private investments in the LDCs. And private expert study reports to the U. S. Government (by Harold Boeschenstein and Ralph I. Strauss) urged the expansion of U. S. private participation in the development process as sound U. S. foreign economic policy.^{1/}

Early in 1961, ICA began exploring steps to help rural cooperatives, credit unions and savings and loan associations.

The U. S. voluntary agencies which had provided large programs of relief and rehabilitation in Europe following World War II were directing a major share of their resources to the less-developed areas in Asia, Africa and Latin America. With U. S. government encouragement and assistance their programs had increasingly turned from relief to self-help and technical assistance.

Thus, by 1961, the groundwork had been laid for a better coordinated, larger effort to involve both the profit and non-profit elements of the U. S. private sector in development. The 1961 Act for International Development for the first time made this involvement official U. S. foreign aid policy.

Within A. I. D. an Office of Development Finance and Private Enterprise was created in 1963 to coordinate capital development and private investment incentive programs, but it administered only political risk guaranties. Private dollar loans and "Cooley Fund" local currency loans to private enterprise (transferred from the Export-Import Bank) were administered by A. I. D. 's Regional Bureaus. Technical assistance contracts with private organizations (cooperatives, labor and credit unions, savings and loan associations, foundations, universities) were handled by other A. I. D. staff offices. Also authorized

for the first time in 1962 was a new program under which A. I. D. could guarantee U. S. private investment against loss from certain commercial as well as political risks.

Nonetheless, the tools to overcome the private sector's reluctance to invest in the less-developed countries, with their more uncertain conditions, were still few and private sector spokesmen generally felt that more should be done to enlist U. S. business and non-profit private groups.

In 1963, as part of his review of the A. I. D. program, General Lucius Clay again urged greater emphasis on private enterprise and later that year, an Advisory Committee on Private Enterprise in Foreign Aid (the Watson Committee) was authorized by Congress.^{2/}

In 1964, A. I. D. assisted in the formation of the International Executive Service Corps established to provide private business technical assistance to LDC enterprises. In 1965, the Watson Committee submitted its report with thirty-three specific recommendations to encourage more private investment in the developing countries. In December 1965, the White House sponsored an International Cooperation Year Conference at which the participants developed many suggestions of broadening the base of U. S. foreign aid by putting to work more private money, know-how and initiative.^{3/} Among the ICY Conference recommendations was one for establishing a permanent advisory group to help shape A. I. D. private investment policies and programs. This later evolved into the International Private Investment Advisory

Council, authorized by Congress in 1966 and set up by A. I. D. Administrator William S. Gaud in March 1967. The President's General Advisory Committee on Foreign Economic Assistance also became involved in the search for constructive ways to enlist private initiative, and in March, 1966, established a Subcommittee on the Private Sector. The Subcommittee studied, among other activities, the work of A. I. D. in implementing the Watson Committee recommendations.

Also, in 1966, Congress amended the Foreign Assistance Act by adding a new Title IX to provide more concerted aid in building democratic institutions, such as cooperatives, credit unions and savings and loan associations, in the developing countries.

On February 9, 1967, following a recommendation made in 1965 by the Watson Committee, President Johnson announced in his Foreign Aid Message to Congress the establishment of an Office of Private Resources. In March, 1967, this office was established (see Chapter XIX) to administer and coordinate the Agency's varied programs to move the U. S. private sector as rapidly and fully as possible into the priority areas of our foreign aid. The new office was divided into two operating units -- the Private Investment Center, and the Private Resources Development Service. The Private Investment Center concentrates on promoting and assisting private investment in the LDCs.

The PRDS works with the non-profit organizations to provide manpower, special skills and contributions to the developing countries, as well as to develop new uses for existing programs and encourage a greater involvement of the private sector.

B. The Private Investment Center

The Private Investment Center concentrates on programs which focus investor attention on business opportunities in the LDCs, and which improve the investment climates there by providing a variety of incentives which minimize the risk of loss.

Investment Promotion and Pre-Investment Assistance

In addition to providing information on its own programs to aid business, A. I. D. has developed several ways of helping potential investors to identify and assess opportunities in the LDCs. Potential or prospective investors are put in touch with A. I. D. regional bureaus or A. I. D. -supported outside sources to help identify investment opportunities in LDCs and, when necessary, with potential U. S. partners. The A. I. D. -financed Inter-American Investment Development Center in New York is one such source, another is the A. I. D. Africa Bureau's cooperative arrangement with four groups of U. S. investment houses, firms, and Edge Act bank subsidiaries to provide similar "matchmaking" services.

The PIC also works with and through U. S. banks and the newly-formed private Agribusiness Council (representing some 200 companies) to promote important projects in the fields of food production and distribution, high-protein nutrition and other "agribusiness".

Surveys of investment opportunities and market studies or product tests are partially financed by A. I. D. Under its 50-50 survey program, PIC will pay half the costs of a feasibility study if the investor decides not to make the investment. This program was begun in 1962 and has grown to about 75 studies annually. Over 300 such studies have been agreed upon. To date, A. I. D. has been notified of eighty-nine negative decisions to invest, which have cost the government \$809, 500 and thirty-six positive decisions which have led to investments as of June 1968 of about \$68. 4 million. Since 1967, the PIC also has developed more substantial forms of pre-investment assistance for priority areas. For important agribusiness projects, the survey may be stretched out into several phases. If the project is in the high-protein nutrition field, A. I. D. will cover all study costs, repayable out of project profits if the investment moves ahead.

Political Risk Insurance

For a small fee, U. S. investors may take out insurance from the PIC against the risks of expropriation, inconvertibility and war damage. This program has been in effect since 1948 when it was aimed at the Marshall Plan countries; since 1959, is limited to LDCs investments.^{4/} This program recently has been expanded to better cover banking operations and the investments of institutional lenders as well as equity investments in manufacturing plants. It also covers public purchasers

of portfolio securities in eligible projects. In 1962, A. I. D. issued 144 specific political risk guarantees covering \$441 million of investment. The program was available in forty-nine countries. By the end of fiscal 1968, coverages totaled over \$6 billion in eighty-three countries. Fees had accumulated to more than \$50 million, while claims payments totaled only \$661, 498.

The Extended Risk Guaranty Program (ERG)

The ERG is A. I. D. 's primary tool for helping companies obtain private financing for projects in the LDCs. The program offers seventy-five percent protection of loan investments and fifty percent of equity investments against commercial as well as political risks. This enables important projects -- U. S. and foreign owned -- to obtain long-terms loans from U. S. institutional lenders such as insurance companies, banks and pension funds. Investments can be covered against all risks except fraud or misconduct. The first two such guaranties were issued in 1964, covering \$9 million. Through fiscal 1968, \$83 million worth of investment had been covered, including petrochemical fertilizer complexer in Brazil and India and a modern earth satellite telecommunications system in Indonesia.

Housing Guaranties

A. I. D. also can guarantee investments in housing projects. At the end of 1967, coverage outstanding was \$121 million.

Direct Loans to Private Borrowers

A. I. D. depends increasingly on Extended Risk Guarantees (ERG) to help American investors finance their ventures in LDCs. A decrease in direct dollar loans has been a result. Because of this increased reliance on ERGs, the responsibility for all loans to private business was transferred to the Office of Private Resources in the spring of 1968.

U. S. Capital Flows to the LDCs

It is virtually impossible to quantify in dollar terms the value of U. S. private contribution to the LDCs, as for instance in the area of the transfer of technical and managerial skills. However, from a total of \$9.4 billion in 1957, direct and portfolio investments in the LDCs now stand at roughly \$16 billion. Petroleum has accounted for a large share of the increase. Excluding petroleum and mining, net capital flows in the areas of manufacturing and services have risen only moderately since 1960.

The difficulties in encouraging the flow of private capital to LDCs have remained relatively unchanged. These have included limitations imposed because of the U. S. balance of payments deficit; continued investment opportunities at home, the investment climates in the LDCs and the lack of knowledge of market and investment opportunities in the LDCs. Even if a U. S. business is prepared to go abroad it is drawn

first to other developed industrialized countries. The growth of U. S. private investment in Western Europe, as compared to its growth in the LDCs attests dramatically to this economic fact. Nonetheless, the A. I. D. services and incentives have been responsible for a substantial number of important investments and increased investor interest.

C. The Private Resources Development Service

The Private Resources Development Service (PRDS) works with non-profit organizations which provide a capability and interest in offering technical assistance programs in the developing countries. It also provides leadership in formulating new policies, new incentives for the Agency as a whole in its relationships with a growing number of private groups involved in international development.

By June, 1968, A. I. D. reported 1, 373 technical service projects were being carried out in sixty-seven countries by non-government institutions with a dollar value of \$606 million. Included in this number were sixty-seven American universities working in forty countries. Others are providing technical assistance in such fields as agriculture, industrial development, housing, transportation, health and nutrition, public administration, cooperatives, and population control.

Some of these arrangements are carried out by contract, others by grant or partial support. Since 1965 the grant technique has been

used increasingly as a catalyst to encourage the allocation of private resources in international development.

Following are examples of the trend during the 60's of public-private partnership in development.

Cooperatives

U. S. foreign aid agencies made little use of cooperatives, credit unions and savings and loan associations or mutual banks before 1962.

In June, 1961, The International Cooperation Administration recommended a survey of cooperative activity and proposed a preliminary outline of plans for future expanded activity in this field.

On September 4, 1961, Congress passed the Foreign Assistance Act of 1961. The Humphrey amendment, Section 601 of the Act, declared it to be the policy of the United States "...to encourage the development and use of cooperatives, credit unions and savings and loan associations,"

A. I. D. General Notice, dated January 13, 1962, announced the establishment of the International Cooperative Development Staff in the Office of Material Resources. The achievements under the cooperative label are reported in the annual reports on "Implementation of the Humphrey Amendment to the Foreign Assistance Act of 1961." The first three reports were Senate Documents and the last three Committee Reports by the House Committee on International Finance.

In fiscal 1962, A. I. D. obligated \$2, 230, 000 for projects to be carried out by U. S. cooperative organizations.

In 1968, \$7 500, 000 of A. I. D. funds were expended in the cooperative field through seven U. S. cooperative organizations which were beginning to commit increasing amounts of their own resources.

More significant than the dollar value has been the contribution of the cooperatives in building institutional mechanisms which have enabled millions of the very low level income families in the developing countries to participate in their own progress.

Voluntary Agencies

A. I. D. 's association with voluntary agencies is in part carried on through the Advisory Committee on Voluntary Foreign Aid, established in 1946 to coordinate government and private programs in the field of foreign relief. Today, the Committee has registered seventy-four agencies which are conducting about 900 educational, agricultural, health and self-help projects throughout the world and are eligible to apply for various types of U. S. Government support; surplus commodities under P. L. 480, excess property, and ocean freight for privately donated goods.

In fiscal 1968, A. I. D. provided \$5. 3 million to transport an estimated 110 million of privately donated medicine, clothing, agricultural tools, hospital equipment and food. About \$180 million in excess P. L. 480 commodities including freight enabled a number of the agencies to maintain and expand their own programs.

Disaster Relief Coordination

Establishment of the Disaster Relief Coordination Staff

within A. I. D. was the result of the need for a central point of coordination for overseas relief operations by government and the private sector. Department of State Delegation of Authority No. 104 of November 3, 1961, charged the Administrator, Agency for International Development, with the responsibility for funding the operational coordination of emergency disaster relief operations authorized by the Foreign Assistance Act of 1961, as amended, and the Agricultural Trade Development and Assistance Act of 1954, as amended (P. L. 480 - Food for Peace). Until 1963, however, disaster relief assistance activities were handled by ad hoc committees, desk offices, and senior officials in State, A. I. D., and DOD. The results were overlap, inconsistency of response, and disputes on disaster operations and funding. Recognition of these problems led to the appointment of four disaster relief coordinators (DRC) -- one each in A. I. D., State, HEW, and DOD.

As these agencies worked out formal relationships and procedures during 1964, the A. I. D. /DRC emerged as the leader in disaster operations because of A. I. D. 's overseas staffs which could be used to supervise emergency assistance.

People to People Programs

There are a number of non-profit organizations which attract critical skills and resources to developing countries. A. I. D. grants further their ability to carry on and to improve their efforts. These organizations include the International Executive Service Corps and Volunteers for International Technical Assistance.

1. The International Executive Service Corps

The IESC provides experienced U. S. executives to counsel with businessmen in LDCs. A. I. D. encouraged the establishment of the IESC in 1964, and provides partial support of its overseas costs.

There are currently over 4,000 volunteers, mostly retired executives, on its roster. Businessmen in forty-three countries made 519 requests for assistance in 1967. The foreign business is charged a fee to cover part of the cost, and to establish their serious intentions. Private support for the IESC is steadily increasing. One hundred and forty-three U. S. corporations as well as foundations have contributed.

Businesses assisted include food products, banking, textiles, chemicals, electrical, stone products, clay and glass products, metal industry, fabrics, transportation, and retail trade. In

addition, IESC businessmen-volunteers provided management assistance in mining and general construction.

2. Volunteers for International Technical Assistance (VITA)

Some 200 universities and 800 corporations make technical facilities and personnel available to VITA to solve technical problems in the developing countries. Nearly 4,500 scientists, engineers and specialist technicians donate free time and professional skills to answer technical inquiries from farmers and businessmen in LDCs, government agencies, and organizations such as the U.S. and the Peace Corps which are involved in international development activities.

The number of inquiries has risen from 335 in 1964 to almost 3,000 in 1967. Corporations and Foundations furnish more than half its annual budget. A.I.D. provided a \$45,000 grant in 1968.

Footnotes, Chapter VII

- 1/ Ralph J. Strauss, Expanding Private Investment for Free World Economic Growth, prepared for the Advisory Committee on Private Enterprise in Foreign Aid, March, 1959; Harold Boeschstein, Report of the Committee on World Economic Practices, January 22, 1959.
- 2/ General Lucius D. Clay, The Scope and Distribution of United States Military and Economic Assistance Programs, March 20, 1963; Arthur K. Watson, Foreign Aid Thru Private Initiative, Report of the Advisory Committee on Private Enterprise in Foreign Aid, July, 1965.
- 3/ National Citizens' Commission (White House Conference on International Cooperation) November 28 - December, 1965, Report of the Committee on Trade, Report of the Committee on Technical Cooperation and Investment, Report of the Committee on Business and Industry.
- 4/ U. S. Government definitions of LDCs are determined on a case-by-case basis, so that the list of LDCs is continually revised. In 1959 Spain and Portugal were on the list, but have since been removed.
- 5/ Technical Assistance Information Clearing House (TAICH) 200 Park Avenue South, NYC, N. Y. 10003, TAICH Directory 1964 (Worldwide) 1965 (Worldwide supplement) 1966 (Far East); 1967 Latin America; 1968 (Near East South Asia); 1969 (planned, Africa); Quarterly Vietnam Issue.

CHAPTER VIII

PROGRAMMING METHODOLOGY

- A. Previous Programming Systems
- B. The Long-Range Assistance Strategy
- C. The Program Planning and Budgeting System in A. I. D.
- D. Usefulness and Limitations of the Program Planning
and Budgeting Systems in A. I. D.

A. Background

A. I. D.'s present programming system can be traced back to the Marshall Plan. The Marshall Plan had a country focus and grappled with the problems of functional inter-country objectives, rather than dealing only with isolated inputs or outputs. The overall goal was European economic recovery, and it was possible to work back from this goal to a four-year aid budget in which costs and results were visibly connected.

This approach fell into disuse as the focus of aid shifted to the less-developed countries of Asia, Latin America, and Africa where each country was a separate problem and inter-country relationships either did not exist or were not understood. The initial hope of the "Point IV" Program was that Technical Cooperation would bring about development at an acceptable rate. Objectives were related more to sectoral improvement emphasizing technological advances rather than an integrated macro-economic approach. Budgeting was relatively easy: it emphasized the preparation of as many worthwhile projects as could be funded. Creation of the Development Loan Fund (DLF) in 1957 reflected recognition that capital aid, as well as technical assistance, was required. But like Point IV, the DLF conceived its function as financing sound projects.

Increasing experience in the LDCs, evaluation of growth effects, better acquaintance with planning, and improved analytical techniques

provided evidence that a string of projects was not the equivalent of a coherent development plan. Evidence also grew that perfectly sound projects could nonetheless constitute an inefficient use of resources if relevant policies (e. g. price) or related services (e. g. distribution) were inadequate. The increased utilization of economic models and a programming system which attempted to relate variations in aid levels causally to changes in macro-economic indicators, led to a better understanding of the interrelationships of investment, trade, fiscal and monetary problems -- as well as the social and political problems -- of a country or countries within a region. Simultaneously, this approach focused attention on the efficiency with which resources - domestic and foreign - were being utilized. Originally it had been assumed, often implicitly, that the developing countries were basically in need of a transfer of resources and the quicker the transfer the more rapid the rate of growth. However, macro-economic analysis suggested that a primary inhibition was the "absorptive" capacity - i. e., the limitation on a country's ability to employ capital and skills efficiently. This, in turn, required the identification of changes necessary to enable a country to invest more resources fruitfully. For instance, a country might not be able to absorb more fertilizer, even though the "need" for fertilizer was great, until changes had been made in pricing and distribution policies.

This firmer grasp of the nature of the development problem led to the country programming approach: the planning of assistance in relation to each country's development objectives and policy framework. Where development plans were available development objectives were generally taken from them (modified where necessary) and the resources needed to meet these objectives assessed. Where no such plans existed - as was true in many Latin American and African countries - the AID Mission developed a set of objectives. This yielded both an evaluation of the recipients development effort and an estimate of external assistance requirements. This fundamental focus on the individual country has to be viewed in the following context:

-- the host countries with whom we deal are many and diverse. They are dedicated (with various degrees of commitment) to achieving more rapid economic and social development. Whether they succeed depends largely on the effectiveness of their own efforts. Foreign assistance can in the right circumstances provide the critical margin of resources, and, indeed, can energize host countries' self-help efforts. Levels of assistance, aid programs and policy change must be specifically related to each country if they are to be effective.

-- in assisting any particular host country, our objectives have many dimensions. Even in the economic realm, successful development involves much more than raising the rate of growth of Gross National Product, and may include such other dimensions as liberalization of

import controls, reform of the tax system or greater and more equitable participation in the process of development. Among the social aspects of the development process, we may be concerned with educational reforms and encouraging popular participation in the development process. In addition, about a fourth of A.I.D.'s funds still go for supporting assistance to countries in which the U.S. has defense-related interests -- largely to Vietnam, but also to a small number of other countries. Thus, the objectives of foreign aid in general, and in any particular country are intrinsically complex, are not readily combined quantitatively, and call for ingenuity and judgment to be treated in a country context. The multiplicity of objectives has made foreign aid programs difficult to assess since there is no simple set of criteria by which its success can be measured. By standardizing the methodology, however, it is possible to identify a set of factors essential to the decision process.

-- the relationships between our foreign aid activities and attaining country objectives are not always clear. These relationships are perhaps most manageable in the economic realm. In analyzing how aid - both U.S. and that of other countries - can help surmount a particular country's economic barriers to progress, there tends to be a high degree of agreement among economic analysts although prescriptions may differ. On the other hand, the relationships between aid inputs and social objectives and institutional change are

more vague. Judgments about connections between supporting assistance and political stability or internal security rest even more on intangibles and experience. None of these judgments can be generalized easily.

The country programming idea was formally incorporated in ICA Manual Order 1-21.1, issued in May 1958. It stated:

"ICA programs are developed to accomplish specific U.S. country objectives and the accomplishment of such objectives in their sole function

"The program development process starts with the identification and precise statement of the U.S. country objectives; it then defines and analyzes the problems which must be solved in order to attain those objectives; and, finally, it develops programs designed to solve these problems and thereby to make possible the attainment of such objectives."

The merger of ICA and the DLF in 1961 to form the Agency for International Development (A.I.D.), plus the inclusion of Food for Peace (P.L. 480) in foreign assistance programming established the need for major programming changes. One of the working groups established under President Kennedy's Task Force on Foreign Assistance in 1961 dealt specifically with planning and programming. It recommended intensification of the country programming approach.

It suggested long-term analysis to clarify the requirements and the costs of each program over several years. These recommendations were refined by the newly created Office of Program Coordination and were incorporated in a series of instructions issued to the field missions in 1962.

B. The Long-Range Assistance Strategy

The principal programming instrument for aid to major countries was a document, prepared by the field mission, called the Long-Range Assistance Strategy (LAS). Interested Washington officials and specialists, with outside consultants as needed, worked with the Country Teams in preparing this document.

The LAS demanded much more comprehensive -- and longer-term -- analysis than the previous annual country program submissions. It also called for explicit analysis of a number of program alternatives. It compared different time periods, aid levels, and the effect of changes of emphasis in the country's official development plan. The various program alternatives and the results they were expected to achieve were expressed in terms of their monetary costs, though it was understood that the discussion of results was at best based on estimates.

For countries not submitting an LAS in any year, the new system called for a Country Assistance Program (CAP). Its design paralleled that of the LAS, but it was briefer.

These procedures imbedded a number of vital concepts in A.I.D.'s operations: country programming, budgeting for objectives rather than for activities, assessing costs over multi-year periods, and analyzing and choosing among alternative aid strategies.

In the LAS system, planning was designed as a management tool - to provide both information and a control system for monitoring. Previous systems had produced little consistent information about the recipient country's performance, the role of foreign inputs and the extent of their own efforts. The first step in the new system was to separate systematically what a country was doing (quantitatively and in policy terms) and to define major constraints. This created a better basis for assessing

- what was needed to be done, and

- the resources required,

regardless of what the A.I.D. input might be. It also focussed attention on the balance of payments as a major constraint which led to A.I.D.'s emphasis on import policies as well as non-project aid levels.

The basis of this system was the relationship of alternative inputs to results. The budget review focused on interregional assessment of priorities, on priorities within a country and on the relative foreign policy priorities - e.g. should \$50 million or Military Assistance funds be transferred to development or vice versa. In the

field this type of analysis involved major Missions intimately with the respective Planning Commissions and other economic decision makers. Accordingly, in August, 1965, when President Johnson announced government-wide adoption of the Planning-Programming-Budgeting System (PPBS). * The fact that most of the qualitative objectives of the PPBS were contained in the A. I. D. system meant that A. I. D. could refine its existing system rather than adopting a completely new approach.

The principal objective of the Planning-Programming-Budgeting System is to improve the basis for major program decisions in the Executive Branch. Such a system was set up in the Department of Defense in 1961, and the President's announcement of August, 1965, extended the effort -- with modifications to fit each agency's needs -- through the rest of the Executive Branch. Under PPBS, program objectives are identified and alternative methods of meeting them are subjected to systematic comparison. Data are organized on the basis of programs, and reflect the future as well as current implications of decisions. The three main elements of the system are:

- Program Memoranda (PM) - A PM presents a statement of the program issues, a comparison of the cost and effectiveness of alternatives for resolving those issues in relation to objectives, recommendations on programs to be carried out, and the reasons for those decisions. PM's thus provide the

*Memorandum to the Heads of Departments and Agencies from the President, August 25, 1965.

documentation for the strategic decisions recommended for the budget year. The formal PM is the A. I. D. memorandum to the Bureau of the Budget. However, the individual country submissions also start with a similar statement, called a PM within A. I. D.

- Special Analytic Studies (SAS's) - Special Analytic Studies provide the analytic groundwork for the decisions reflected in the PM's. Some SAS's will be performed in order to resolve an issue in the budget year. Other SAS's may involve continuing work, on a longer-run basis, to develop the conceptual understanding necessary to improve the data available, to evaluate the implications of Agency objectives, and to provide an analytic basis for deciding major issues in the future.
- Program and Financial Plans (PFP's) - The PFP is a comprehensive multi-year summary of Agency programs in terms of outputs, costs, and financing needs over a planning period covering the budget year and several future years.

C. The Program Planning and Budgeting System in A. I. D.

Under present arrangements, the program cycle, or schedule, for each fiscal year's operations extends over a period of about eighteen months. The cycle starts in February with Washington

guidance to the field on priorities, alternative aid levels, strategies, issues and procedures.

The Latin America Bureau issues special guidance outlining requirements for Country Analysis and Strategy Papers (CASP). These are reviewed by the Bureau and the Inter-Regional Group in Washington to guide field preparation of program memoranda for A. I. D. and other agencies. The CASP covers the entire foreign affairs field and what part each of the various foreign affairs agencies shall play in U. S. strategy.

The A. I. D. missions, working with other members of the Country Team, submit their proposal for a country program in the Program Memorandum. The PM is essentially an evolution from the former LAS and CAP.

The PM presents the field's analysis and recommendations on the next fiscal year's aid program. It does this in the context of a multi-year time frame so that consideration is given to long-term costs and benefits, includes discussion of inputs of other donors and the investments and policy actions contemplated by the recipient country. The PM defines the major policy and budgetary issues, discusses the connections between aid inputs and U. S. objectives, compares alternative aid levels and aid compositions, and summarizes the country's development problems. During July and August the PM's, which must be transmitted with ambassadorial approval, are submitted to Washington.

Intensive review comes next. The Washington staffs, both of A. I. D. and other agencies, analyze the PM's and raise issues for the Regional Assistant Administrators and the A. I. D. Administrator. The Administrator holds a series of review meetings: first, of the major country PM's to make initial judgments of the priorities within each country; second of regions, and third of the worldwide A. I. D. program. These review meetings weigh the needs of one country or region vis-a-vis the others. The State Department, the Budget Bureau, and other agencies with an interest in foreign affairs participate in these reviews.

In mid-October, after clearance with the Secretary of State, the A. I. D. Administrator submits his recommended overall budget to the Budget Bureau. This submission highlights the major issues in individual countries, summarizes the general reasoning behind the recommendations, and indicates the alternatives that have been rejected. The Budget Bureau staff -- having participated in the review process -- is already thoroughly familiar with these proposals. Major issues are therefore readily apparent and decided at the top level. An A. I. D. budget then becomes part of the President's budget which is transmitted to the Congress in January.

Next comes presentation to the Congress, and -- sometime later -- Congressional action on the Agency's authorization and appropriation bills. The final step -- which should come in late June or early July but more commonly occurs in the last quarter of the calendar year after Congress acts -- is the issuance of an Operational Year Budget which allocates the available funds. The deep cuts which the Congress has made in the A. I. D. budget in recent years have necessitated a critical re-examination of the program before an Operational Year Budget can be issued.

In addition to the budget review process described above, there are supplementary programming procedures for individual technical assistance projects, capital projects, and P. L. 480.

Special studies of specific activities or problem areas are conducted by A. I. D. on a continuing basis. These studies are conducted by A. I. D. staff -- both in Washington and the field -- or by contractors, such as universities. A. I. D. also employs summer researchers and other individual experts from time to time on a short-term basis. The results of these studies -- which are an integral part of the PPB System -- are used in improving PM analyses and other review techniques, as well as in solving specific problems or questions.

D. Usefulness and Limitations of PPBS in A. I. D.

Within the broad framework of overall foreign policy, A. I. D. programs can be roughly divided into two categories -- those oriented

toward long-term development, and those that address a variety of more immediate political and security concerns. Development Loans, Technical Assistance and many of the programs of the Alliance for Progress focus essentially on long-term development. Together they account for nearly three-quarters of the A. I. D. appropriations request. As discussed under the Section on Long-Range Assistance Strategy the benefits of a systematic, country-wide programming approach are extensive and permit high-level considerations of competing priorities based on systematic, comparable data. These benefits also derive from the PPBS. Moreover the PPBS forces annual refinements and data which also provide a sounder basis for daily operational decisions.

Supporting Assistance, which is designed for the short term, accounts for most of the remaining quarter of A. I. D. funds. Of this, the great bulk in recent years has gone for economic activities in Vietnam, though Supporting Assistance also goes to such countries as Laos and the Dominican Republic. Formal analysis is of only limited use in the programming of Supporting Assistance. A. I. D. objectives in this area tend to be ad hoc, the costs over a period of years highly uncertain, and the choice among means quite limited.

There are limitations on the role of PPBS even in programming longer-term development assistance. The ultimate objective of development aid is a community of free and progressive nations cooperating on matters of mutual concern. U.S. aid contributes to this objective by assisting less-developed countries to maintain their

independence and become self-supporting. As an instrument of foreign policy, the foreign aid program necessarily reflects the intangibles of the political process, and so do many of the decisions made about the program.

Formal programming cannot be relied upon to make essentially political decisions. Formal analysis may tell something about which countries offer the best economic prospects for development aid (though intangibles also affect this point). But political judgments play a major role in determining which countries are considered eligible for aid. The United States does not aid countries where it is not in our foreign policy interest to do so. Also, political events like last year's fighting in the Middle East or the 1965 hostilities between India and Pakistan may lead to the termination or reduction of aid. In addition, countries with which we have historic associations may receive high levels of aid compared to their neighbors.

Other political intangibles also enter the programming of long-term development assistance. The strength of the development effort which a host country is making - or will make - is crucial. Do the country's leaders have the foresight to make the politically difficult decisions on which development depends? Do they have the ability and support - the political support - to make these decisions and carry them out? Do they have the courage? These variables can only be judged with the benefit of experience and on-the-scene observation.

However, PPBS considerations have not had the impact expected for a number of reasons:

- Many development objectives are not easily quantifiable and quantification is the heart of the PPBS. For instance, success in building an agricultural university can only be measured in part by the number of graduates; the most important measure is the quality of students and faculty and how they may be expected to contribute to resolution of their country's problems.
- The PPBS is intended to clarify the benefits to be derived from alternative expenditures of funds. Within one country it is possible, at least theoretically, to compare a fertilizer plant with a power project. It is extremely difficult to measure the results of alternative investments in different countries - e. g., in terms of U.S. interest should an additional \$50 million be spent in Country A or Country B. However, the Administrator and his staff must, in the successive rounds of reviews (country, regional, worldwide), judge not only the effects within each country but also the relative importance of investments in different countries.
- PPBS was introduced in a period when appropriations were barely adequate to maintain programs and policy initiatives in the major countries. Choices on how to spend funds were severely limited by the need to provide minimal support to the most important objectives.

-- PPBS analyzes the routine factors in allocating resources.

Changes in the political situation, drastic appropriation cuts, and changes in the recipient country's plans for its resources are frequently more powerful factors in the decision process (or in obtaining results) than the factors the PPBS can take account of.

Even with these limitations, PPBS has had an important influence on the allocation of funds for major development program countries, which account for the bulk of loan, technical cooperation and Alliance for Progress funds. Cost-benefit comparisons are helpful in deciding on the composition of individual country programs and in tightening the links between aid activities and U.S. objectives. The system provides the information needed to concentrate on long-term development tasks and to avoid unnecessary diversion to short-term political objectives. It provides the technical rationale for negotiating self-help policy reforms with host government finance and planning officials.