

**THE
FOREIGN
ASSISTANCE
PROGRAM**

**Annual Report to the Congress
Fiscal Year 1964**

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Washington, D.C., 20402 - Price 45 cents

President's Letter of Transmittal

To the Congress of the United States:

I am pleased to transmit the Annual Report on the Foreign Assistance Program of the United States for fiscal year 1964. It demonstrates that our program of international assistance is fulfilling its promise to the world and to America.

We are engaged in this great effort for many reasons. We seek to alleviate poverty, starvation, and disease. We seek also to resist aggression and to promote independence and self-determination for the people of other nations.

In these pursuits there is no conflict between "humanitarian" goals and "national" goals. Our own security rests on the security of others. Their good health is our good health. As they prosper we prosper. Our concern must—and does—transcend national borders.

Neither is there conflict between "economic" goals and "military" goals. Neither purpose is sufficient by itself. Military security without economic and political development brings no lasting benefits; economic help to people vulnerable to aggression would largely be wasted.

In promoting the growth of free nations, the United States must serve both as partner and leader. We travel a difficult road. On the basis of our experience in recent years, I am persuaded that we are on the right road.

The Agency for International Development is successfully applying a hard test of where and how our limited resources will yield the greatest rewards:

- by enlisting America's private resources in what is increasingly a joint endeavor. AID specific risk guaranties of American private investment in the less-developed countries, for instance, reached a record of nearly \$1.4 billion in fiscal 1964, an amount almost triple that of the previous year.
- by centering AID's effort in those countries, relatively few in number, which are able to follow the disciplined and arduous path to progress.
- by concentrating more on long-term development which fosters self-sustaining growth and an eventual end to the need for external aid.

In fiscal year 1964, more than 45 percent of the total AID program was in the form of development assistance. This compares to 25 percent 3 years ago.

At the same time, AID was able to make savings of more than \$9 million by introducing increasingly higher standards of operating efficiency into its administrative structure and by reducing direct-hire employment by more than 1,100.

Statistics cannot tell the whole story. Recipient countries increasingly understand that we are engaged in a common enterprise. The relatively small measure of resources that the United States can provide must largely serve only as a catalyst for their own efforts. Many nations, accustomed to tradition, are finding solutions to modern problems through new techniques: increased savings, effective land reform, efficient tax systems, and other steps toward progress.

Nothing gives me greater satisfaction than the progress of the Alliance for Progress, which with strong U.S. participation is bringing significant changes in Latin America:

—In *Ecuador*, a 146-mile, all-weather highway has been completed connecting the capital city, Quito, and the coastal city of Quevedo. The road traverses some of the most difficult mountain terrain in the world. It has opened up rich coastal land to settlers.

—in *Chile*, a \$5 million loan to assist the Central Savings and Loan Bank has supported a nationwide system of new private savings and loan associations. Twenty-two such associations are now operating. These thrift institutions had financed the construction of more than 10,000 homes by the end of 1963, and 10,000 more were to be built in 1964.

—in *Brazil*, an AID agreement is helping improve the living standards of 25 million people in the Northeast, one of Latin America's major underdeveloped areas and politically one of the most vulnerable to Communist influence. A total of 270 health units has been constructed or renovated. Water supply units are under construction in 70 cities and towns. Electricity has come to 73 towns; 2,290 new homes and 2,900 classrooms have been built. Twenty-four teacher-training and supervisory centers have been established. An additional 14,000 classrooms are under construction. Agreements for the training of 28,000 teachers have been made; 4,700 have actually completed their courses.

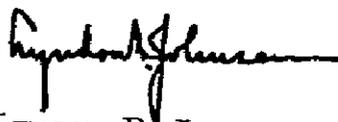
AID's story extends to many other parts of the world:

—in *West Pakistan*, a development loan to expand the capacity of the railway system helped the Pakistan Western Railway to handle the increasing transportation load for the first time in several years.

- in *India*, an intensive effort to streamline the teaching of science and mathematics in order to develop higher skills among Indian youth was conducted with U.S. assistance. AID financed 44 six-week institutes at 34 locations in which 80 U.S. college and high school educators demonstrated modern teaching techniques to some 1,700 Indian teachers.
- in *Israel*, work was completed on the modernization of Lod International Airport, near Tel Aviv, which is used by a dozen international airlines. A local currency loan made earlier by the United States financed the installation of American-made navigation, communications, and radar equipment to improve efficiency and safety at the airport.
- in *Afghanistan*, a U.S. firm of industrial consultants under AID contract is investigating the development possibilities of a variety of local private industries which could produce goods for export or to replace imports, thus strengthening that country's balance of payments position.
- in *Iran*, a project conducted by the Iranian Army with the assistance of the U.S. AID Mission and the U.S. Military Assistance Advisory Group, provides training for soldiers in nine vocational fields.
- in *Taiwan*, the Shihmen multipurpose dam was completed in June 1964 with AID assistance. The project includes a 436-foot dam, a 256,000-acre-foot reservoir, two 45,000-kilowatt generators, a new irrigation canal system, and a public water supply system. Besides providing the new power source, the dam project will irrigate about 145,000 acres of double-crop paddy fields and reduce flood damage in the Taipei area.
- in *Korea*, 30 new diesel electric locomotives financed by a U.S. loan are now in operation. Because of greater efficiency and load capacity, they are expected to save more than \$1 million a year in foreign exchange expenditures for fuel.
- in the *Philippines*, a new coconut processing system which could revolutionize this food industry was developed in a research project directed by the Armour Research Institute, working with the National Science Foundation under an AID contract.
- in *Nigeria*, AID-sponsored projects at the University of Nigeria and at the Aijetoro and Port Harcourt comprehensive schools are revolutionizing secondary and higher education, adapting it more closely to that country's development needs.

Slowly, but I believe steadily, all these efforts are leading nations to greater economic prosperity and social stability. Countries such

as Greece, Taiwan, and Israel, long recipients of our economic support and encouragement, are emerging to a stage of progress where they no longer need our economic assistance. Other nations, poised at the crossroads of political decisions, are watching. We must not—and we will not—falter in building this bridge to a more peaceful future.



LYNDON B. JOHNSON

THE WHITE HOUSE.

May 1965

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I. FISCAL YEAR 1964 PROGRAM SUMMARY

During fiscal year 1964, United States programs of economic and military assistance continued to contribute to the development and security of the underdeveloped countries of the free world.

The year was marked by significant progress in the mobilization of private resources in the development effort, by steady improvement in the administration of assistance programs, and by continued emphasis on assistance for long-term development and growth.

The relative proportion of the program used for long-term development assistance continued to increase:

By fiscal year 1964, development assistance (Development Loans and Technical Cooperation) accounted for more than 45 percent of the combined military and economic assistance programs, compared with less than one-fourth as recently as fiscal year 1961.

The concentration of assistance efforts on key countries increased during the year:

Ten countries accounted for 73 percent of direct AID assistance to countries in fiscal year 1964; in fiscal 1963, the 10 principal country programs accounted for 63 percent of direct AID assistance.

AID continued to move the bulk of its assistance programs from a grant to a loan basis:

In fiscal year 1964, loans constituted 69 percent of AID assistance to other countries, the highest proportion in the history of the program and an increase of seven percent over the previous year. During the Marshall Plan, nearly 90 percent of all economic aid to Europe was provided on a grant basis.

Significant progress was achieved in AID programs designed to enlarge the role of America's private resources in the international development effort:

A sharp increase occurred in issuance of Investment Guaranty insurance against risks of American private investment in the developing countries. AID issued a total of \$596

million in new specific risk coverage during fiscal year 1964, nearly three times the coverage issued during fiscal 1963.

Assistance to intermediate credit institutions—which support private ventures in the developing countries—reached the highest level to date:

In addition to providing technical assistance to development banks, housing credit institutions and savings and loan associations, AID authorized a record \$125 million during fiscal year 1964 for seed capital loans to 21 intermediate credit institutions in 15 countries, the largest amount for any fiscal year.

New ways were explored to increase the role of private enterprise in development, including establishment of a Businessmen's Information Center in AID, inauguration—under private auspices but with AID help—of the International Executive Service Corps, and appointment of a top-level Advisory Committee on Private Enterprise.

Administrative reforms and management economies during fiscal 1964 included these developments:

AID employment was sharply reduced, by a total of 1,140 direct-hire U.S. and foreign national employes to a level of 15,642 at the close of fiscal year 1964. The reduction—achieved entirely within fiscal 1964—saved more than nine million dollars in salaries and related costs during the year. Evaluation of AID field performance was tightened during the year with the establishment of an Operations Evaluations Staff to monitor the efficiency and effectiveness of AID Missions.

COMMITMENTS IN FISCAL YEAR 1964

The United States committed a total of \$3,505,598,000 for programs of economic and military assistance under the Foreign Assistance Act during fiscal year 1964.

Of this amount, about one-third, \$1,231,800,000, was committed for the Military Assistance Program administered by the Department of Defense. The fiscal 1964 Military Assistance Program was sharply limited by a 29 percent reduction in appropriations below the amount originally requested. The one billion dollars in new appropriations for military assistance in fiscal 1964 was the smallest appropriation in the 14-year history of the program. A summary of the fiscal 1964 Military Assistance Program will be found in Chapter V of this report.

For economic assistance, the Agency for International Development committed a total of \$2,273,798,000 during the fiscal year ending

June 30, 1964. The needs of the less-developed countries, and the improved record of self-help performance by many recipient countries absorbed virtually all of the funds available for economic assistance during the year.

In consequence, there remained less than \$28 million in unobligated balances at the end of the fiscal year available for use in fiscal year 1965. This amounted to a little more than one percent of total funds available—the smallest such amount since fiscal year 1955.

Total economic assistance commitments for fiscal 1964 were as follows:

*Economic Assistance Commitments by Funding
Category—Fiscal Year 1964*

(In thousands)

Development Loans (Including Alliance for Progress) --	\$1,314,686
Technical Cooperation/Development Grants (Including Alliance for Progress)-----	300,945
Supporting Assistance-----	360,014
Contingency Fund-----	107,387
Contributions to International Organizations-----	116,303
American Schools and Hospitals Abroad-----	19,804
Administrative and Other-----	56,100
Total Economic-----	\$2,275,239

Continued Emphasis on Long-Term Development Assistance

One of the most significant changes in U.S. economic assistance over the past three years has been the steady shift in emphasis from assistance for short-term survival and stability, to assistance for long-term economic and social development in Asia, Latin America and Africa.

As more and more countries have solved immediate problems of security and stability and mounted serious development efforts, the United States has been able to focus its assistance on activities that foster self-sustaining growth and an eventual end to the need for external aid.

As recently as fiscal year 1961, development assistance (Development Loans and Technical Cooperation grants) accounted for less than 25 percent of the combined military and economic assistance program. By fiscal 1964 development assistance constituted more than 45 percent of total economic and military assistance commitments.

Economic assistance was concentrated largely in those important countries which are making major development efforts:

Of the 10 largest fiscal year 1964 AID country programs

which accounted for 73 percent of all AID country programs, seven—in India, Pakistan, Turkey, Colombia, Chile, Brazil, and Peru—were in countries making major development efforts.

Development Loans

A primary tool of AID's development assistance is the Development Loan program. Development Loans and Alliance for Progress loans are carefully tailored to meet the needs of specific situations.

Project loans totalled nearly \$720 million in fiscal 1964, or about 55 percent of all loan commitments for the year. More than \$400 million in project loans were authorized to finance the export of American commodities and equipment and the services of American engineers and construction experts needed for capital projects in power, transportation and communications. Another \$75 million was allocated to agricultural development projects.

Project loans also fostered the development of private enterprise in the developing countries. A total of \$125 million in loans was authorized for intermediate credit institutions—development banks, housing banks and cooperatives. Another \$60 million was loaned directly to private enterprise, much of it under the two-step procedure whereby the private borrower repays in local currency on hard terms, and the country repays AID in dollars on concessional terms.

Program loans amounted to \$589 million in fiscal 1964, accounting for about 45 percent of all development loans and Alliance for Progress loans. Program loans finance the export of a wide variety of American commodities essential to development, but otherwise unobtainable because the importing country lacks the dollars to buy them.

Program loans have proved to be the most effective way to get spare parts and needed equipment to private enterprise in the developing countries, helping to strengthen development of the private sector.

Program loans are made only to countries which are using their own resources wisely and are making sound and effective development efforts. As such, program lending provides an effective incentive to undertake major self-help measures such as exchange rate reforms, liberalization of import policies and tax reform. In fiscal 1964, program loans were authorized only for India, Israel, Pakistan, Turkey, Tanganyika, Tunisia, Chile, and Colombia.

As countries approach self-support, it is AID policy to raise interest rates on AID loans and to shorten maturities in reflection of the recipient's increased financial capability. In December 1963, the Congress amended the Foreign Assistance Act to harden the minimum terms of all AID loans. The new minimum interest rate under the legislation became 0.75 of one percent for the first 10 years and two percent for the balance of the repayment period.

Technical Cooperation: Human Resources for Development

In fiscal year 1964 AID committed a total of \$299.1 million for technical assistance projects designed to help create the human resources needed to initiate and carry forward social and economic development.

As in the past, AID Technical Cooperation funds were concentrated in the fields of most urgent need: education, food and agriculture, health and sanitation. These three fields accounted for nearly half of all country technical assistance programming. As a result of educational assistance alone, AID helped give in-service training to 182,000 teachers; an additional 92,000 teachers were graduated during the year from AID-assisted training institutions in the developing countries.

To carry out technical assistance projects, the Agency continued to rely heavily on contracts with nongovernmental institutions and private enterprise.

In the field of cooperative development, for example, 207 of the 361 technicians at work in the field were the employees of private American cooperative and thrift associations with which the Agency contracts, rather than direct-hire AID employees.

At the close of the fiscal year, AID had 1,165 contracts outstanding with nongovernmental institutions, business firms, universities, individuals, and corporations. Colleges and universities in 46 States held contracts with AID for technical assistance and training activities under the AID program.

Because of the increasingly important role American universities are playing in development programs, particularly in the critical areas of research and rural development, the Agency undertook a comprehensive review of AID-university relationships during the year.

At the request of AID, a special task force headed by John W. Gardner, President of the Carnegie Corporation, conducted an intensive study of the working relationship between the Agency and the nation's institutions of higher education in the conduct of technical assistance training and development research.

The Gardner report, made in May 1964, is expected to lead to significant improvements in AID-university relationships. The Agency had begun steps to implement its specific recommendations by the close of the fiscal year.

Supporting Assistance

Supporting assistance funds are not directed primarily toward development but toward survival. These funds are used to keep a country afloat in an emergency, generally by paying for necessary imports.

Most supporting assistance funds are used in coordination with military assistance to strengthen the military-economic position of countries on the fringe of the Communist bloc. Vietnam, fighting for its life, is the largest recipient, and illustrates the use of supporting assistance funds in the common defense effort.

The steady reduction of supporting assistance-type funds continued in fiscal 1964. A total of \$360 million in supporting assistance was committed during the fiscal year, as compared with \$431 million in fiscal 1963, and more than one billion dollars in fiscal 1960. This reduction was made in spite of increased requirements for Vietnam.

Nearly all AID assistance is provided in the form of goods or services; actual cash transfers account for a small and declining share. In fiscal year 1962, commitments for cash transfers amounted to more than \$200 million. In fiscal year 1964, cash transfers totaled only \$39 million—well under two percent of total economic assistance commitments for the year. Six countries, which received more than \$118 million in cash transfers in fiscal year 1962, received none in fiscal year 1964.

AID Commitments by Region

Once again the largest share of U.S. assistance was allocated for the Near East-South Asia region where development loans, concentrated in India, Pakistan, and Turkey constituted 86 percent of total commitments for the fiscal year. In spite of continuing political difficulties, such as the Arab-Israeli problem, the major nations in this region are still able to focus their energies on development.

Fiscal Year 1964 Regional AID Commitments

Region	Development loans	Technical cooperation	Supporting assistance ¹	Total ²
Near East-South Asia.....	\$726. 2	\$50. 5	\$66. 6	\$843. 3
Latin America.....	479. 1	83. 3	68. 9	631. 3
Far East.....	29. 6	45. 0	276. 8	351. 4
Africa.....	79. 6	74. 2	48. 0	261. 8

¹ Includes contingency funds.

² Excludes the Social Progress Trust Fund administered by the Inter-American Development Bank.

In Latin America, U.S. assistance under the Alliance for Progress continued to increase. AID commitments for Latin America

were higher in fiscal year 1964 than in fiscal year 1963. Latin American nations made substantial progress in land reform and tax reform. For example, eight countries had passed major tax reform legislation by the end of fiscal year 1964; all had taken steps to improve their tax administration. Tax collections in calendar year 1963 were \$500 million higher than in 1962.

Self-help housing programs were under way in 15 countries by the end of the fiscal year, largely as the result of technical assistance by AID, and the availability of loans from the Social Progress Trust Fund. National development plans of the kind called for by the Alliance Charter had been submitted by eight countries to the Panel of Experts of the Organization of American States.

Commitments for technical cooperation programs constituted 37 percent of AID assistance in Africa, reflecting the greatest emphasis on technical assistance in any region. Assistance from other free world countries amounted to 2.5 times the total of U.S. economic assistance to African countries, including Food for Peace and other programs.

Supporting assistance continued to be the keystone of Far East programs in fiscal year 1964, accounting for 65 percent of AID assistance to the region. The countries of this region face a constant threat, and in Vietnam and Laos, the reality of Communist subversion and/or aggression.

However, in contrast to the difficult situation in Southeast Asia, the Republic of China on Taiwan continued to move rapidly towards economic self-support and an end to the need for economic aid. In Korea, the AID program continued to shift towards support for long-term development goals which will move that key country in the direction of economic self-support.

PRIVATE RESOURCES IN DEVELOPMENT

AID continued to expand its efforts to mobilize private resources for development. A wide range of AID activities and programs acted to increase the participation of American private enterprise and institutions in development and to stimulate private investment and enterprise in the less-developed countries.

On June 30, 1964, specific risk guaranty coverage outstanding reached a record \$1,369 million. Specific risk investment guaranties cover U.S. private investment overseas against the political risk of loss due to inconvertibility, expropriation, and war and revolution.

By the end of fiscal year 1964, guaranty coverage was available in 61 less-developed countries—five more than in fiscal year 1963.

More than 300 contracts totaling some \$596 million in specific risk coverage were written in fiscal year 1964—nearly three times the coverage issued the preceding year.

Fifty-nine new investment survey agreements were signed in fiscal year 1964, double the 1963 total. Under this program, AID can agree to pay up to half the cost of investment surveys undertaken by prospective investors. If the survey results in an actual investment, the investor pays the entire cost.

A privately organized and managed International Executive Service Corps was established in fiscal year 1964, with AID support. The purpose of the Service Corps is to make available directly to less-developed countries the skills and experience of American businessmen.

IMPROVEMENTS IN MANAGEMENT

The Agency gave special emphasis during fiscal year 1964 to efforts to tighten and improve the management of AID programs.

A thorough overhaul of AID's personnel policies and procedures was completed and legislative proposals were prepared to upgrade the quality of AID personnel. The Agency achieved direct-hire staff reduction of 1,140 during the year, substantially ahead of previous staff reduction targets.

Audit coverage of AID operations in fiscal year 1964 was increased one-third over the fiscal year 1962 level. The AID dollar was stretched by use of excess Government property. In fiscal year 1964, property originally valued at \$42 million was acquired for AID used at an out-of-pocket cost of six million dollars for repairs and handling.

AID AND THE U.S. ECONOMY

The percentage of AID funds for expenditure directly in the United States continued to rise. More than 80 percent of the AID funds committed during fiscal year 1964 will be spent in the United States, under present rigorous "tying" policies. In 1960, the dollar drain to other countries which resulted from the aid program measured over one billion dollars. In fiscal 1964, this was reduced to approximately \$500 million. Moreover, a significant part of the out-flow was offset by the interest on and repayment of past U.S. loan assistance.

More than 85 percent of all AID-financed commodities were produced in the United States during fiscal 1964, producing more than one billion dollars in export business for American firms and factories. In fiscal year 1961, the figure was 44 percent.

II. PRIVATE ENTERPRISE

It is a major objective of AID to encourage increased U.S. private investment in the developing countries and to strengthen the growth of strong, vigorous private sectors in these economies.

Highlights of AID's private enterprise programs in fiscal 1964 included these developments:

Five additional investment guaranty agreements signed, bringing to 61 the number of less-developed countries now participating in the investment guaranty program.

A record number of specific-risk guaranty contracts written. The amount of guaranty coverage was nearly three times that issued during the preceding year.

A doubling in the number of investment survey agreements authorized over the preceding year.

Establishment of a Businessmen's Information Center in AID. Publication of the AID Catalog of Investment Opportunities, summarizing recent data available on opportunities in the less-developed countries.

An increase in assistance to development banks designed to assist private enterprise in the less-developed countries.

Increased dollar and local currency lending to private borrowers.

Establishment, under private auspices, of an International Executive Service Corps to provide experienced American executive assistance to private business and industry in the developing countries.

Increased emphasis on the development of cooperative and thrift institutions in the AID program, through expanded use of non-governmental contractors.

INVESTMENT GUARANTY PROGRAMS

AID's investment guaranty programs expanded greatly in scope and in volume during fiscal year 1964. The Foreign Assistance Act was amended in 1963 to increase the maximum allowable amount of guaranties outstanding at any one time from \$1.3 billion to \$2.5 billion for specific risk coverage and from \$60 million to \$150 million for

extended risk coverage earmarked for housing in Latin America. The ceiling for other extended risk guaranties remained at \$180 million.

The investment guaranty programs operate through bilateral agreements between the United States and countries where eligible investments may be covered. As of June 30, 1964, investment guaranties were available against inconvertibility in 61 countries, expropriation in 60 countries, and war risk in 41 countries, with coverage against revolution, insurrection, and extended risk included in 34 of these.

Five additional countries signed bilateral agreements during fiscal 1964: Malagasy Republic, Tanganyika, Somali Republic, Mali, and Kenya. Existing bilateral agreements were amended to allow issuing extended risk guaranties, as well as coverage against war, revolution or insurrection, in Chile, Ecuador, Bolivia, Vietnam, Morocco, Sierra Leone, Taiwan, and the Sudan. In addition, the Chilean bilateral agreement was amended to provide coverage against expropriation.

Specific Risk Guaranty Program

Coverage outstanding against the political risks of inconvertibility, loss due to expropriation, and loss due to war, revolution, or insurrection amounted to \$1,360,063,998 as of June 30, 1964. Three-hundred and two contracts and two amendments for investments were written during the year for coverage totaling \$596,094,701. This compares with 130 contracts for coverage totaling \$218,661,679 written during fiscal 1963.

The guaranties issued in the fiscal year covered projects involving such products and industries as petrochemicals, aircraft parts, tires, detergents, auto transmissions, banking and financing.

Extended Risk Guaranty Program

This program, which has posed difficult policy problems for the Agency, developed further during the year. One extended risk guaranty contract was signed, covering 50 percent of a \$16.65 million debenture issued on the PASA petrochemical complex in Argentina, in which a number of U.S. firms are investing. An additional guaranty was authorized, providing a 75 percent guaranty of a \$825,000 loan from a U.S. company to its subsidiary, to assist in the financing of a carbon black factory in Colombia.

During the year, the Agency earmarked up to \$50 million for guaranties for housing projects in areas other than Latin America. Some \$37 million in applications for housing projects in the Far East and Africa were received by the end of the fiscal year. At that

time, applications for about \$37 million in projects other than housing were under consideration. Activity under the program is expected to expand in fiscal 1965.

Latin American Housing Guaranty Program

AID issued 10 housing investment guaranties during the fiscal year covering the construction of more than 13,000 homes in Latin America, with investments valued at about \$63 million. This made a total of 12 such guaranties issued as of June 30, 1964, since the beginning of the program in 1962, covering investments totaling some \$68 million.

At the end of the fiscal year, legislation was pending in Congress to increase the maximum amount of such guaranties authorized from \$150 million to \$250 million.

Fees and Payments

Cumulative fee income from all guaranty programs since 1948 totaled \$17,092,359 as of June 30, 1964, of which \$4,674,441 was collected during fiscal year 1964.

One claim, based on temporary inconvertibility of the interest payment on a loan in the Congo (Leopoldville) resulted in a payment of \$51,459.55 to Pluswood Industries of Racine, Wisconsin. Subsequent recovery of \$54,360.24 resulted in a net gain of \$2,900.69 for the program.

LOCAL CURRENCY LOANS

Cooley Loans

Cooley loans are an integral part of AID's private enterprise program. Under Title I of Public Law 480, up to 25 percent of the foreign currencies received by the U.S. Government in payment for surplus agricultural commodities may be lent to qualified borrowers to develop business and expand trade in certain less-developed countries.

Local currencies may be loaned to U.S. firms or their branches, subsidiaries, or affiliates for business development and trade expansions in the foreign country, or to either U.S. or foreign firms to expand markets for, and consumption of, U.S. agricultural products.

In fiscal 1964, 45 local currency Cooley loans were made in 14 countries in the equivalent of \$64,469,000. They were made for such purposes as tin can production in Colombia, cardboard box manufacturing in Ecuador, flashlight battery production in Taiwan, dairy products in the Philippines, grain storage facilities in Israel, chemical production in Turkey, and a glassware plant in India.

Other Local Currency Lending

Additional techniques in the use of local currencies for stimulating greater private investment are being explored. An interesting use of such local currencies was arranged in Colombia in 1963 where an institution—the Private Investment Fund—was created under IBRD and AID auspices to provide medium- and long-term credit for industrial development. The peso equivalent of \$30 million was earmarked for this institution and as of June 30, 1964, it had been entirely committed in subloans to private projects.

INVESTMENT SURVEYS

The U.S. business community has become increasingly aware of the Investment Survey Program, under which AID seeks to encourage private enterprise to undertake surveys of investment opportunities abroad by sharing up to 50 percent of the cost of such surveys.

AID authorized 59 new survey grants during fiscal year 1964, as compared with the 29 authorized in the previous year. The new surveys covered such investment possibilities as dairy processing in Nigeria and Ghana, small boat manufacturing in Taiwan, and steel castings in India.

Since the first investment survey was authorized late in fiscal 1962, AID has approved a total of 89 investment surveys in 27 countries for a maximum conditional AID obligation of approximately \$1.1 million. While most of these surveys are still in process, five surveys have led to positive decisions to proceed with projects which, if implemented in accordance with original plans, will result in new investments of approximately \$12 million.

OTHER AIDS TO PRIVATE ENTERPRISE

Businessmen's Information Center

A Businessmen's Information Center was established at AID headquarters to provide information from a single source on the wide range of AID programs of interest to the business and investment community.

The Center was activated in January 1964, and received so many business inquiries that additional staff had to be added. The Center has become identified by the business community not only as a source of general information "across-the-board" on business opportunities under the AID program, but as a central guide to the appropriate offices businessmen should contact on specific matters or transactions.

Catalog of Investment Opportunities

AID made available in May 1964 its Catalog of Investment Opportunities, a collection of more than 1,200 economic and technical feasibility studies for potential U.S. and foreign investors. An index, distributed free, lists the studies offered; a detailed abstract of each is available for review at AID, at the Department of Commerce and its 42 field offices, and in AID Missions. Copies of the complete studies are on sale at cost.

The first printing of 10,000 copies of the Investment Opportunity Catalog had been exhausted by the close of the fiscal year, six weeks after it was released, and work was already underway on a second edition containing data on 351 additional studies.

Private Enterprise Pilot Project

The pilot project that was initiated late in fiscal 1963 to assist and encourage joint ventures between U.S. and local businessmen in Colombia, Pakistan, Nigeria, and Thailand was sufficiently successful so that during fiscal year 1964, coordinated campaigns of this nature have been instituted in a number of other countries. Working closely with the local governments, AID and the Department of Commerce have brought a number of high priority private investment opportunities to the attention of American businessmen who are further encouraged to utilize the various AID programs, such as investment survey grants, guaranties, and local currency loans, to facilitate the successful realization of investment projects.

Investment Tax Credit Proposal

On June 9, 1964, Representative Hale Boggs introduced tax credit legislation recommended by the Administration, which is designed to encourage a greater flow of American capital to developing countries. The proposal provides for a tax credit against the total tax liability of the investor of 30 percent of new investment in eligible enterprises in less-developed countries. The legislation also provides that re-invested earnings over 50 percent shall be considered as new investment for purposes of calculating the credit. The Bill, H.R. 11524, was referred to the Committee on Ways and Means and it is expected that hearings will be held during fiscal 1965.

Advisory Committee on Private Enterprise in Foreign Aid

In response to an amendment to the Foreign Assistance Act of 1963, the White House announced, in May 1964, the formation of the Advisory Committee on Private Enterprise in Foreign Aid under the chairmanship of Arthur K. Watson, President of the IBM World Trade Corporation. The Committee was established to advise the

Administrator on the most effective means of encouraging greater private participation in the economic development of nations receiving U.S. assistance. Its final report is expected by June 30, 1965.

International Executive Service Corps

A serious handicap to private industrial growth in many less-developed countries is the shortage of experienced personnel with executive skills in management, marketing, and production. In an attempt to meet this need, the International Executive Service Corps was established during fiscal year 1964, with AID support.

A privately organized and managed non-profit corporation, its objective is to provide the specialized advice and help of experienced American businessmen to entrepreneurs in less-developed countries in need of managerial skills and expertise. It is believed that this program will significantly assist the growth of the private sector in many countries by filling the tremendous need for top- and middle-level management skills. Private business firms in over 30 countries have expressed interest in receiving assistance from the Corps.

AID has strongly encouraged this development and will finance a major part of the program until the level of voluntary contributions from private businesses and foundations permits self-sustaining operations.

Advisory Committee on Housing and Urban Development

A Housing and Urban Development Advisory Committee has been established to provide AID with guidance in the administration of its housing investment guaranty program and its activities in the fields of housing and urban development. The Committee has representatives from such fields as mortgage finance, savings and loan associations, and home building. During the fiscal year, it gave advice to the Agency with regard to the development of new criteria for the expansion and broadening of the housing investment guaranty activity, and for the more general program of assistance in housing and urban development.

STRENGTHENING THE PRIVATE SECTOR IN DEVELOPING COUNTRIES

Much of the mutual development program is directed to encourage vigorous, growing, private sectors in the less-developed countries by establishing the basic foundations on which private industrial and agricultural growth depends by direct assistance to private ventures, by assistance to intermediate credit institutions which finance private ventures, by encouraging the growth of cooperative and thrift institutions and by technical assistance.

Nearly one-third of all AID loans in fiscal year 1964—more than \$400 million in project lending—went for the development of greater power resources, improved transportation, and communication facilities, all of them basic to any other economic development. In many less-developed countries shortages of power, and inadequate transportation and communications networks are serious bottlenecks to private industrial and agricultural growth.

Another third of AID loans for the year, a total of \$468.3 million in program lending, financed the import by less-developed countries of a wide variety of goods they need from the United States in order to maintain or expand existing industrial plants, repair or increase the supply of agricultural equipment, increase the use of fertilizer, and the like. Most of the goods purchased with these loans are made available to the private businessmen, industrialists and farmers. For example, \$220 million (about 80 percent) of some \$275 million in commodity loans made to India during the year was for U.S. exports needed by the Indian private sector.

Some \$75 million in AID loans for agricultural development projects during the fiscal year will encourage the growth of a vigorous private farming sector by opening new land for development, expanding irrigation facilities, providing credit for better tools, seeds, and fertilizers.

Dollar Loans to Private Borrowers

During fiscal 1964, AID made 14 loans for \$59.3 million to private borrowers, chiefly in the field of industrial development. Representative of such credits were the loans to a private cast iron pipe company and a Kraft paper factory in Brazil; two truck factories, an earth moving equipment concern, and a machine tool manufacturing facility in India; and a tire and tube factory in Turkey.

AID also made direct loans to mixed-public and privately owned borrowers—five credits for \$37.4 million. Such credits include loans for electric power facilities in Brazil and Pakistan, a steel mill in Brazil, and a natural gas transmission line in Pakistan.

Intermediate Credit Institutions

During fiscal year 1964, AID authorized 22 dollar loans amounting to \$125.4 million to 21 intermediate credit institutions in 15 countries.

This represented the largest volume of lending to intermediate credit institutions since the inception of the program in fiscal year 1958. More than 90 percent of fiscal 1964 loans of this type went to Latin America, for a total of \$114.4 million. The remaining \$11 million in loans went to industrial development banks in Turkey, Nepal and the Ivory Coast.

Industrial development banks received the largest share of AID assistance, with a total of \$56.7 million in loans. Housing credit institutions were next with \$47.8 million, agricultural credit systems received \$17.3 million, and cooperatives \$3.6 million—the first AID loans to cooperative credit institutions since AID predecessors began assistance to intermediate credit sources.

To date, some 36 AID-assisted industrial development banks in 30 countries have made about 2,400 sub-loans from AID funds for private industrial ventures including the expansion of existing enterprise as well as the initiation of new ventures. AID-assisted agricultural credit banks in 10 countries (nine of them in Latin America) have made more than 40,000 sub-loans for farm improvements.

Local currency assistance to development banks also continued. The equivalent of more than \$11 million was made available to institutions in Israel, Nepal, and Turkey.

AID provided guaranties for a significant level of new U.S. private dollar investment in development banks in the less-developed countries during fiscal 1964. By the year's end, guaranty contracts had been issued in the amount of \$4.7 million to cover private U.S. investments in eight industrial development banks in seven developing countries. AID is currently working with private U.S. banking interests to establish additional development banks in AID recipient countries.

In addition to financial assistance, AID has continued its program of technical assistance to intermediate credit institutions, including initial surveys of the needs and requirements for a development bank and training to get a new bank organized and functioning or to improve the operation and management of an existing bank. U.S. advisers are working with development banks in all four regions, although concentrated in Africa and Latin America.

Cooperatives, Credit Unions, Savings and Loan Associations

In response to recommendations of the Cooperative Advisory Committee, work in major cooperative fields was initiated by AID during fiscal year 1962. By the end of fiscal year 1964, AID sponsored 278 cooperative development projects in 48 countries under 83 contracts with cooperative organizations. Following are some of the results achieved:

- There are 1,100 credit unions, with 300,000 members in 12 Latin American countries. These people have saved \$12 million. Nearly 2,000 leaders and organizers have been trained.

- Savings and loan organizers have set up 77 associations in six Latin American countries. The 165,000 members have saved \$40 million and helped finance 22,000 new homes.

• Fishermen's cooperatives have been organized or expanded in Panama, Nigeria, Somali, Vietnam, Korea, and Taiwan. The results have not only been better catches and more income for fishermen, but better service and quality for consumers. Cooperative effort is modernizing the catching and marketing of fish.

• In Brazil, 23 cooperative associations, located mainly on resettlement or agricultural projects, were allocated \$9,714,000 in Food for Peace commodities to step up poultry, dairy, and livestock production, and to grub-stake pioneers on new land.

The International Training Center, at the University of Wisconsin, provided training for 192 cooperative participants from abroad. At the same time, AID helped 80 campesinos (small farmers) learn farming methods and grassroots democracy by living with U.S. farm families in the Midwest. In Uganda, Dahomey, Vietnam, Peru, and other centers, more than 27,000 people received cooperative information and training from AID supported centers or programs.

During the year feasibility studies were made for starting a cooperative food distribution system in Colombia, insurance cooperatives in Latin America, and establishing markets for fertilizers, feed grains, and manufactured animal feeds through cooperatives abroad.

Technical Assistance

Other AID programs which helped to improve the investment climate in the less-developed countries during the fiscal year included financial and technical assistance to industrial development corporations, investment promotion centers, productivity centers, industrial parks, and business and vocational training centers. Specialized technical assistance has also been made available for improved tax administration, fiscal and administrative management and investment incentive legislation.

III. MATERIAL RESOURCES

In fiscal year 1964, nearly a billion dollars worth of AID-financed commodities were bought in the United States. In other terms, American business and industry produced about 87 percent of all goods provided under the AID program during the year. These American goods, valued at \$993.5 million, included a wide range of products such as iron and steel, fertilizer, textiles, chemicals, farm equipment, and machinery. Several hundred thousand Americans were employed in producing them, and American shipping firms were paid about \$85 million to carry them to their destinations in the less-developed world.

Six years ago foreign aid materials could be purchased anywhere in the free world, wherever the price was lowest; less than half of our aid dollars found their way into American markets. Restrictions on the purchase of U.S.-financed goods in foreign markets were imposed in late 1959 and since then there has been a steady increase in the percentage bought in the United States. To illustrate, in 1960 only 11 percent of the iron and steel products obtained for use in the foreign assistance program was supplied by U.S. producers; in 1964 domestic iron and steel producers accounted for 86 percent, valued at \$169.9 million. Other categories have showed similar increases.

Between 1960 and 1964, AID-financed exports from the U.S. increased both quantitatively and in relation to total commodity procurements as follows: U.S. fertilizers quadrupled, going from \$9.4 million to \$38.9 million (accounting for 84 percent of the 1964 total); U.S. chemical products more than doubled (to 93 percent of the fiscal year 1964 total); U.S. textiles and industrial machinery increased five times over (to 88 and 89 percent of their respective totals). One result of these increased exports is that new markets are being opened up for American products in parts of the world where they have never before been seen.

AID AND TRADE

During fiscal year 1964, AID devoted increasing attention to the role of trade in economic development. It concentrated on increasing the export earnings of the less developed countries and expanding their volume of trade. In those countries where our aid programs have been ended, trade has become a major factor in continuing the

development process; in the transitional countries, the expansion of trade becomes more and more important to a successful phasing out of economic assistance.

We have seen only the beginning of the opportunities for private enterprise that will be created in the transitional countries when self-sustaining growth has been set in motion. U.S. exporters have been steadily increasing their sales abroad, and U.S. investors have been expanding their overseas interests. As our economic assistance programs promote economic growth in the developing nations, they become better markets for American goods and better prospects for investment by U.S. business and industry. U.S. export opportunities will be further enhanced by making American-made products more familiar overseas and by establishing enduring commercial relationships.

Europe and Japan illustrate how economic progress overseas can increase American export markets. Since the Marshall Plan, U.S. exports to Europe have doubled and our exports to Japan have nearly quadrupled. American postwar relief changed Japanese eating habits and Japan is now the largest single cash customer for American farm product exports. American coal provided through postwar aid has opened up markets in Europe and Japan for more than \$275 million in American coal exports annually, according to the Coal Exporters Association.

The same thing is beginning to occur in the less-developed countries as they grow, and as they approach economic self-support. With the growth of the Israeli economy, for example, American commercial exports have almost tripled, from about \$85 million in 1958 to \$235 million in 1963. These are straight commercial exports, not AID-financed, and they are increasing at a rate of 15 to 20 percent a year.

The developing countries we are aiding today in Asia, Africa and Latin America contain more than a billion people and represent a potential market for American exports four times the size of our present major overseas market in Western Europe. The AID program helps to develop these potential markets and in the process, introduces American products and services against the day when self-support is achieved and trade replaces aid.

SMALL BUSINESS

To ensure that American small business has the opportunity to participate in AID-financed procurement and in the trade development opportunities it represents, the Agency carries out special programs to publicize procurement opportunities in the small business field.

Section 602 of the Foreign Assistance Act requires that advance information be made available to American firms, particularly small

independent enterprises, on proposed procurement to be financed with AID funds. AID regularly publishes such procurement announcements in the Small Business Circulars which are mailed, without charge, to any U.S. supplier on request. During fiscal year 1964, 13,351 such trade opportunities were published. This represents an increase of more than 100 percent over the level for fiscal year 1963.

To further assist U.S. exporting firms, AID also publishes Small Business Memos which provide general information on procurement regulations, policies, and practices of both United States and foreign governments that affect exports under AID financing.

FOOD FOR PEACE

The Food for Peace program is authorized by the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), as amended. The administration of the program is shared by AID with other Government agencies, particularly the U.S. Department of Agriculture under whose appropriation the commodity and transportation costs of the program are charged. AID administers the overseas operations of the program, including the integration of food aid with other forms of assistance.

Overseas sales and grants of U.S. surplus agricultural commodities under the four titles of Public Law 480 totaled \$1.2 billion in fiscal year 1964.

Title I sales of agricultural commodities for foreign currencies during the fiscal year totaled \$616 million. Of the foreign currency proceeds set aside for country programs, \$299 million was earmarked for economic development, \$130 million for common defense uses, and \$20 million for loans to private enterprise. More than 42 percent of the total amount resulting from sales agreements was earmarked for loans.

Disbursements of foreign currencies in fiscal year 1964 were for such purposes as malaria eradication in India; building vocational agriculture schools in Tunisia; rebuilding railroads and bridges in the Congo; and the construction of sanitary facilities and clean water systems in Brazil.

Title II authorizes grants of agricultural commodities for emergency assistance and economic and community development purposes. During fiscal year 1964, more than 1.1 million tons of commodities (at a cost of about \$293 million including freight costs) were donated to 40 countries and the World Food Program for disaster and other relief purposes, for child feeding programs, and to aid in economic development. The \$112 million of commodities provided for disaster relief was considerably lower than last year. Economic development programs totaling approximately \$92 million were substantially higher than the preceding year.

Title III, under available surplus foods are donated to accredited nonprofit relief agencies of the United States and to intergovernmental organizations for use abroad in assisting needy persons and in nonprofit school feeding programs. During the year more than three billion pounds of food were distributed by the voluntary agencies to 73 million persons.

Three-fourths of all the donated Food for Peace commodities are now programmed for children—through organized school lunch efforts, other institutional feeding programs and through family feeding plans in which the parents may participate by exchanging work for food. School lunch programs alone were benefiting 40 million children in 90 countries during fiscal year 1964.

Efforts are being made to see that the donated food is used to alleviate the cause of the need, rather than to offer merely temporary relief from immediate problems. Regulations have been broadened so that persons receiving donated food can contribute their services on self-help and community work activities.

Operation Ninos, the special Latin American child feeding project, has been extended to the needy children in additional areas. Since its start in July 1962, the number of children being fed under this program has increased from 3.9 million to over 11 million children. The program is also expanding to include the pre-school child, nursing infants, and expectant mothers in order to reduce malnutrition in the formative years of the child's development.

Title IV authorizes long-term supply and dollar credit sales of surplus agricultural commodities. Its major objectives are to stimulate the sale of U.S. agricultural commodities for dollars and to assist in the economic development of recipient countries. In fiscal year 1964, \$118 million in sales agreements were signed with nine countries. The program is of particular help to countries which are no longer totally dependent on foreign currency purchasing under Title I.

Most Title IV agreements provide that the local currencies derived from the sale of the commodities will be used to finance local economic and social development projects. Until recently this program was handled on a government-to-government sales basis. In September 1962, the legislation was amended to permit direct agreements between the United States and private trade entities in other countries. However, no such agreements have yet been concluded under this provision.

U.N. WORLD FOOD PROGRAM

The World Food Program (WFP) was created by the United Nations and Food and Agriculture Organization (FAO) in April 1963. Its major purpose is to gain experience in using food on a multilateral basis to assist economic and social development. It is to operate on an experimental basis from 1963 to 1965.

U.S. contributions of commodities and ocean freight services are made under Title II, which authorizes contributions to intergovernmental organizations. Although WFP credits are based on world market value, U.S. contributions are charged to Title II on the basis of the cost to the Commodity Credit Corporation. Cash contributions from AID appropriations are limited to a maximum of six million dollars.

From the inception of the program to June 30, 1964, the United States has contributed \$12.5 million worth of commodities to support WFP projects in 23 countries including maternal and child feeding programs, land reclamation, forestation, resettlement, village road construction, disaster relief and various other types of programs.

USE OF U.S.-FLAG VESSELS

U.S. Government financed cargo is subject to the Cargo Preference Act, Section 901(b) of the Merchant Marine Act of 1936 as amended (Public Law 664, 83rd Congress), which requires that at least 50 percent must be shipped in U.S. flag vessels wherever they are available.

The use of U.S. vessels to transport AID cargo has increased substantially in recent years. This results in part from AID's general rule to finance freight on U.S. flag vessels only, and in part from the Agency's policy under which about 85 percent of AID-financed commodities are procured in the United States. U.S. flag service is more readily available for such shipments than for shipments from offshore sources.

About 80 percent of the total net AID-financed cargo was carried by American ships in fiscal years 1964 and 1963. In fiscal year 1964 alone, U.S. flag vessels received \$85 million to carry AID cargoes of 4,353,000 tons. Comparative data for fiscal years 1961 through 1964 follow:

(In thousands of tons)

Fiscal year	Total	U.S. flag not available	Net cargo preference requirement	Shipped on U.S. flag	Percent
1964-----	5,789	257	5,532	4,353	78.7
1963-----	8,204	1,669	6,535	5,285	80.9
1962-----	7,358	1,595	5,760	4,701	61.6
1961-----	7,852	1,757	6,095	3,574	58.6

EXCESS PERSONAL PROPERTY

Section 102 of the Foreign Assistance Act expresses the sense of Congress that U.S. Government-owned excess property be used as assistance complementary to new procurement. Section 608 of the act authorizes AID, in anticipation of overseas needs, to acquire equipment declared excess by Federal agencies. This not only promotes savings by providing materials acceptable for project use at prices far below those of new property, but also gives greater assurance that such materials will be available at the point of use when they are needed.

Since 1956, AID has used over \$190 million worth of excess property in direct support of its overseas programs. During fiscal year 1964 alone, AID acquired for use in these programs, property with an original value of approximately \$42 million, at an out-of-pocket cost to AID of approximately six million dollars for repair, handling, and other associated costs. Conservative estimates set the current replacement value of this equipment at over \$50 million.

AID is expanding repair and other service capacities in its European office in order to improve operation of the Section 608 program and to take advantage of previously untapped excess property resources available in that area.

BARTER

It is AID policy not to finance commodities of which the United States is a net importer. However, these commodities may be purchased by barter for surplus agricultural commodities. Under such barter arrangements, approved by the President on September 20, 1962, AID reimburses the Commodity Credit Corporation (CCC) in dollars for surplus agricultural commodities accepted as payment by suppliers of commodities needed in aid-recipient countries.

During fiscal year 1964, AID authorized the CCC to obtain barter contracts with U.S. firms totaling \$15.5 million. The commodities supplied to aid recipient countries under these various barter arrangements included such items as jute fibers and products, crude oil and petroleum fuels, sugar, and cement. Formerly, such commodities were purchased offshore with a corresponding outflow of AID dollars.

STOCKPILE EXCESS DISPOSAL

Whenever feasible, excess materials available under U.S. Government stockpile disposal plans are used in AID procurement programs. In line with this policy, GSA supplies available stockpile materials that are needed in the form in which they are available, directly to aid recipient countries. In addition, AID requires suppliers of products containing materials available in the stockpile to purchase designated quantities of stockpile materials offered to them by GSA. Suppliers

of tinsplate, for example, purchase tin from the stockpile equal to the quantities of tin contained in the plate supplied. Suppliers of tires and tubes are required to purchase quantities of crude rubber from the stockpile equal in value to the sale price of the tires and tubes supplied.

AID reimburses GSA for the materials which are sent directly to AID recipient countries, thus keeping the dollars in the United States and assisting in easing the balance of payments situation. Otherwise, purchases would have to be made offshore with subsequent outflow of dollars.

Under AID direct and indirect procurement programs during fiscal year 1964, GSA disposed of 25,374 long tons of rubber, valued at approximately \$12.1 million, and 2,071 long tons of tin, valued at approximately \$5.6 million. This compares with 17,282 long tons of rubber (\$10.3 million) and 394 long tons of tin (\$1.0 million) in fiscal year 1963.

VOLUNTARY AGENCIES

American voluntary agencies create good will for the United States by a direct people-to-people demonstration of America's concern for persons who lack the basic necessities of life and opportunities for self-improvement.

These nonprofit agencies carry on a variety of overseas programs: Emergency aid consisting of food, clothing, medicine and shelter for refugees from natural disasters or political tyranny in Africa, the Far East, South Asia, Near East and Latin America; long-term technical assistance programs help to resettle refugees and raise the standard of living through improvements in agriculture, sanitation, health, education, vocational training, child care, and nutrition.

By paying the cost of overseas freight, AID assists U.S. voluntary agencies in sending supplies in support of their programs. During fiscal year 1964, AID expended \$3.8 million for the ocean transport of commodities valued at about \$68 million that were donated by registered voluntary agencies. These deliveries included agricultural tools, implements, educational supplies, vocational equipment, drugs, health supplies, and self-help materials. In addition, these agencies made contributions of approximately \$100 million in support of their own activities.

Excess tools and machines with an acquisition value of nearly \$300,000 were shipped by one voluntary agency to four of its vocational schools in North Africa and the Near East. Excess clothing with an acquisition value of \$1,200,500 was sent by other voluntary agencies in support of their programs overseas.

Within the last several years, certain U.S. voluntary agencies have been working closely with European groups complementing each other on large-scale programs of development and training.

EMERGENCY RELIEF

During fiscal year 1964, procedures were developed for coordinated activities by U.S. Government agencies in providing emergency relief of overseas disasters. Under these procedures, AID participated with other agencies during 1964 in coordinated relief activities for the following disasters: An explosion and floods in Algeria; earthquakes in the Azores; floods throughout Northeast Brazil; a cholera epidemic in Vietnam; volcanic eruption and floods in Costa Rica; drought in India; riots along the border of East Pakistan and India; torrential rains in the Fiji Islands; a smallpox epidemic in Nepal; an earthquake in Taiwan; earthquake and flood in Tanganyika; civil strife in British Guiana; drought in Ecuador; a polio epidemic in Laos; earthquake in Japan; cholera in Burma; a measles epidemic in Turkey; flood in Saudi Arabia; civil strife in Cyprus; a coal mine explosion in Afghanistan; an ammunition storage explosion in the Dominican Republic; cyclone, floods and famine in Haiti and Pakistan; typhoon in the Philippines.

U.S. emergency disaster relief was extended to the victims of these natural and man-made disasters through the use of \$3,962,000 from the Foreign Assistance Act Contingency Fund; from Food for Peace under PL 480 Title II (438,573 tons valued at \$99,994,000) and Title III; by the voluntary agencies registered with AID, and the American National Red Cross, which not only assisted in the distribution of Title II and Title III food, but also gave direct assistance in the form of clothing, blankets, tents, medicine and technical assistance. The Department of Defense coordinated the activities of the military agencies throughout the world in providing not only supplies but transportation.

IDENTIFYING AID ASSISTANCE

AID-financed commodities shipped overseas are marked with the AID "clasped hands" emblem to assure identification as assistance from the United States. Similarly, for shipments to Latin America, further identification is generally required by use of the "flaming torch" emblem of the Alliance for Progress.

At the sites of U.S.-assisted projects, posters and signboards identify the American contribution in both English and the local language. In addition, the United States Information Agency publicizes U.S. assistance in the course of its regular programming in aid-recipient countries.

IV. ADMINISTRATION

A number of improvements in the administration and organization of the Agency for International Development were made during fiscal year 1964, both in Washington and overseas, to reflect changing emphases in foreign aid planning and operations, and to provide for the tighter, leaner, more effective program called for by President Johnson.

During the year the Agency began a major reduction in staffing, carried out consolidations and reorganizations to permit both staff economies and tighter management, effected substantial savings in administrative costs, and continued to press for economies in the operations of our economic assistance programs.

STAFF REDUCTIONS

A comprehensive survey of the Agency's manpower management processes was undertaken during fiscal year 1964 with the assistance and cooperation of the Bureau of the Budget. A system of tighter manpower controls was established, extending for the first time to every category of employee.

Growing out of this survey, an Agency-wide effort was launched to effect staffing reductions through increased employee productivity; expanded use of the facilities and resources of other government agencies and the private community in the United States; and selective adjustments in programs and projects.

The result was a cut in AID U.S. and foreign national employment in fiscal 1964 of 1140—from 16,782 at the end of fiscal 1963 to 15,642 as of June 30, 1964. These substantial reductions were effected despite the fact that on-board strength in all categories in the top priority Vietnam program increased by 197 during the year, from 1024 to 1221.

IMPROVING AID ORGANIZATION

President Johnson designated Thomas C. Mann as Assistant Secretary of State for Inter-American Affairs, U.S. Coordinator of the Alliance for Progress, and Special Assistant to the President. To meet the unique problems posed by the Alliance for Progress, a single State-AID country desk focal point for each Latin American country was established to affect better coordination and a closer interagency working relationship.

A Regional AID Mission for Africa was established in the African Bureau in Washington. It presently administers limited foreign assistance programs in several countries, combining in a single staff both field and Washington operations for these countries. By the end of fiscal year 1965 plans call for its relatively small staff to replace over 100 U.S. and foreign national personnel who were stationed abroad as of the beginning of fiscal year 1964.

In Washington, an Office of Labor Affairs, reporting directly to the Administrator, was established to provide stronger leadership in AID's efforts to strengthen free labor institutions in less-developed countries. This office makes it possible for the Agency to work more effectively with the U.S. labor movement, with universities, and with the Department of Labor in the development and implementation of labor programs.

A special Operations Evaluation Staff was initiated to provide objective assessments of the operational performance and effectiveness of AID's overseas missions in carrying out approved programs and projects. A central Procurement Policy Staff was established with responsibility for the continuous examination and improvement of AID procurement policies and procedures.

The Communications Resources Division, formerly a separate unit reporting to the Assistant Administrator for Administration, was consolidated with the Office of Technical Cooperation and Research, to place communications technology and expertise inside the major AID staff office responsible for policy guidance for the technical cooperation program.

IMPROVEMENTS OVERSEAS

Ten separate AID organizations overseas were eliminated during the year, either because of aid program terminations or because of changes in administrative policy.

AID programs were officially terminated in Cambodia and Yugoslavia, and the Office of the Bonn (Germany) Area Controller was abolished.

Countries in which a separate AID structure, headed either by an AID Mission Director or an AID Representative, have been eliminated (although modest U.S. assistance programs continue) include Gabon, Haiti, West Indies and Eastern Caribbean, Surinam, Israel, Iraq, and Syria. Elimination of the AID organization in these countries was in addition to organizational arrangements previously made in some nine African countries where the U.S. economic assistance effort is now conducted as an integral part of the Embassy establishment.

Increased delegations of authority to selected overseas missions were made to provide the flexibility to meet changing program needs and to permit quicker, more decisive and effective field program im-

plementation action. Selected authorities for personnel, contracting and procurement were delegated on a pilot basis from Washington to the Ethiopia Mission; authorities were given to several AID Mission Directors in Latin America to authorize and implement certain capital assistance activities and projects; and further delegations of authority were made to the AID Mission in Thailand for technical assistance project approval and procurement waivers.

ADMINISTRATIVE COST REDUCTIONS

As a result of reduced employment levels at the end of the year, savings from originally estimated costs for U.S. and foreign national salaries and related costs in the amount of \$9,925,000 were available for other program uses.

By stringently controlling the obligation of funds for Washington and overseas operating expenses, AID saved over \$1,809,000 during the fiscal year. Property and equipment which were surplus to the needs of AID were sold during the year, thus saving \$350,000. Through its audits, AID recovered in excess of \$9,000,000 as a result of disallowances of improper expenditures by recipient countries or contractors.

To encourage more economical and efficient operations, AID inaugurated an Agency-wide Management Improvement Program during fiscal year 1964. The program requires that Agency offices and bureaus submit in advance a plan of specific actions to be taken at each level of organization during the year to improve operations.

IMPROVED OPERATING EFFICIENCY

During fiscal year 1964, the Agency increased the efficiency of its operations through expanded use of automation, revitalization of agency personnel operations, and changes in internal audit procedures.

The agency's electronic data processing equipment applications were expanded to include:

A mechanized Washington payroll operation, which allows each payroll clerk to handle 25 percent more employees and automatically produces many reports and analyses required in payroll and personnel administration;

Mechanized project reporting to accelerate provision of pertinent statistical and financial data on active and completed Agency assistance projects;

Preparation of Agency reports on the status of disbursements and repayments under loan agreements.

Fiscal year 1964 also saw completion of a comprehensive reorganization of personnel activities and a thorough overhaul of the Agency's basic personnel policies and procedures.

The Office of Personnel was reorganized and personnel authorities were decentralized to conform to AID's organizational structure and concepts. Agency policies and procedures in almost all major areas of personnel management were revised. A comprehensive survey of the Agency's personnel function resulted in recommendations to improve the effectiveness of personnel management in the areas of classification, processing and paperwork, workload distribution and statistics and reports.

Continued improvements in the overall analyses, reporting and planning of internal audits eliminated large auditing backlogs and produced a 33 percent increase in audit coverage over the level existing in fiscal year 1962.

AID ADVISORY COMMITTEES

A new Advisory Committee on Private Enterprise in Foreign Aid was established in compliance with Section 601 of the Foreign Assistance Act of 1961, as amended in 1963. Composed of nine prominent citizens representing business, labor, foundations, universities and cooperatives, the Committee will review existing programs for encouraging private investment and will study new proposals for guaranties, for additional means of protecting investments, and for new patterns of business-government cooperation, including joint ventures involving American and local investors. The membership and functions of this and other advisory committees serving AID are listed in the Appendix.

V. MILITARY ASSISTANCE

The fiscal year 1964 Military Assistance Program (MAP) continued to serve the purpose for which the Congress authorized the provision of military assistance—that of promoting the foreign policy, security and general welfare of the United States by strengthening the self- and common-defense capabilities of allied and friendly nations which share with the United States both the burdens and the benefits of free world collective security.

During the period covered by this report, progress toward the attainment of specific MAP objectives was, however, limited by the fact that the one billion dollar appropriation for the fiscal year 1964 program was the smallest in the fourteen-year history of the program; and the efficiency of operations was further hindered by the related fact that legislative action was not completed until more than half of the fiscal year had elapsed. After operating for six months on Continuing Resolution authority, without any certainty as to the amount of new obligational authority which would eventually be provided, the Department of Defense was confronted, in January 1964, with the problem of accommodating a reduction of 29 percent in the amount requested to fund that program with minimum jeopardy to United States security interests.

Both the long delay in legislative action and the magnitude of the fund cut made the necessary adjustments extremely difficult and resulted in a fiscal year 1964 Military Assistance Program which fell far short of satisfying valid requirements for the maintenance of a free world common defense posture commensurate in total strength and flexibility with the Communist threat it was created to deter and contain. This shortfall necessitated the deletion or deferral of program components essential to the attainment of MAP objectives which are closely related to and interdependent with United States forward strategy and foreign policy.

The following region-by-region report on the fiscal year 1964 Military Assistance Program sets forth both what was accomplished and what had to be left undone within the limits of \$1.2 billion in total obligational authority composed of new obligational authority (one billion dollars) plus reappropriations, recouplements from prior year programs, and the transfer of \$90 million from economic aid and the contingency funds.

EUROPE

In fiscal year 1964, the residual Military Assistance Program in Europe had four principle objectives: (a) to fulfill earlier commitments; (b) to continue phasing down grant military assistance to the European area as a whole; (c) to assist in maintaining access to certain military bases and facilities and (d) to fund the U.S. share in common international endeavors such as the NATO Infrastructure and International Military Headquarters programs supporting U.S. and allied forces in Europe. The program for Europe was successful in achieving all of these objectives.

MAP played an important part in retaining access to military facilities in Spain. On September 26, 1963, the Defense Agreement was extended for five years in recognition of U.S. and Spanish mutual security interests, thereby making available various strategically important military facilities in Spain for joint use. It was agreed that, subject to Congressional action, the U.S. Government would provide support to the Spanish defense effort in the form of military sales, cost-sharing agreements, and limited grant aid.

In February 1964, then Assistant Secretary of Defense William Bundy went to Norway and Denmark to review the progress of the 1962 and 1963 agreements with those countries concerning the phase-out of U.S. grant aid and increases in country defense expenditures. Final arrangements were worked out with Norway concerning aircraft partly to be furnished as grant aid under MAP and partly to be purchased by the Norwegians.

On February 14, 1964, the United Kingdom, France and Yugoslavia became ineligible for grant assistance, in compliance with Section 620(a)(3) of the Foreign Assistance Act of 1963, because of shipping and aircraft under their registry engaged in trade with Cuba.

The overall amount of grant military assistance to Europe continued to decline in fiscal year 1964. The Spanish and Norwegian country grant aid programs and the NATO Infrastructure Program through which the United States shares with its NATO partners the cost of constructing military facilities for the use of U.S. and other NATO forces, were the largest MAP items in the European area. In terms of total obligational authority, grant aid for Europe, excluding the U.S. share of international programs in the NATO area (\$44.1 million), declines from \$144.7 million in fiscal year 1963 to \$102.9 million in fiscal year 1964, a reduction of 28.9 percent.

NEAR EAST AND SOUTH ASIA

The major thrust of the fiscal year 1964 grant Military Assistance Program for the Near East and South Asia (NESA) area was toward

support of the deterrent strength represented by the armed forces of five key countries on the periphery of the Iron and Bamboo Curtains. Four of these countries—Greece, Turkey, Iran and Pakistan—are members of NATO and/or CENTO, and the ability of each to play its assigned part in regional defense is vitally important to the collective security of the entire area. The fifth, India, does not participate in any formal common defense arrangements, but its continuing independence and protection from renewed Chinese Communist attack must be assured if freedom is to be preserved throughout Southeast Asia. These five countries therefore received 98 percent of the \$354.6 million of grant MAP allocated to the NESAs region in fiscal year 1964. The balance of two percent was used to provide equipment and training to Jordan; training only to Afghanistan, Iraq, Lebanon, Saudi Arabia, Syria, and Yemen; and under a newly initiated program for Nepal, a modest amount of communication equipment and vehicles.

In the process of adjusting the total worldwide Military Assistance Program to accommodate a 29-percent reduction in total fund availability for fiscal year 1964, almost \$100 million had to be cut from NESAs country grant aid programs. As a result, it was necessary to delete or defer much of the planned replacement of obsolescent equipment which limits the capability of forward defense forces such as those of Greece and Turkey on whose borders are massed large and completely modernized Soviet and Soviet satellite offensive forces. The fact that United States forward strategy depends heavily upon the ability of such allied forces to deter Communist aggression points to a continuing unsatisfied need to provide them with equipment commensurate in effectiveness with that which arms the threat they oppose.

During fiscal year 1964, military assistance contributed to the development of self-help projects which will increase the ability of both India and Pakistan to provide for their own defense needs. Each country now has a munitions production program designed to supply ammunition for its armed forces. Facilities, transportation and manpower were furnished by the country itself, and MAP support of this indigenous effort has taken the form of excess production tools and equipment from excess U.S. stocks.

AFRICA

The small amounts of military assistance provided to Africa in fiscal year 1964 was designed to serve one or more of three specific purposes, all of which are closely related to United States security and foreign policy interests. In North Africa, grant aid programs totalling \$14,400,000 included those for Ethiopia and Libya, where the United States has access to facilities important to the United

States global defense posture. Military assistance provided to such countries not only helps to ensure continuing access to, and protection of such facilities but also contributes to the internal security of the recipient countries.

Grant aid programs for five countries in Tropical Africa, which amounted to a total of \$7,500,000, were directed toward the strengthening of internal security and the support of civic action projects through which indigenous forces were encouraged to contribute to economic progress and foster the confidence of the people in both military and civilian authority. The equipment and training provided also served to thwart Soviet and Chinese Communist efforts to gain a dominating influence in newly emerging nations whose political and economic vulnerability make them tempting targets for subversion and infiltration.

During fiscal year 1964, 85 percent of the military assistance programed for Tropical Africa was allocated to the Congo where the legitimate government was dangerously threatened by terrorism and guerrilla activities which could not have been controlled without the aid provided through MAP to the armed forces of that government.

FAR EAST

The \$1,405 million MAP request submitted to the Congress in January 1963, included \$671.8 million grant aid for Far East Countries. The one billion dollars appropriated in January 1964 was a 29 percent reduction. This provided \$550.8 million grant aid for the Far East region, a reduction of 18 percent within which it was necessary to accommodate a 40 percent increase in fiscal year 1964 fund requirements for Laos and Vietnam, above the amounts requested of the Congress. However, Laos and Vietnam claimed over 40 percent of all MAP availability for the Far East region. The impact of the reduction was therefore severe elsewhere, averaging 36 percent for countries other than Laos and Vietnam.

Of the \$309 million available to Far Eastern countries other than Laos and Vietnam, \$221 million supported essential training and maintenance for forces and equipment on hand or previously funded. This was a substantial reduction in operating costs from prior years and reflected strenuous, continuing efforts toward greater efficiency and increased self-help by the countries concerned. Despite these efforts to reduce the cost to MAP of force maintenance and training, only \$88 million could be devoted to necessary investment in new weapons and equipment and related training for Far East countries other than Laos and Vietnam. Comparing the final program with the original estimate of the amount required for satisfactory progress toward force and equipment goals considered necessary by the Joint Chiefs of Staff, this substantial sum of \$88 million appears to be at least \$190 million short of the funds necessary to carry out

one year's element of a five-year modernization program sufficient to keep pace with the estimated threat.

In South Korea and the Republic of China, maintenance and training absorbed the bulk of available funds, and important force improvement requirements were not met.

In the Philippines, most of the limited investment funds were required to finance F-5 aircraft as the first step toward modernization of the Air Force. Again no significant investment in Navy or Army forces was possible.

In Thailand, the limited amount of funds available for investment was distributed largely to the Air Force and Army, with minor amounts going to the Navy and Marine Corps. A major portion was devoted to the improvement of important base and logistic facilities and only limited improvement in the equipping of Thai forces was possible.

Funds planned for Japan were reduced to the minimum required by prior commitments. Funds planned for Cambodia were diverted to other countries as a consequence of Cambodian decisions that caused our program there to be closed out. Funds planned for Indonesia were reduced to provide only minor training programs and some equipment in support of civic action programs by the Indonesian Armed Forces.

In summary, military assistance funds available for Far East countries in fiscal year 1964 met essential requirements in Laos and Vietnam but were insufficient to carry out programmed force improvement in other countries of the Far East region after meeting training and maintenance needs.

LATIN AMERICA

In fiscal year 1964, grant military assistance totalling \$68.7 million was provided to 19 Latin American countries to help their military establishments in the performance of three basic missions:

(1) To maintain security against Communist and other threats of violence and subversion, including guerrilla warfare, and the movement of armaments and men clandestinely across land, sea and air borders for subversive purposes.

(2) To expand the use of military forces on civic action projects useful to the populace at all levels, such as training, public works, agriculture, transportation, communications, health and sanitation, which will contribute to social and economic development.

(3) To contribute to the defense of the adjacent coastal areas of the Caribbean Sea and the Atlantic and Pacific Oceans, with primary emphasis on surveillance, intercept, patrol and harbor defense.

Training assistance totalling \$13 million and materiel and other services totalling \$55.7 million were programmed as grant aid in support

of these three missions, with the first, internal security, receiving nearly 60 percent. Equipment deliveries consisted primarily of vehicles, aircraft, communications equipment, spare parts and maintenance items.

Civic action projects were undertaken by the military in almost all Latin American countries. These have included the construction of schools, rural water supply systems, access roads, medical dispensaries and communications facilities in remote areas. By their participation in such projects, Latin American military forces have gained a more intimate knowledge of, and a deeper interest, in the basic internal problems of their countries. These activities have also helped materially in improving relations and trust between the military and rural populations, and have made tangible contributions to social and economic progress.

The development of an increasing spirit of professionalism along with improved military capabilities among Latin American military forces has served to strengthen their role in supporting constitutional democracy against Castro-Communist efforts to foment terrorism, insurgency and guerrilla warfare or to take over a country by subversion.

TRAINING

Although the grant aid training of foreign military personnel is an integral part of the Military Assistance Program for each of the four regions discussed above, the direct and collateral benefits which accrue from this training are of such significance to the attainment of United States security and foreign policy objectives throughout the free world as to warrant special mention. The Secretary of Defense has stated that "in all probability the greatest return on any portion of our military assistance investment—dollar for dollar—comes from the training of selected officers and key specialists in United States schools and installations. These students are hand-picked * * * they are the coming leaders of their nations. It is beyond price to the United States to make friends of such men." During fiscal year 1964, 10,396 such students were trained in the United States and another 8,608 overseas, bringing the total number of foreign military personnel trained under the grant Military Assistance Program since its inception to 227,999.

MILITARY ASSISTANCE SALES

Both the gradual phase-out and/or termination of grant military assistance, except for limited training, which has been taking place in programs for most of the Western European countries, and the increased emphasis on efforts to encourage purchases of military equipment from the United States by such countries, have resulted in a steadily growing volume of sales of material and related training.

During fiscal year 1964, these sales totaled \$1,527 million; and, in order to facilitate the purchase of valid military requirements by countries which were unable to buy on an all cash basis, some degree of credit assistance was provided through MAP in connection with \$100 million worth of the total volume for fiscal year 1964.

Military Assistance Program for Fiscal Year 1964

[In thousands]

Total	\$1, 231, 800
EUROPE	\$102, 900
Belgium	2, 600
Denmark	3, 400
France	600
Germany	300
Italy	9, 800
Luxembourg	(¹)
Netherlands	2, 400
Norway	36, 000
Portugal	2, 700
Spain	40, 900
United Kingdom	100
Mutual weapons development program	1, 000
Weapons production program	7, 400
Europe area program	2, 500
MAP assets applied to country programs	-7, 300
NEAR EAST/SOUTH ASIA	\$354, 600
Afghanistan	300
Greece	69, 500
India	(²)
Iran	50, 300
Iraq	100
Jordan	4, 200
Lebanon	100
Nepal	(²)
Pakistan	(²)
Saudi Arabia	1, 200
Syria	(¹)
Turkey	142, 200
Yemen	(¹)
Near East and South Asia area program	94, 400
MAP assets applied to country programs	-7, 500
NORTH AFRICA	\$14, 400
Ethiopia	9, 500
Libya	2, 200
Morocco	(²)
Tunisia	(²)
North Africa area program	2, 700

See footnotes at end of table.

Military Assistance Program for Fiscal Year 1964—Con.

TROPICAL AFRICA ----- \$7, 500

Congo (Leopoldville)-----	6, 400
Liberia -----	500
Mali -----	200
Nigeria -----	300
Senegal -----	200

FAR EAST ----- \$550, 800

Cambodia -----	400
China, Republic of-----	81, 900
Japan -----	11, 300
Korea -----	149, 600
Laos -----	(²)
Philippine Islands-----	24, 600
Thailand -----	(²)
Vietnam -----	214, 500
Far East area program-----	115, 900
MAP assets applied to country program-----	-47, 400

LATIN AMERICA ----- \$68, 700

Argentina -----	9, 100
Bolivia -----	3, 000
Brazil -----	11, 400
Chile -----	8, 600
Colombia -----	10, 000
Costa Rica-----	700
Dominican Republic-----	600
Ecuador -----	3, 800
El Salvador-----	1, 200
Guatemala -----	2, 000
Honduras -----	100
Jamaica -----	(¹)
Mexico -----	300
Nicaragua -----	1, 400
Panama -----	300
Paraguay -----	1, 600
Peru -----	9, 500
Uruguay -----	2, 800
Venezuela -----	1, 600
Latin America area program-----	900
MAP assets applied to country programs-----	-100

NONREGIONAL ----- \$132, 900

Administrative expenses-----	23, 800
Other nonregional-----	109, 100

(¹) Less than \$50,000.

(²) Data classified; included in the figure for regional area undistributed.

VI. OTHER FREE WORLD ASSISTANCE

The efforts of industrialized free-world countries and international organizations to expand, improve and coordinate development aid programs continued during fiscal year 1964. The major instruments for achieving these objectives are the Development Assistance Committee of the OECD, the multilateral financial and development institutions, consortia and other coordinating mechanisms, the United Nations and its Specialized Agencies.

THE DEVELOPMENT ASSISTANCE COMMITTEE

The Development Assistance Committee (DAC) of OECD, composed of the aid-giving countries of Western Europe, the United States, Canada, and Japan, is a body for promoting the expansion and coordination of free-world aid to less-developed countries. The DAC has no operational program of its own, and does not allocate or control the utilization of the aid funds of any of its members. It is a forum for discussion by representatives of donor governments and international agencies of problems common to all in mobilizing resources and utilizing them effectively to promote economic development. A principal activity of DAC is the Annual Aid Review of member country programs, during which full and frank discussion throws light on policy issues, techniques, differences in donor performance and problem areas, assesses progress made, and points up needed improvements.

The DAC promotes coordination through meetings on specific countries and regional groups of countries. No particular format has been chosen for such meetings, which are distinguished from consortia in that they do not imply any specific commitment to meet a financial gap. Participation in such meetings is voluntary, and non-DAC members may be invited to join. The DAC Coordinating Group which meets regularly in Thailand focuses mainly on technical assistance problems. The DAC has met to discuss problems concerning the Congo, East Africa, Somalia and several other countries. Regional meetings have been held in the past year on countries in the Middle East, Latin America and West Africa. In September, DAC members met with representatives of several inter-American development orga-

nizations (IDB, OAS, CIAP) to discuss how DAC countries might cooperate with these organizations.

The third DAC annual aid review in May and June 1964 was generally considered the most effective to date. It reflected a growing sophistication about aid programming among DAC members. The review each year is summarized in a published report by the Chairman. This year's report states that improvements have taken place in policies and methods of operations of DAC members, and that accumulated experience is beginning to tell in choices of priorities and programs. There is a trend to wider geographic distribution of aid, accompanied by increased variety and flexibility of operations. Two countries (Canada and the U.K.) have announced policies providing for softer loan terms. U.K. terms were eased for 1963 commitments for a number of countries. The report points out many problems, among them that the actual outflow of assistance showed only a small increase in 1963. It makes proposals for strengthening the assistance effort, while pointing out that because development is a long-term process, it would be unrealistic to expect quick and spectacular progress from year to year.

The DAC Chairman reported that the total net flow of official long-term financial resources from DAC countries to less-developed countries and multilateral agencies in 1963 increased to about \$6.1 billion from \$5.9 billion in 1962. Bilateral aid disbursements rose from \$5.3 billion to \$5.7 billion, while net disbursements to multilateral agencies declined from \$602 to \$396 million, largely due to the absence of required payments to the EEC Development Fund.

Total net aid disbursements by countries other than the United States decreased slightly from \$2.3 to \$2.2 billion, although some countries, particularly Canada, showed increases.

The net flow of private investment was about \$2.1 billion in 1963. Other DAC members continued to show a higher net rate of private investment than the U.S., although their total decreased slightly from an adjusted total of \$1.24 billion in 1962, to \$1.19 billion in 1963.

Almost one billion dollars of the \$6.1 billion disbursed in 1963 by DAC countries was for technical cooperation activities. This included funds for 41,000 students and trainees, and 81,500 experts and teachers who were sent to less-developed countries under bilateral programs.

At a meeting in July 1964, DAC members agreed to examine during the coming year such questions as aid requirements and self-help standards, the debt burden of less-developed countries, development and finance questions arising out of the UN Trade and Development Conference, and the effectiveness of consortia and other joint aid operations.

MULTILATERAL FINANCIAL AND DEVELOPMENT INSTITUTIONS

Bilateral programs of the United States were complemented by a record high level of operations by the World Bank group of financial institutions in fiscal year 1964. The International Bank for Reconstruction and Development (IBRD) made 28 loans to 22 developing nations totaling \$575 million, representing about 70 percent of its total commitments in fiscal year 1964. Gross disbursements to developing countries totaled \$439 million.

During the year, the World Bank instituted new measures to provide a greater degree of flexibility in its operations. Loan maturities were lengthened (in appropriate cases, to 35 years), and grace periods up to 10 years were authorized. The World Bank reaffirmed its readiness to provide financing for local expenditure on high-priority projects in cases where loans covering only direct imports would not provide adequate support. The Bank also indicated its intention to intensify support for agriculture and education and to continue cooperation with the FAO and UNESCO in these sectors. To expand support for private industry, the World Bank announced its intention to provide loans to the International Finance Corporation (IFC) for relending to private industry, subject to amendment of the Articles of Agreement. The International Development Association (IDA) extended a new kind of industrial credit (for the importation of components and materials) not earmarked for a new project but designed to make fuller use of already existing capacity.

During the fiscal year, the replenishment of the resources of the IDA was assured. The IDA is to receive \$750 million of contributions from 17 governments, of which the United States will contribute \$312 million, for lending commitments up to at least the end of fiscal year 1966. The new funds will cover expenditures against these commitments and are to be paid in three equal installments beginning in November 1965. The IDA is the World Bank's affiliate for financing development through long-term, low-cost credits that do not add materially to debt-service burdens. During the year, IDA made 18 credits totaling \$283 million to eight developing countries, the highest commitment level since it began operations. Gross disbursements totaled \$124 million compared to \$56 million the previous year. The World Bank also approved a resolution at the 1964 annual meeting to increase the usable resources of IDA by transferring to it \$50 million of the Bank's net income for fiscal year 1964.

The International Finance Corporation (IFC) made 17 commitments totaling \$20.5 million during fiscal year 1964 for the financing of private enterprises in 12 developing countries. In fiscal 1964 the IFC made a higher total amount of investments and in more countries

than in any previous year. Gross disbursements totaled \$15 million. A recommendation designed to augment considerably the resources available to the Corporation was approved at the 1964 annual meeting. The Directors of IBRD and IFC recommended submitting a proposal to the Board of Governors to amend the Bank's Articles to enable it to lend to IFC, and to amend IFC's Articles to permit borrowing from the Bank. Amendments to the Articles of both institutions may be approved by the U.S. Governor only after passage of appropriate legislation by Congress.

In fiscal year 1964, the Inter-American Development Bank (IDB) approved loans totaling \$124 million from the Ordinary Capital Resources and Fund for Special Operations (FSO). In addition, \$38 million was authorized for lending by the Social Progress Trust Fund, which is financed by the United States and administered by the IDB.

In order to provide for the continued operation of the IDB as a major arm of the Alliance for Progress, an over-all increase in authorized capital resources became effective in January 1964. The action consisted of a one billion dollar increase in the authorized callable capital stock of the Bank, a 50 percent increase in members' quotas in the FSO, and an additional increase of \$300 million in the IDB's authorized capital (both paid-in and callable) to provide for the possible admission of new members. The U.S. participation in the authorized increase in ordinary capital subscriptions amounted to about \$412 million, subject to final legislative appropriation, while the increase in the U.S. quota in the FSO amounted to \$50 million. The United States also made available an additional \$131 million for the Trust Fund. The IDB has proposed a further increase in the FSO of \$900 million over the three years, 1965-1967, of which the United States would provide \$750 million. The FSO's activities would be expanded to include financing of social development projects hitherto financed by the Trust Fund, thus obviating further U.S. contributions to the latter.

CONSORTIA AND OTHER COORDINATING MECHANISMS FOR SPECIFIC COUNTRIES

Other free world aid coordination during the year included the following:

The India Consortium, consisting of 10 donor countries and the IBRD/IDA, met in 1964 under the auspices of the World Bank, and raised \$1,028 million in pledges for the fourth year of India's Third Five-Year Plan. The U.S. pledge was \$435 million, or 42 percent of the total. Almost \$4.5 billion has been pledged by the Consortium for the first four years of the Third Plan, of which the U.S. share is

\$1,850 million. Some improvement was made in the average terms and conditions of pledges by four Consortium members.

The **Pakistan Consortium**, also sponsored by the World Bank, and consisting of nine donor countries and the IBRD/IDA, convened in 1964 and pledged \$431 million for the fifth year of Pakistan's second Five-Year Plan. The United States' pledge totaled \$212.5 million. The U.S. share decreased from 53 percent of pledges for the second and third years of the Plan to 49 percent for the fifth year. For the last four years of the Plan, \$1,819 million has been pledged by the Consortium, of which the total U.S. share has been \$925 million. The pledges by five Consortium members at the last meeting showed improvements in terms and conditions over the previous year.

Under the aegis of the World Bank, a **Consultative Group on the Sudan** was organized in 1963 and held three meetings to discuss the coordination of financial assistance in connection with Sudan's Ten-Year Plan. The **Nigeria Consultative Group** held four meetings during the fiscal year which culminated in a \$208 million financing plan to construct the Niger Dam with participation by the IBRD, Italy, the Netherlands, the United Kingdom, the United States, and possibly other members of the Group. Two meetings of the **Consultative Group on Tunisia** were held during the fiscal year, and the **Colombia Consultative Group** met in June to consider the financing of various economic development projects.

A supplemental agreement to the **Indus Basin Development Fund Agreement** of 1960 was completed during the year. The new agreement will provide the Fund, which is administered by the World Bank, with additional foreign exchange resources aggregating \$315 million to be applied toward the cost of works to be constructed by Pakistan in the Indus Basin.

The **OECD Consortium for Turkey**, consisting of 14 donor countries and IBRD/IDA, made initial pledges for Turkey's 1964 development program in January. The U.S. contribution for program lending was \$70 million, about the same level as in 1963. Other bilateral contributions, totaling \$65 million, were somewhat lower than 1963, but overall terms were slightly improved. In addition, the United States and United Kingdom made commitments for development projects, and further efforts were planned to increase European contributions in the last half of 1964 to cover a remaining shortfall in non-project financing.

COORDINATION WITH THE U.N. AND ITS SPECIALIZED AGENCIES

The U.S. policy of close cooperation with the United Nations and its specialized agencies was continued throughout fiscal year 1964

with good results. U.S. officials maintained close relationships with the United Nations in order to help insure the best use of available resources. AID coordinated its activities with the Department of State at both the policy and operational levels. Instructions were issued by AID and by the U.N. for full cooperation in the field between donors of technical assistance to prevent overlap or duplication, and for cooperation in developing future activities so as to achieve maximum benefit from combined U.S. and U.N. operations in technical assistance.

In addition, three U.N. Specialized Agencies (FAO, UNESCO, and ICAO) issued orders to their field staffs directing close cooperation with U.S. aid missions and other bilateral staffs. Other Specialized Agencies are being urged to take similar steps.

To check on the results of these measures, AID conducted field surveys of U.S.-U.N. cooperation in six countries. These surveys showed that cooperation was generally good but there was need for even closer cooperation. Additional steps are being taken at all levels to bring this about.

AID officials visited U.N. headquarters in New York for consultations and U.N. field officials have regularly visited AID headquarters in Washington for briefing on AID activities in connection with their work.

Progress was made toward the merger of the U.N. Special Fund and the U.N. Expanded Program of Technical Assistance into a new organization. This merger has been approved by ECOSOC and recommended to the General Assembly for approval, with the new organization to be known as the United Nations Development Program (UNDP). The main features of the proposed merger are:

1. A single intergovernmental committee would be established as the governing council for UNDP and would provide general policy guidance and direction for UN programs of technical assistance;

2. An advisory committee from Specialized Agencies would be established to replace the two prior boards (the Technical Assistance Board and the Consultative Board of the Special Fund);

3. The present head of the Special Fund would become the administrator of UNDP and the present head of EPTA would become the co-administrator while the management aspects of UNDP are worked out;

4. The present types of projects would be continued but it is expected that they would develop towards a more uniform system;

5. More attention would be given to the evaluation of results and to the development of more effective ways to speed economic development.

VII. ALLIANCE FOR PROGRESS

"The foundations have been laid" for the progress and success of the Alliance for Progress, President Lyndon B. Johnson told the Latin American diplomatic corps in a meeting at the White House on May 11, 1964. He declared that "The time calls for more action," and that despite some adverse political developments during the early part of the year, the Alliance for Progress—with strong U.S. backing—fostered further significant change in Latin America during 1964.

The Inter-American Economic and Social Council (IA-ECOSOC), which held its Second Annual Review Meeting of the Alliance for Progress in São Paulo, Brazil, in November 1963, noted that 10 of the 19 Latin American nations participating in the Alliance had met or surpassed their goals of 2.5 percent per capita growth rates. Reflecting the priority which the United States assigns to Latin America, that meeting was told that on a per capita basis U.S. assistance to Latin America was higher than for any other region of the world.

The IA-ECOSOC meeting also decided to create an Inter-American Committee on the Alliance for Progress, designed to provide much-needed multilateral direction for the Alliance. This new Committee, called "CIAP" (from its initials in Spanish) held its preliminary meeting in Washington in March 1964, scheduled formal sessions in Mexico City in July, and completed its first cycle of country-by-country development reviews. It examined national and sectoral plans, the steps that had to be taken to put them into effect, and the efforts that each country is making to carry out its responsibilities under the Alliance charter.

By June 30, 1964, U.S. assistance through the Alliance had helped construct 222,600 homes, 23,400 classrooms, 1,056 water systems and wells, and 2,900 miles of roads; produce 6,810,000 schoolbooks; build 554 health centers, hospitals and mobile health units; make 207,000 agricultural credit loans; train 47,930 teachers and 5,660 public administrators; and establish or expand the resources of 16 development banks or funds, 910 credit unions, and 74 savings and loan associations.

Additionally—and in great part because of commitments made in the Charter of Punta del Este which established the Alliance for Progress—all Latin American nations had improved their tax administration capability, with eight countries passing major tax reform

legislation. As a result, the total intake of taxes in Latin America in calendar 1963 was estimated to be \$500 million higher than the 1962 total. Eight nations had submitted national development plans, and 12 had introduced agrarian reform legislation. Central government expenditures for education increased by an estimated 12 percent in 1963 over 1962.

Fiscal 1964 saw the historic United Nations Conference on Trade and Development produce agreement on the need for a continuing mechanism for discussion of the inter-relationship of trade and economic growth, a matter of urgent and continuing importance to the Latin American countries.

Latin America relies heavily on the export of a few primary products for its foreign exchange earnings. An upturn in the prices of most of the raw materials which Latin America produces began in 1962 and continued during fiscal 1964, but the danger of sharp price fluctuations remained, posing a threat to the orderly development of the hemisphere.

Direct new United States investment in Latin America, which had dropped to a negative \$32 million in calendar 1962, increased to a net inflow of \$64 million in calendar 1963, or some \$237 million, if reinvestment were included. Strong interest by U.S. private investors in Latin America was attested to by the fact that AID issued some \$342 million in investment guaranties during the year, and, all told, had agreed to back pre-investment surveys involving \$122 million in potential new investments in the region.

Political developments during fiscal 1964 included both accomplishments and setbacks. Military coups in the Dominican Republic (September 1963) and in Honduras (October 1963) resulted in the suspension of U.S. aid activities in those two nations and temporary withdrawal of the U.S. AID missions. In December, President Romulo Betancourt of Venezuela became the first president in that nation's history to finish out his term of office. Free elections were held despite Communist-inspired terrorism to prevent them, and Raul Leoni was chosen to succeed President Betancourt. In Brazil, in late March or April, a bloodless revolution resulted in the election to the Presidency of General Humberto Castelo Branco, who has launched a major program of economic reform consistent with the principles of the Alliance. Chile had an intense electoral campaign which resulted in a democratic victory for Senator Eduardo Frei.

In promoting the institutions through which the currents of self-help and reform in Latin America could best be channeled, the operations of the Agency for International Development continued to be improved and made more effective.

The process of a greater integration of political and economic affairs within AID itself was carried a step further by President

Johnson when he designated Thomas C. Mann as Assistant Secretary of State, U.S. Coordinator of the Alliance, and Special Assistant to the President. Mann also serves as Assistant Administrator for the Bureau for Latin America, and U.S. Representative to the Inter-American Economic and Social Council. Walt W. Rostow, Chairman of the Department of State's Policy Planning Board, was named in May as the U.S. representative on CIAP, replacing Teodoro Moscoso, who had moved to that post with Mann's appointment as U.S. Coordinator. In April, a reorganization of the regional offices was effected, in line with the President's desire for a unified approach to the problems of Latin America.

SOME 1964 ACCOMPLISHMENTS

Measuring the progress of development is a tenuous and uncertain business. There is no way to assess accurately the factors of initiative, determination, and hope, and the momentum they can give to the effort to achieve a better life. A few illustrations of the kinds of projects completed during fiscal year 1964 may help to indicate the direction and character of the Alliance during the year.

Ecuador: Under a 1959 loan agreement for \$5,300,000 a 146-mile, all weather highway has been constructed connecting the capital city, Quito, and the coastal city of Quevedo. The road traverses some of the most difficult mountain terrain in the world, and has opened up rich coastal land to settlers.

Chile: Under a 1961 credit, a five million dollar loan was extended to assist the Central Savings and Loan Bank of Chile in supporting a nationwide system of new private savings and loan associations. Twenty-two such associations now are operating. By the end of 1963, these thrift institutions had financed the construction of more than 10,000 homes and 10,000 more were to be built in 1964. Domestic savings were accounting for about 60 percent of the total value of the homes financed. The Chilean Government's own contribution to the savings and loan system for 1963 and 1964 totaled \$9.9 million. The system has been so successful that AID in fiscal 1964 authorized an additional \$8.7 million loan for the Central Housing Bank to expand the program.

Honduras: The first stage of a hydroelectric project on the Rio Lindo, tripling Honduras' electric generating capacity, began operating during the year. The work, including construction of transmission lines, was carried out under a \$2.8 million U.S. credit authorized in 1960. The World Bank provided \$9.0 million for the project, and Honduras' National Electric Power authority, \$3.0 million.

Brazil: On April 13, 1962, the United States signed a two-year agreement with Brazil to assist in improving the living standards of 25 million people in the Northeast, one of Latin America's major

underdeveloped areas and politically one of the most vulnerable to Communist influence. The United States agreed to provide up to the equivalent of \$142.9 million for projects of direct benefit to the people in the area. Virtually all these funds had been committed by April 13, 1964; a total of 270 health units had been constructed or renovated; water supply units were under construction in 70 cities and towns; and in 73 other towns, electricity generating stations and distribution networks were under construction. A total of 2,290 new homes, 2,900 classrooms, and 24 teacher-training and supervisory centers had been established, and an additional 14,000 classrooms were under construction. Additionally, agreements for the training of 28,000 teachers had been reached, with 4,700 actually completing their courses. Road programs and river basin development were getting underway.

DEVELOPMENT LOANS

AID development loans to members of the Alliance for Progress reached a record level during the year. A total of 69 development loans was authorized, involving a total of some \$479 million. This compared with 39 development loans totaling \$334 million in 1963, and 14 loans totaling \$189 million in 1962. By June 30, 1964, total U.S. commitments to Latin America since initiation of the Alliance for Progress had reached approximately \$3.5 billion. This total includes some \$1.6 billion through the Agency for International Development, plus authorizations from the Social Progress Trust Fund, the Export-Import Bank, Food for Peace, and the Peace Corps.

Among the more significant credits announced during the year were:

Bolivia: A \$33,200,000 loan was authorized for the construction of nearly 200 miles of key highways to link Bolivia's highlands with navigable rivers leading to the Atlantic Ocean. As a result, virgin lowlands suitable for dairying and agriculture will be opened up for settlement by an estimated 100,000 families by 1973. One of the highways will be an all-weather road, replacing an existing one-lane gravel road.

Colombia: A \$10 million loan signed in June 1964 will provide additional resources for a Private Investment Fund, originally established through the Bank of the Republic in early 1963. In its first 14 months of activity, the Fund had approved 70 loans worth about \$37 million for private projects to accelerate Colombia's economic growth, raise and diversify agricultural production, or improve its balance of payments position. The credits were to help finance plans for manufacturing and processing paper products, clothing and other textile products, chemicals, metal products, electrical machinery, and foodstuffs. Besides the AID credit which supplemented local currency loans made earlier, the Fund also received a three million dollar

loan from the Inter-American Development Bank and \$1.4 million from Netherlands sources.

Chile: An \$8.7 million loan was authorized to the Central Savings and Loan Bank, an autonomous government agency which charters, regulates, and assists savings and loan associations. The credit was to assist the Bank in promoting a secondary mortgage market. Twenty-two savings and loan associations are affiliated with the Bank and have a combined membership of 80,000 persons and savings equivalent to \$24 million. Through early 1964, these savings had been used to finance about 10,000 new homes. The Bank was established in 1961 with the equivalent of a five million dollar loan from the government of Chile and \$10 million from the United States.

Ecuador: A new area of lending activity for AID was opened with an authorization for a \$650,000 loan to enable Ecuador's first rural electric cooperative in Santo Domingo de los Colorados to expand. The co-op was established in 1963, through an AID-supported technical assistance program. Besides the AID loan, the Kentucky Rural Electric Association of Louisville, Kentucky donated \$91,000 which will enable the cooperative to increase the number of consumers from 380 to 1,960. The co-op itself raised the equivalent of \$215,000 for its own operations.

Mexico: Under an unusual consortium arrangement with the government of Mexico, the Inter-American Development Bank, the Rockefeller Foundation, the Ford Foundation, and the United Nations Special Fund, AID authorized a two million dollar loan to help finance the \$9.4 million National Agricultural Center in Chapingo, Mexico. The Center will be located next to the National Agricultural College and will permit the expansion of the College's student body from the present 650 to 1,850. The faculty will be increased from its present strength of 35 full-time professors to 90 full-time and 40 part-time professors in 1968.

Costa Rica: A \$1.6 million loan authorization will help Costa Rica to increase tax revenues and speed land reform. The credit was to accelerate two projects—one on tax mapping and appraisal, and another on topographic mapping. The projects were begun in 1960 when studies revealed that Costa Rica's real property was producing less than half of its tax return potential. Reappraisals of 11 percent of Costa Rica's taxable properties netted an average 113 percent increase in tax revenues. The topographic maps will help in planning land use, bridges, drainage, mining, and housing projects.

TECHNICAL COOPERATION DEVELOPMENT GRANTS

The increased emphasis on development loans was accompanied by a corresponding decrease in the allocations for technical coopera-

tion. Fiscal year 1964 reflected a reduction of one-third or \$36 million in development grants in Latin America, dropping from \$119.3 million to \$83.3 million. The principal programs of technical cooperation were focused on education, food and agriculture, and public administration in order to build the foundations for sustained self-help development in the future. The following examples illustrate the nature and objectives of these programs:

Health

Over 20 percent of Bolivia's miners are believed to have silicosis or tuberculosis. In addition to low productivity by miners due to disease, health indemnity payments to miners by the Bolivian Government are estimated at \$8 to \$13 million yearly. Under an AID-supported health program begun in 1963, mobile X-ray units had checked 1,200 persons by January 1, 1964. In 1964 and 1965, an additional 10,000 people in the mining areas were to be checked.

Education

In 1964, AID terminated its grant program of rural school construction in Paraguay, but continued with a comprehensive program for training teachers and upgrading standards. At the time of the termination, 150 rural schools had been placed under construction or completed and another 150 were scheduled for fiscal year 1965. A teacher training center was completed, a second was under construction, and over 1,600 teachers had participated in in-service training. The new program ultimately will affect the education of over 100,000 students.

Technical Cooperation Grants in Latin America Fiscal Year 1964¹

[In thousands]

Type of activity	Technical cooperation grants	Type of activity	Technical cooperation grants
Food and agriculture.....	\$15, 200	Public administration.....	\$9, 500
Industry and mining.....	6, 900	Community development and housing.....	1, 500
Transportation.....	3, 100	General and miscellaneous..	6, 300
Labor.....	2, 600	Technical support.....	8, 600
Health and sanitation.....	7, 700		
Education.....	16, 300		
Public safety.....	5, 600	Total.....	\$83, 300

¹ Estimated.

Rural Development

While Brazil's coastal areas are seriously overcrowded, the country has a vast unsettled frontier, where millions of families could be settled. An AID technical cooperation program, begun in 1963, and continued in 1964, provides two research technicians in land transfer and utilization, as well as nine contract specialists. Their studies are determining the characteristics of farm migrants, the availability of land suitable for settlement, as well as systems of land tenure and transfer. The aim of the studies is to assist in the settlement of two million farm families in the next decade, at a cost which Brazil can support. Seven frontier colonies containing 45,000 people were contemplated for 1964 and 1965.

A unique arrangement between Chile and California was formally initiated in 1964, with support from AID. California was sending experts to Chile to strengthen a rural extension program, help plan development of a major river valley, spur development planning, and break bottlenecks in agricultural marketing.

Institutional Development

In order to make economic progress feasible and to sustain the momentum gained by external assistance, it is necessary to develop local institutions for capital accumulation, cooperative action, and the application of modern technological procedures. For example, Peru wished to move forward as rapidly as possible with its program of industrialization in order to help alleviate the chronic unemployment centered in the depressed regions in the south. To assist with this effort, Stanford University opened a graduate school of business under an AID contract and provided nine full-time and three short-term advisers to staff it. The Stanford Research Institute supplied advisors for Peru's National Institute of Industrial Promotion which is attempting to identify promising investment opportunities.

In Ecuador, the emphasis was on organizing credit cooperatives. In 1964, with AID support, a National Cooperative Council was established and over 1,200 cooperative leaders received in-country training. Credit union membership increased from 2,000 to 7,000 and nine savings and loan associations with over 6,000 members had been issued charters. Technical assistance was provided by Credit Union National Association (CUNA) and National Rural Electric Cooperative Association (NRECA) experts from the United States.

Labor

In November 1963, a Labor Leader Training Center was inaugurated in Montevideo under the sponsorship of the American Institute for Free Labor Development (AIFLD). Its aim is to assist and accelerate the development and training of responsible democratic

leadership for labor unions in Uruguay. The courses were open to groups of 25 labor leaders at a time, and a smaller number were sent to Washington to study in the AIFLD training center for four months. AID's expenditures, in support of the program, totaled \$50,000.

SUPPORTING ASSISTANCE AND CONTINGENCY FUNDS

Six Latin American countries received direct U.S. support in the form of contingency funds or supporting assistance. The combined total for these two forms of assistance was over 30 percent less than for fiscal year 1963, dropping from \$101.5 million to \$69 million.

Summary of Latin American Program Commitments for Fiscal Year 1964

[In millions]

Country	Technical coopera- tion	Develop- ment loans	Support- ing assist- ance	Total	Contin- gency fund
Argentina.....	\$1. 6	\$8. 2		\$9. 8	
Bolivia.....	5. 5	42. 6	\$8. 9	60. 4	\$3. 4
Brazil.....	15. 5	115. 4		180. 9	50. 0
Chile.....	3. 7	75. 8		79. 5	
Colombia.....	3. 7	76. 0		79. 7	
Costa Rica.....	2. 0	8. 0		10. 0	
Dominican Republic.....	0. 9			0. 9	
Ecuador.....	3. 9	16. 7		20. 6	
El Salvador.....	2. 1	9. 0		11. 1	
Guatemala.....	3. 2	2. 7		5. 9	
Haiti.....			1. 5	1. 5	
Honduras.....	1. 7	7. 0		8. 7	
Jamaica.....	0. 6	2. 8		3. 4	
Mexico.....	0. 4	22. 0		22. 4	
Nicaragua.....	2. 8	1. 1		3. 9	
Panama.....	1. 5	7. 5		9. 0	0. 2
Paraguay.....	2. 4	3. 0		5. 4	
Peru.....	4. 6	31. 4		36. 0	
Trinidad and Tobago ¹	0. 5		5. 0	5. 5	
Uruguay.....	0. 9	5. 4		6. 3	
Venezuela.....	1. 8			1. 8	
British Guiana.....	0. 4			0. 4	
Surinam.....	(?)			(?)	
ROCAP.....	4. 3	20. 0		24. 3	
Regional.....	19. 4	24. 4		43. 8	
Total.....	\$83. 3	\$479. 0	\$15. 4	\$631. 3	\$53. 6

¹ Includes "Other West Indies."

² Less than \$50,000.

NOTE.—Minor discrepancies result from rounding.

The purposes of the assistance varied from budget support in the face of political pressure to relief for the victims of natural disasters.

Bolivia's government received a total of \$12.3 million in supporting assistance and contingency funds to meet a budget deficit and to make up losses called by a July 1963, strike of the tin miners. The new government which came to power in Brazil in April 1964, received a loan of \$50 million from the contingency fund to help it meet monetary and fiscal needs and to finance the procurement of essential commodities from the United States. Haiti received \$1.48 million in supporting assistance for a continuing program of malaria eradication. A \$150,000 contingency fund grant to Panama helped to finance architectural and engineering services for the design and construction of the school buildings.

Trinidad and Tobago received five million dollars in supporting assistance in pursuance of an earlier agreement.

Disaster relief for Brazil, Costa Rica, Haiti, and Trinidad-Tobago amounted to \$3.3 million of contingency funds for relief from volcanic eruptions, floods, and hurricanes.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1964 LATIN AMERICA

Borrower—Amount—Terms	Purpose
ARGENTINA	
The Salesian Institute: \$6.8 million, 40-year, at 3¼ percent; alternate financing plan, the Argentine Government may receive the loan repayments from the Institute in local currency; the Government would repay in dollars over a 40-year period. Interest would be ¾ percent per year during a ten-year grace period and two percent thereafter.	To assist the Salesian Institute, a national vocational school system, in expanding the enrollment in 13 of Argentina's vocational schools from 5700 to 9000 students. The underlying purpose of the project is to help Argentina attain a 1970 goal of increasing farm production by one-third and agricultural commodity exports by one-half.
The National Institute of Agricultural Technology: \$1.4 million, 30-year, 3½ percent; alternate plan, the Argentine Government may elect to receive the loan repayments from the Na-	To help finance the construction and equipment of two research laboratories to be operated by the borrowing agency to conduct research in foot-and-mouth disease and studies of

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued

Borrower—Amount—Terms	Purpose
ARGENTINA—Continued	
<p>tional Institute in local currency; the Government would then repay in dollars within 40 years, including a ten-year grace period and annual interest at $\frac{3}{4}$ percent.</p>	<p>meat technology and new meat products.</p>
BOLIVIA	
<p>The Government of Bolivia: \$33.2 million 40-year loan at $\frac{3}{4}$ percent per year during a ten-year grace period and two percent thereafter.</p>	<p>To finance the construction of two major penetration highways which strengthen Bolivia's basic economy and link the Altiplano with navigable rivers leading to the Atlantic Ocean.</p>
<p>The Government of Bolivia: \$3.7 million 40-year loan at $\frac{3}{4}$ percent.</p>	<p>To recapitalize the National Agricultural Bank as a means of providing credit at reasonable rates, in order to help modernize Bolivian agriculture and to increase farm income.</p>
<p>The Banco Industrial S.A.: \$2.4 million 20-year loan at 3 percent per year during a five-year grace period and 5 percent thereafter. Alternate financing plan, the Bolivian Government may elect to receive the loan repayments from the Bank in local currency; the Government would then repay AID in dollars over a 40-year period at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>To add to the initial capitalization for the first private industrial credit bank in Bolivia.</p>
<p>Sociedad Industrial Azucarera "La Esperanza," S.A.: \$650,000 ten-year loan at $5\frac{3}{4}$ percent.</p>	<p>To supplement a 1961 Development Loan Fund loan of \$1,750,000 to "La Esperanza,"</p>

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued**

Borrower—Amount—Terms	Purpose
BOLIVIA—Continued	
<p>The Government of Bolivia: \$600,000, 40-year loan, $\frac{3}{4}$ percent per year during a 10-year grace period and two percent thereafter.</p>	<p>a privately-owned sugar mill, for the purpose of financing stepped-up sugar production and the construction of related industrial facilities.</p> <p>To finance a 2400-foot extension of the paved runway at El Alto Airport, Bolivia's chief air terminal, so as to accommodate modern jet transports.</p>
BRAZIL	
<p>ELECTROBRAS, the Brazilian Federal Electric Power Authority: \$20.4 million 20-year loan at $5\frac{1}{2}$ percent. Alternate financing plan, the Brazilian Government may elect to receive the loan repayments from ELECTROBRAS in local currency; the Government would then repay in dollars over a 40-year period at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>To help finance the expansion of the Peixoto hydroelectric power plant on the Rio Grande River in the State of Minas Gerais, 310 miles northeast of Rio de Janeiro.</p>
<p>SUDENE, the Brazilian Government agency responsible for development of the Northeast: \$20 million 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>To establish modern highway maintenance departments in nine States in Northeastern Brazil and to train Brazilian personnel in the use and maintenance of mechanized equipment.</p>
<p>Centrais Eletricas de Furnas (FURNAS) a public-private corporation: \$16.7 million loan at $5\frac{1}{2}$ percent. Alternate financing plan, the Brazilian</p>	<p>To finance the construction of 480 miles of transmission lines linking two hydroelectric power plants on the Rio Grande River with the Rio de Janeiro</p>

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued**

Borrower—Amount—Terms	Purpose
BRAZIL—Continued	
<p>Government may elect to receive the loan repayments from FURNAS in local currency; the Government would then repay in dollars over a 40-year grace period at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p> <p>The Government of Brazil: \$15 million 40-year loan at $\frac{3}{4}$ percent during a 10-year grace period and two percent thereafter.</p> <p>SUDENE, the Brazilian Government agency responsible for development of the Northeast: \$7.4 million 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p> <p>Companhia Hidro Eletrica do São Francisco (CHESF): \$7.0 million 25-year loan at $3\frac{1}{2}$ percent. Alternate financing plan, the Brazilian Government may elect to receive the loan repayments from CHESF in local currency; the Government would then repay in dollars over a 40-year grace period at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p> <p>The Government of Brazil: \$6.5 million 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>and Sao Paulo areas, serving about 7.2 million people.</p> <p>To purchase U.S. fertilizers, will be administered by the Bank of Brazil and the Ministry of Agriculture through normal commercial channels.</p> <p>To finance important improvements to the highway system in Brazil's Northeastern State of Pernambuco.</p> <p>To provide transmission facilities and substations between the Paulo Afonso hydroelectric power plant and the city of Fortaleza in Northeast Brazil.</p> <p>To finance the cost of equipment and materials to continue malaria eradication programs.</p>

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued

Borrower—Amount—Terms	Purpose
BRAZIL—Continued	
<p>Companhia Siderurgica Nacional, Brazil's National Steel Company at Volta Redonda: \$5.5 million 12-year loan at 5½ percent. Alternate financing plan, the Brazilian Government may elect to receive the loan repayments from the Company in local currency; the Government would then repay in dollars over a 40-year period at ¾ percent during a ten-year grace period and two percent thereafter.</p>	<p>To expand the plant's annual production by 200,000 tons, to 1,400,000 tons.</p>
<p>Centrais Eletricas de Minas Gerais, S.A. (CEMIG), a State-owned enterprise: \$5.3 million 20-year loan at 5¾ percent. Alternate financing plan, the Government of Brazil may elect to receive the loan repayments from CEMIG in local currency; the Government would then repay in dollars within 40 years, including a ten-year grace period at ¾ percent.</p>	<p>To assist in financing a State-wide expansion of power-generating capacity, transmission lines and rural electrification. About 90 percent of CEMIG's power load is industrial.</p>
<p>Centrais Eletricas Matogrossenses (CEMAT): \$4.3 million 25-year loan at 5½ percent. Alternate financing plan, the Brazilian Government may elect to receive the loan repayments from CEMAT in local currency; the Government would then repay in dollars over a 40-year period at ¾ percent during a ten-year grace period and two percent thereafter.</p>	<p>To expand the power system centering on the cities of Cuiabá, Campo Grande and Corumbá in the State of Mato Grosso.</p>

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued

Borrower—Amount—Terms	Purpose
BRAZIL—Continued	
<p>The Government of Brazil: \$2.7 million 40-year loan at $\frac{3}{4}$ percent per year during a ten-year grace period and two percent thereafter.</p> <p>SUDENE, the Brazilian Government agency responsible for development of the Northeast: \$2.4 million 40-year loan at $\frac{3}{4}$ percent.</p> <p>Companhia Metalurgica Barbara (BARBARA): \$1.4 million seven-year loan at $5\frac{1}{2}$ percent. Under an alternate financing plan, the Brazilian Government may elect to receive the loan repayments from BARBARA in local currency; the Government would then repay in dollars over a 40-year period at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p> <p>Olinkraft Limited of Brazil: \$800,000 five-year loan at $5\frac{1}{2}$ percent. Under an alternate financing plan, the Brazilian Government may elect to receive the loan repayments from Olinkraft in local currency; the Government would then repay in dollars over a 40-year period at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>To be used by Brazil's Air Ministry to provide radar or other technical aviation aids for the jet airports at Brasilia, São Paulo, Recife, Belem, and Porto Alegre.</p> <p>To finance the purchase in the United States of 12 self-contained diesel electric generators of 1500 kilowatts each, with auxiliary equipment, for use by the public utility enterprise serving the seacoast city of Fortaleza.</p> <p>To help this private firm to raise its annual production of cast iron pipe from 50,000 to 65,000 tons. Most of this pipe is sold to State and local governments for sanitary works. The expansion will result in an annual saving to Brazil of about \$20 million in foreign exchange.</p> <p>To help a privately-owned paper mill near Lajas in the State of Santa Catarina to double its daily production of kraft paper products. The firm is an affiliate of a U.S. company.</p>

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued

Borrower—Amount—Terms	Purpose
CHILE	
<p>The Government of Chile: \$55 million 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>To provide new support for Chile's continuing self-help program to promote the growth of per capita income. Specifically, the loan will finance imports of U.S. goods and services that are essential for the continued growth of key sectors in Chile's long-range development program. It will also generate local currency for use in development projects mutually approved by Chile and the U.S. AID Mission.</p>
<p>The Central Housing Bank, an autonomous Government agency: \$8.7 million 20-year loan at four percent. Under an alternate financing plan, the Chilean Government may elect to receive the loan repayments from the Housing Bank in local currency; the Government would then repay in dollars within 40 years; $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>To create a secondary housing mortgage market to further the financial independence of the national savings and loan system.</p>
<p>The Chilean Port Authority (EMPOCH): \$7.0 million 20-year loan at $3\frac{1}{2}$ percent. Alternate plan, the Government of Chile may elect to receive the loan repayments from EMPOCH in local currency; the Government would then repay in dollars within 40 years, including a ten-year grace period at $\frac{3}{4}$ percent.</p>	<p>To provide a major part of the financing needed to construct a new deep-water port adjacent to Chile's second largest industrial area. Estimated initial capacity is 56,000 tons of cargo per year.</p>

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued**

Borrower—Amount—Terms	Purpose
CHILE—Continued	
The Government of Chile: \$3 million 40-year loan at $\frac{3}{4}$ percent.	To finance engineering and economic studies, both in the public and private sectors. The loan will also pay for the contract services of United States consultants and the training of Chilean nationals in modern planning techniques.
The Government of Chile: \$2.1 million 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.	To finance the construction of 23 public schools with about 300 classrooms, accommodating about 14,000 children from low-income urban communities.
COLOMBIA	
The Government of Columbia: \$60 million 40-year loan at $\frac{3}{4}$ percent per year for a ten-year grace period and two percent thereafter.	To finance essential imports of U.S. materials and services needed to support the continued expansion of Colombia's economy and help that country achieve the goals of its ten-year development plan.
The Banco de la Republica, Colombia's Central Bank: \$10 million 15-year loan at $5\frac{1}{2}$ percent. Alternate financing plan, the Government of Columbia may elect to receive the loan repayments from the Bank in local currency; the Government would then repay in dollars within 40 years at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.	To augment the resources of the Private Investment Fund (PIF).
The Banco Ganadero (the Livestock Bank): \$4.0 million 20-year loan at 2 percent. Alter-	To enable the Bank to increase its lending resources by about 18 percent. These new funds

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued

Borrower—Amount—Terms	Purpose
COLOMBIA—Continued	
<p>nate financing plan, the Colombian Government may elect to receive the loan repayments from the Livestock Bank in local currency; the Government would then repay in dollars within 40 years at ¾ percent during a 10-year grace period and two percent thereafter.</p> <p>Instituto de Aprovechamiento de Aguas y Fomento (ELECTRAGUAS): \$1.3 million 35-year loan at 2 percent. Alternate financing plan, the Colombian Government may elect to receive the loan repayments from ELECTRAGUAS in local currency; the Government would then repay in dollars within 40 years at ¾ percent during a ten-year grace period and two percent thereafter.</p> <p>La Empresa de Acueducto y Alcantarillado de Bogota (The Bogota Aqueduct and Sewage Authority): \$450,000 ten-year loan at 3½ percent. Alternate financing plan, the Colombian Government may elect to receive the loan repayments from the Bogota Sewage Authority in local currency; the Government would then repay in dollars within 40 years at ¾ percent during a ten-year grace period and two percent thereafter.</p>	<p>will assist some 3500 ranchers and farmers to triple their cattle production.</p> <p>To help establish three rural electric cooperatives to serve an estimated 10,000 Colombian homes, farms and small business establishments.</p> <p>To finance the dollar costs of U.S. engineering services and the purchase of maintenance equipment made necessary by the construction of 19 kilometers of reenforced concrete canals and 36 kilometers of sewers in the Bogota Sanitary District.</p>

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued

Borrower—Amount—Terms	Purpose
COLOMBIA—Continued	
<p>Las Empresas Publicas de Medellin (The Public Utilities of Medellin): \$250,000 ten-year loan at 3½ percent. Alternate financing plan, the Colombian Government may elect to receive the loan repayments from the Public Utilities of Medellin in local currency; the Government would then repay in dollars within 40 years at ¾ percent during a ten-year grace period and two percent thereafter.</p>	<p>To finance the cost of U.S. consulting engineering services needed to help Medellin expand and reconstruct its obsolescent sewers. The modernized system will prevent the pollution of small streams which flow through the city and will carry treated wastes into the Medellin River.</p>
COSTA RICA	
<p>The Corporacion Castarrincense de Financiamiento Industrial, S.A. (COFISA): \$5 million 20-year loan at 2 percent. Alternate plan, the Government of Costa Rica may elect to receive the loan repayments from COFISA in local currency; the Government would then repay in dollars within 40 years, including a ten-year grace period at ¾ percent.</p>	<p>To enable COFISA to make medium and long-term subloans (from 2 to 12 years) to businessmen desiring to form new or expand existing enterprises.</p>
<p>The Government of Costa Rica: \$1.6 million 40-year loan at ¾ percent during a ten-year grace period and two percent thereafter.</p>	<p>To help Costa Rica increase her tax revenues and to accelerate land reform and economic development.</p>
<p>The National Water and Sewage Authority (SNAA): \$1.4 million 40-year loan at ¾ percent.</p>	<p>To help increase water supplies and reduce the incidence of water-borne diseases in the capital city of San Jose.</p>

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued

Borrower—Amount—Terms	Purpose
ECUADOR	
<p>The Government of Ecuador: \$13.3 million 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>To help finance a highway maintenance program as well as the construction work on major roads previously authorized. In addition, the new funds will pay for 314 miles of key roads to be built or improved during the second stage of Ecuador's highway program.</p>
<p>The Institute for Electrification (INECEL): \$1.6 million 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>To finance the expansion of nine small power generating facilities.</p>
<p>The Cooperative Bank of Ecuador: \$1.2 million 25-year loan at $\frac{3}{4}$ percent. Alternate financing plan, the Government of Ecuador may elect to receive the loan repayments from the Cooperative Bank in local currency; the Government would then repay in dollars over a 40-year term at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>To finance agricultural and industrial sub-loans by the Bank to cooperatives and credit unions in all parts of the country. Other sub-loans will be financed through the 1,000 co-ops and credit unions as well as the Ecuadorian Government.</p>
<p>The Institute for Electrification (INECEL): \$650,000 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>Under a sub-loan to the Santo Domingo Electric Cooperative, to enable the Santo Domingo Co-op to expand its service area and increase its consumer members from 380 to 1,960 in the near future. By 1974 it hopes to be serving 3,300 consumers in a 2,740 square mile area.</p>

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued**

Borrower—Amount—Terms	Purpose
EL SALVADOR	
<p>The Development and Investment Financiera: \$5.2 million 20-year loan at 2 percent. Alternate financing plan, the Government of El Salvador may elect to receive the loan repayments from Financiera in local currency; the Government would then repay AID in dollars within 40 years at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p> <p>The National Housing Finance Agency: \$3.1 million 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p> <p>The Government of El Salvador: \$700,000 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>To provide part of the initial capitalization of the privately-owned Development and Investment Financiera, established by the joint efforts of Salvadoran businessmen to promote the creation, expansion and effective operation of private industrial enterprise in El Salvador.</p> <p>To finance homes in the low-medium price range.</p> <p>To help finance the construction and equipment of 25 rural health "units" and health "posts." Health units are 12-bed clinics primarily for out-patient services but with staff and facilities for minor surgery and limited bed care. Health posts are 8-bed installations with staff and facilities for first aid, simple out-patient treatment, inoculations and health education.</p>
GUATEMALA	
<p>The Government of Guatemala: \$2.0 million 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.</p>	<p>To be utilized by the National Planning Council to finance studies and surveys of roads, agricultural colonization, industrialization, urban development and natural resources utilization.</p>

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued

Borrower—Amount—Terms	Purpose
GUATEMALA—Continued	
The Government of Guatemala: \$700,000 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.	To construct a new customs house and to purchase necessary equipment from the United States or from member countries of the Central American Common Market.
HONDURAS	
The Financiera Hondurena: \$5 million 20-year loan at 2 percent. Alternate financing plan, the Government of Honduras may elect to receive the loan repayments from Financiera in local currency; the Government would then repay in dollars within 40 years at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.	To promote industrial enterprises through medium and long-term sub-loans (two to 15 years) and to finance limited equity investments in private projects.
The Government of Honduras: \$2 million 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.	To finance about 500 homes for low- and middle-income families.
JAMAICA	
The Government of Jamaica: \$1.5 million 40-year loan at $\frac{3}{4}$ percent.	To help modernize and expand the industrial and domestic water resources of five major rural systems in Jamaica.
The Government of Jamaica: \$1.3 million 25-year loan at $3\frac{1}{2}$ percent.	To help prepare technical and economic surveys for projects in road construction, irrigation and drainage, industrial development and land reclamation.

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued

Borrower—Amount—Terms	Purpose
MEXICO	
Nacional Financiera, S.A.: \$20 million 30-year loan at 2 percent.	To provide the financing for a Housing Trust Fund. Supplemented by a \$10 million credit from the Social Progress Trust Fund.
The Nacional Financiera, S.A.: \$2.0 million, 20-year loan at 3½ percent.	To help finance the construction of classrooms, offices, laboratories and the National Agricultural Center at Chapingo, patterned after the land-grant college concept of the United States.
PANAMA	
Desarrollo Industrial, S.A. (DISA): \$5.1 million 20-year loan at 2 percent. Alternate plan, the Government of Panama may elect to receive the loan repayments from DISA in local currency; the Government would then repay in dollars within 40 years, including a ten-year grace period at ¼ percent.	To accelerate the growth of Panama's private enterprise through DISA, the country's first industrial development bank, organized by seven local businessmen.
The Government of Panama: \$2.4 million 40-year loan at ¾ percent during a ten-year grace period and 2 percent thereafter.	To enable the Agrarian Reform Commission, an interministerial body of the Government of Panama, to carry out a survey of land use and natural resources; also to establish a rural property register.
PARAGUAY	
The National Development Bank of Paraguay (NDB): \$3.0 million 40-year loan at ¾ percent during a ten-year grace period and 2 percent thereafter.	To effect a substantial increase in Paraguay's crop and forest production, as a part of Paraguay's Five Year Agricultural Development Plan.

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued

Borrower—Amount—Terms	Purpose
PERU	
The Government of Peru: \$12.1 million 49-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter on the first \$6 million disbursed; the \$6.1 million balance of the loan is payable at $3\frac{1}{2}$ percent per year unless AID agrees to alter the rate.	To finance partially the construction of a 172-mile section of a major highway beginning at Olmos, near the Pacific Coast, 350 miles north of Lima, to the Amazon Basin.
The Government of Peru: \$6.6 million 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.	To spur land reform and agricultural development, as a part of Peru's five-year National Agricultural Development Program.
The Government of Peru: \$6.0 million 40-year loan at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.	Supplemented by a \$4 million contribution from the Government of Peru to the Central Home Loan Bank, an autonomous Government agency, to enable the Bank to finance home-building projects through more than 80 legally-recognized housing co-operatives.
The Peruvian Santa Corporation: \$2.2 million 13-year loan at $5\frac{3}{4}$ percent. Alternate financing plan, the Peruvian Government may elect to receive the loan repayments from the Corporation in local currency; the Government would repay in dollars within 40 years at $\frac{3}{4}$ percent during a ten-year grace period and two percent thereafter.	To help pay for doubling the power-generating capacity—from 50,000 to 100,000 KW—of the Canon del Pato hydroelectric project on the Santa River.
Energia Hidroelectrica Andina, S.A. (HIDRANDINA): \$2.0	To finance a 20,000 KW power plant 200 miles north of Lima

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
LATIN AMERICA—Continued**

Borrower—Amount—Terms	Purpose
PERU—Continued	
<p>million 13-year loan at 5½ percent. Alternate plan, the Government of Peru may elect to receive the loan repayments from HIDRANDINA in local currency; the Government would then repay in dollars within 40 years including a ten-year grace period at ¾ percent.</p> <p>The Government of Peru: \$1.9 million 40-year loan at ¾ percent during a ten-year grace period and two percent thereafter.</p>	<p>on the Pativilca River, to serve the rapidly-expanding agricultural and industrial area near Paramonga.</p>
REGIONAL OFFICE FOR CENTRAL AMERICA AND PANAMA	
<p>Central American Bank for Economic Integration (CABEI): \$10 million 40-year loan at ¾ percent during a ten-year grace period and two percent thereafter.</p> <p>The Central American Bank for Economic Integration (CABEI): \$10 million 40-year loan at ¾ percent.</p>	<p>To finance part of the cost of building a strategic 48.5 mile road that will open a large area for timbering and farm production near the city of Tingo Maria.</p> <p>To enable CABEI to establish an autonomous home loan department as a source of secondary financing for home mortgage institutions in the Central American Common Market countries.</p> <p>To help CABEI provide financial and technical assistance to private industry.</p>
URUGUAY	
<p>Banco de la Republica Oriental del Uruguay: \$3 million 25-year loan at 3½ percent. Alternate financing plan, the Government of Uruguay may elect to receive the Loan repayments from the</p>	<p>Supplemented by a \$5 million credit from the Export-Import Bank and by a \$5 million credit from the Inter-American Development Bank, to finance sub-loans to assist owners of</p>

NEW DEVELOPMENT LOAN AUTHORIZATIONS
 IN FISCAL YEAR 1964—Continued
 LATIN AMERICA—Continued

Borrower—Amount—Terms	Purpose
<p>URUGUAY—Continued</p> <p>Bank in local currency; the Government would then repay in dollars within 40 years at $\frac{3}{4}$ percent during a ten-year grace period and 2 percent thereafter. The Banco de Produccion y Consumo (BPC): \$2.4 million 15-year loan at 2 percent. Alternate financing plan, the Uruguayan Government may elect to receive the loan repayments from the Bank in local currency; the Government would repay in dollars within 40 years at $\frac{3}{4}$ percent during a ten-year grace period and 2 percent thereafter.</p>	<p>small and medium size industries to expand existing plants and to establish new plants.</p> <p>To help provide credits at moderate interest to many of the 21,000 rancher and farmer members of 89 agricultural cooperatives.</p>

VIII. NEAR EAST AND SOUTH ASIA

The largest regional program of U.S. economic aid is in the Near East and South Asia (NESEA) region, an area comprising 14 countries in an arc stretching from Greece to India, and a prime target for Communist expansion, by both the Soviet Union and Communist China. The NESEA economic program for fiscal year 1964 totaled \$843.3 million, 10 percent less than in the previous year.

AID programs in the region continued to be highly concentrated, with more than two-thirds of the funds committed for two countries—India and Pakistan, both of which are engaged in massive development efforts. Their success in improving living standards without resorting to totalitarian methods is vital to the future of democracy in Asia.

The stability and independence of Turkey, third largest recipient of AID assistance in the region, also affect the security of the United States. These three states, which together accounted for 85 percent of the NESEA program in fiscal year 1964, all border Communist nations, as do four other NESEA countries—Greece, Iran, Afghanistan, and Nepal.

INTRA-REGIONAL INFLUENCES

Development does not take place in a vacuum. It is affected by the environment in which it occurs. Political, social, and economic factors, the attitudes and traditions of the people, the state of health, the form of government—these and many other forces have an influence on development, and hence on our assistance programs.

In this context, political instability and intra-regional friction continued to beset much of the region. Strongly-held animosities among certain Arab countries and the endemic Arab/Israeli problem continued to threaten stability in the Near East. The political situation in Yemen remained unresolved although there were signs of lessening tension between the United Arab Republic and Saudi Arabia as the year drew to a close. Relations between Greece and Turkey were seriously strained by the civil strife between Greek and Turkish Cypriots in Cyprus.

Despite these and other problems, there were a number of developments favorable to the successful implementation of the AID program in the Near East: Turkey instituted tax reforms, budget improvements, and incentives for exports; savings and investments

continued to increase and were helping to finance 75 percent of the country's development plan with internal resources. The first stage of Iran's land distribution program was completed. A central bank was established in Jordan and a comprehensive development plan drawn up. The newly elected government in Greece took steps to place greater emphasis on improving the education system.

In South Asia the dispute between India and Pakistan over Kashmir remained an unsettling factor. Provocations by the Chinese Communists made it necessary for India to strengthen its defense capabilities. U.S. assistance to relieve some of the growing military burden on India's economy had an adverse reaction on our relations with Pakistan.

Despite continuing pressures arising out of territorial disputes with neighboring states, and the death of Prime Minister Nehru, India retained its national unity and the Government pursued its firm commitment to national development. Strict monetary and economic policies were maintained to combat inflationary tendencies and the vigorous private sector of the Indian economy continued to attract substantial capital from sources outside the country.

In Pakistan the liberalization of restrictions on the import of iron and steel promised improved opportunities for private enterprise, reduced administrative control over the economy, and a more effective use of existing industrial capacity. U.S. commodity assistance helped to bring about this major change in economic policy.

Another plus factor in South Asia was the entry of goods for development into Afghanistan by the normal route following the opening of the Pakistan-Afghanistan border. A Constitutional Advisory Committee in Afghanistan recommended to the cabinet a new draft constitution embodying far-reaching revisions in the nation's political base. The Afghan Government requested AID technical assistance and advice on government reorganization and the installation of management controls in key ministries.

DEVELOPMENT LENDING

The development programs in NESAC countries cannot be sustained without inputs of capital resources (equipment, commodities, services etc.) from external aid donors. This requires foreign exchange usually not available from current reserves and earnings. Consequently, development loans from AID made on concessional terms are an essential element in the process of raising the needed foreign exchange.

All of the principal development lending programs in NESAC are conducted through free world consortia, by which the aid burden is shared by developed nations and international agencies. The terms on which this assistance is made available is as important as the

amount of resources involved. During the past year, the United States again worked to persuade consortium members to make loans on terms closely related to the debt servicing capacities of aided countries, and to examine previous loans with a view to ameliorating existing terms.

Summary of Near East South Asia Program Commitments for Fiscal Year 1964¹

[In millions]

Country	Development loans	Technical cooperation	Supporting assistance	Fiscal year 1964 total.
Afghanistan.....	\$9.7	\$12.5		\$22.2
Cyprus.....		.4		.4
Greece.....	7.7			7.7
India.....	337.2	6.9		344.1
Iran.....	1.5	3.4		4.9
Iraq.....		.8		.8
Israel.....	20.0			20.0
Jordan.....		5.7	\$34.0	39.7
Nepal.....	1.0	3.4		4.4
Pakistan.....	227.3	8.9		236.2
Syrian Arab Republic.....		.5		.5
Turkey.....	121.8	4.2	6.4	132.4
United Arab Republic (Egypt).....		1.4		1.4
Yemen.....			5.2	5.2
Regional.....		2.6	21.1	23.7
Cento.....		(0.4)	(21.1)	(21.5)
Other.....		(2.2)		(2.2)
Total ²	\$726.2	\$50.5	\$66.6	\$843.3

¹ Gross figures.

² May not add due to rounding.

Development lending accounted for \$726.2 million or 86 percent of the total NESAs program during the year, compared to 82 percent in 1963, and 71 percent in 1962. Almost 95 percent of the loans went to the three major recipient countries: India, Pakistan, and Turkey. All three countries are carrying on planned development efforts, all are financing most of their efforts from their own resources, and all three receive assistance from other free world sources in addition to the United States.

Development loans comprised our total program to Israel and Greece during fiscal year 1964. The total volume of development loans to these two countries was reduced substantially from fiscal year 1963 (down 75 percent for Greece and 55 percent for Israel), and carried harder terms reflecting their improved economic conditions.

Three NESAs development loan projects were completed during the fiscal year, and repayment of principal and interest on the loans has already begun according to schedule.

Under a development loan to Jordan, the electric power system of the capital city of Amman was expanded and modernized by the construction of a new 6,000 kilowatt plant powered by three diesel generators, the installation of a 1,250 kilowatt generating unit in an old plant, new equipment, and new transmission lines. Prior to the expansion, industrial customers had to curtail their power demands in the evening hours if electricity was to be available for private dwellings.

Technical Cooperation Grants in the Near East South Asia, Fiscal Year 1964

[In thousands]

Field of activity	Technical cooperation grants	Field of activity	Technical cooperation grants
Food and agriculture.....	\$6, 687	Community develop- ment, social welfare, and housing.....	\$102
Industry and mining.....	4, 292	General and miscellaneous.....	3, 135
Transportation.....	4, 074	Technical support.....	10, 297
Labor.....	507		
Health and sanitation.....	2, 851		
Education.....	12, 582		
Public administration and public safety.....	5, 994	Total.....	\$50, 521

A development loan to Pakistan helped to expand the capacity of West Pakistan's railway system. Because alternate transportation facilities are poorly developed, railroads must carry the major portion of both passenger and freight traffic. For the first time in several years, the Pakistan Western Railway was able to handle all the demands of the increasing load.

In Israel, work was completed on the modernization of Lod International Airport, near Tel Aviv, which is used by a dozen international airlines. A local currency loan made by an AID predecessor financed the installation of American-made navigation, communications and radar equipment to improve efficiency and safety at the airport. Purchase of the equipment itself was financed by an Export-Import Bank loan. The AID loan also paid local expenses for structures and access roads.

TECHNICAL COOPERATION

Although technical cooperation was the smallest category of assistance in terms of dollar amounts expended, it remained one of the most versatile tools of development by establishing a framework for future progress.

Completed Projects

One of the first U.S. technical assistance projects in the NESAs region was the modernization and improvement of the Karaj Agricultural College—Iran's principal agricultural training institution—through contracts with Utah State University. With the leadership and guidance of Utah State faculty, the College has developed, since 1952, an all-Iranian administration and full-time faculty of 40, of which 25 trained in this country, and a greatly enlarged physical plant. Currently students are offered a four-year practical curriculum in any of eight major specialities, emphasizing field and laboratory training and research. Karaj has begun to play an increasingly significant role in Iran's program of land distribution and agricultural improvement by supplying skilled technicians for agricultural extension work, farm credit and cooperative development.

The United States was able to end its financing of assistance to Karaj Agricultural College in fiscal year 1964, and the Government of Iran is now providing full support for its continued development.

New communications and cable transport systems in Nepal, developed with U.S. assistance, were completed in fiscal year 1964, and are now being operated by Nepalese. The internal telecommunications system consisting of 7 area controls and 50 radio stations links the 1,000-line central telephone exchange of Katmandu with the series of isolated valleys that make up the country, thus helping to tie the country together. The international radio circuits connect the internal system with New Delhi and Calcutta and open up the possibilities of worldwide communications. The 26-mile steel cableway, designed and built by an American firm with AID financing, went into operation in the spring of 1964. The electrically powered cableway assures 24-hour-a-day transport of 25 tons of goods per hour to Katmandu, over mountain barriers as high as 8,000 feet in all kinds of weather. Previously, difficult roads and weather problems slowed and often disrupted the flow of human necessities into Nepal's capital, sometimes resulting in severe shortages and inflation.

During fiscal year 1964, AID also completed assistance to the National Productivity Council, an Indian institution consisting of representatives of labor, industry, and government, which is helping India to increase its industrial production by training management and labor in modern production principles and techniques. The Coun-

cil has sent 250 managers to the United States for advanced training in industrial engineering, has sponsored 41 teams to observe modern practices in advanced industrial nations, and organized 75 teams which studied major industries in India. The Council disseminates information to its 4,500 members throughout India through reports by these teams, courses attended by some 10,000 industrial managers, a technical and film library, a technical inquiry service, hundreds of seminars and conferences, and regular publications.

New and Continuing Projects

The versatility of the technical cooperation program is illustrated by a number of new and continuing projects in the NESAs region during fiscal year 1964. Some placed new emphasis on the private sector, some entered a new field of activity, others fostered skill training by the armed forces or the development of democratic local institutions.

In Afghanistan, a U.S. firm of industrial consultants under AID contract is investigating the feasibility of developing a variety of local private industries which could produce goods for export or to replace imports, thus strengthening the country's balance of payments position. A consultant has been investigating the potentialities of such industries as the production of karakul hides and sheepskins, sheep casings, fruit and vegetable cold storage and packaging.

As other possibilities are identified, arrangements will be made for short-term assignment of other technical specialists to Afghanistan for studies which can provide the basis for AID or other country loan assistance for the formation of industrial enterprises.

In India, an intensive effort to streamline the teaching of science and mathematics in order to develop higher skills among Indian youth was conducted with U.S. assistance. AID financed 44 six-week institutes at 34 locations in which 80 U.S. college and high school educators demonstrated modern teaching techniques to some 1,700 Indian teachers. An expanded similar project is being considered for the summer of 1965.

Until recently, army conscripts in Iran usually learned little during their military service which would help them to make a living or add to the economy of their community on their return to civilian life. Now, through a project conducted by the Iranian Army with the assistance of other government agencies, the U.S. AID Mission and the U.S. Military Assistance Advisory Group, soldiers are receiving training in nine vocational fields. As a result, technical know-how is being taken back to many villages where such skills were not known and many conscripts are returning with increased status and potential for leadership. More than 100 non-commissioned officers have been trained as shop teachers under the project, and 750

conscripts have completed vocational courses and are back in their villages. Within a year, facilities are expected to be in operation for training 7,200 soldiers annually, with increasing impact on rural youth and their home communities.

An AID-assisted project has helped the Government of Nepal to create a district administrative apparatus and to organize local elections which have led to the formation of thousands of village councils and 75 district councils. The system of councils of elected representatives, called panchayats, extends from the village, through district and zonal levels, to the national level.

Through the panchayats, an annual self-help program is being planned by each district, with at least one small public works project in each village. The Government of Nepal pays about half the administrative and logistic costs of this program. U.S.-owned Indian rupees are granted for operating costs and district self-help activities, with the U.S. also providing overseas training, some equipment and technical advice.

Several projects stress the comprehensive technical or area approach to improve agricultural production. In the vital Indus Plain region of West Pakistan, for instance, technical cooperation is working to increase the effectiveness of Pakistan Government agencies concerned with agricultural programs and also directly introduced improved techniques through the local extension services. In another important agricultural field, technical advice is provided to obtain maximum benefits from Pakistan's large-scale program to combat the effect of waterlogging and salinity in the Indus area. This program, financed with AID loans, involves installation of some 2,000 tubewells in the area.

Jordan's largest effort to increase agricultural production has been through a technical cooperation project to provide irrigation (in the East Ghor area) for 25,000 acres of land and 3,000 families in the East Ghor area, east of the Jordan River. The comprehensive project also has involved land distribution, agricultural credit and marketing. Since it began in fiscal year 1958, the United States has helped build a tunnel and main irrigation canal and the distribution and drainage system. By the end of fiscal year 1964, more than two-thirds of the land had been distributed and a number of control and storage dams begun.

SUPPORTING ASSISTANCE

Although there were reductions in some degree in all three categories of U.S. aid in the NESR region, the most pronounced reduction was in supporting assistance. Supporting assistance was cut by almost a third from fiscal year 1963, represented less than one quarter of the 1962 figure, and accounted for less than eight percent of the total aid program in the region.

Three NESAs countries—Jordan, Turkey, and Yemen—plus the Central Treaty Organization, received this form of assistance in fiscal year 1964. One of AID's major objectives is to terminate these sustaining programs as rapidly as possible and replace them with technical assistance and development loan programs to promote solid and permanent economic progress.

Supporting assistance to Turkey was cut to a fraction of the 1963 amount. The amount remaining in fiscal 1964 financed commodities for essential imports. It is expected to be the last grant of this sort which will be necessary.

Jordan continued to receive supporting assistance for its essential budget requirements, but at a somewhat reduced level.

In Yemen, supporting assistance was concentrated on completing projects begun in prior years, the major project being the road from the coastal city of Mocha to Sana'a, the capital.

Grants to CENTO focused on completing the CENTO Regional Telecommunications link and navigational aids to provide better communications between the capitals of the defense treaty organization's three regional members—Iran, Turkey, and Pakistan. In addition, supporting assistance loans were made to provide foreign exchange to help complete the railroad connecting Turkey and Iran.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1964 NEAR EAST SOUTH ASIA

Borrower—Amount—Terms	Purpose
AFGHANISTAN	
Government of Afghanistan: \$7.7 million, 40 years, with a credit fee of ¾ percent during a 10-year grace period, and two percent thereafter.	To assist in financing the foreign exchange cost of an asphalt road from Herat in western Afghanistan to Islam Qala on the Afghanistan-Iranian border, a distance of 76.9 miles.
Government of Afghanistan: \$2.0 million, 40 years including a 10-year grace period, at ¾ percent.	To assist in financing the foreign exchange costs of the acquisition and import to the Afghan border of road transportation equipment.
GREECE	
Public Power Corporation of Greece: \$7.7 million, 25 years, including a 5-year grace period	To assist in financing the foreign exchange costs of materials, equipment and services re-

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
NEAR EAST SOUTH ASIA—Continued**

Borrower—Amount—Terms	Purpose
GREECE—Continued	
on the repayment of the principal at 3½ percent.	quired in connection with the construction of an earth fill dam at Kremasta on the Acheloos River in Greece with a power-generating installation of 400,000 kw capacity.
INDIA	
Government of India: \$225.0 million, 40 years, at ¾ percent during a 10-year grace period, and two percent thereafter.	To provide the foreign exchange necessary for the import of commodities and equipment in support of Indian development efforts.
Government of India: \$50.0 million, 40 years, at ¾ percent during a 10-year grace period, and two percent thereafter.	To import commodities and equipment in support of Indian development efforts.
Hindustan Motors: \$23.0 million, two-step loan, 10-years, at 4¼ percent interest and ¾ percent credit fee to borrower; 40 years, with credit fee of ¾ percent during 10-year grace period, and two percent thereafter to the Government of India.	To assist in financing the foreign exchange costs of the acquisition, importation and installation of equipment and materials necessary for the expansion of truck production capacity, and the modernization of truck production facilities and the modernization, expansion and installation of its facilities for production of diesel and gasoline truck engines.
Tata Engineering and Locomotive Company, Ltd: \$11.8 million, two-step loan, 10-years, with interest at 4¼ percent and credit fee of ¾ percent to the borrower; 40 years, with ¾ percent during a 10-year grace period, and two percent thereafter to the Government of India.	To assist in financing the foreign exchange costs of the acquisition, incorporation and installation of equipment and materials necessary for the expansion of the borrower's truck and chassis production capacity to 24,000 units per annum.

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
NEAR EAST SOUTH ASIA—Continued

Borrower—Amount—Terms	Purpose
INDIA—Continued	
Government of India: \$7.8 million, 40 years, $\frac{3}{4}$ percent during a 10-year grace period, and two percent thereafter.	To assist in financing the foreign exchange cost of a methanol plant at the Trombay fertilizer plant site and to provide additional foreign exchange financing for the fertilizer plant of the Fertilizer Corporation of India, Ltd. at Trombay.
Government of India: \$7.2 million, 40 years, $\frac{3}{4}$ percent during a 10-year grace period, and two percent thereafter.	To assist in financing the foreign exchange costs of the purchase and delivery of 25 broad gauge diesel electric locomotives with related spare parts, as well as training Indian Railway personnel in the United States.
Government of India: \$3.1 million, 40 years, $\frac{3}{4}$ percent during a 10-year grace period and two percent thereafter.	To help finance the foreign exchange costs of the acquisition and installation of the eighth generating unit, together with associated hydraulic, electrical, and transmission facilities at the Sharavathi Hydroelectric Power Station in the State of Mysore.
Hindustan Motors Ltd.: \$2.95 million, two step loan, 10 years, with interest at 4 $\frac{1}{4}$ percent plus a credit fee of $\frac{3}{4}$ percent to the borrower; 40 years, with interest at $\frac{3}{4}$ percent during a 10-year grace period and two percent thereafter to the Government of India.	To assist in financing the foreign exchange costs of the acquisition, importation and installation of equipment and materials necessary to increase the production of Marion excavator shovels and component parts of such shovels.
Government of India: \$2.0 million, 40 years, $\frac{3}{4}$ percent during a 10-year grace period and two percent thereafter.	To assist in financing the foreign exchange costs of hiring consulting firms and individual experts to provide assistance and advice to agencies of the

NEW DEVELOPMENT LOAN AUTHORIZATIONS
NEAR EAST SOUTH ASIA—Continued
IN FISCAL YEAR 1964—Continued

Borrower—Amount—Terms	Purpose
INDIA—Continued	
	borrower and to private firms in India.
IRAN	
Government of Iran: \$1.5 million, 20 years, 3½ percent with a three-year grace period on the repayment of the principal.	To be reloaned to the Iran National Airlines Corporation (INAC) to assist INAC in financing the foreign exchange costs of technical managerial consulting services and to enable selected key operating personnel of INAC to receive training in the United States.
ISRAEL	
Government of Israel: \$12.0 million, 20 years, 3½ percent with a five-year grace period on the repayment of the principal.	To assist in financing the foreign exchange costs of goods, materials and services required for the execution of the Agricultural Development Program in Israel.
Government of Israel: \$8.0 million, 20 years, at 3½ percent, with a 5-year grace period on the repayment of the principal.	To meet the foreign exchange costs of the importation of commodities necessary to promote the economic development of Israel.
NEPAL	
Nepal Industrial Development Corporation: \$1.0 million, two-step loan, 15 years, with interest of 4¼ percent and credit fee of ¾ percent to borrower; 40 years, including a 10-year grace period, ¾ percent to Government of Nepal.	To assist in financing the foreign exchange costs of industrial projects contributing to Nepal's economic development.
PAKISTAN	
Government of Pakistan: \$100.0 million, 40 years, with a credit	To finance the importation of approximately \$90.0 million of

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
NEAR EAST SOUTH ASIA—Continued

Borrower—Amount—Terms	Purpose
PAKISTAN—Continued	
<p>fee of $\frac{3}{4}$ percent during a 10-year grace period, and two percent thereafter.</p>	<p>iron and steel products and approximately \$10.0 million of other specified commodities essential to the successful implementation of Pakistan's Second Five Year Plan.</p>
<p>Government of Pakistan: \$18.1 million, 40 years, with interest of $\frac{3}{4}$ percent for a 10-year grace period, and two percent thereafter.</p>	<p>To assist in financing the foreign exchange costs of goods and services required for construction of a 132 MW gas-fired steam-generating electric power plant and auxiliary facilities at Lyallpur, West Pakistan.</p>
<p>Government of Pakistan: \$18.1 million, 40 years, with interest of $\frac{3}{4}$ percent during a 10-year grace period, and two percent thereafter.</p>	<p>To assist in financing the foreign exchange costs of the materials, equipment and services necessary for installation and electrification of tubewells, canal remodeling, surface drainage works, and transport and maintenance equipment necessary to irrigate and correct waterlogging and salinity in the Chaj Doab in West Pakistan.</p>
<p>Government of Pakistan: \$14.0 million, 40 years, with interest of $\frac{3}{4}$ percent during a 10-year grace period and two percent thereafter.</p>	<p>To assist in financing the foreign exchange costs of equipment, materials and services required for the construction of a road from Dacca to Aricha in East Pakistan together with ancillary facilities including ferries, ferry landing and connecting roads.</p>
<p>Government of Pakistan: \$12.5 million, 40 years, with interest of $\frac{3}{4}$ percent during a 10-year</p>	<p>To assist in financing the foreign exchange costs of goods and services required to rehabilitate</p>

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
NEAR EAST SOUTH ASIA—Continued

Borrower—Amount—Terms	Purpose
PAKISTAN—Continued	
<p>grace period and two percent thereafter.</p> <p>Government of Pakistan: \$10.4 million, 40 years, with interest of ¾ percent for a 10-year grace period and two percent thereafter.</p> <p>Government of Pakistan: \$8.7 million, 40 years, with interest of ¾ percent for a 10-year grace period and two percent thereafter.</p> <p>Government of Pakistan: \$8.5 million, 40 years, with interest of ¾ percent for a 10-year grace period and 2 percent thereafter.</p> <p>Government of Pakistan: \$7.53 million, 40 years, with interest of ¾ percent for a 10-year grace period and two percent thereafter.</p> <p>Karachi Electric Supply Co., Ltd: \$7.2 million, two-step loan, 25 years, 3½ percent to the borrower; 40 years, with interest</p>	<p>and expand the Water and Power Development Authority's electric power distribution system in West Pakistan.</p> <p>To assist in financing the foreign exchange costs of goods and services required for the execution of the Malaria Eradication Program in Pakistan during fiscal year 1965 and 1966.</p> <p>To be reloaned to the Pakistan Eastern Railway (PER) to assist in financing the foreign exchange costs of equipment, materials and services required for the rehabilitation, modernization and expansion of its railway facilities.</p> <p>To assist in financing the foreign exchange costs of goods and services required for installation of a 44/50 gas-fired steam generator at the existing Shiddhirganj Thermal Plant in order to increase base load power in the eastern grid of East Pakistan.</p> <p>To assist in financing the foreign exchange costs for equipment, materials, and services required for the rehabilitation, modernization and expansion of its railway facilities in West Pakistan.</p> <p>To assist in financing the foreign exchange costs of equipment, materials, and services required to expand the power distri-</p>

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
NEAR EAST SOUTH ASIA—Continued

Borrower—Amount—Terms	Purpose
PAKISTAN—Continued	
<p>at $\frac{3}{4}$ percent during a 10-year grace period and two percent thereafter.</p> <p>Government of Pakistan: \$6.0 million, 40 years, with interest of $\frac{3}{4}$ percent for a 10-year grace period and two percent thereafter.</p> <p>Government of Pakistan: \$3.8 million, 40 years, with interest of $\frac{3}{4}$ percent for a 10-year grace period and two percent thereafter.</p> <p>Government of Pakistan: \$3.6 million, 40 years, with interest at $\frac{3}{4}$ percent during a 10-year grace period and two percent thereafter.</p>	<p>tribution of the borrower in order to assist Pakistan to meet anticipated power demands in the Karachi area.</p> <p>To be reloaned to West Pakistan Water and Power Development Authority (WAPDA) to assist in financing the foreign exchange costs of purchasing earth moving machinery and related construction equipment for the Machinery Pool Organization of WAPDA.</p> <p>To assist in financing the foreign exchange costs of goods and services required for the installation of additional peaking capacity in the grid system by installation of a third 40 mw hydrogenerating unit at the existing Karnafuli Power Station in the Chittagong Hill tracts at Kaptai in East Pakistan.</p> <p>To assist in financing the foreign exchange costs of consulting services, goods and materials required to increase the capacity of the Public Health Engineering Department to perform its functions of designing, constructing and operating water and sewerage facilities in West Pakistan. The project also includes goods and materials for five demonstration water supply systems.</p>

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
NEAR EAST SOUTH ASIA—Continued

Borrower—Amount—Terms	Purpose
PAKISTAN—Continued	
Government of Pakistan: \$3.4 million, 40 years, with interest of $\frac{3}{4}$ percent during a 10-year grace period and two percent thereafter.	To assist in financing the foreign exchange costs of equipment, materials and services required for the rehabilitation and expansion of six of the jetties in the Port of Chittagong, East Pakistan.
Government of Pakistan: \$2.8 million, 40 years, with interest of $\frac{3}{4}$ percent during a 10-year grace period and two percent thereafter.	To assist in financing the foreign exchange costs of goods and services required to construct the electrical transmission lines and their associated substations in Comilla and Noakhali Districts of East Pakistan.
Sui Gas Transmission Co., Ltd.: \$2.7 million, two-step loan, interest $\frac{3}{4}$ percent for 10 years and two percent for balance of two years to borrower; also special charge to borrower of five percent for 10 years and $3\frac{3}{4}$ percent for balance of two years; to the Government of Pakistan 40 years, $\frac{3}{4}$ percent during a 10-year grace period and two percent thereafter.	To assist in financing the foreign exchange costs of equipment, materials, and services required to construct a compressor plant to increase the quantity of gas transmitted by the Sui-Karachi pipeline and an additional purification unit at the Sui gas field to increase the borrower's overall output of purified gas.
TURKEY	
Government of Turkey: \$70.0 million, 40 years, with a credit fee of $\frac{3}{4}$ percent during a 10-year grace period and two percent thereafter.	To finance the importation of specified commodities. Disbursements from the loan, together with a pipeline from prior years, will help meet GOT balance of payments requirements of \$215 million.
Government of Turkey: \$20.4 million, 40 years, with interest of $\frac{3}{4}$ percent during a 10-year	To assist in financing the foreign exchange costs of materials, equipment and services re-

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
NEAR EAST SOUTH ASIA—Continued**

Borrower—Amount—Terms	Purpose
TURKEY—Continued	
<p>grace period and two percent thereafter.</p> <p>Government of Turkey: \$18.1 million, 40 years, including a 10-year grace period, at ¾ percent.</p> <p>Government of Turkey: \$4.4 million, 40 years, with interest of ¾ percent during a 10-year grace period and two percent thereafter.</p> <p>Industrial Development Bank of Turkey: \$4.0 million, two-step loan, 15 years, 5½ percent to borrower; 40 years with interest of ¾ percent during a grace period of 10 years and two percent thereafter to the Government of Turkey.</p> <p>Goodyear Lastikleri T.A.S.: \$2.5 million, two-step loan, 10 years, 5½ percent to borrower; 40 years with interest of ¾ percent during a 10-year grace period and two</p>	<p>quired in connection with construction of a dam together with an hydroelectric power generating installation of 300 mw capacity at Ciceroz on the Sakarya River and about 97 miles of 154 kv transmission lines.</p> <p>To assist in financing the foreign costs of the acquisition and importation of highway maintenance equipment and spare parts and the services of consultants.</p> <p>To assist in financing the foreign exchange costs of installing a Central Traffic Control and Communications System between Istanbul and Ankara and a communications system between Zonguldak and Ankara in order to increase the traffic capacity of the railroad lines between those cities.</p> <p>For medium and long-term sub-loans to private entrepreneurs for approved industrial projects and to finance the services of consultants to advise the borrower on matters related to its operations.</p> <p>To assist in financing the foreign exchange costs of one additional tire production line consisting of one new mixing machine plus presses, molds,</p>

NEW DEVELOPMENT LOAN AUTHORIZATIONS
 IN FISCAL YEAR 1964—Continued
 NEAR EAST SOUTH ASIA—Continued

Borrower—Amount—Terms	Purpose
TURKEY—Continued	
<p>percent thereafter to the Government of Turkey.</p> <p>Government of Turkey: \$1.1 million, 40 years with interest of ¾ percent during a 10-year grace period and two percent thereafter.</p> <p>Government of Turkey: \$0.32 million, 40 years with interest of ¾ percent during a 10-year grace period and two percent thereafter.</p>	<p>cutting machines and other related equipment.</p> <p>To finance the foreign exchange costs of a modern coal washing plant and related facilities and vehicles to support increased output of open-pit coal mining operations.</p> <p>To finance the foreign exchange costs of equipment materials and services required for an aerial survey to make initial exploration for mineral deposits of large areas of the country in a short period of time.</p>

IX. THE FAR EAST

Political upheavals and military actions in Vietnam and Laos had far-reaching effects on the AID program in the Far East in fiscal year 1964.

The overthrow of the Diem regime in November 1963 was preceded by five months of mounting pressures and tension which saw the temporary suspension of some AID-financed commercial imports. There were widespread expectations among the Vietnamese people that the fall of Diem would lead to a more vigorous prosecution of the war against the Viet Cong. These expectations were never realized because the new Government was unable to function effectively, or command broad support. Virtual paralysis of the government's administrative machinery ensued, leading to another coup in January which further complicated the internal political situation. One of the major effects of the fall of the Diem Government was a reassessment of the strategic hamlet program. Despite U.S. advice to the contrary, the strategic hamlet program had been extended too rapidly, so that in many cases, it was not possible to protect loyal villagers against Viet Cong influence and retribution. By using more realistic criteria for determining what constituted an effective and defensible hamlet, a joint U.S.-Vietnamese reassessment set the total number of strategic hamlets at 4,000 instead of the previous high estimate of about 8,000.

In the neighboring country of Laos, neutralist and conservative elements drew closer together in common defense of their country's independence in the face of a persistent campaign of political pressure and military attack by the Communist-supported Pathet Lao. The capture of additional territory by the Pathet Lao increased the number of refugees needing U.S. assistance and a continued heavy volume of support continued to be necessary for Laos' large military forces. To meet the threat of growing inflation and financial instability, the Lao Government took steps to devalue the currency, increase tax collections, and adopt other corrective fiscal measures. The United States, together with other free world nations, is contributing to a stabilization fund recommended by the International Monetary Fund.

The necessity for greater efforts in Vietnam and Laos tended to obscure the brighter picture in some other Far East countries, such as the Republic of China. Free China's healthy economic progress enabled AID to reduce the size of the fiscal year 1964 program and

announce in May 1964 that U.S. economic assistance on concessional terms would no longer be necessary after fiscal year 1965. Local private enterprise has gained encouragement, foreign investment has expanded rapidly, and the pace of general social and economic progress has quickened. The reorganized AID Mission has been working both to maintain and increase this momentum and to complete the orderly phase out of AID economic assistance for Taiwan.

Development grant assistance to Korea was reduced by almost 50 percent as that country made further progress along the road to economic independence. One technical assistance project was completed, three development loan projects were successfully concluded, and four new development loans authorized to accelerate the pace of development.

Under President Macapagal's firm leadership, the Philippines assumed an increasingly important role in Far Eastern security affairs. The Republic enjoyed a more stable political climate and a relatively steady economy. Confidence in the peso remained firm. Except for the inauguration of the long-awaited agrarian reform program and improvement in the pay of civil servants, however, only modest progress was made toward the goals of the Socio-Economic Development Plan. Four land reform districts were established and measures were taken to resolve land tenure problems that have plagued the nation for generations.

Plans by the member nations of the Development Assistance Committee (DAC) to assist in stabilizing Indonesia's economy were negated by President Sukarno's insistence on a confrontation with the Federation of Malaysia. In view of the political and economic consequences of confrontation the fiscal 1964 AID program was restricted to technical assistance, principally in areas such as malaria eradication, education, and public safety.

The improved economic conditions in some countries and the limitations imposed by political developments in others led to reductions in total AID commitments in six of the nine Far East countries. These cuts more than balanced the few increases required, principally for the defense efforts in Vietnam and Laos.

DEVELOPMENT LOANS

The total development lending program in the Far East in fiscal year 1964 consisted of four loans to Korea amounting to \$29.6 million. This is less than half the amount committed for such loans in the Far East in the previous year. All four loans were designed to strengthen the country's infrastructure and to expand the foundations for permanent economic progress. With these loans, the Koreans will improve their railway system, expand the water supply system in Taegu,

increase the country's electric generating capability, and modernize the nation's telecommunications network.

Accomplishments During the Fiscal Year

In fiscal year 1964, nine U.S. loan projects in the Far East were completed, six in the Republic of China on Taiwan and three in Korea. These loans are now contributing to economic growth through increased electric power output, expanded transportation and telecommunications, and new industrial production. In addition, the new domestic output is helping China and Korea to balance their international payments by earning and saving foreign exchange.

The six loans to China by an AID predecessor agency totaled some \$44 million, and were more than matched (principally in local currency) by the contributions of the borrowers. By June 30, 1964, some \$4,145,000 of these loans had been repaid along with interest totaling \$3,650,000.

Largest of the six projects is the Shihmen multipurpose dam, completed in June 1964 by the Government's Taiwan Power Corporation. The project includes a 436-foot dam, a 256,000-acre-foot reservoir, two 45,000-kilowatt generators, a new irrigation canal system, and a public water supply system. Besides providing the new power source, the dam project will irrigate about 145,000 acres of double-crop paddy fields and reduce flood damage in the Taipei area.

The U.S. loan, approved in June 1958, was for \$21.5 million to finance the import of equipment, materials, and the service of American engineers to supervise design and construction of the project. The Chinese power company contributed one million dollars in foreign exchange for additional imports and more than \$34 million in local currency to finance local construction costs.

A large electric project, one of a series planned to meet Taiwan's demand for power (increasing 14 percent annually) has added 125,000 kilowatts of firm capacity through an extension of the existing Nanpu steam power plant at Kaohsiung.

Another completed loan financed the purchase of 11 U.S. diesel electric locomotives and traffic control equipment for the Taiwan Railroad Administration. The new equipment is helping to meet the increasing demand for transportation stemming from the country's rapid economic development.

A 218-mile microwave radio relay system along Taiwan's west coast was completed with U.S. assistance in December 1963, linking the island's four largest cities. The improved telephone and telegraph communications are assisting economic growth by increasing the efficiency of industrial and commercial operations, and are contributing to Taiwan's security.

*Summary of Far East Program Commitments for Fiscal
Year 1964*

[In millions]

Country	Develop- ment loans	Technical coopera- tion	Support- ing assist- ance	Contin- gency fund	Fiscal year 1964 total
Burma.....		\$0. 9	\$0. 3		\$1. 2
Cambodia.....		2. 8	. 5		3. 4
China (Taiwan).....		.2. 1			2. 1
Indonesia.....		10. 1	. 2		10. 4
Korea.....	\$29. 6	3. 7	76. 2		109. 5
Laos.....		8. 3	24. 1	\$8. 8	41. 2
Philippines.....		3. 4			3. 4
Thailand.....		6. 1	6. 5	.3	12. 9
Vietnam.....		5. 9	121. 8	38. 0	165. 7
Regional.....		1. 6			1. 6
SEATO.....		(. 7)			(. 7)
Other.....		(. 9)			(. 9)
Total.....	\$29. 6	\$45. 0	\$229. 7	\$47. 1	\$351. 4

A loan to the privately owned Hsinchu Window Glass Works financed equipment and materials for an addition to a sheet glass plant and for construction of a new ground and polished glass plant. The new facilities are now in trial production.

An aluminum plant owned by the government was expanded with equipment financed by a U.S. loan, substantially increasing ingot production. Expanded glass and aluminum production resulting from these loans is expected to boost exports and foreign exchange earnings.

Thirty new diesel electric locomotives financed by one U.S. loan are now in operation on the Korean National Railroad. Procurement of the engines continued a program of dieselization which began in fiscal year 1956 with grant assistance. Because of greater efficiency and load capacity, they are expected to save more than \$1 million a year in foreign exchange expenditures for fuel.

Installation of new telecommunications equipment financed with a U.S. loan has greatly expanded the capacity of Korea's telephone and telegraph service to meet the growing demands of industry, commerce and government, as well as individual citizens.

Other savings in foreign exchange (between \$1 million and \$2 million a year) will be realized through establishment of the first domestic production of nylon filament in Korea. Construction of the new plant at Taegu by Korean private enterprise was assisted by a

U.S. loan which financed the purchase of U.S. equipment, supplies and services.

The three loans which helped finance these Korean projects totaled about \$13 million. The borrowers—one a private enterprise—contributed three million dollars in local currency to the projects. Some \$419,000 had been repaid in local currency on one loan, while interest paid in dollars and local currency on the three loans had amounted to more than \$418,000 by June 30, 1964.

TECHNICAL COOPERATION/DEVELOPMENT GRANTS

Technical assistance continued to contribute to economic and social betterment in the Far East during fiscal year 1964. AID-assisted projects were carried forward in health, education, community development, farming, and industrial development as part of the region's drive toward economic self-support. Several significant technical assistance projects were completed during the year, some with striking results.

Completed Projects

In the Philippines, a new coconut processing system which could revolutionize this food industry was developed in a completed research project directed by the Armour Research Institute, working under an AID contract with the National Science Foundation. A nuclear reactor provided by the United States under the Peaceful Use of Atomic Energy program went into operation in the Philippines in August 1963. In the spring of 1964, the University of Virginia completed its AID-financed contract to help the Philippines Atomic Energy Commission build a staff to operate and maintain the reactor and manage the program.

In Korea, 35 war-damaged public water systems have been rehabilitated, 57 systems have been improved or expanded in an AID project completed in fiscal year 1964. In addition, 23 Koreans have been trained in the design, construction, operation and maintenance of waterworks systems.

Six technical cooperation projects were concluded in Taiwan by the end of fiscal year 1964 as AID began the last year of its economic assistance program for that country.

Institutions, facilities, and training programs have been established in a variety of technical areas which will now be carried on by the Government of the Republic of China or by Chinese private industry.

The Mine Research and Service Organization, organized with U.S. technical assistance, is the equivalent of the Bureau of Mines in

the United States. The new agency made a mineral exploration survey of the island, and a major development program was completed to increase production of copper, pyrite, silver and gold ores at a government mine in northern Taiwan. Another program promoted accident prevention, and rescue and recovery procedures in the island's mining industries. The government is continuing all these programs.

Four completed projects aimed at strengthening business and industry through advancing productivity and trade, analyzing industrial conditions, and training adults and youth in management and technical skills.

Technical Cooperation Grants in the Far East, Fiscal Year 1964

[In thousands]

Field of Activity	Technical cooperation grants	Field of Activity	Technical cooperation grants
Food and agriculture.....	\$3, 619	Community development, social welfare, and housing.....	\$581
Industry and mining.....	2, 985	General and miscellaneous.....	4, 136
Transportation.....	3, 040	Technical support.....	9, 012
Labor.....	140		
Health and sanitation.....	9, 503		
Education.....	8, 509		
Public safety.....	785	Total.....	\$45, 015
Public administration.....	2, 705		

Thanks to the China Productivity and Trade Center (established under a U.S. grant), small and medium size industrial enterprises are receiving advice and assistance to increase their productivity and to develop domestic and export trade. The Center has propagated the concept of modern industrial engineering and the utilization of management consultation services to improve productivity. AID assistance has ended and the government will continue to assist the Center until it becomes self-supporting through service fees and contributions from private enterprise. Another project produced a series of analyses of specific important industries, such as power and pulp and paper. These studies provide data not only for national development plans, but also for management improvements in each industry surveyed. Studies of fertilizer production and total energy are now being undertaken. Business administrators and public officials are being trained in modern management concepts at a Taiwan University center established with AID assistance and now continued by Chinese instructors.

Thousands of youths are being trained annually at two leading technical institutes, eight senior high schools, and 15 middle schools to meet the need for technicians and for skilled and semi-skilled workers in the expanding economy. A companion project seeks to improve teacher training in the industrial education department at the provincial university. The Government of the Republic of China is continuing all these programs with the help of the United Nations Special Fund.

Efficiency and safety have been improved at the Taipei International Airport under an AID project conducted by U.S. Federal Aeronautics Administration personnel. A training facility for air control personnel was established and the FAA personnel have remained to continue the training program under other financing.

Techniques in teaching physical and biological science in Taiwan have been improved at the elementary, secondary and college levels, and a research program was initiated at four graduate institutes. New facilities provided by AID through these concluded projects are being effectively utilized and expanded with technical assistance from such agencies as the National Academy of Sciences, the Atomic Energy Commission and the Fulbright program.

Another AID technical project has helped to build up reliable economic statistical services needed for development planning purposes. These services will be further developed under contract with other agencies or consulting firms.

New or Continuing Projects

New and continuing projects illustrate the dimensions of technical assistance and the role it can play both in the overall development process in the Far East, and in the critical struggles for survival underway in Southeast Asia.

In the Lao National Education Center, teachers are being trained for village schools with basic instruction in agriculture and community development so they will be able to provide practical instruction and guidance in village affairs beyond the usual school curriculum. They are being trained by volunteers of the International Voluntary Services (IVS), a non-profit organization under contract with AID. The IVS technicians also teach practical sciences and trades such as carpentry, plumbing, and electrical work.

AID is supplying training, medical supplies and health personnel in Laos to help establish and support 100 village dispensaries and five field hospitals. Most of the non-Laotian personnel working on this project are Filipinos furnished under a contract between AID and Operation Brotherhood, a Philippines organization formed for medical and development work in such areas. More than 120 Filipino doctors, nurses and technicians are working under this contract.

A comprehensive project in Thailand is attempting to measure current and future manpower resources and to plan educational development to meet the nation's future development requirements. A preliminary assessment of educational and human resources in Thailand was completed in October 1963 and the Government of Thailand moved to carry out major recommendations of the resulting report. These included the establishment of an Educational Planning Office in the Ministry of Education, and a Manpower Planning Office within the National Economic Development Board, the Thai national planning agency. Through AID-financed contracts, Michigan State University and the Public Administration Service are assisting the Ministry of Education in educational planning and administration.

AID has provided both dollar and local currency assistance to Rangoon University's new College of Liberal Arts (maximum planned capacity—7,000 students) which is being built on a 400-acre campus. Ten student dormitories were completed during the fiscal year and U.S. architects were drawing up final designs for other campus buildings.

The University of Kentucky and the University of California, under AID contracts, are helping Indonesian colleges of medicine, science and engineering, and agriculture to improve curricula, modernize facilities, and train professors.

A public health project designed to protect some 67 million persons against malaria is underway in Java, Madura, Bali and the tip of Southern Sumatra. AID, working with the World Health Organization, provides commodities and expertise, while the Government of Indonesia contributes 27,000 technical personnel.

AID launched two new survey projects in the Philippines during fiscal year 1964, one by a water resources team from the Bureau of Reclamation to collect information on availability of water for multi-purpose use; and the other to determine future requirements for electric power in the Philippines. The two surveys will provide data required by lending institutions such as the World Bank which are considering capital loans for irrigation, waterworks, hydroelectric and other types of water projects.

SUPPORTING ASSISTANCE AND CONTINGENCY FUNDS

Major programs in Vietnam, Laos, Thailand, and Korea were financed by Supporting Assistance and Contingency Funds.

Vietnam

In fiscal year 1964, balance of payments support of \$113 million under supporting assistance was provided to finance essential imports

needed to maintain the economy of Vietnam, to prevent serious inflation arising from increased war related expenditures and enlarged Vietnamese budgetary deficits, and to encourage domestic production. The sale of commodities financed by these funds generated Vietnamese currency which was used to support approximately half of Vietnam's military budget for 1964.

Some \$47 million of supporting assistance funds were supplied for commodities and technical assistance designed to assist the Vietnamese Government to carry out specific activities within the counter-insurgency program. Under a country-wide plan, it was the responsibility of the military to clear areas of Communist insurgents. Once cleared, the task is then to obtain public support through improved government administration, the development of local government and social and economic improvements. Many of the counter-insurgency activities are designed for the rural population and to enhance the Vietnamese Government's image of strength and willingness to help the people. The counter-insurgency program enables "hamlet" dwellers and refugees from the Viet Cong to earn a livelihood and to construct modern schools, health stations, rural water supply facilities and hamlet defenses. The program includes such grass-roots activities as the distribution of improved seed, fertilizer, rat poison, and various instructional materials. It also includes the institution of a modern hog and poultry program, instruction in better corn and sweet potato production, repair and maintenance of highways and roads, and the dredging of waterways. Radio communications have been installed to link rural villages together. ♦

Laos

Supporting assistance funds in Laos have been used to finance essential imports, to feed refugees driven away from their land by the Pathet Lao, and to support rural development programs to strengthen rural people's allegiance to the government. During fiscal 1964 rural development assistance was reorganized to concentrate on clusters of villages which can demonstrate to other villages how their standards of living can be raised through the development program.

The village development effort is conducted principally by volunteers of the International Voluntary Services (IVS), working under an AID contract. The volunteers live in the villages and learn the local languages, emphasizing self-help to show the villagers how much can be accomplished through village cooperation with little outside help. IVS volunteers are guided by AID community development advisors and obtain technical help from AID specialists in such fields as public health, agronomy, and animal husbandry.

Thailand

AID's supporting assistance for Thailand in fiscal year 1964 focused on strengthening Thailand's ability to combat Communist subversion in rural areas. The program provides weapons, equipment and services for the Border Patrol Police—a mobile 6,300 paramilitary force operating in isolated border regions, and the Provincial Police—a 28,000-man unit responsible for law and order in the provinces. Supporting assistance also helps to finance construction of rural roads, small dams, irrigation facilities, and other village improvements. Equipment and training is provided for three units of Thai Army engineers for work on construction projects.

Korea

In Korea, a substantial commodity import program is financed with supporting assistance funds. The local currency generated from the sale of these commodities is used primarily for Korea's military budget, as well as to finance some of AID's economic development program.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1964

FAR EAST

Borrower—Amount—Terms	Purpose
KOREA	
Republic of Korea: \$11,000,000. 40 years including 10 years grace, $\frac{3}{4}$ of one percent for 10 years, 2 percent balance of term.	To finance the procurement of 65 diesel electric locomotives to complete dieselization of the Korean National Railroad.
Republic of Korea: \$2,400,000. 40 years including 10 years grace, $\frac{3}{4}$ of one percent for 10 years, 2 percent balance of term.	To finance procurement of equip- ment and services for the ex- pansion and improvement of the municipal water system of Taegu. The services of ac- counting consultants to assist in the modernization of the accounting system of the Water Bureau will also be financed.
Republic of Korea: \$7,750,000. 40 years including 10 years grace, $\frac{3}{4}$ of one percent for 10 years, 2 percent balance of term.	To provide equipment and serv- ices needed to improve and expand the electric power transmission and distribution facilities of Korea's electric utility company.

NEW DEVELOPMENT LOAN AUTHORIZATIONS
 IN FISCAL YEAR 1964—Continued
 FAR EAST—Continued

Borrower—Amount—Terms	Purpose
<p>KOREA—Continued</p> <p>Republic of Korea: \$8,400,000. 40 years including 10 years grace, $\frac{3}{4}$ of one percent for 10 years, 2 percent balance of term.</p>	<p>To provide a microwave back- bone for Korea's civil tele- communications system. Toll network, program relay and overseas radio facilities will be financed plus engineering services and a survey of the Ministry of Communication's accounting system.</p>

X. AFRICA

United States economic assistance programs were carried on in 34 African countries in fiscal year 1964, with wide variations in the size and the composition of aid from country to country. The total fiscal year 1964 program amounted to \$201.9 million, a decline of about 23 percent from the previous year. Our assistance was highly concentrated; 60 percent of the total was for five countries—Nigeria, Tunisia, Congo (Leopoldville), Liberia, and Morocco. Of the total, some 76 percent was for development in the form of capital loans and technical assistance grants, compared to 70 percent for the preceding fiscal year.

Broken down according to category of assistance, the African programs included \$79.7 million for development loans (40 percent of the total), \$74.2 million in technical assistance grants (36 percent), and \$48 million in supporting assistance. Very small assistance programs were started in two new countries—Rwanda and Zanzibar; commitments were decreased in 21 countries; and there was a small increase in funds committed for regional activities. A successful stabilization program and continued Belgian aid to the Congo, and reduced assistance associated with U.S. facilities in Libya and Morocco were the major factors permitting a drop in supporting assistance for Africa in fiscal year 1964.

Assistance by other free world countries amounted to more than 2.5 times the total U.S. economic aid program for Africa in fiscal year 1964, including Food for Peace and other programs. The European Economic Community (EEC) provided substantial support, especially to former French colonies, which also received sizable assistance from France. Former British holdings received independence loans and grants to help them through the transitional period between dependence and independence. However, Liberia (independent since 1847) and Ethiopia (sovereign for many years) have not enjoyed regular sources of aid other than the United States. Several African countries received credits and offers of assistance from Communist sources during the year.

The march of African independence continued. Kenya became a nation within the British Commonwealth, and two new countries—Zambia (Northern Rhodesia) and Malawi (Nyasaland)—completed their preparations for independence. Several of the new states were plagued by political growing pains and internal strife during the year.

A new multinational body—the Organization for African Unity (OAU)—began functioning as a peacekeeping unit in intra-regional disputes and successfully mediated the Algeria-Morocco border conflict.

Communist penetration attempts were made in the form of offers of assistance to several countries, most notably Kenya and Somalia. Both the Soviet Union and the Chinese Communists concluded arrangements for military and economic assistance to Somalia, pointing up the growing competition between Peking and Moscow to extend their spheres of influence. A revolution in Zanzibar and short-lived army rebellions in Kenya and Tanganyika aggravated East Africa's political instability and opened the door to Communist meddling in the area. A later agreement establishing a loose federation between Zanzibar and Tanganyika, and the provision of U.K. military assistance to Kenya held out some hope for increased stability. The continuing departure of British residents and the reduction in U.K. total aid has resulted in an increased number of requests for assistance from other sources.

In an experiment started during the year, the programming and administration of assistance to 11 African countries was centralized in Washington. The new centralized regional office combines the functions of former geographic and technical offices and the AID field representation, except for field technicians with specific project execution responsibilities. The regional office covers Niger, Mauritania, Senegal, Upper Volta, Dahomey, Togo, Chad, Central African Republic, Congo (Brazzaville), Gabon, and the Malagasy Republic.

Aid to Morocco was suspended for about two months as a result of the use of ships of Moroccan registry in the Cuban trade. The suspension imposed under the provisions of the U.S. aid legislation, was rescinded on receipt of specific assurances from the Government of Morocco that steps had been taken to halt the traffic of Cuban trade on Moroccan ships.

Rapidly changing political factors, including instability and Communist efforts to take advantage of unrest in some countries, will affect the level and content of assistance to those countries in the next few years. However, the nature of U.S. objectives, the ability of each country to make good use of assistance, and the availability of aid from other Free World donors continue to be the primary determinants of the size and type of program carried out in the African countries.

DEVELOPMENT LOANS

The primary needs of the new African nations are underscored by the nature of the 24 development loans made in the region in fiscal year 1964. Of the 24, 17 were for education, transportation, or power development.

Seven loans were made to six countries to link inaccessible agricultural areas with market centers by road or rail, to connect remote areas with urban population areas and create a sense of national unity, or to provide air transport facilities to reach markets around the world. Educational development loans were made to six countries to help train the technicians and administrators necessary to sustain economic progress, to construct and equip schools and colleges, to broaden opportunities for vocational education, and to increase the productivity of agriculture. In dollars, loans for the development of electric power-generating facilities led all other categories, even though they were made to only three countries—Nigeria, Tanganyika, and Tunisia.

The largest single loan was made to Nigeria to develop hydroelectric resources on the Niger River, a project which involves the IBRD, Italy, the United Kingdom, and the Netherlands, in addition to the United States. The project has been given top priority by the Nigerian Government and is expected to play an important role in Nigeria's economic development. Its initial installation should meet the 1970 power demands of major load centers. With the addition of turbine generator units, the project should also meet expected power generation needs through 1982. The assured availability of this power should assist the growth of the productive sectors of the Nigerian economy. The project will also provide navigable waterways, agricultural assistance, flood control, and fishing benefits.

TECHNICAL COOPERATION/DEVELOPMENT GRANTS

Fifty percent of the \$74.2 million allocated for technical cooperation programs in Africa during fiscal year 1964 was used in the fields of education and food/agriculture (\$18.7 and \$18.6 million respectively). Significant emphasis was also placed on training administrative and technical personnel to increase the efficiency of Africa's new governments, and carrying on health programs to increase the people's productive capacity. As in all U.S. assistance programs, the efforts to encourage and support the growth of private enterprise continued.

Education

The major educational effort was in Nigeria. AID-sponsored projects at the University of Nigeria and at the Aijetoro and Port Harcourt comprehensive schools have pioneered concepts that are revolutionizing the Nigerian approach to secondary and higher education, tailoring it more closely to the country's development needs.

Under an AID contract, Michigan State University is cooperating with the University of Nigeria to adapt the American concept of a

*Summary of African Program Commitments for Fiscal
Year 1964*

[In millions]

Country	Develop- ment loans	Technical cooperation	Supporting assistance	Fiscal year 1964 total
Algeria.....		\$0.9	\$0.3	\$1.2
Burundi.....		0.5		0.5
Cameroon.....		1.5		1.5
Central African Republic.....		1.1		1.1
Chad.....		0.6		0.6
Congo (Brazzaville).....	\$2.7	0.2		2.9
Congo (Leopoldville).....		1.2	20.0	21.2
Dahomey.....		0.5		0.5
Ethiopia.....	0.7	4.5		5.2
Gabon.....		0.8		0.8
Ghana.....		1.2		1.2
Guinea.....		2.7	7.2	9.9
Ivory Coast.....	5.0	1.2		6.2
Kenya.....		3.3		3.3
Liberia.....	7.4	6.5		13.9
Libya.....		0.9	4.8	5.7
Malagasy Republic.....		0.8		0.8
Mali.....	1.1	1.2	0.7	3.0
Mauritania.....		0.1		0.1
Morocco.....	2.3	0.9	15.0	18.2
Niger.....	1.8	0.5		2.3
Nigeria.....	31.4	14.2		45.6
Rhodesia and Nyasaland.....		1.8		1.8
Rwanda.....		0.5		0.5
Senegal.....	1.3	0.8		2.1
Sierra Leone.....		1.2		1.2
Somali Republic.....		3.7		3.7
Sudan.....		2.5		2.5
Tanganyika.....	3.9	2.1		6.0
Togo.....		0.5		0.5
Tunisia.....	20.2	1.5		21.7
Uganda.....	0.4	2.2		2.6
Upper Volta.....		0.4		0.4
Zanzibar.....		0.1		0.1
Regional.....	1.5	11.6		13.1
Total.....	\$79.7	\$74.2	\$48.0	\$201.9

land grant university to a Nigerian setting. As a result, the University of Nigeria is fast developing programs of research and training in Colleges of Education, Agriculture and Engineering as well as in the liberal arts and the sciences. Enrollment had increased from 220

in 1960 to 2,000 at the end of the fiscal year, and 145 of the total 250 faculty positions were occupied by Nigerians.

Plans were made during the year to extend the land grant concept to the University of Afe Agricultural School in Western Nigeria and to the Agricultural School in Eastern Nigeria under AID contracts with the University of Wisconsin and Colorado State University.

The concept of the comprehensive secondary school has also taken root. Harvard and UCLA, under AID contracts, are developing the first comprehensive secondary schools at Aijetoro and Port Harcourt. They are attempting to set up practical, technical and academic programs designed to meet the needs of students seeking immediate employment upon graduation as well as those wishing to go on to institutions of higher education.

Teacher training developed through AID university contracts has been given increasing recognition in the form of higher status for the teachers thus trained. Three hundred and ninety Nigerian teachers were graduated from AID-assisted institutions in fiscal year 1964, and 1,780 teachers received AID-supported in-service training.

The Government of Sierra Leone combined an agricultural experiment station and a teacher training school to create a centrally located Njala University College. With technical assistance under a U.S.-financed University of Illinois contract, the college was scheduled to open its doors to 125 students in October 1964. In eastern Sierra Leone, an AID-financed Hampton Institute team developed a rural training institute to teach largely unschooled students the practical elements of farming, construction, carpentry, and other trades. Out of 1,200 applicants, the school could accept only 63, of whom 23 graduated in June. The students are building their own campus and completed a girl's dormitory and a home economics dining building during the year. Construction was also completed on a women's dormitory and staff houses of the Milton Margai Teacher Training College. An audio-visual center completed in fiscal year 1964 under a development grant contract with Indiana University is now operated entirely with local resources. The center has trained approximately 500 teachers, headmasters, and principals, and assists school and government ministries.

Completion of the National Teacher Education Center, a showcase project for Somalia, provides the major facility for the training of prospective and current Somali teachers. The center can accommodate 200 students in three classes and has two classes already enrolled.

In West Cameroon, the Government Trade Center at Ombe was broadened and improved through AID efforts to such an extent that the Government elevated the school to the status of a Technical College. Enrollment totals 186 at the government-supported boarding school.

The facilities were renovated by the students themselves as part of their training. The AID vocational education advisor initiated a "revolving loan fund" to help the graduates get started in their own businesses. Using AID equipment, the school solicited \$25,000 in outside contracts which were turned over to former students.

The new Bingerville Animal Husbandry School in the Ivory Coast was completed in August 1963 and is now in operation under an annual government budget equivalent to \$30,000. The majority of the teaching personnel is supplied by French assistance. The school offers three years of specialized training to 40 students and graduates 16 annually. The increased number of personnel trained in animal husbandry is expected to improve markedly the Ivory Coast livestock industry. At present, the country has only about 300,000 head of cattle so that about four million dollars must be spent annually to import cattle.

A pilot teacher-training institute was completed in Morocco, and for the first time teachers were graduated with a preparation in basic agriculture, health, and community development for service in the rural elementary schools. Eighty rural teachers were brought together during the summer under a new intensive one-month seminar to upgrade their teaching skills, with emphasis on the needs of farm children. In Tunisia, more than 1,000 new classrooms were built with funds accruing from the Food for Peace program, and 17,000 books were distributed. Construction went ahead on a new Occupational Training Center at Ariana, which graduated 30 skilled mechanics. Upon completion, the new school will graduate 90 students each year, to meet one of the critical needs of the Tunisian economy.

In Ghana, AID helped establish three more rural farm institutes, making a total of five being assisted by 13 AID technicians. Student enrollment at these institutes stood at 228 and plans call for it to be increased to accommodate 500 annually. A one-year course of instruction will concentrate on practical courses in the establishment of income-producing farms.

Some 265 young African students were brought to the United States for undergraduate training through a program in which AID and more than 200 American colleges and universities cooperate. This brought the total number of students studying under the ASPAU (African Scholarship Program for American Universities) during the fiscal year to 730. The universities provide scholarships; the students' governments pay travel costs; and AID provides a living allowance during the students' stay in the United States.

Agriculture

AID agricultural extension experts in Ghana worked with local cooperatives to introduce and develop rubber as a new crop. They

supervised the distribution of 186,000 seedlings to farmers, adding 900 acres to the previously planted 5,000 acres.

In another agricultural extension achievement, an AID-developed lima bean seed has increased the yield per acre from the traditional 300 pounds to 1,000 pounds per acre without fertilizer, and up to 1,500 pounds with fertilizers.

Under an AID-financed project in Cameroon, sprayers and insecticides were provided at subsidized prices on a credit basis to farmers who were willing to group together and utilize modern methods for protecting their cocoa trees. It was the first time these farmers had received credit without interest, and with payment to be made only at the time of sale of the cocoa crop. Effective control of the cocoa disease should result in a 60 percent increase in the production of cocoa, Cameroon's most important export crop.

A range management and water resources pilot project had significant impact on Northern Nigeria's agriculture during the fiscal year. The only areas which are free of the tsetse fly suffer from severe water shortage during most of the year, consequently, many of the nation's 10 million cattle must travel many miles in search of water and grass. As a result, the herds are generally in poor condition and suffer a high mortality rate. Under this program, water holding facilities free of the tsetse fly are created simultaneously with the institution of controlled grazing techniques. Calving has doubled and calf death losses were reduced by half.

Health

One of the most significant AID activities in the field of health this year was the endemic disease control program in Upper Volta. As a follow-up to the program of the previous year, when 750,000 children were vaccinated against measles, 11 combination equipment-personnel carriers were put into operation, permitting examination and treatment of additional segments of the population for tropical communicable diseases such as leprosy, river blindness, river fluke, and sleeping sickness. At the same time, the endemic disease control teams administered preventive services to the 162,000 persons in the Yako region.

Noteworthy in AID activities in Niger during 1964 was a health program financed multilaterally by Niger, the United States, and European sources. This included the continuous operation of two large mobile public health teams, which were able to service 107,000 persons with medical examinations. This was paralleled by a U.S. measles-prevention program which inoculated 18,000 children in the Niamey area. As a result, Niamey was the only part of the country where measles failed to pose a serious problem during the spring of the year.

Private Enterprise

One of the major goals of AID's assistance in education, agriculture, transportation and communications is to establish pre-conditions for the development of modern industry with strong emphasis on the private sector. Two of AID's projects in Nigeria illustrate the accent on private enterprise.

An AID-financed contract with Arthur D. Little, Inc., an American firm, seeks to foster foreign investment and foreign industry in Nigeria. As a result of this project, a textile mill, largely owned and operated by Indian Head Mills, commenced operations in Nigeria, and plans were completed by the Bemis Bros. Bag Co. to invest in Nigeria.

Another of AID's efforts is a project designed to support and assist the growth of indigenous private enterprise, which eventually must provide the impetus for Nigeria's future industrial growth. AID financed a feasibility study to establish Industrial Development Centers in each of the three regions of Nigeria where local businessmen will receive training in production and management techniques, as well as in sound business principles. Regional governments in Northern and Eastern Nigeria provided buildings, equipment, and some funds and the International Labor Organization provided a shoe and leather technician. The Ford Foundation is helping to develop a small loan credit program to be administered in cooperation with the Industrial Development Centers, the funds for which are being locally raised.

The growing African interest in attracting U.S. private investment is evidenced by the increase in Investment Guaranty agreements between the United States and African nations. Five African countries—the Malagasy Republic, Tanganyika, the Somali Republic, Mali, and Kenya—signed bilateral agreements with the United States in fiscal year 1964, bringing to 23 the number of African countries now covered by the program.

Technical Cooperation Grants in Africa *Fiscal Year 1964*

[In thousands]

Field of Activity	Technical cooperation grants	Field of Activity	Technical cooperation grants
Food and agriculture.....	\$18, 681	Community development and social welfare.....	\$1, 363
Industry and mining.....	3, 976	Housing.....	231
Transportation.....	4, 016	General and miscellaneous.....	6, 381
Labor.....	56	Technical support.....	8, 710
Health and sanitation.....	4, 414		
Education.....	18, 762		
Public safety.....	2, 744		
Public administration.....	4, 947	Total.....	\$74, 281

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964**

AFRICA

Borrower—Amount—Terms	Purpose
<p>CONGO (Brazzaville)</p> <p>Republic of the Congo: \$2,700,000 repayable in U.S. dollars in 40 years, including a 10-year grace period; interest at $\frac{3}{4}$ percent during grace period and 2 percent thereafter.</p>	<p>To finance the foreign exchange costs of procuring U.S. road maintenance equipment and the services of road maintenance equipment specialists.</p>
<p>EAST AFRICA</p> <p>University of East Africa: \$1,500,000 repayable in U.S. dollars in 40 years, including a 10-year grace period; interest at $\frac{3}{4}$ percent during grace period and 2 percent thereafter.</p>	<p>To assist in financing the U.S. foreign exchange and local costs of construction at Dar es Salaam, Tanganyika, of a Hall of Residence, and Administration Building, Cafeteria and Staff Housing for the University College and Institute of Public Administration. The project is to provide the necessary facilities to accommodate the projected student enrollment for the term starting July 1965.</p>
<p>ETHIOPIA</p> <p>Imperial Ethiopian Government: \$700,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.</p>	<p>To finance the foreign exchange costs of procuring bridges and related services in the United States. By providing bridging across rivers and streams the accessibility of isolated but very fertile agricultural regions and facilitate the marketing of agricultural produce.</p>
<p>IVORY COAST</p> <p>Banque Ivoirienne de Developpement Industriel: \$5,000,000 repayable by the borrower to the Ivory Coast Government in</p>	<p>To assist in financing the U.S. foreign exchange and local costs of procuring equipment, material and services required</p>

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
AFRICA—Continued**

Borrower—Amount—Terms	Purpose
<p>IVORY COAST—Continued</p> <p>local currency in 20 years, including a five-year grace period, with interest at 4 percent; repayable by the Ivory Coast Government to AID in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.</p>	<p>under sub-loans. The bank will seek to promote private industrial development including small Ivorian enterprises.</p>
<p>LIBERIA</p> <p>Liberian Public Utilities Authority: \$7,000,000 repayable by the borrower to the Liberian Government in local currency in 30 years, including a five-year grace period, with interest at $3\frac{1}{2}$ percent, repayable by the Liberian Government to AID in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.</p>	<p>To assist in financing the U.S. foreign exchange and local costs of goods and services required for the construction and equipping of an expanded water system for Monrovia and its environs. The project is part of AID assistance to develop basic infrastructure and institutions conducive to industrial and commercial growth, and to improve health and sanitary conditions in Monrovia.</p>
<p>Republic of Liberia: \$350,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.</p>	<p>To assist in financing the U.S. foreign exchange and local costs of goods and services for the construction of an elementary school in Monrovia. The project is part of an effort to develop the Monrovia School System and to improve the educational structure of Liberia.</p>

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued

AFRICA—Continued

Borrower—Amount—Terms	Purpose
<p>MALI</p> <p>Republic of Mali: \$1,100,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.</p>	<p>To assist in financing U.S. foreign exchange and local costs of goods and services required for the construction and equipping of the Central Veterinary Laboratory. Existing facilities are inadequate to meet Mali's present and estimated animal vaccine requirements; installation of modern laboratory facilities will assist in exploiting effectively Mali's large livestock resources.</p>
<p>MOROCCO</p> <p>Kingdom of Morocco: \$2,300,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.</p>	<p>To finance U.S. foreign exchange costs and to assist in financing local costs of procurement of goods and services essential to the conversion of the former U.S. Air Force Base at Nouasseur to an international civil airport. This international airport will replace airport facilities at Casablanca which cannot handle long-range jet aircraft.</p>
<p>NIGER</p> <p>Republic of Niger: \$1,800,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.</p>	<p>To assist in financing U.S. foreign exchange costs and local costs for the procurement of materials and services required for the construction of a bridge across the Niger River at Niamey, the capital city. The construction of a bridge will encourage development of the area on the west bank of the</p>

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued**

AFRICA—Continued

Borrower—Amount—Terms	Purpose
NIGER—Continued	
	Niger River by providing an easily accessible mode of crossing the river at all times.
NIGERIA	
Niger Dams Authority: \$14,000,000 repayable by the borrower to the Nigerian Government in local currency in 35 years, including a five-year grace period, with interest at 5½ percent; repayable by the Nigerian Government to AID in U.S. dollars in 40 years, including a 10-year grace period, with interest at ¾ percent during the grace period and 2 percent thereafter.	To assist in financing 50 percent of the cost of U.S. procurement under the prime civil works contract for the construction of a dam at Kainji on the Niger River with power plant and navigation locks. The project also involves transmission lines and substations, downstream navigation locks and improvements, reservoir resettlement, road relocations, and other minor works.
Federal Republic of Nigeria: \$8,600,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at ¾ percent.	To assist in financing the U.S. foreign exchange and local costs of procurement of materials and services required for construction and improvement of road transportation facilities between Calabar and Ikom. The present transportation links connecting the port of Calabar and the eastern part of Nigeria are inadequate for present and projected traffic demands. By providing an all weather transportation artery, the project will facilitate development of agriculture, forestry and commerce.
Federal Republic of Nigeria: \$3,800,000 repayable in U.S. dollars in 40 years, including a	To assist in financing the U.S. foreign exchange and local costs of constructing and equipping

NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
AFRICA—Continued

Borrower—Amount—Terms	Purpose
NIGERIA—Continued	
<p>10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.</p>	<p>primary teacher training college facilities throughout Northern Nigeria. Expansion of the facilities will be accomplished by initially expanding 35 existing schools and by constructing and equipping four new schools. The expansion of teacher training facilities is required to meet Northern Nigeria's goal of accommodating 25 percent of the eligible age group in adequate primary schools by 1970-71.</p>
<p>Federal Republic of Nigeria: \$3,200,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.</p>	<p>To finance the U.S. foreign exchange costs of engineering services required for the execution of the Nigeria Five Year Telecommunications Plan. The project consists of the preparation of bid documents, evaluation of bids received, surveillance (i.e., supervisory engineering) and systems check out and the services of a U.S. engineer to act as an advisor to the Nigerian Government's Ministry of Communications.</p>
<p>Federal Republic of Nigeria: \$1,800,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.</p>	<p>To assist in financing U.S. foreign exchange costs and the local costs for procurement of materials and services required for the expansion of the Port Harcourt Comprehensive Secondary School in Eastern Nigeria. The school was origi-</p>

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
AFRICA—Continued**

Borrower—Amount—Terms	Purpose
NIGERIA—Continued	
	nally established as a small secondary technical school; by late 1962 it was decided to expand the school to meet the growing needs of Port Harcourt and the surrounding area.
SENEGAL	
Republic of Senegal: \$1,300,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.	To assist in financing the U.S. foreign exchange and local costs of constructing five regional vocational schools. The establishment of the vocational school system by Senegal is aimed at providing a practical education for students in vocational fields.
TANGANYIKA ¹	
Government of Tanganyika: \$1,900,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest of $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.	To finance foreign exchange costs and assist in financing local costs of improvement of 60 miles of the existing road between the town of Bunda and the port of Nansio to provide for all-weather travel. This road runs through the Lake Victoria region, one of the most important agricultural areas in Tanganyika.
Government of Tanganyika: \$1,000,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent.	To provide assistance to the Tanganyika Development Plan by financing U.S. imports with equivalent local currency generations to be used for approved projects within the Plan. The United States wishes to assist Tanganyika in generat-

¹ Now the United Republic of Tanzania.

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
AFRICA—Continued**

Borrower—Amount—Terms	Purpose
TANGANYIKA—Continued	
Government of Tanganyika: \$850,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.	ing the additional local currency required to meet the goals of the Plan, as a part of its over-all commitment to provide up to \$10 million in support of the Plan. To assist in financing the foreign exchange costs to procure metallic pipe and pipe arch culverting and related services in the United States. Installation of the culverting will improve 1,800 miles of existing feeder roads and reduce maintenance costs. The improvement of these feeder roads for all-weather travel is an important means of expanding the marketing of agricultural produce.
Government of Tanganyika: \$140,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.	To finance U.S. foreign exchange costs of materials and equipment for the electrification of the town of Shinyanga. The town is on a rail line and in the midst of an excellent agricultural area where living standards are rising. This is an amendment to a \$300,000 FY 1963 loan for the electrification of three other towns.
TUNISIA	
Government of Tunisia: \$10,000,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at $\frac{3}{4}$ percent during the grace period and 2 percent thereafter.	To provide foreign exchange support of Tunisia's Three Year Plan by financing imports required in FY 1964. Tunisia's need for program assistance arises primarily from the in-

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
AFRICA—Continued**

Borrower—Amount—Terms	Purpose
TUNISIA—Continued	
<p>Societe Tunisienne de l'Electricite et du Gaz (STEG), a company wholly owned by the Tunisian Government: \$7,400,000 repayable by the borrower to the Tunisian Government in local currency in 25 years, including a five-year grace period, with interest at 4½ percent, repayable by the Tunisian Government to AED in U.S. dollars in 40 years, including a 10-year grace period, with interest at ¼ percent during the grace period and 2 percent thereafter.</p>	<p>ability of its export earnings to cover the nonequipment imports required to support its intensive development effort.</p> <p>To finance the foreign exchange costs for the procurement in the U.S. of materials and equipment required to expand and improve the existing Tunisian electrical distribution system.</p>
<p>Government of Tunisia: \$2,000,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at ¼ percent during the grace period and 2 percent thereafter.</p>	<p>To assist in financing the foreign exchange costs for the procurement in the United States of materials and services to construct and equip the Chott Maria Agricultural School at Sousse. Since agriculture is the backbone of the Tunisian economy, expansion in the field of education is required to increase agricultural productivity for a more substantial contribution to the GNP.</p>
<p>Societe Nationale Tunisienne de Cellulose (SNTC), a company owned by the Tunisian Government: \$800,000 repayable in U.S. dollars in 17 years from the first disbursement date of</p>	<p>To amend \$6,250,000 fiscal year 1959 loan to assist in financing the foreign exchange costs of the technical management and training contract for the SNTC bleached esparto pulp mill.</p>

**NEW DEVELOPMENT LOAN AUTHORIZATIONS
IN FISCAL YEAR 1964—Continued
AFRICA—Continued**

Borrower—Amount—Terms	Purpose
<p>TUNISIA—Continued</p> <p>the original loan, with interest at 5½ percent.</p> <p>UGANDA</p> <p>Government of Uganda: \$400,000 repayable in U.S. dollars in 40 years, including a 10-year grace period, with interest at ¼ percent during the grace period and 2 percent thereafter.</p>	<p>To assist in financing U.S. foreign exchange costs and local costs of procuring materials and services required for the expansion of Kyambogo Teacher Training College. The project supports the Uganda Development Plan goal of a rapid increase in secondary school graduates.</p>

AID ADVISORY COMMITTEES

ADVISORY COMMITTEE ON ECONOMIC DEVELOPMENT

Advises the Administrator and senior staff in the fields of research, evaluation, and planning assistance, and provides a channel of communication between the Agency and professional communities involved with development.

Vincent Barnett, President, Colgate University.

Emile Despres, Director, Research Center in Economic Growth, Stanford University.

Allan R. Holmberg, Professor of Anthropology, Cornell University.

Edward S. Mason, Professor of Economics, Harvard University.

Max Millikan, Director, Center for International Studies, Massachusetts Institute of Technology.

Lucian W. Pye, Professor of Political Science, Center for International Studies, Massachusetts Institute of Technology.

Theodore W. Schultz, Professor of Economics, University of Chicago.

ADVISORY COMMITTEE ON HOUSING AND URBAN DEVELOPMENT

Provides advice and guidance in the administration of its responsibility in making investment guaranties for housing projects in accordance with sections 221 and 224 of the Foreign Assistance Act of 1962 and general guidance in the development and administration of the Agency's program of housing and urban development.

Charles Abrams, Housing Consultant to the United Nations.

Alexander Bookstaver, Economic Advisor for AFL-CIO.

W. Evans Buchanan, Past President, National Association of Home-Builders.

Neal Hardy, Consultant to Ford Foundation on housing and urban development.

Raymond P. Harold, President and Chairman of the Board, Worcester Savings & Loan Association.

Nathaniel S. Keith, President, National Housing Conference.

Lloyd Rodwin, Massachusetts Institute of Technology.

Frank M. Summers, Attorney.

Arthur Tonsmeire, Jr., President, First Federal Savings & Loan Association, Mobile, Ala.

Benjamin Turner, Attorney and homebuilder.

Charles Wellman, President, First Charter Financial Corp., Beverly Hills, Calif.

William L. C. Wheaton, Professor, University of California, Berkeley.

ADVISORY COMMITTEE ON PRIVATE ENTERPRISE IN FOREIGN AID

To review existing programs for encouraging private investment and study new proposals for guaranties, for additional means of protecting investments, and for new patterns of business-government cooperation.

Arthur K. Watson, President, IBM World Trade Corporation.

Ernest C. Arbuckle, Dean, Graduate School of Business, Stanford University.

Joseph A. Beirne, President, Communications Workers of America.

William T. Golden, Chairman of Trustees, System Development Corp.

Henry T. Heald, President, The Ford Foundation.

Kenneth D. Naden, Executive Vice President, National Council of Farmer Cooperatives.

Edith Sampson, Associate Judge, Circuit Court of Cook County.

Sydney Stein, Jr., Stein, Roe and Farnham.

Murray A. Wilson, Past President, National Society of Professional Engineers.

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

Established as successor to the War Relief Control Board in 1946 by the President to correlate Government aid programs with those of voluntary aid agencies. Registers U.S. voluntary, nonprofit agencies for foreign aid activities and approves their programs; certifies to their eligibility to participate in the overseas freight subsidy program for the shipment of their own donated supplies or relief, rehabilitation and technical assistance abroad as well as to participate in the food distribution program under Public Law 480.

Charles P. Taft, Lawyer, chairman.

William L. Batt, retired.

Gordon M. Cairns, Dean, College of Agriculture, University of Maryland.

Ugo Carusi, retired.

Margaret Hickey, Contributing Editor, Ladies' Home Journal.

Adelaide C. Hill, Institute of African Studies, Boston University.

Raymond F. McCoy, Dean, Graduate School, Xavier University.

James T. Nicholson, retired.

J. Edgar Rhoads, President, J. E. Rhoads & Son, Wilmington.
Lessing J. Rosenwald, Chairman, Rosenwald Fund.
Elmore R. Torn, Trans-Continental Gas Pipeline Corp.

AID ADVISORY COMMITTEE ON RESEARCH

Established in December 1962 to advise on the development and administration of sound policies and programs in research on the problems of the developing countries. Advises on the mobilization and direction of the attention of research groups and institutions upon Agency-oriented problems in this area.

Walsh McDermott, Cornell University, Chairman.
Harrison Scott Brown, California Institute of Technology.
Robert W. Cairns, Hercules Powder Co.
Robert Alan Charpie, Union Carbide Co.
Merle Fainsod, Harvard University.
Allan R. Holmberg, Cornell University.
Max Millikan, Center for International Studies, Massachusetts Institute of Technology.
A. H. Moseman, Rockefeller Foundation.
Arthur T. Mosher, Council on Economic and Cultural Affairs, Inc.
Kenneth H. Parsons, University of Wisconsin.
Roger Revelle, University of California.
Eugene B. Skolnikoff, Massachusetts Institute of Technology.
Abel Wolman, Johns Hopkins University.
Jerrold R. Zacharias, Massachusetts Institute of Technology.

COMMITTEE TO STRENGTHEN THE SECURITY OF THE FREE WORLD

This committee was created by the President of the United States on December 10, 1962, to examine U.S. military and economic assistance programs to determine whether their scope and distribution was contributing to the optimum security of the United States and the economic and political stability in the free world. The Committee reported its findings on March 20, 1963.

Gen. Lucius D. Clay, Chairman, U.S. Army (retired), Lehman Bros.
Robert B. Anderson, former Secretary of Treasury.
Eugene R. Black, Chase Manhattan Bank.
Clifford Hardin, Chancellor, University of Nebraska.
Robert A. Lovett (retired), former Secretary of Defense.
Edward S. Mason, Professor of Economics, Center for International Affairs, Harvard University.
L. F. McCollum, President, Continental Oil Co.
George Meany, President, AFL-CIO.
Herman Phleger, Brobeck, Phleger & Harrison.
Howard A. Rusk, M.D., Institute of Rehabilitation.

COOPERATIVE ADVISORY COMMITTEE

Agricultural and cooperative specialists bringing to bear the knowledge, resources, and experience of non-Government organizations on the Agency's development program.

Homer L. Brinkley, Executive Vice President of National Council of Farmer Cooperatives.

Clyde T. Ellis, General Manager, National Rural Electric Cooperative Association.

Gerrit Vander Ende, President, National League of Insured Savings Associations.

Leon Keyserling, Economic Consultant.

Murray D. Lincoln, President, Cooperative League of the U.S.A.

R. C. Morgan, President, Credit Union National Association.

Herschel D. Newsom, Master, National Grange.

James G. Patton, President, National Farmers Union.

Walter Reuther, President, United Auto Workers.

Sylvester C. Smith, Jr., President, American Bar Association.

Charles B. Shuman, President, American Farm Bureau Federation.

Bishop Edward E. Swanstrom, Honorary Chairman, Executive Committee of the American Council of Voluntary Agencies for Foreign Service.

M. W. Thatcher, President, National Federation of Grain Cooperatives.

DEVELOPMENT LOAN COMMITTEE

The Committee, under the direction of the Administrator, establishes policies, standards and criteria for lending operations.

David E. Bell, AID Administrator.

John C. Bullitt, Assistant Secretary of the Treasury.

G. Griffith Johnson, Assistant Secretary of State for Economic Affairs.

Harold F. Linder, Chairman of the Board of Directors of the Export-Import Bank of Washington.

Seymour M. Peyser, Assistant Administrator, Office of Development Finance and Private Enterprise, AID.

THE INTERAGENCY POLICE GROUP

Assists Administrator in the coordination and vigorous leadership of U.S. police assistance programs.

Byron Engle, Director, Office of Public Safety, AID (Chairman).

Courtney A. Evans, Assistant Director in Charge of Special Investigations Division, Federal Bureau of Investigation, Department of Justice.

Arnold Sagalyn, Director, Law Enforcement Coordination, Treasury Department.

Abe J. Moses, Officer in Charge, Internal Defense Policy, Politico-Military Affairs, Department of State.

Maj. Gen. Ralph Butchers, Provost Marshal of the U.S. Army.

LABOR ADVISORY COMMITTEE ON FOREIGN ASSISTANCE

To advise and assist AID in its labor programs, policies and problems.

George Meany, President, AFL-CIO, Chairman.

Joseph A. Beirne, President, Communications Workers of America.

David Dubinsky, President, International Ladies Garment Workers Union.

John J. Grogan, President, Industrial Union of Marine and Shipbuilding Workers of America.

George M. Harrison, AFL-CIO, Vice President.

Albert J. Hayes, President, International Association of Machinists and Aerospace Workers.

Joseph D. Keenan, Secretary, International Brotherhood of Electrical Workers.

Joseph Kennedy, International Representative, United Mine Workers of America.

O. A. Knight, President, Oil, Chemical and Atomic Workers International Union.

Ernest S. Lee, Assistant Director, Department of International Affairs, AFL-CIO.

Jay Lovestone, Director, Department of International Affairs, AFL-CIO.

David J. McDonald, President, United Steelworkers of America.

Andrew C. McLellan, Inter-American Representative, AFL-CIO.

Lee W. Minton, President, Glass Bottle Blowers' Association of the United States and Canada.

A. Philip Randolph, President, Brotherhood of Sleeping Car Porters.

Serafino Romualdi, Executive Director, American Institute for Free Labor Development.

Walter P. Reuther, President, United Auto Workers.

Emil Rieve, Chairman of the Executive Council, Textile Workers Union of America.

James A. Suffridge, President, Retail Clerks International Association.

SUBCOMMITTEE ON AID MATTERS OF THE FOREIGN
EXCHANGE COMMITTEE OF NEW YORK BANKS

Advises in the development of aid financing procedures and the drafting of regulations and their amendments.

Edward G. Grimm, Vice President, Bankers Trust Co., Chairman.

Arthur Bardenhagen, Assistant Vice President, Irving Trust Co.

Milton S. Coe, Assistant Vice President, The Chase Manhattan Bank.

Arthur C. Krymer, Vice-President, Chemical Bank New York Trust Co.

Anthony L. Leone, Assistant Vice President, First National City Bank.

Harold T. McGrath, Assistant Secretary, Manufacturers Hanover Trust Co.

William E. McGraw, Assistant Vice President, Morgan Guaranty Trust Company of New York.

Henry Reuter, Assistant Vice President, The Marine Midland Trust Company of New York.