

RECENT TRENDS IN PUBLIC LAW 480 AND OTHER U.S. AND
GLOBAL ECONOMIC ASSISTANCE PROGRAMS

by

Frank D. Barlow, Jr. and Susan A. Libbin

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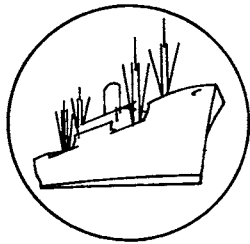
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SUMMARY

The United States and other developed countries are giving more emphasis to international agricultural development in their economic assistance programs. Food and fiber aid under Public Law 480 has been a principal form of U.S. foreign assistance. During 1956-65, P.L. 480 aid totaled \$12 billion net, accounting for 44 percent of all U.S. net economic assistance and 25 percent of the total net flow of economic assistance from the 17 developed countries to the developing countries. Since food aid is such an important part of the total flow of resources from the developed to the less-developed countries, greater attention is being given to its coordination with the overall assistance programs.

Food aid from sources other than the United States has been less, but important. Canadian food aid averaged about \$12 million annually in the early 1960's, but recently was increased to about \$60 to \$70 million. The United Nations' World Food Program was extended 3 years (1966-68), with a target set at \$275 million, compared with the initial 3-year program goal of \$100 million.

During 1962-64, the United States supplied 45 percent of the total capital committed by donor countries to improve the agricultural sector in the developing countries. In recent years, the United States has increased its capital aid to foreign agricultural development.

The total flow of public and private economic assistance to the less-developed countries reached a record high, an estimated \$11 billion, in 1965. The United States continued to supply about half the total. Most of the increase in economic assistance in 1965 resulted from a rise in private capital flows, primarily from the United States. Multilateral aid flows also increased in 1965.

In 1965, total public and private assistance from 16 donor countries as a group represented 1 percent of their national income. U.S. aid as a percentage of national income was just under 1 percent.

The developed countries are expected to place more emphasis on the development of the agricultural sector of less-developed countries in future aid programs. However, the donor countries also recognize that the less-developed countries must bear the major

1/ Assistant to the Director and International Economist, respectively, Foreign Development and Trade Division, Economic Research Service.

responsibility for developing their economies and should be encouraged to give higher priority to the development of their agricultural sectors. In fact, "self-help" provisions are a prime requisite to receiving food aid under the new U.S. food aid law.

INTRODUCTION

Agricultural commodity assistance, primarily under Public Law 480, has been an important form of assistance to the developing countries for a number of years. The United States is the principal supplier of food aid, but other donor nations are giving increasing attention to the food problems of less-developed countries and to means of helping them to meet their food needs and develop their agriculture. The 16 donor countries of the Development Assistance Committee (DAC) gave major consideration to this issue at the Fifth Annual Meeting, in July 1966, to evaluate the effectiveness of donor aid programs.

This article reviews recent trends in P.L. 480 assistance in relation to other types of agricultural and economic assistance from bilateral and multilateral sources. It also relates the magnitude of economic assistance programs of donor countries to their national incomes and appraises trends in the foreign economic assistance programs of the United States and other donor countries.

ASSISTANCE PROGRAMS

The major responsibility for increasing agricultural production and reducing the critical food deficits in the developing countries lies with the countries themselves. However, the developed countries can provide assistance to promote agricultural development.

Donor governments and the international agencies provide assistance to agriculture in three forms: commodities, capital, and technical aid.

P.L. 480 Compared With Other Assistance Programs

P.L. 480 programs provide assistance through shipment of agricultural commodities. From 1954 (when the program started) through 1966, agricultural commodities shipped under P.L. 480 totaled \$15.7 billion. Another \$2.2 billion in food and fiber aid was exported under Mutual Security and AID programs. 2/ Under the Title I, P.L. 480, program commodities are sold to the recipient through usual marketing channels for foreign currencies instead of dollars. Approximately two-thirds of the foreign currencies collected by the United States are disbursed to the recipient government or to private enterprise for economic development projects. Of this assistance, two-thirds is in the form of loans to foreign governments. Most of the remaining foreign currencies are reserved for U.S. uses and common defense purposes within the recipient country. Under Sections 402 and 550 of the old Mutual Security Program, surplus agricultural commodities also were sold for foreign currencies, and most of the currencies were granted to the recipient for development. In most cases, the use of Title I commodities has had more impact on the recipient country than the use of foreign currency grants and loans.

Of the other P.L. 480 programs, Title II commodity grants and Title III food donations remained at about the same level during the last decade. Title IV exports under long-term dollar credits have increased steadily since the first shipments in 1962. 3/

2/ The Mutual Security Program was discontinued in 1961 and since then food shipments under AID programs are being phased out.

3/ Under the new P.L. 480 legislation of November 1966, Titles I and IV were combined into Title I and Titles II and III were combined into Title II.

P.L. 480 has been important in the overall U.S. aid program (tables 5 and 6). The value of P.L. 480 shipments, minus the foreign currencies used for U.S. purposes and common defense and net of loan repayments, totaled \$12 billion during 1956-65, \$1.7 billion less than the actual value of commodities exported. This net P.L. 480 aid, along with net food and fiber aid under Mutual Security, accounted for almost half the total U.S. net economic assistance during the period. The ratio was somewhat lower in 1965 due to the drop in food aid and the increase in overall U.S. assistance. A further comparison of P.L. 480 to total U.S. aid in terms of grant and loan authorizations indicates that over a fourth of both total U.S. loans and grants were authorized under P.L. 480 assistance during 1958-65 (table 7). P.L. 480 local currency loans have increased relative to P.L. 480 local currency grants, following the same general pattern of all U.S. aid programs in recent years.

U.S. food and fiber aid also has been a significant share of the total flow of economic assistance from all donor countries (table 6). During 1956-65, this form of aid represented over a fourth of the net public economic aid from the developed to the less-developed countries.

Since food aid represents such a large proportion of the total flow of development resources from the developed to the less-developed countries, it is appropriate that greater attention be given to its coordination with long range foreign economic development planning. In commenting upon the new Food for Peace program, Assistant Secretary of Agriculture Dorothy H. Jacobson said:

Under the new program, food aid will be coordinated more closely with overall assistance programs. American farm commodity programs will be influenced by assistance needs. This imposes a great responsibility on the Secretary of Agriculture, who must "determine the agricultural commodities and quantities thereof available for disposition ... and which may be included in the negotiations with each country," as well as to make decisions on acreages and prices that will influence American farm production. The departments and agencies involved in this great coordinated effort will have to work together more closely than ever before. 4/

During the last 5 years, net P.L. 480 assistance ranged from \$1.3 to \$1.6 billion annually, while food aid from sources outside the United States totaled less than \$100 million annually. The United States is encouraging other donor countries to share more of the burden of food assistance. Food aid outside the United States has been very small. However, Canada recently increased its food aid program, the World Food Program was expanded, and the developed countries negotiated a new food aid program.

Bilateral Food Aid From Other Countries

In recent years, Canada has been the only country outside the United States that has given bilateral food assistance on a regular basis. A few other countries, such as France and Australia, supply food aid occasionally. 5/ For example, France provided Tunisia with \$1 million of food aid in 1956 and Morocco with \$0.8 million in 1961. Australia granted several Asian countries a total of \$23 million of food commodities during 1952-62 and \$8 million in 1965.

4/ Jacobson, Dorothy H., Assistant Secretary for International Affairs. From paper, Agriculture and Food Aid, presented at the 44th Annual Agricultural Outlook Conference, U.S. Dept. Agr., Washington, D.C., Nov. 14, 1966.

5/ For more detail, see Barlow, Frank D. Jr., and Susan A. Libbin, The Role of Agricultural Commodity Assistance in International Aid Programs, ERS-Foreign 118, March 1965, pp. 14-18.

Table 5.--Net disbursements of U.S. agricultural commodity assistance, by type of program, 1956-65

Year	Public Law 480								Mutual Security/AID			Total P.L. 480 & Mutual Security	
	Grants	Loans to to gov- ernment	Loans to private enter- prise	Other net <u>1/</u>	Title II exports	Title III exports	Title IV exports	Ocean transpor- tation <u>2/</u>	Total P.L. 480	Foreign currency loans and grants <u>3/</u>	Other net <u>1/</u>		Total Mutual Security
----- Million dollars -----													
1956 ..	12	60	---	490	109	187	---	8	866	386	65	452	1,318
1957 ..	62	142	---	614	61	175	---	30	1,084	233	10	243	1,326
1958 ..	99	234	2	359	77	160	---	34	965	234	-89	145	1,100
1959 ..	86	221	21	327	60	111	---	32	858	175	-72	103	961
1960 ..	76	264	16	556	94	124	---	36	1,166	142	-33	109	1,275
1961 ..	160	443	26	190	187	151	---	63	1,220	121	16	137	1,357
1962 ..	306	320	15	232	149	180	41	68	1,311	87	-83	4	1,315
1963 ..	382	383	15	336	171	157	52	75	1,571	37	-46	-9	1,562
1964 ..	532	596	38	-7	106	172	98	73	1,608	18	-21	-3	1,605
1965 ..	333	532	24	-5	101	162	135	75	1,357	13	-17	-5	1,352
Total ..	2,048	3,195	157	3,092	1,115	1,579	326	494	12,006	1,446	-270	1,176	13,182

1/ Differences between the total foreign currencies acquired from the sale of commodities and disbursements.

2/ Payment for transporting commodities under Titles II, III, and IV.

3/ Gross basis.

Source: Dept. of Commerce, Foreign Grants and Credits; and Dept. of Treasury, Semi-annual Report of the National Advisory Council on International Monetary and Financial Problems.

Table 6.--Net U.S. agricultural commodity aid compared with total net U.S. economic assistance and bilateral economic assistance from 17 donor countries, 1956-65

Year	Agricultural commodity aid ^{1/}			U.S. economic aid (public)	Total bilateral economic aid ^{2/} (public)	Agricultural commodity aid as a percentage of total U.S. and world			
	Public Law 480	Mutual Security	Total			P.L. 480		All commodity aid	
						United States	World	United States	World
	----- Million dollars -----					----- Percent -----			
1956	866	452	1,318	1,926	3,102	45	27	68	42
1957	1,084	243	1,326	2,033	3,518	53	30	65	37
1958	965	145	1,110	2,358	4,179	40	23	47	26
1959	858	103	961	2,265	4,202	37	20	42	22
1960	1,166	109	1,275	2,487	4,487	46	25	51	28
1961	1,220	137	1,357	3,120	5,484	39	20	43	24
1962	1,311	4	1,315	3,349	5,800	39	22	39	22
1963	1,571	-9	1,562	3,557	6,188	44	25	43	25
1964	1,608	-3	1,605	3,241	6,015	49	26	49	27
1965	1,357	-5	1,352	3,462	6,266	39	21	39	22
Total ...	12,006	1,176	13,182	27,798	49,241	43	24	47	27
Average .	1,201	117	1,318	2,779	4,924	43	24	47	27

^{1/} Includes economic grants and loans of local currencies under Sections 402 and 550 of the Mutual Security Program and Public Law 480 Title I, and P.L. 480 Title II, Title III foreign donations, Title IV, and net assistance, or the difference between the local currencies collected and disbursed under Title I and MSA. U.S. Dept. Commerce, Foreign Grants and Credits; and U.S. Treasury Dept., Report of the National Advisory Council on International Monetary and Financial Problems.

^{2/} Bilateral economic aid from 17 developed countries (see table 11 for list of countries). U.S. and total economic aid from Organization for Economic Cooperation and Development, The Flow of Financial Resources to the Less-Developed Countries, 1956-63, 1964; and 1961-65, 1967.

Table 7.--Relative share of P.L. 480 grants and loans in total U.S. economic assistance net authorizations, 1958-66 ^{1/}

Program	Year ending June 30								
	1958	1959	1960	1961	1962	1963	1964	1965	Estimated 1966
----- Million dollars -----									
GROSS GRANTS									
Mutual Security/AID	1,203	1,291	1,302	1,305	1,180	954	808	904	1,368
P.L. 480 ^{2/}	432	395	543	711	727	878	868	539	515
Title I (for. currency grants) ..	(47)	(107)	(309)	(232)	(287)	(267)	(252)	(113)	---
Other grants ^{3/}	23	19	97	88	217	284	229	452	521
Total grants	1,658	1,705	1,942	2,104	2,124	2,166	1,905	1,896	2,404
P.L. 480 as percentage of grants (%) :	26	23	28	34	34	41	45	29	21
GROSS LOANS									
Mutual Security/AID	417	626	564	707	1,329	1,343	1,328	1,122	1,297
Export-Import Bank	506	704	283	876	396	455	531	772	787
P.L. 480 ^{4/}	287	438	490	456	680	722	745	882	1,088
Title I (for. currency loans) ..	(284)	(438)	(490)	(456)	(629)	(645)	(627)	(702)	(690)
Other loans	---	^{5/}	^{5/}	---	243	206	67	117	20
Total loans	1,210	1,768	1,337	2,039	2,648	2,727	2,671	2,893	3,192
P.L. 480 as percentage of loans (%) :	24	25	37	22	26	26	28	30	34
TOTAL GROSS GRANTS AND LOANS	2,868	3,473	3,279	4,143	4,772	4,845	4,576	4,789	5,596
Grants as percentage of total (%) .. :	58	49	59	51	45	44	42	40	43
Loans as percentage of total (%) ... :	42	51	41	48	55	56	58	60	57
P.L. 480 grants and loans as per- centage of total (%)	25	24	32	28	29	33	35	30	29

^{1/} Agency for International Development, U.S. Overseas Loans and Grants, Obligations and Loan Authorizations.

^{2/} Includes exports under Titles II and III (donations) valued at Commodity Credit Corporation cost plus ocean freight.

^{3/} Includes capital subscriptions to international agencies, other multilateral contributions, Peace Corps, etc.

^{4/} Includes Title IV exports.

^{5/} Less than \$500,000.

Although the Canadian government allocates funds for food assistance, Canada does not have a regular legislative aid program. Canadian food aid to the less-developed countries totaled \$171 million during fiscal 1951-66. 6/ Most of the aid was wheat and flour shipped to Asian countries, primarily India. Recently, the government expanded its bilateral aid program from around \$12 million annually in the early 1960's to commitments of \$30 million in fiscal 1966 and \$62 million in 1967. A major share of this increased aid was to meet emergency needs of India. Until 1964, food aid accounted for about 10 to 15 percent of Canada's total economic assistance program.

The Expanded World Food Program 7/

In 1963, the Food and Agriculture Organization of the United Nations initiated an experimental 3-year program of multilateral food assistance. The program was designed to provide \$100 million in commodities, services and cash to meet emergency food needs and to help implement projects for economic and social development in the less-developed countries. By the end of December 1965, over 80 developed and less-developed nations had pledged \$94 million toward the program's goal.

The World Food Program (WFP) was extended 3 years, 1966-68, to a target of \$275 million, more than double the original program. By the end of April 1967, over 70 countries had pledged \$216 million toward the program's goal. The United States will pledge matching contributions of commodities up to \$92 million, and since August 1966 has matched cash pledges with commodities. Since the other countries have pledged less than anticipated, the total U.S. commodity pledge cannot be used. Thus, the actual resources available to the WFP through April totaled \$167 million. Canada is the second largest donor, contributing \$28 million or 10 percent of the goal.

New Food Aid Arrangement for Grains

At the conclusion of the Kennedy Round trade negotiations, the participating countries agreed on the provisions to be incorporated into a new World Grain Arrangement. The countries will provide 4.5 million tons of grain annually as food aid to the developing countries over a proposed 3 years. Of the exporting countries, the United States will provide 1.9 million tons, or 42 percent of the total; Canada will provide another 11 percent; Australia, 5 percent; and Argentina, 1 percent. The six EEC countries as a group will contribute another 1 million tons, or 23 percent of the total. The remaining importing countries to provide grain aid are the United Kingdom, Switzerland, Sweden, Denmark, Norway, Finland, and Japan. Other countries are expected to contribute. Contributions will be primarily wheat, although feed grains may be included. This multilateral effort to provide grain as food aid enables the United States to share the burden of food aid with the other developed nations. 8/

In addition to providing food aid, donor countries and international agencies provide capital to help finance projects in agriculture. Although the bulk of capital assistance to the developing countries is directed toward projects outside the agricultural sector, donors are becoming more aware of the need to increase their capital aid to agriculture and related industries.

Capital Assistance to Agriculture

During 1962-64, commitments of capital aid to agriculture from donor governments and multilateral agencies totaled \$1.5 billion. 9/ Bilateral commitments accounted for

6/ Reports from the Canadian Embassy, the Food and Agriculture Organization, and "Canada's Wheat Aid Shows Big Jump," Foreign Agriculture, March 20, 1967, p. 4.

7/ Progress reports from the Food and Agriculture Organization of the United Nations, Committee on Commodity Problems, Consultative Subcommittee on Surplus Disposal.

8/ Schnittker, John A., "The Kennedy Round: Three Years of Trade Negotiations," Foreign Agriculture, June 5, 1967.

9/ Organization for Economic Cooperation and Development, Development Assistance Committee, Development Assistance Efforts and Policies, 1966 Review, Sept. 1966, p. 79.

two-thirds of the total. The share of capital aid specifically allocated to agriculture was approximately 6 percent of the total \$26.4 billion of public aid committed to the less-developed countries during 1962-64, as indicated below:

Commitments	Bilateral	Multilateral	Total
	<u>Million dollars</u>		
Capital aid to agriculture ..:	1,050	496	1,546
Other commitments	20,891	4,004	24,895
Total commitments	21,941	4,500	26,441
	<u>Percent</u>		
Capital aid to agriculture as a percentage of total commitments	5	11	6

The statistics tend to underestimate the magnitude of capital assistance that benefits agriculture in the less-developed countries. Program aid to agriculture is particularly difficult to classify, because of its interrelationship to assistance provided to other sectors of a country's economy. The agricultural sector benefits from investments in transportation, power development, and social and economic infrastructure development. Also, the aggregate assistance to other sectors often releases local resources that may be allocated to agricultural development.

During 1962-64, capital aid to agriculture was directed primarily to: (1) the development of land and water resources and soil conservation, (2) agricultural industries, and (3) land settlement (table 8). These areas received 30, 10, and 7 percent, respectively, of the total official assistance committed to agriculture. Other important agricultural projects receiving capital assistance were the agricultural development banks; processing, marketing, and storage facilities; and rural development.

The United States was the principal supplier of capital assistance to agriculture, contributing 45 percent of the total bilateral capital committed to that sector in the less-developed countries. Most U.S. commitments went to Latin America, mainly Brazil, Mexico, and Colombia. France, Germany, and the United Kingdom were the other major donors of assistance. Almost all French and British assistance to agriculture was concentrated in Africa, while two-thirds of German aid was divided evenly between Asia and Africa. Canada's expanded food aid program has been supplemented by increasing amounts of capital assistance to agriculture in developing nations. For example, Canada recently provided such assistance to Ghana, India, Pakistan, Ecuador, Thailand, Malaysia, and other countries.

The largest share of multilateral capital aid to agriculture went to Latin America, mainly Mexico, Argentina, and Chile. Asia received a third, and only 19 percent of all multilateral aid was allocated to Africa.

A breakdown of all capital project aid provided by the developed countries and multilateral agencies to the less-developed countries in 1963 shows that only 12 percent of the funds were allocated to agriculture, fishery, and forestry (table 9). Transportation and communications received 28 percent; industry, 22 percent; and energy resources, 21 percent. Social infrastructure received about the same share as the agricultural sector.

Table 8.--Public commitments of capital assistance to agriculture by project and region, 1962-64 ^{1/}

Project and region	Bilateral					Total	Multilateral				Bilateral and multi-lateral	Share of total
	United States	France	Germany	United Kingdom	Other OECD		IBD ^{2/}	IDA ^{3/}	Other	Total		
	----- Million dollars -----											Percent
PROJECTS												
Land & water devel. & soil conservation	46.9	1.6	106.5	19.7	0.7	175.4	54.3	138.5	102.9	295.7	471.1	30
Agricultural indus.	52.2	4.8	31.2	3.6	46.8	138.6	17.1	---	3.7	20.8	159.4	10
Land settlement	24.0	1.4	---	42.8	---	68.2	39.0	---	0.3	39.3	107.5	7
Agric. devel. banks	66.5	1.1	---	3.3	---	70.9	25.0	3.0	---	28.0	98.9	6
Processing, mktg. & storage	58.2	3.5	---	1.6	0.9	64.2	12.3	---	13.8	26.1	90.3	6
Rural development ..	58.4	9.1	13.5	0.9	0.1	82.0	---	---	---	---	82.0	5
Misc. not specified	134.2	196.5	12.0	17.5	25.8	386.0	---	---	10.1	10.1	396.1	26
Other	30.5	1.7	13.8	13.1	5.4	64.5	23.4	6.4	45.9	75.7	140.2	10
Total	470.9	219.7	177.0	102.5	79.7	1,049.8	171.1	147.9	176.7	495.7	1,545.5	100
REGIONS												
Europe	5.9	---	52.0	0.1	---	58.0	---	20.0	---	20.0	78.0	5
America	341.2	3.6	1.5	3.0	3.2	352.5	171.1	3.6	43.7	218.4	570.9	37
North & Central	112.3	3.6	0.4	3.0	---	119.3	93.0	---	15.6	108.6	227.9	15
South	228.9	---	1.1	---	3.0	233.2	78.1	3.6	31.7	109.8	343.0	22
Africa	28.5	215.4	60.7	83.8	1.3	389.7	---	2.8	94.1	96.9	486.6	32
Asia	95.3	---	62.8	12.0	49.6	219.7	---	121.5	38.8	160.3	380.0	25
Middle East	26.7	---	31.0	6.7	---	64.4	---	3.0	---	3.0	67.4	4
South Asia	68.6	---	7.1	---	43.2	118.9	---	118.5	---	118.5	237.4	15
Far East	---	---	24.7	5.3	6.4	36.4	---	---	38.8	38.8	75.2	5
Other	---	0.7	---	3.6	25.9	30.2	---	---	---	---	30.2	---
Total	470.9	219.7	177.0	102.5	80.0	1,050.1	171.1	147.9	176.6	495.6	1,545.7	100
	----- Percent -----											
Share in total flow	30	14	11	3	10	68	11	10	11	32	100	

^{1/} Organization for Economic Cooperation and Development, Development Assistance Committee, "Food Problems of Less-Developed Countries and Their Implications for Assistance Policy," July 1966.

^{2/} Inter-American Development Bank.

^{3/} International Development Association.

Table 9.--Public commitments of capital project aid, 1963 ^{1/}

Project	Bilateral						Multilateral					Bilateral and multi-lateral	Share of total
	United States	Germany	France	United Kingdom	Other OECD	Total	IBRD	IDA	IDB	Other	Total		
	----- Million dollars -----											Percent	
Transportation & communications	274	93	60	22	94	543	190	163	14	42	409	952	28
Industry	158	211	28	10	144	551	110	11	56	15	192	743	22
Energy resources	299	81	58	12	62	512	99	39	32	6	176	688	21
Social infrastructure	178	23	161	26	7	395	---	8	8	12	28	423	13
Agric., forestry & fishing	115	48	57	17	13	250	24	38	84	8	154	404	12
Other	25	6	---	55	19	105	---	---	23	---	23	128	4
Total	1,049	462	364	142	339	2,356	423	259	217	83	982	3,338	100

^{1/} Organization for Economic Cooperation and Development, The Flow of Financial Resources to Less-Developed Countries, 1956-63, 1964.

In recognition of the growing food crisis in the developing countries, the United States is increasing its capital assistance to agriculture. The Agency for International Development (AID) plans to provide \$746 million to assist agriculture in fiscal 1968, more than a quarter of all AID programs. 10/ This amount is almost 50 percent more than the \$504 million allocated to agriculture in 1967 and almost double the 1966 level. AID funds will be used to help finance U.S. exports of fertilizers, expand fertilizer production in the less-developed countries, expand irrigation and water resources, finance initially farm credit systems, and improve agricultural transport and warehouse facilities. AID also will allocate \$20 million to family planning and \$7 million to nutrition and child feeding programs. AID assistance is contingent upon self-help measures taken by the recipient country.

France, the second largest donor of capital aid to agriculture during 1962-64, recently indicated that agriculture should have the highest priority in French assistance in the future. 11/

Technical Assistance to Agriculture

Technical assistance is the third way donors aid agricultural development. Such assistance includes supplying technicians and advisers to the developing countries and training participants from the recipient countries. In 1964, the developed countries sent more than 5,500 agricultural advisers to the less-developed countries, 15 percent of the total number of technicians provided by the DAC countries. 12/ The Food and Agriculture Organization of the United Nations (FAO) supplied another 1,500 personnel. In the same year, developed countries gave 5,200 scholarships to foreign students and trainees in agriculture, or just over 10 percent of the total bilateral scholarships extended. FAO provided about 402 scholarships. Most of the advisers and scholarship grants went to African countries. Technical aid to agriculture from private sources in the developed countries, particularly the United States, is substantial, but it is difficult to quantify.

The United States has increased its technical aid to agriculture in recent years. 13/ U.S. agricultural technicians financed by AID programs account for about a fifth of the total AID technical advisers, and about a fifth of the foreign participants sponsored by AID studied agriculture.

At its Fifth Annual Meeting in July 1966, the DAC emphasized the importance of the three forms of assistance to agriculture: commodities, capital, and technical aid. 14/ The donor governments were encouraged to increase all three forms to help promote agricultural development. The DAC also recommended that donor governments encourage the less-developed countries to place greater emphasis on the agricultural sector of their economies.

While there has been more emphasis on agricultural assistance in the last few years, the total flow of economic assistance and private capital to the less-developed countries also has increased.

10/ Agency for International Development, Proposed Economic Assistance Programs, FY 1968, May 1967, pp. 5 and 23.

11/ Thorp, Willard, "World Food Requirements and Development Assistance," speech presented by the Chairman of the Development Assistance Committee to the Twentieth Annual Conference of the International Federation of Agricultural Producers, London, May 12, 1966, p. 6.

12/ Organization for Economic Cooperation and Development, op. cit., pp. 80-81.

13/ Agency for International Development, Operation Report, Annual issues.

14/ Statements by T. Kristensen, Secretary-General of the Organization for Economic Cooperation and Development, and B. R. Sen, Director-General, of the Food and Agriculture Organization of the United Nations, at the July 1966 meetings; and Organization for Economic Cooperation and Development, op. cit., pp. 15, 77, 85, 135, and 141-2.

GLOBAL ASSISTANCE REACHED PEAK IN 1965

The net flow of public economic assistance and private capital to the less-developed countries from 17 developed countries and the multilateral agencies reached an all-time high, an estimated \$12 billion, in 1965. ^{15/} This was a gain of 14 percent over the previous record \$10.5 billion reached in 1964 (table 10). The United States continued to supply approximately half the total flow of aid. Disbursements increased from all three sources--bilateral public, private, and multilateral--but the record of the private sector and multilateral agencies was the most significant in 1965.

The increase in economic assistance from donor countries between 1964 and 1965 was due primarily to a rise of 27 percent in private capital flows, which reached a record level of \$4 billion (table 11). The United States supplied most of this increase, with its outflow of private capital to the less-developed countries at a new high of \$1.9 billion.

Economic aid from public sources increased only 5 percent in 1965, reaching a new level of \$6.7 billion. The United States and Japan contributed the major increase. Almost the entire rise in U.S. public aid contributions was a recovery from a decline the preceding year, and the 1965 level was slightly below the previous peak year of 1963. Public aid from France, the second largest donor, continued to decline from the peak reached in 1962. A number of small donors--such as Austria, Netherlands, and Belgium--reported sizeable increases in their foreign aid disbursements.

Multilateral assistance rose considerably in the last 5 years, increasing from 3 percent of the total aid flow in 1960 to 9 percent in 1965 (table 10). Since 1962, disbursements from the multilateral technical assistance and financial agencies to the developing countries have exceeded member contributions to these agencies. The increase in multilateral aid has been due primarily to the expanded role of new agencies, such as the International Development Association (IDA), the Inter-American Development Bank (IDB), and the EEC agencies.

Loans Increased Relative to Grants in 1965

Loans increased relative to grants in public assistance programs in 1965, continuing a trend which began in 1963. ^{16/} The share of net disbursements of loans in bilateral aid programs of donor governments increased from 20 percent in 1960 to about 44 percent in 1965. The United States and France, the principal donors of grants, continued to reduce their grant aid relative to loans. In 1965, the two countries committed two-fifths and four-fifths, respectively, of their total public aid in the form of grants. The U.S. shift to loans was partly due to closer government supervision of the aid funds used by recipients and stricter congressional requirements.

Although total public grants declined in 1965, technical assistance grants increased by 10 percent, bringing the technical aid component up from around 12 percent of the total bilateral public flow in 1962 to 17 percent in 1965. The United States and the United Kingdom accounted for the major share of the increase. It is estimated that technical assistance from private sources amounts to at least an additional \$700 million annually, compared with the approximately \$1 billion from public sources in 1965. ^{17/}

^{15/} Industrial or developed countries--Australia, Austria, Belgium, Canada, Denmark, France, West Germany, Italy, Japan, Netherlands, Norway, Portugal, Sweden, Switzerland, United Kingdom, United States, and Sino-Soviet Bloc; multilateral agencies--United Nations, World Bank and its affiliates, EEC, and Inter-American Development Bank.

^{16/} Organization for Economic Cooperation and Development, op. cit., pp. 31-32.

^{17/} Ibid., pp. 94-95.

Table 10.--Net flow of bilateral economic assistance to less-developed countries and contributions to multilateral agencies compared with net multilateral assistance, 1961-66 1/

Assistance	1961	1962	1963	1964	1965	Estimated 1966
----- Million dollars -----						
<u>Bilateral flows</u>						
Public	5,484	5,800	6,188	6,015	6,266	6,393
Private	3,175	2,357	2,624	3,186	3,986	3,594
Total	8,659	8,157	8,812	9,201	10,252	9,987
<u>Contributions to multilateral agencies 2/</u>						
Public	776	557	370	382	444	504
Private	111	247	-31	141	247	8
Total	887	804	339	523	691	512
<u>Total public and private flows</u>	-					
Public	6,260	6,357	6,558	6,397	6,710	6,897
Private	3,286	2,604	2,593	3,327	4,233	3,602
Total	9,546	8,961	9,151	9,724	10,943	10,499
Multilateral assistance (net)	253	412	654	792	1,047	1,158
Total bilateral and multi-lateral flows	9,799	9,373	9,805	10,516	11,990	11,657

1/ Organization for Economic Cooperation and Development, The Flow of Financial Resources to Less-Developed Countries, 1961-1965, 1967; and "Development Assistance Efforts and Policies, 1967 Review," July 1967.

2/ Includes 15 OECD countries plus the Sino-Soviet Bloc and Australia.

Table 11. Net flow of public economic assistance and private capital from principal donors to less-developed countries and multilateral agencies, average 1950-55, annual 1956-66

Country and type of aid	1950-55 : average	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966 : estimate
----- Million dollars -----												
<u>Public economic aid 1/</u>												
United States	1,118	2,006	2,091	2,410	2,322	2,776	3,447	3,536	3,699	3,445	3,627	3,634
France	n.a.	647	819	884	835	848	943	977	851	831	752	721
United Kingdom	190	205	234	276	377	407	457	421	414	493	481	501
West Germany	53	142	275	268	332	351	618	468	437	423	472	490
Japan	10	96	92	285	150	98	108	88	140	116	244	285
Sino-Soviet Bloc	1	40	60	135	150	170	206	367	471	525	500	450
Other 2/	n.a.	193	368	296	382	457	481	500	546	564	634	816
Total	1,901	3,329	3,939	4,554	4,548	5,107	6,260	6,357	6,558	6,397	6,710	6,897
<u>Private capital flow 3/</u>												
United States	608	1,230	2,009	1,275	954	1,042	1,099	818	880	1,325	1,873	979
France	n.a.	477	408	453	337	477	489	420	414	550	567	569
United Kingdom	n.a.	384	727	392	467	452	447	330	311	422	517	472
West Germany	48	275	248	242	474	274	219	182	167	284	255	248
Japan	n.a.	27	26	33	43	137	274	199	127	174	242	253
Other 2/	n.a.	619	387	541	531	818	758	655	694	572	779	1,081
Total	1,600	3,012	3,805	2,936	2,806	3,200	3,286	2,604	2,593	3,327	4,233	3,602
<u>Total public and private:</u>												
United States	1,726	3,236	4,100	3,685	3,276	3,818	4,546	4,354	4,579	4,770	5,500	4,613
France	n.a.	1,124	1,227	1,337	1,172	1,325	1,432	1,397	1,265	1,381	1,319	1,290
United Kingdom	n.a.	589	961	668	844	859	904	751	725	915	998	973
West Germany	101	417	523	510	806	625	837	650	604	707	727	738
Japan	n.a.	123	118	318	193	235	382	287	267	290	486	538
Sino-Soviet Bloc	1	40	60	135	150	170	206	367	471	525	500	450
Other 2/	n.a.	812	755	837	913	1,275	1,239	1,154	1,240	1,136	1,413	1,897
Total	3,501	6,341	7,744	7,490	7,354	8,307	9,546	8,961	9,151	9,724	10,943	10,499

1/ Includes financial and commodity grants and loans of more than 1 year and contributions to multilateral agencies, excluding the International Monetary Fund.

2/ Includes Australia, Austria, Belgium, Canada, Denmark, Italy, the Netherlands, Norway, Portugal, Sweden, and Switzerland.

3/ Includes direct and portfolio investment and export credits of 1 or more years and contributions to multilateral agencies. Portugal estimated for all years.

Source: Organization for Economic Cooperation and Development, The Flow of Financial Resources to Less-Developed Countries, 1961-1965, 1967; and "Development Assistance Efforts and Policies, 1967 Review," July 1967.

There also was a significant rise in technical assistance from multilateral agencies; however, the amount was still only about 10 percent of all technical aid expenditures in 1965.

Aid Terms Hardened in 1965

In general, financial terms of economic assistance programs hardened in 1965, reversing the trend of the previous 3 years toward soft-term lending. The hardening of aid terms reflected higher interest rates, shorter grace periods, and shorter maturities. There was an appreciable hardening of financial terms of aid from the United States, long a prime example of a donor country with favorable aid terms. Average U.S. interest rates on loans increased from 2.5 percent in 1964 to 3.3 percent in 1965. This rate was still relatively low, compared with that of most other major donors. The average maturity of U.S. loans was reduced; however, the length of the repayment period in 1965 was still longer than in any other donor country except Canada.

As a rule, interest rates on AID loans are nominal for the first 10 years; thus the effects of higher U.S. interest rates on debt servicing by the developing countries will not be felt for some time. German and Italian loan terms also hardened in 1965. The terms charged on Italian loans are among the highest of the donor countries.

There was little change in the proportion of economic assistance that was tied or subject to limited procurement. In fiscal 1965, 92 percent of commodity procurement financed by AID was spent in the United States. 18/

The 1 Percent Target

The Development Assistance Committee has recommended that member countries attain or exceed an aid target of 1 percent of their national incomes as recommended in 1964 by the United National Conference on Trade and Development (UNCTAD).

Table 12 shows the official, private, and total net flows from all DAC countries as a percentage of their national incomes for 1962-65. During that period, except in 1962, the percentage of the total flow from 16 donor countries as a group was approximately at the 1-percent target. However, only five countries (France, Belgium, Netherlands, Switzerland, and United Kingdom) attained and in most cases exceeded the 1-percent target (fig. 1). French aid, which was declining, was still over 2 percent of national income in 1962-64. The United States was the only other country to come close to the target, with its total aid flows accounting for 0.99 percent of national income in 1965. The ratio of official flows to national income for all donor countries was 0.60 in 1965. Five of 16 countries, including France and the United States, exceeded this ratio, but only France reached the 1-percent target level. The ratio of private capital flows for all donors was only 0.41 percent in 1965, with six countries exceeding this percentage. Only Switzerland and the Netherlands attained the 1-percent level. While the United States is the largest absolute donor of private capital to the less-developed countries, its flow of private capital as a percentage of national income in 1965 ranked below the ratio for all DAC countries.

Table 13 compares the same aid flows expressed as a percentage of gross national product. There is little change in the relative positions of the countries. However, the percentages generally are about 25 percent less than when national income is used as the denominator.

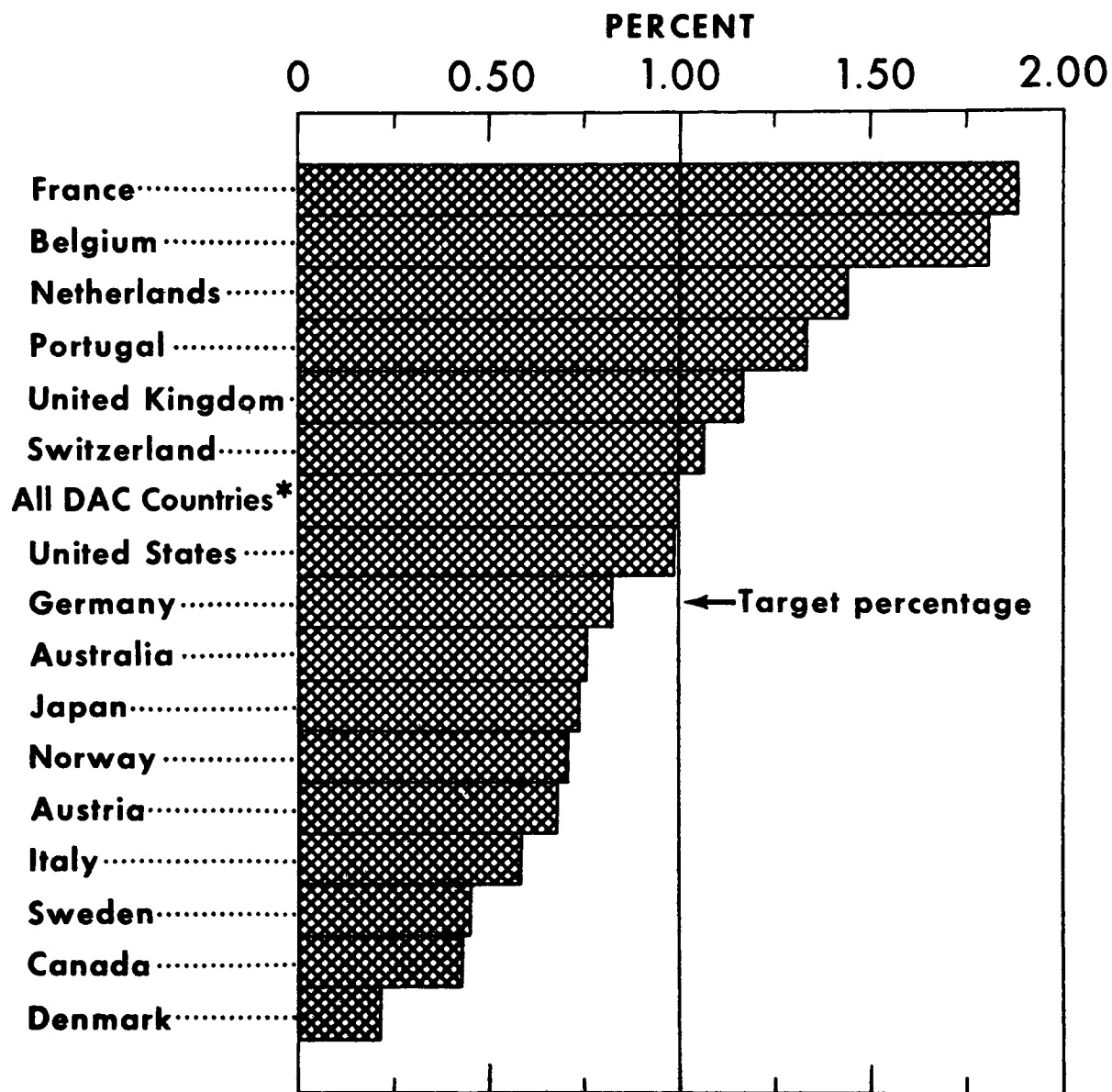
18/ Ibid., p. 118.

Table 12.--Net flow of public aid and private capital as a percentage of national income, 1962-65 ^{1/}

Donor country	Total official flow				Total private flow				Total official and private flows			
	1962	1963	1964	1965	1962	1963	1964	1965	1962	1963	1964	1965
	----- Percent -----											
France	1.76	1.39	1.25	1.07	0.76	0.68	0.83	0.81	2.51	2.07	2.08	1.87
Belgium	0.77	0.83	0.68	0.84	0.47	0.86	0.76	0.90	1.24	1.69	1.44	1.74
Netherlands	0.83	0.32	0.35	0.38	0.45	0.82	0.49	1.08	1.27	1.13	0.84	1.47
Switzerland	0.06	0.06	0.08	0.03	1.73	2.00	0.94	1.37	1.70	2.06	1.08	1.40
United Kingdom	0.64	0.60	0.67	0.61	0.51	0.46	0.57	0.65	1.16	1.06	1.25	1.26
United States	0.77	0.77	0.67	0.65	0.18	0.18	0.25	0.31	0.95	0.95	0.93	0.99
Portugal	1.69	1.98	2.29	0.75	0.71	0.58	0.63	0.26	2.42	2.56	2.81	0.89
Germany	0.69	0.60	0.53	0.55	0.27	0.23	0.36	0.30	0.96	0.83	0.89	0.85
Australia	0.56	0.67	0.65	0.69	n.a.	0.46	0.12	0.13	0.56	0.72	0.76	0.82
Japan	0.19	0.26	0.19	0.37	0.46	0.26	0.31	0.36	0.67	0.55	0.52	0.71
Norway	0.17	0.48	0.35	0.22	---	0.23	0.12	0.49	0.17	0.50	0.48	0.71
Austria	0.25	0.04	0.22	0.49	0.31	0.06	0.10	0.19	0.56	0.10	0.33	0.68
Italy	0.35	0.31	0.14	0.20	0.91	0.60	0.48	0.39	1.26	0.92	0.62	0.59
Sweden	0.16	0.18	0.24	0.25	0.16	0.24	0.25	0.22	0.32	0.42	0.48	0.47
Canada	0.19	0.32	0.39	0.34	0.19	0.11	0.04	0.12	0.38	0.43	0.44	0.47
Denmark	0.12	0.15	0.15	0.17	0.12	0.01	0.30	0.03	0.25	0.17	0.45	0.21
Average of above ..	0.73	0.69	0.62	0.60	0.32	0.30	0.35	0.41	1.05	0.99	0.97	1.01
Average excluding												
U.S.	0.67	0.60	0.56	0.54	0.49	0.43	0.46	0.52	1.16	1.26	1.02	1.03

^{1/} National income from International Monetary Fund, International Financial Statistics; and aid figures from Organization for Economic Cooperation and Development, The Flow of Financial Resources to Less-Developed Countries, 1961-65, 1967.

NET PUBLIC AID AND PRIVATE CAPITAL TO LESS-DEVELOPED COUNTRIES AS A PERCENTAGE OF NATIONAL INCOME, 1965



*DEVELOPMENT ASSISTANCE COMMITTEE OF THE OECD.
SOURCE: ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT.

Figure 1

Table 13.--Net flow of public aid and private capital as a percentage of gross national products, 1962-65 ^{1/}

Donor country	Total official flow				Total private flow				Total official and private flows			
	1962	1963	1964	1965	1962	1963	1964	1965	1962	1963	1964	1965
	----- Percent -----											
France	1.35	1.06	0.93	0.80	0.58	0.52	0.62	0.61	1.93	1.58	1.55	1.41
Belgium	0.61	0.66	0.54	0.67	0.37	0.68	0.60	0.72	0.99	1.33	1.14	1.39
Netherlands	0.67	0.26	0.29	0.32	0.36	0.67	0.40	0.88	1.03	0.92	0.70	1.23
Switzerland	0.47	0.51	0.69	0.28	1.47	1.67	0.78	1.14	1.44	1.72	0.85	1.17
United Kingdom	0.52	0.49	0.54	0.48	0.41	0.36	0.45	0.52	0.93	0.84	0.99	1.01
United States	0.63	0.62	0.54	0.53	0.15	0.15	0.21	0.26	0.77	0.77	0.75	0.81
Portugal	1.47	1.71	1.88	0.56	0.61	0.50	0.55	0.23	2.09	2.21	2.42	0.80
Australia	0.44	0.54	0.52	0.56	n.a.	0.37	0.10	0.10	0.44	0.57	0.62	0.66
Germany	0.52	0.46	0.40	0.42	0.21	0.17	0.27	0.22	0.73	0.63	0.68	0.64
Japan	0.17	0.24	0.17	0.29	0.37	0.21	0.24	0.29	0.53	0.45	0.41	0.57
Austria	0.19	0.03	0.17	0.37	0.24	0.05	0.08	0.15	0.43	0.08	0.25	0.52
Norway	0.13	0.37	0.27	0.15	0.08	0.17	0.95	0.34	1.30	0.38	0.37	0.49
Italy	0.28	0.24	0.11	0.16	0.71	0.47	0.38	0.31	0.98	0.71	0.49	0.47
Sweden	0.13	0.15	0.19	0.20	0.13	0.19	0.20	0.17	0.26	0.34	0.38	0.38
Canada	0.14	0.24	0.29	0.25	0.15	0.08	0.31	0.92	0.29	0.32	0.32	0.34
Denmark	0.10	0.12	0.12	0.13	0.10	0.01	0.24	0.03	0.20	0.13	0.36	0.16
Average of above	0.58	0.56	0.49	0.48	0.25	0.22	0.28	0.32	0.84	0.74	0.77	0.81
Average, excluding												
U.S.	0.53	0.47	0.43	0.42	0.38	0.30	0.36	0.40	0.92	0.71	0.79	0.81

^{1/} Gross national product from International Monetary Fund, International Financial Statistics, and aid figures from Organization for Economic Cooperation and Development, The Flow of Financial Resources to Less-Developed Countries, 1961-65, 1967.

FUTURE PROSPECTS FOR ECONOMIC ASSISTANCE PROGRAMS

According to the latest DAC report on development assistance, it appears likely that development aid from donor governments and multilateral agencies increased still further in 1966. ^{19/} Among major donors, the United States and the United Kingdom were expected to increase their bilateral disbursements in 1966, while a slight reduction was possible in French public aid.

Factors which might limit the expansion or maintenance of assistance programs in the near future are: (1) the sharp drop of new commitments in 1965 by donor countries to the less-developed countries, (2) a decline in private foreign capital investments in the developing countries, and (3) the dependence of the multilateral agencies on contributions from member countries. For the first time in 1965, aid commitments made by 16 DAC countries as a group to the less-developed countries failed to exceed the DAC countries' gross disbursements of assistance. Reductions in U.S. commitments of aid explained most of the drop in commitments made by all DAC countries in 1965. The decline in U.S. commitments between 1964 and 1965 was due mainly to a time lag in reporting.

For the last 2 years, private capital accounted for the greatest part of the increase in development assistance. Thus, a sudden drop in the flow of private capital could cause a substantial decline in the total aid flow. Many DAC countries have policies to encourage private investment in the less-developed countries, such as tax incentives, investment guarantee programs, and government-supporting services. The United States has the most comprehensive incentive program. Under its Investment Guarantee Program, which expanded substantially in 1965, U.S. investors have war and expropriation coverage in 73 less-developed countries. AID authorizes grants to private investors to help finance investment surveys. AID also makes loans to private investors. Future private investments will depend considerably on government policies both in the developing and the donor countries.

The growth in new commitments made by multilateral agencies to the developing countries has reached a point where almost all available funds have been earmarked to specific countries. Since the multilateral agencies generally do not make new commitments until funds are available for disbursement, their ability to expand operations will depend on future financial contributions from donor countries.

In view of the importance of assisting the less-developed countries to develop their agriculture, it is likely that the principal donor countries will place more emphasis on capital and technical assistance to agriculture in their future aid program. The United States and France, the major donors, already are expanding agricultural assistance of capital and technical help.

In the next few years, food and fiber aid under P.L. 480 will depend on conditions in foreign countries and U.S. supplies. It is perhaps significant, however, that in the last 5 years, food aid has been \$1.5 to \$1.6 billion. The new P.L. 480 law (November 1966) states that any agricultural commodity may be available for assistance programs after meeting all domestic needs and expectations for commercial exports. In recent years, surpluses of principal P.L. 480 commodities, such as grains, have declined. If U.S. commercial exports of agricultural commodities continue to increase at the rate of the last few years (commercial sales jumped from \$3.5 billion in fiscal 1963 to \$5.1 billion in 1966), it may be difficult to maintain the proposed level of P.L. 480 aid.

^{19/} Ibid.

The developed donor countries at the July 1966 meeting of the OECD Development Assistance Committee recognized that the less-developed countries must bear the major responsibility for developing their agricultural and industrial sectors. The new Food for Peace bill of 1966 emphasizes the "self-help" principle of encouraging the recipient countries to give greater attention to agricultural development. The law states that the United States will use food aid ". . . to encourage economic development in the developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production." Before a recipient is eligible for food aid, the United States must consider the extent to which the country is undertaking self-help measures, including: (1) development of marketing, storage, and distribution facilities; (2) development of farm supply industries; (3) expansion of educational and research activities; (4) implementation of government policies favorable to the expansion of agricultural production; and (5) allocation of land resources to the production of needed food crops rather than nonfood crops, especially nonfood crops in world surplus. Self-help measures are written into every new P.L. 480 agreement.

The DAC members consider agriculture and other forms of economic assistance only as interim aid to help the countries during their crucial period of development when food and capital needs are greatest. The developed countries feel that agricultural and other assistance can make a significant contribution, if the assistance is coordinated within a country's development program, and if the recipient country takes the necessary measures to promote its own development.