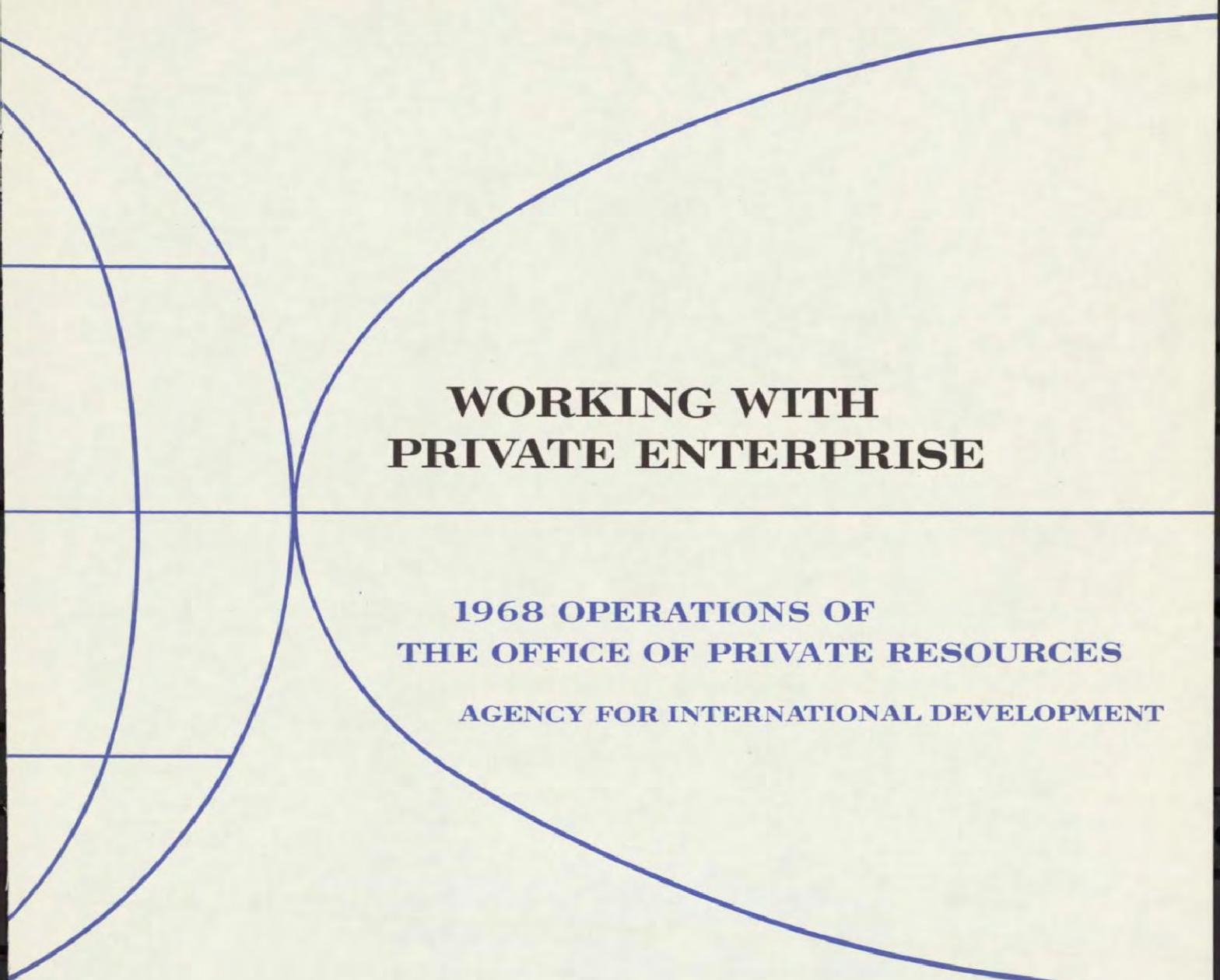


**WORKING WITH
PRIVATE ENTERPRISE**

**1968 OPERATIONS OF
THE OFFICE OF PRIVATE RESOURCES**

AGENCY FOR INTERNATIONAL DEVELOPMENT

DC



**WORKING WITH
PRIVATE ENTERPRISE**

**1968 OPERATIONS OF
THE OFFICE OF PRIVATE RESOURCES
AGENCY FOR INTERNATIONAL DEVELOPMENT**

Office of Private Resources
Agency for International Development
Washington, D.C. 20523

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THE BUSINESS OF DEVELOPMENT

The development of the poorer nations of Asia, Africa and Latin America presents us with one of our greatest challenges.

These countries prize development—modernization—above all other goals.

The future of our own country will be affected directly by the success they have in growing more of their own food, moderating their rates of population growth and achieving broad economic progress.

Success cannot be won by governments alone. Development depends on more private initiative overseas, and on increased private participation in the transfer of skills and resources to the developing countries.

In April 1967 we established our Office of Private Resources on two basic assumptions:

- that greater private participation in this nation's overseas development programs is imperative;
- that public resources, wisely used, can attract more private resources to the development job.

This report is the first since the Office was established. It summarizes what we have done to strengthen the public-private partnership for development, what this has achieved, and what remains to be done.

William S. Gaud

Administrator

Agency for International Development (A.I.D.)

December 20, 1968

**ADMINISTRATOR,
AGENCY FOR INTERNATIONAL
DEVELOPMENT**
William S. Gaud

**ASSISTANT
ADMINISTRATOR, A.I.D.
OFFICE OF
PRIVATE RESOURCES**
Herbert Salzman

**PRIVATE
INVESTMENT CENTER**

**PRIVATE RESOURCES
DEVELOPMENT SERVICE**

**PRE-INVESTMENT
ASSISTANCE
INFORMATION
SURVEYS
PROMOTION**

**INVESTMENT
INSURANCE**

**SUPPORT FOR
TECHNICAL ASSISTANCE
PROGRAMS BY PRIVATE
U.S. ORGANIZATIONS**

FINANCING
**EXTENDED RISK
GUARANTEES** **LOCAL
CURRENCY
LOANS** **DOLLAR
LOANS**

**STAFF GUIDANCE
ON PRIVATE
ENTERPRISE
DEVELOPMENT**

PRIVATE RESOURCES IN DEVELOPMENT

Private investment of capital, know-how and initiative is increasingly important to progress in the less developed countries (LDCs). It expands international markets and raises living standards. It generates jobs, savings and tax revenues. It promotes competition and stimulates modernization. It is a powerful force for development—rural and agricultural, urban and industrial. It creates grass-root institutions that give people a greater stake in stable government.

U.S. private investment in the less developed countries, closely linked with U.S. exports, also is good business—for the United States as much as for the less developed countries.

The job of the Office of Private Resources is to engage more private participation in development.

To generate private enterprise in the less developed countries, we offer incentives to business and financial firms and to private non-profit organizations—assistance for project development and promotion, insurance of investment against political risks, investment financing (including loan and equity guaranties and direct loans), and financial assistance to management and technical assistance organizations, credit unions, savings and loan associations, and cooperatives.

Business is beginning to recognize the importance of investment in the less developed countries. Capital flows to these countries are increasing.

New U.S. private direct investment in the developing countries—net capital outflows plus reinvested earnings—averaged more than \$1 billion annually in the last three years. Book value of U.S. private direct investment in the developing countries has increased steadily from \$11.8 billion in 1960 to \$16.9 billion in 1967. Of particular importance to economic development, an increasing share of U.S. investment in LDCs is going into manufacturing—rising from 15.4 percent in 1960 to 25 percent in 1967.

Perhaps the main reason there is not more U.S. private investment in the less developed countries is that not enough firms have looked. Companies with the capacity—and the desire—to bring together the necessary know-how, capital and people have been doing it to their advantage.

We are here to help private business search out profitable opportunities and provide the critical margin of assistance that may make the difference between "go" and "no-go" decisions. We try to be the catalyst for private decisions that will result both in benefit to the less developed countries and profit to the investors.

Our best estimate is that our financial assistance programs mobilize about \$250 million of private investment, U.S. and local, per year. The political risk insurance program now insures new U.S. private investment in the LDCs at the rate of about \$500 million per year.

Our aim is to use funds, insurance, and guaranties to generate and support the maximum amount of private enterprise in the developing countries.

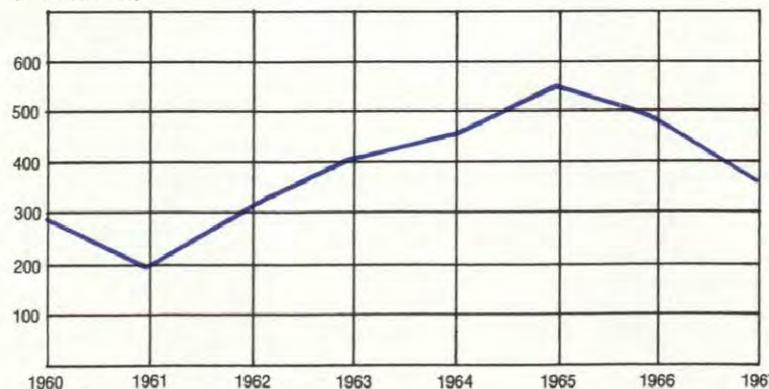
We hope this report will further that aim.

Herbert Salzman

*Assistant Administrator
Office of Private Resources*

Combined U.S. Capital Flows and Reinvested Earnings for Manufacturing Enterprises in LDCs 1960-1967

(\$ MILLIONS)

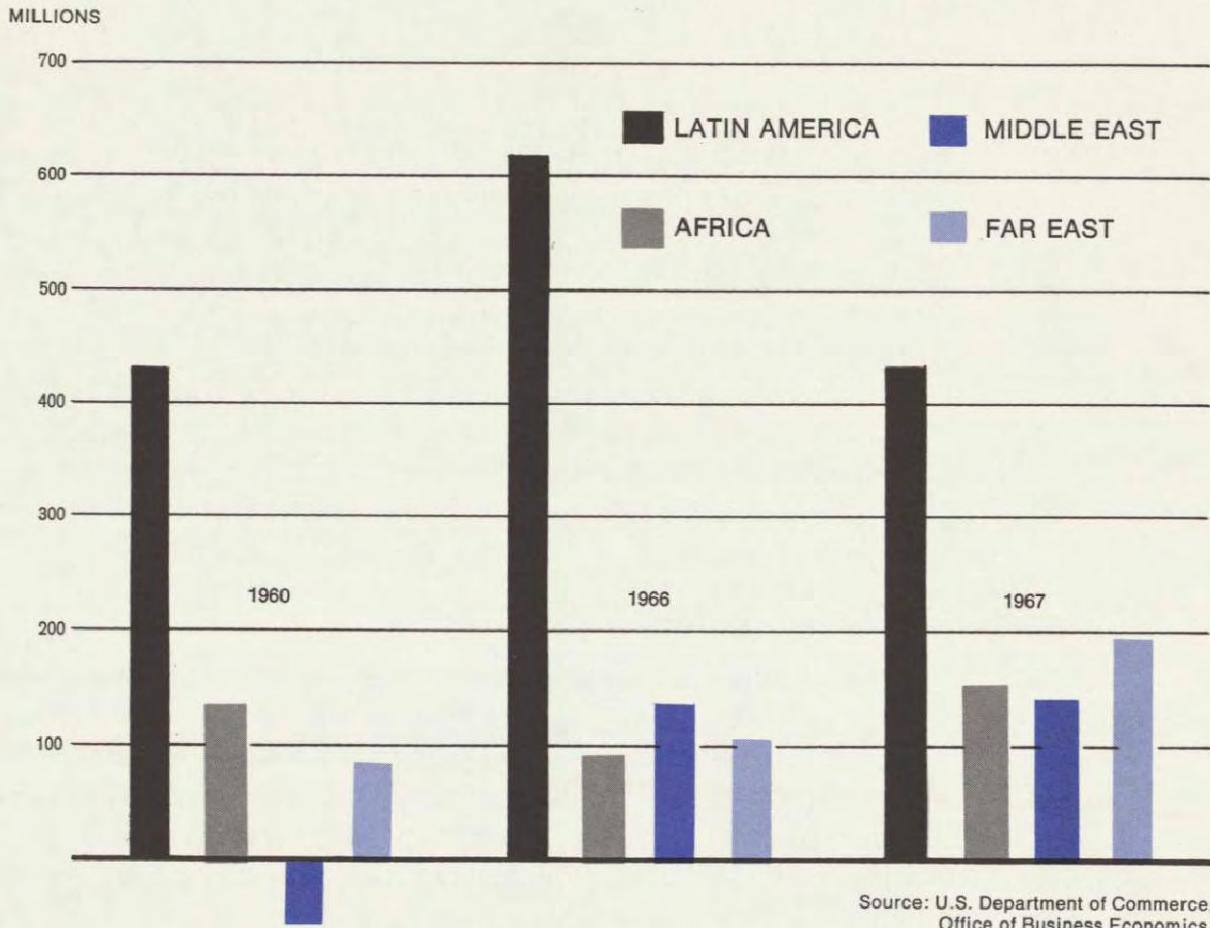


Approximate Percentages
by Region: 1960
Latin America—93%
Middle East—1%
Africa—0%
Far East—6%

Approximate Percentages
by Region: 1967
Latin America—73%
Middle East—2%
Africa—1%
Far East—24%

Source: U.S. Department
of Commerce,
Office of Business Economics.

U.S. Direct Investment: Capital Flows and Reinvested Earnings to LDCs 1960, 1966, 1967



THE PRIVATE INVESTMENT CENTER

The Private Investment Center was established in the Office of Private Resources in April 1967 to give improved "one-stop" service to investors seeking help in identifying new opportunities and making new investments in the less developed countries—the LDCs. The Center handles investment incentive programs previously administered by the geographic bureaus of A.I.D.: Latin America, Near East and South Asia, Africa, East Asia, and Vietnam. Thus, the major investment services available to U.S. businessmen now are concentrated in one office.

The Center offers three main types of assistance. It:

- helps U.S. business find and appraise investment opportunities—*Pre-Investment Assistance*;
- reduces risks—*Investment Insurance*;
- provides means to borrow funds for new investment—*Investment Financing*.

Pre-Investment Assistance

Although the availability of risk insurance and financial assistance can be critically important, these programs do not generate projects. Before they can become relevant, the business executive must decide to look for an investment opportunity in an LDC, find a suitable one, establish its feasibility, and determine that it is at least as attractive as the other investment alternatives available to him. Our job is to arouse investor interest, provide information and help underwrite the costs of investigation.

Information

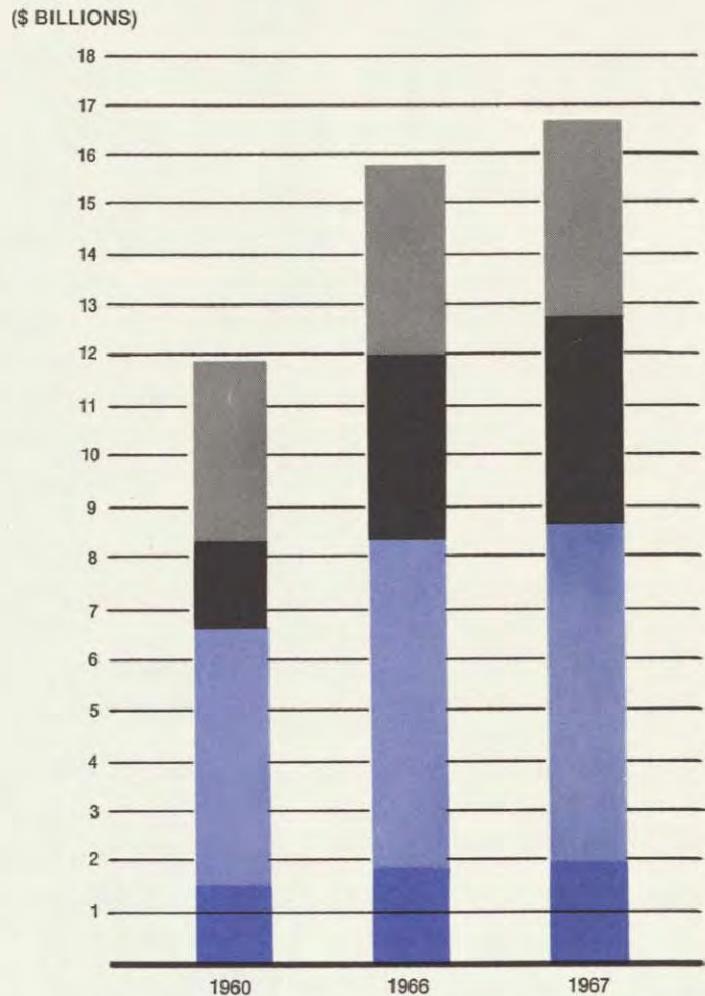
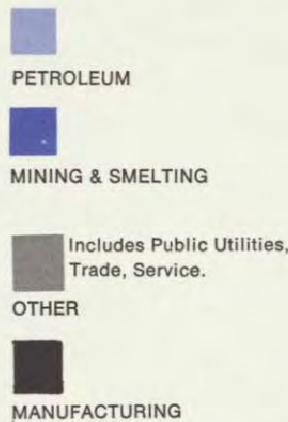
In the constant search for new markets, the LDCs offer solid opportunities for American business. Yet most companies focus their attention mainly on opportunities at home and in other developed nations. The Center offers information on the investment climate in specific LDCs and guides businessmen to public and private sources of data and experience.

A major way we can stimulate investment is to publicize as broadly as possible the services and investment incentives available. During the past year we held a number of conferences and investment clinics with business-

Book Value of U.S. Private Direct Investments in Less-Developed Countries

By Industry 1960, 1966, 1967

Source: U.S. Department of Commerce, Office of Business Economics.



men across the country. In Chicago, San Francisco and Los Angeles, for example, over 500 executives attended. Many of them learned of U.S. Government investment incentives for the first time.

We conducted smaller conferences with individual banks and their customers and with business groups such as the seminars of the American Management Association. The larger conferences introduce executives to our programs; the smaller ones emphasize give-and-take discussion among the participants and examination of specific investment situations with senior executives.

"Fifty-Fifty" Surveys

Detailed investigation of market demand, availability of materials, labor supply, possible plant locations, and other factors must precede an investment decision. Yet many American companies hesitate to commit themselves even to a survey in an LDC because of a feeling of greater uncer-

tainty about the outcome than would be the case in a more familiar, economically advanced country.

In our experience, detailed feasibility studies of specific investment projects financed by public or private development agencies and then offered to potential private investors have few takers. Judgments of others cannot substitute for the judgment of the man who puts up the money.

The Investment Survey Program, therefore, enables the potential business investor to make his own survey and to evaluate the real or presumed risks involved.

Under this program, if a company makes a survey (with our prior agreement) and then makes an investment, the company bears the full survey cost. But if the company decides not to proceed with the investment, we will assume half the survey cost. In this event, the study becomes the property of the Government and is made available to other interested investors.

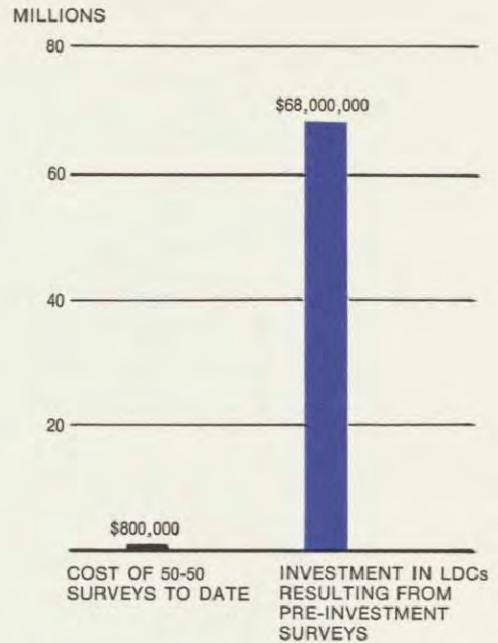
Operations Summary

In fiscal 1968, 32 "fifty-fifty" survey contracts were issued, bringing to 310 the cumulative total of such contracts since the start of the program in 1962. Five decisions to invest—all in high priority agribusiness projects—resulted in 1968, projecting planned investments of \$7.8 million. Positive decisions to date total 36, accounting for \$68 million worth of investment. This represents an average cost to us of \$9,000 per survey, a ratio of \$75 invested for each \$1 of A.I.D. funds spent. Sixteen previously approved surveys are still in process.

Special Investment Promotion Programs

The standard "fifty-fifty" survey program is available upon application of firms having already identified a potential project requiring further investigation. To induce entrepreneurial interest in A.I.D. priority areas—high protein nutritional foods or food marketing, for example—the Center will assume a larger percentage of the cost of pre-investment surveys. The Center is building on the experience gained from several pilot programs started two years ago.

The first, a worldwide program, is aimed at promoting development of low-cost, high-protein food products for manufacture and sale in protein-



deficient areas. Funds are made available to qualified U.S. food processing firms with demonstrated competence in high-protein foods to investigate opportunities and to apply their know-how in LDCs. So far survey agreements with seven companies have been made.

Another pilot program, launched by the Africa Bureau, assists U.S. firms to investigate possible investments in selected African countries for large-unit, vertically integrated agricultural projects. Forty surveys have been contracted with 16 potential investing companies. Of these, 20 preliminary phase studies have been completed and six have moved on to more detailed second-stage studies. Two decisions to invest have resulted, one a seed growing project in Morocco and the other a corn and bean farm and marketing operation in Ghana.

In adapting this approach to Asia and Latin America, we plan to emphasize marketing and distribution. While agricultural production has dramatically increased in many LDCs in the last two years, facilities for food processing, storage, distribution, and marketing have not kept pace. To realize the benefits of production gains and to decrease food loss, new distribution techniques are needed. For fiscal 1969, we have budgeted funds which, when matched with funds from U.S. agribusiness, will permit about 20 surveys.

A financial institutions investment promotion program, also a pilot program of the Africa Bureau, represents still another approach. Here, the resources of eight U.S. banks and investment companies from across the country are pooled in five groups, each of which, assisted by A.I.D. funds, has detailed a representative in Africa to work with African businessmen

and bankers to identify investment opportunities and to carry out preliminary investigations—of a new business, an expansion, a product diversification. So far this network of professionals has identified over 500 opportunities resulting in four new projects with another 35 under serious consideration.

U.S. commercial banks with overseas branches and affiliates are in a position to identify investment opportunities and to know which U.S. companies are the most likely to develop them into sound operating businesses. For fiscal 1969, we have budgeted funds for cost-sharing agreements with some 10 banks to induce them to develop permanent project-identification and long-term investment capabilities in their foreign operations.

To screen and promote investment projects in Latin America, a privately managed Inter-American Investment Development Center was set up in January, 1968, with financial support from A.I.D.'s Latin America Bureau. The Center receives investment proposals from development banks in Latin America and, using private U.S. consultants, attempts to match them up with potential U.S. investors by face-to-face promotion.

Investment Insurance

The most widely used program administered by the Private Investment Center—political risk insurance—has been in operation 20 years. Under it, a U.S. investor in developing countries can obtain, for a fee, insurance against these political risks:

- Inability to convert into dollars foreign currency representing earnings on an investment or compensation for its sale;
- Loss due to expropriation or confiscation of the investment;
- Damage to the physical assets from acts of war, revolution or insurrection.

Almost all forms of investment can be covered: cash, materials or equipment, patents, etc., including long term-debt and equity. Both small investments and large are generally eligible.

Program Highlights—Fiscal 1968

Investments differ and each has its own insurance needs. Standard policy contracts help expedite efficient service. During 1968 five new standard policy contracts were developed in close consultation with representatives of the financial and business community—to cover bank loans, branch bank

operations, investment companies, construction companies and public stock issues.

Host country investment agreements were signed with five new nations. Political risk insurance can now be obtained for investments in 83 less developed countries and territories. The full range of coverages is not available for all countries because of variations in country agreements.

New projects covered ranged from a rope manufacturing plant in the Philippines to a mining project in Botswana. The American Metal Climax project in Botswana is the first in which subscribers of a public offering of shares are insured against political risk. American individuals and corporations—now totaling over 13,000—are covered under a master contract as they purchase shares in the enterprise.

Among the larger projects during the year were investments by American companies in Chilean copper mines. A substantial number of other new contracts covered projects in agribusiness, and many were joint ventures with local entrepreneurs.

Operations Summary

During fiscal 1968, 617 new coverages totaling \$2.5 billion were written to protect investments in 221 projects in 50 developing countries and territories, new highs in the history of the program. The new business brought the total of outstanding coverage to over \$6 billion, compared with \$3.5 billion at the end of the previous year.

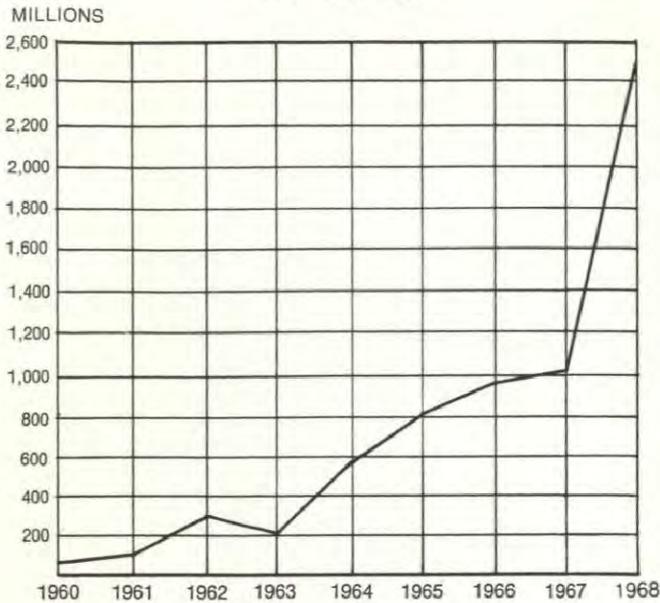
Fee income (equivalent to insurance "premiums") totaled \$14.8 million for the year and one claim of \$327,000 was paid.

Over the 20-year history of the program, fee income has totaled \$58.4 million, and claim settlements issued amount to \$661,000. Another seven claims totaling \$6 million were pending at year end. Claim activity is likely to increase because of the surge in outstanding contracts and the fact that the average contract has been outstanding less than two years of the normal 20 year term.

In view of the rapid rate of growth of the political risk insurance program, the Center is now studying, with the assistance of a consulting firm, its portfolio of contracts to guide policy and operation of the program.

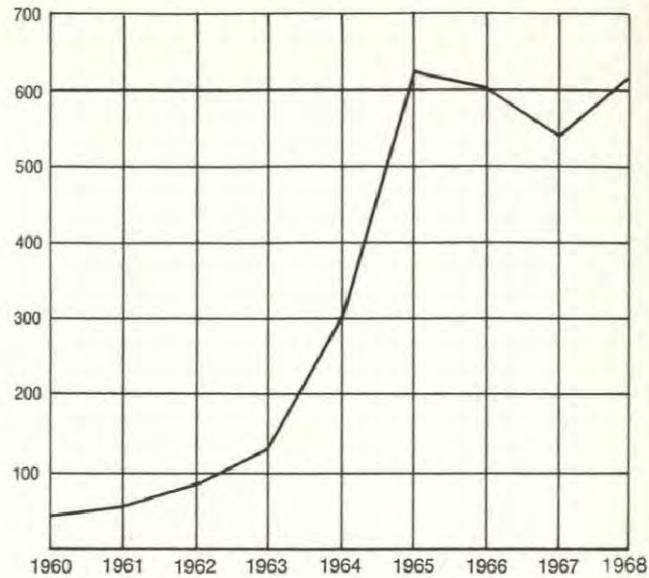
Dollar Value of Political Risk Coverages Written

Fiscal 1960-1968



Number of Political Risk Coverages Written

Fiscal 1960-1968



We also are studying various ways of managing the portfolio more selectively to maintain the incentive effect of the program, while reducing the exposure of the U.S. Government.

Investment Financing

When U.S. private investment projects which make a particularly important contribution to economic development require additional financing, the Private Investment Center can help secure necessary loans.

Extended Risk Guaranties

The main tool for this assistance is the extended risk guaranty program which guaranties equity investments and long-term private loans against commercial as well as political risks. An annual fee of 1 3/4 percent on the outstanding amount is normally charged for these guaranties.

The loan proceeds must be spent for U.S. goods and services. We may guaranty full repayment of 75 percent of any loans from U.S. lenders. Since our guaranty can be applied wholly to the later repayments of a loan, if the lenders obtain private guaranties of the early maturities the total commitment can be covered. Interest rates on the loans are negotiable between lenders and borrowers, subject to our approval. Equity coverage generally is limited to 50 percent of the realized loss on original investment.

Program Highlights—Fiscal 1968

An increased number of extended risk guaranties were issued during fiscal 1968 despite the adverse climate for foreign investment generated by the "gold crisis," the resulting Foreign Direct Investment controls of the Department of Commerce, and new peaks in interest rates. These projects were highlights:

International Telephone and Telegraph Company will build a communications satellite ground-station that will give Indonesia for the first time a modern telephone and telecommunication service to all parts of the world. An extended risk guaranty of \$4 million issued to five U.S. banks and insurance companies supports the total planned investment of over \$7 million.

Union Carbide Corporation and the Industrial and Commercial Development Corporation of Kenya are partners in a new venture in Nakuru, Kenya's third largest city, to manufacture flashlight batteries for sale in East Africa markets. A relatively small project, with \$1.7 million in assets, it will employ about 100 Kenyans, many trained at a neighboring technical school run by the Japanese.

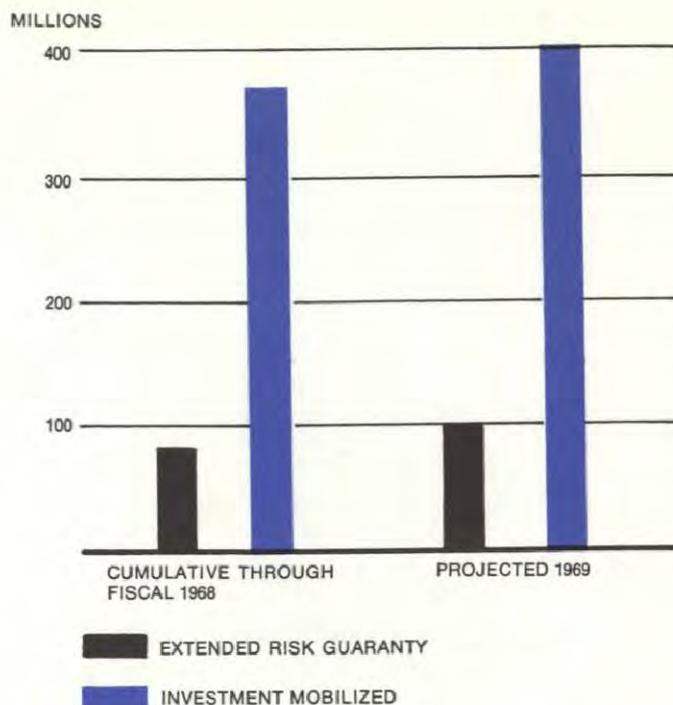
Union Carbide expects to be able to offer fresher batteries than competing foreign manufacturers. Sales of 60 million batteries per year are anticipated at prices competitive with foreign brands.

In addition to the partners' equity investments, the Commercial Bank of Africa, Ltd. is providing \$750,000 in loans to cover local expenses and the Bank of America is lending \$300,000, supported by a \$225,000 extended risk guaranty to cover needed plant equipment and supplies imported from the United States.

A.I.D. guarantied the last-maturing 75 percent of a \$2 million issue of notes of The Atlantic Development Company for Latin America (ADELA), a multinational corporation promoting and investing in private development projects in Latin America. The guarantied funds will be used to find and develop new investments in which local entrepreneurs, ADELA, and other interested investors will join.

Operations Summary

In fiscal 1968, 11 extended risk guaranties were issued totaling \$22.5 million. To date, the \$82.5 million worth of extended risk guaranties since the program began in 1962 have resulted in projects with a total capitalization of \$374 million. Twenty of the 25 coverages were written in the last two fiscal years. For 1969, an estimated 16 coverages totaling \$100 million will be written to cover \$400 million worth of investment. Fee income totals \$667,000; one claim of \$111,000 was paid in 1968.



Local Currency Loans

Since 1954 the United States Government has sold food to less developed countries under Public Law 480. Parts of the local currency proceeds have been earmarked for loans to American businessmen and their affiliates in LDCs, either for new investments or to expand existing ones. They are commonly called "Cooley fund" loans after former Congressman H. D. Cooley of North Carolina who sponsored this provision of the law.

American companies investing abroad usually need loans of local currency to buy land, finance construction costs, and for other purposes. The loans, repayable in the local currency, bear interest at rates comparable to those charged by local development banks.

Local currency loans on reasonable terms can be a greater incentive to new investment than dollar loans, which may be used only to finance goods and services of U.S. origin. Cooley funds are available only in certain countries. We are actively seeking new ways to generate local currency loan funds in other countries where they are badly needed.

Operations Summary

During fiscal 1968, 21 new Cooley loans were made totaling the equivalent of nearly \$40 million. The aggregate investment of which these loans were part amounted to \$181 million. These figures bring the cumulative number of Cooley loans made during the past 10 years to 386, in a total amount equivalent to \$335 million.

Dollar Loans

When dollars are unavailable from other sources at reasonable terms, A.I.D. may make dollar loans to private investment projects that contribute importantly to the long-range economic development of friendly less developed countries. This program has been largely replaced by extended risk guaranties; only two loans totaling \$13.2 million were issued in fiscal 1968.

Business Consultations

To help make our program as effective as possible we consult with the American business community and work closely with many business and financial organizations. The standard form political insurance policy contracts previously mentioned and the standard extended risk loan guaranty were developed in close cooperation with representatives of each of the concerned industries, such as the Bankers Association for Foreign Trade.

A major source of guidance over the past year has been the International Private Investment Advisory Council (IPIAC). The Council consists of individuals who are senior members and staff of the Chamber of Commerce of the United States, the Committee for Economic Development, the National Association of Manufacturers, the National Foreign Trade Council, the National Industrial Conference Board, and the U.S. Council of the International Chamber of Commerce. It met three times this year to consult with us and to review policies and programs.

The IPIAC appointed several working panels of businessmen with broad international operating experience to consider in depth particular policies. They recommended—and the Center adopted—new approaches to collecting investment climate information and new financing policies in certain situations.

We also meet frequently with the officers and members of the Council for Latin America to consider aspects of private investment especially relevant to that vitally important region.

Noteworthy during the past year was the organization of the Agribusiness Council, Inc., by a group of major companies in the food production, agricultural chemicals, farm implement, and food processing and marketing industries. Leading banks and private foundations also are members. The Agribusiness Council's aim is to focus attention on meeting food needs in the less developed countries. In cooperation with the Center it plans to play a major role in investigating agribusiness potentials in LDCs and in encouraging U.S. firms to invest in promising projects.

THE PRIVATE RESOURCES DEVELOPMENT SERVICE

Technical Assistance

Economic development requires not just money and machines, but knowledge and initiative. And, over the long term, it cannot rely mainly on importation of those ingredients from abroad. Indigenous reservoirs of capital, skills, and entrepreneurship must be built.

For this reason the Office of Private Resources embraces not only programs to induce and support investment but also technical assistance—the transmitting and sharing of skills that can make development self-sustaining.

Here, as with investment programs, the Office deals with private organizations. The contributions they can make to private enterprise, and the training in managerial and technical skills they can provide, are indispensable means of generating individual initiative and capabilities in the developing countries. The organizations range from large foundations to volunteer groups in one state or a single community. They include cooperatives, agencies of religious groups, farm, business and professional organizations.

The Private Resources Development Service (PRDS) acts as a broker, matching needs identified by A.I.D. with nongovernment sources of assistance. As with other activities of the Office, PRDS seeks to be a catalyst, and to bring about a “multiplier effect” by which each tax dollar used produces more than a dollar’s worth of results. Following are a few examples:

Management Skills and Technical Know-How

The International Executive Service Corps (IESC) sends experienced American businessmen-volunteers on short term assignments to less developed countries to counsel, on a fee basis, private business firms which have requested assistance on management and technical problems. Started four years ago by leading members of the business community, IESC has reached an annual level of more than 300 completed projects. The Private Resources Development Service contributes, on a grant basis, a declining percentage of the cost, and private support for the organization now comes

from 145 American corporations and foundations. IESC has built a roster of 4700 qualified American businessmen volunteers.

Over the four-year period, A.I.D.'s contribution to the program has been about \$6 million. IESC has contributed \$3.6 million plus the value of the services of the volunteers estimated at \$3.2 million.

The Council for International Progress in Management (CIPM) provides professional management assistance to businesses and institutions throughout the world. CIPM's International Enterprise Fellowship program provides one year employment in many U.S. industries for foreign graduates of U.S. universities. Under A.I.D. contracts, seminars for middle-management supervisors are conducted in the United States and overseas. A PRDS grant in June 1968 provides \$50,000 to support a Council program to create and develop management institutions in LDCs. The Council contributes about \$215,000 a year from its own resources.

Volunteers for International Technical Assistance (VITA) provides a link between the technical information needs of developing countries and a large pool of American technical and professional competence. It was founded by engineers, physicists, and specialized technicians and maintains a roster of more than 4,000 skilled professional persons. It has working arrangements with 200 universities and 800 corporations. Last year it handled about 2,000 inquiries.

VITA maintains its services and a technology center on an annual budget of \$210,000. PRDS has granted \$45,000 of this amount, with \$165,000 coming from private corporations and foundations.

Agriculture and Rural Development

Four of the cooperative organizations working with A.I.D. provide primarily agricultural assistance. They are administering and supervising programs with high social impact in a score of countries. Their projects in the LDCs deal with farm production, storage and marketing, agribusiness, supervised farm credit, rural electrification, and cooperative leadership and management training.

In 1968, A.I.D. provided \$2,176,000 to four such groups: *Farmers Union International Assistance Corporation*, *National Rural Electric Cooperatives Association*, *The Cooperative League of the USA*, and *the International Cooperative Development Association*. The organizations raised an additional \$960,000.

Capital Accumulation and Urban Development

It has now been clearly demonstrated that even in very low income countries significant capital accumulation of private savings can be stimulated to finance a better future for the individual savers.

CUNA International, with more than 40 years of experience in credit unions, has organized credit union federations in many Latin American and African nations. It has provided, from its own resources, credit union specialists to assist in developing federations in the Philippines and Korea. This year *CUNA International*, working with the Private Investment Center, is administering an extended risk guaranty of \$1 million to cover loans to be made by U.S. credit unions to their counterparts in Latin America and Africa.

Since 1962 there has been a six fold increase in the number of credit unions in Latin America. Membership and total savings have grown to 600,000 members and \$50 million in savings—a twelve fold increase. Last year each A.I.D. dollar spent in this kind of technical assistance resulted in \$20 of local savings and broad participation of the people in their own development.

The Foundation for Cooperative Housing (FCH), under agreement with A.I.D., has furnished technical assistance in 16 countries. It has also worked with the Inter-American Development Bank in Bolivia and the Dominican Republic Housing Bank.

Its cooperative housing projects have ranged from apartments and middle-class homes to small \$300 rural dwellings built by the owners. *FCH* is also assisting in the development of cooperative housing projects in Latin America through the housing investment program. To date U.S. investment commitments in these projects exceed \$15 million.

The National League of Insured Savings Association (NLISA), representing more than 400 U.S. federally insured associations, is able to draw on top managerial talent of its members to assist in development work.

In Latin America, in the past seven years, savings and loan financing has gone into 60,000 new homes. Savings by 600,000 members amount to \$185 million. Ten years ago there were no private financial institutions in Latin America to help a growing middle-class buy their own homes. Now there are 94 privately owned home-financing institutions.

Voluntary Agencies

Seventy-eight private U.S. voluntary agencies are registered with the Advisory Committee on Voluntary Foreign Aid. Representing the interest and support of millions of Americans, these organizations include the overseas arms of major religious groups—*Catholic Relief Service, Church World Service, American Jewish Joint Distribution Committee*—as well as *CARE, Medico National Association, Partners of the Alliance, Project Hope, Tools for Freedom.*

They operate a broad range of privately supported programs in 93 countries, from agricultural development, education, vocational training, and community development to family planning, health services and nutrition. By partial support to these groups, PRDS has enabled them to maintain their humanitarian efforts and expand technical assistance at the grass roots level.

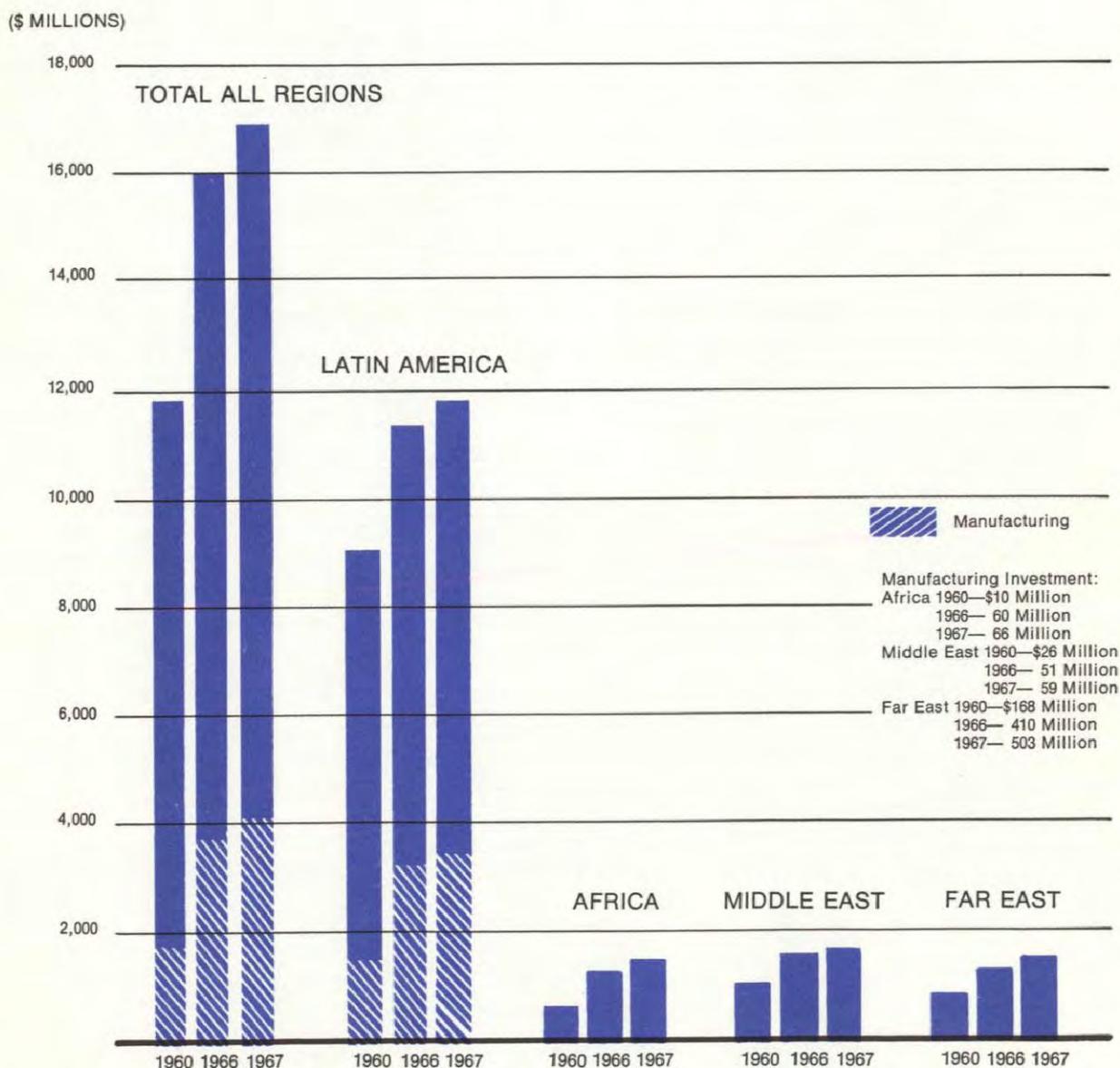
During fiscal 1968, 32 agencies received \$5.3 million in freight costs to transport more than \$73.8 million worth of privately donated medicine, food, agriculture and vocational training equipment, hospital equipment and clothing.

How a Public-Private Partnership Works

More than 20 large U.S. farm supply cooperatives (with an annual U.S. sales volume of more than \$100 million) are now working on a project to help Indian cooperatives build and operate a major fertilizer plant in the State of Gujarat. The U.S. co-ops have put up \$1 million to help develop the project, provide the executive talent for supervision during construction and startup, and to train Indian workers and management to take over. Present plans call for construction to begin in 1970. The pioneering was done by the International Cooperative Development Association and the Cooperative League of the USA, with the encouragement of PRDS.

Approximately half of the overall cost of the project would be financed by Indian cooperatives and the Indian Government. Long-term dollar financing for U.S. capital goods going into the plant would be arranged by a leading U.S. bank with funds from private American banks and insurance companies. These private credits would not be available without the Private Investment Center's extended risk loan guaranty program.

Book Value of U.S. Private Direct Investments in LDCs Indicating Proportion in Manufacturing 1960, 1966, 1967



Source: U.S. Department of Commerce,
Office of Business Economics.

LOOKING AHEAD

This report reflects our experience with some problems and some successes. It suggests, too, some of the directions in which we are moving. Looking ahead, we can see these trends:

A new world economy is evolving—one in which foreign trade and foreign investment are increasingly interdependent. Depending on how competitive factors take shape, the individual company will serve its markets and protect its sources of supply by export or overseas investment—whichever of these means is more profitable.

Larger companies will become even more global in their pursuit of international business, seeing their market share as a share of the world market. More companies will become truly multinational in order to surmount national barriers obstructing the flows of trade and investment.

Companies and governments will have to recognize and adjust their relationships to the evolving interdependence of world business.

Smaller national markets will combine to form regional markets large enough to sustain production facilities competitive with alternative sources of supply. Natural advantages of material or human resources will be more sharply analyzed.

The U.S. Government will reconcile its concern for the U.S. balance of payments and its desire to support increased private investment in LDCs. For example, in the Foreign Direct Investment Program administered by the Commerce Department, a quota of 110% of the 1965-66 base-year investment average has been assigned to the LDCs. In announcing the 1969 program the Department recently said:

“One effect of the 1969 Program will be to increase further general investment quotas available for use in less developed countries. In addition, in keeping with the Administration’s desire to encourage increased private investment in less developed countries, special consideration will be given to applications from companies which are considering developmental projects in less developed countries but which have insufficient investment quotas and cannot arrange foreign financing in compliance with the Regulations.”

A number of factors which deter private enterprise in the LDCs—for example, the size and stage of development of markets, availabilities of local human and material resources—are beyond the direct control or even influence of the U.S. Government. Nevertheless, there are a number of steps which the U.S. can take to engage greater private participation in the development process.

One new approach may be to create a more highly specialized organization to promote, insure and finance private enterprise in the LDCs. An amendment to the Foreign Assistance Act of 1968 calls for Presidential and Congressional consideration of proposals to set up a separate corporate entity to mobilize and facilitate U.S. private capital and skills for use in the developing countries. Such a federally-chartered corporation might well take over and build upon much of the work of the Office of Private Resources. Overseas development corporations to stimulate private investment already are in existence in Great Britain and West Germany, and legislation to establish one has been introduced in the Netherlands.

Although an organizational change of itself cannot produce a quantum increase in the flow of U.S. private investments to the developing countries, there is opportunity for a steady increase in U.S. private initiative in the LDCs which could make significant contributions to the creation of new international markets, more jobs, increased purchasing power, savings and tax revenues—in short, to the peace and progress of the free world.

In many respects the programs of other governments build on the American experience. Risk-sharing programs are now conducted by Australia, Austria, Denmark, the Federal Republic of Germany, France, Japan, Norway, and Portugal. Private management assistance programs similar to that of the International Executive Service Corps have been adopted by Canada and Japan, and one is planned by West Germany.

The trend clearly is toward maximizing the use of private resources in overseas economic development. U.S. leadership has benefited the LDCs as well as the U.S. We must continue to lead the way.

**Summary Results of
Investment Financing and Insurance Operations
Fiscal 1968
(Millions of Dollars)**

	No. of Projects	Net Committed	Investment Mobilized (Est.)	No. Jobs Created 1 per \$7500 of Investment Mobilized (Est.)	Sales Volume Generated (Est.)
INVESTMENT FINANCING					
Extended Risk Loan					
Guaranties	11	\$ 22.500	\$ 38.000	5,067	\$ 76.000
Equity Insurance Guaranties	3	2.400	5.500	733	11.000
Cooley Loans (\$ equivalent)	21	39.600	181.700	24,224	363.400
Dollar Loans	2	13.200	19.200	2,560	38.400
TOTAL	<u>37</u>	<u>\$ 77.700</u>	<u>\$ 244.400</u>	<u>32,584</u>	<u>\$ 488.800</u>
INVESTMENT INSURANCE					
		Insurance Written			
Inconvertibility		\$1,077.000			
Expropriation		298.000			
War, Revolution, Insurrection		126.000			
Combined Expropriation, War, Revolution and Insurrection		999.000			
TOTAL	<u>221</u>	<u>\$2,500.000¹</u>	<u>\$1,569.000</u>	<u>209,200</u>	<u>\$3,138.000</u>
GRAND TOTAL	<u>258</u>		<u>\$1,813.400^{2,3}</u>	<u>241,784²</u>	<u>\$3,626.800²</u>

¹Exceeds amount of actual investment because of multiple risk coverage.

²Some overlap due to same project receiving assistance from more than one program.

³Includes LDC private participation in projects.

PRIVATE INVESTMENT CENTER (PIC) PROGRAMS
Available Funds, Guaranty and Insurance Authorities
As of October 31, 1968

<u>INVESTMENT PROMOTION</u>	<u>FUNDS OR AUTHORITY AVAILABLE</u>
Fifty-fifty Surveys	\$ 1,780,000
Special Programs	\$ 1,500,000 (Budgeted for PIC)
<u>INVESTMENT INSURANCE</u>	
Political Risk Insurance	\$2,332,000,000 ¹
<u>INVESTMENT FINANCING</u>	
Extended Risk Loan and Equity Guaranties	\$ 300,000,000 ²
Cooley Loan Funds (\$ equivalent)	\$ 44,142,876 (in 14 countries) ³
Dollar Loans	(No Funds Budgeted for PIC)

¹Available Authority within Statutory Ceiling of \$8,500,000,000

²Available Authority within Statutory Ceiling of \$390,000,000

³Bolivia, Korea, Ceylon, India, Israel, Pakistan, Turkey, UAR (Egypt), Congo, Ghana, Guinea, Morocco, Sudan, Tunisia. (68% of these funds are available in India and Pakistan.)

**U.S. Companies and Organizations which Participated in
 Programs of The Office of Private Resources
 During the last 12 Months—(Fiscal 1968)**

Well over 200 corporations and about 50 private non-profit organizations entered into new transactions with the Office during the year. The following is a nearly complete list. The letter following each name refers to the key indicating the programs participated in.

KEY
(A) Investment Survey Program
(B) Political-Risk Insurance
(C) Extended-Risk Guaranties
(D) Local Currency (Cooley fund) Loans
(E) Private Technical Assistance
(F) Registered Voluntary Agencies Reimbursed for Overseas Freight

COMPANIES

A.S.H. Industries, Inc. (B)
 Abbott Laboratories (B)
 Abex Corp. (B)
 Addison-Wesley Publishing Co., Inc. (B)
 Aeroquip (B)
 Agricultural Development Group (A)
 Allen-Steven Corp. (B)
 Allied Chemical Corp. (AB)
 Aluminum Co. of America (B)
 American Airlines (B)
 American Can Company (BD)
 American Cement Co. (A)
 American Cyanamid Co. (B)
 American Forest Products (A)

American Machine & Foundry Co. (B)
 American Metal Climax Inc. (AB)
 American Pipe & Construction Co. (D)
 W.R. Ames Company (B)
 Amoco Trading Int'l. Ltd. (B)
 Anaconda Company (B)
 Applied Magnetics Corp. (B)
 Associated Investment Co. (A)
 Arbor Acres Farm Inc. (B)
 Atlas Chemical Industries (B)
 Atwell Development Co. (B)

 Back Bay-Orient Enterprises, Inc. (B)
 Bank of America (BC)
 Bank of America National Trust & Savings Assoc. (B)
 Beatrice Foods Co. (AB)
 Bemis Company, Inc. (B)
 Bethlehem Chile Iron Mines Co. (B)
 Botswana R. S. T. Ltd. (B)
 C. Brewer & Co., Ltd. (A)
 Bristol-Myers International Corp. (B)
 Builders International, Inc. (B)

 California-Texas Oil Corp. (B)
 Caltex Petroleum Corp. (B)
 Caterpillar Far East Ltd. (B)
 Cemac Development Corp. (B)
 Central Aguirre Sugar Co. (C)
 Chase Manhattan Bank (B)
 Chemical Bank New York Trust Co. (B)
 Chemoleum International Ltd. (B)
 Chemtex, Inc. (B)
 Chemway Corp. (B)
 Chevron Chemical Co. (B)
 Chile Copper Co. (B)
 Citizens & Southern International Corp. (B)
 Citizens Standard Life Insurance Co. (B)
 Clark Equipment Co. (B)
 Connecticut General Life Insurance Co. (C)
 Consolidated American Services, Inc. (B)
 Continental Bank International (B)
 Continental Carbon Co. (B)
 Continental Copper & Steel Industries, Inc. (B)
 Coolidge, T. A. Jr. (B)
 Cornell-Dubilier Electronics (B)
 Credit Union National Association
 (various credit unions) (C)
 Crescent Corset Co., Inc. (B)
 Crocker, Charles (C)
 Crown Zellerbach International, Inc. (B)
 Cuna Mutual Insurance Society (B)

 Davis, Thomas (C)
 DeKalb Agricultural Ass'n., Inc. (B)
 Diamond Alkali Co. (B)
 Dillingham Overseas Corp. (A)
 Dow Chemical Co. (B)
 Dresser Industries, Inc. (B)

 Eastern Petroleum Engineering Corp. (B)
 The Ensign-Bickford Co. (B)
 Esso Standard Eastern, Inc. (D)

 Farmer, Garland (C)
 Fearn Foods, Inc. (B)
 Feinberg & Associates (D)
 The Fidelity International Corp. (B)
 Fidelity Mutual Life Insurance Co. (C)
 Firestone Tire & Rubber Co. (B)
 First National Bank of Chicago (B)
 First National Bank of Chicago, Bank Pension Fund (B)
 First National Bank of Chicago, various trusts (B)
 First National Bank of St Paul (C)
 First National City Bank (B)
 First National City Overseas Investment Corp. (B)
 Florida First National Bank (B)
 Food Services Management (A)
 Ford Motor Company (B)
 Freeport Sulphur Co. (B)
 General Electric Co. (BD)
 General Foods Corp. (B)
 General Instrument Corp. (B)
 General Milk Co. (B)
 General Ore & Chemical (D)
 General Telephone & Electronics (B)
 General Telephone & Electronics Export Corp. (B)
 B. F. Goodrich Co. (B)
 Goodyear International Corp. (B)
 W.R. Grace & Co. (B)
 Gulf Fisheries (D)

 Hamilton, Warren W. (B)
 Hammar Petroleum Co. (B)
 Hanna Mining Co. (B)
 Harvest Queen Mill & Elevator Co. (B)
 Harvey Aluminum, Inc. (D)
 Hayden-Stone, Inc. (A)
 Hercules, Inc. (D)
 Hi-Protein International Food (A)

 IBM World Trade Corp. (B)
 Intercontinental Hotels Corp. (B)
 Intercontinental Hotel & Home Development Corp. (D)
 Intercontinental Housing, Inc. (B)
 Interkiln Engineering, Inc. (AB)
 International Bank (B)
 International Harvester Export Corp. Ltd. (B)
 International Metal Processing Corp. (B)
 International Paper Co. (B)
 International Tank Terminals (A)
 International Telephone & Telegraph Corp. (B)
 Interstate Equipment Corp. (B)

 Jaragua, Inc. (B)
 Johns Manville (D)
 Johnson & Johnson (BD)
 J. A. Jones Construction Co. (B)

K. T. International (A)
 Kaiser Aluminum & Chemical Corp. (B)
 Kaiser Cement & Gypsum Corp. (B)
 Karser Industries, Inc. (AD)
 Kelso, Louis (C)
 Kimber Farms, Inc. (B)
 Kimberly Clark Corp. (B)
 Kiminas, John C. (B)
 H. Kohnstamm & Co., Inc. (B)
 Kohnstamm, Paul L. (B)
 Komy Corp. (B)

 C. H. Leavell & Co., Inc. (B)
 Leeds, Richard H. (B)
 Listerhill Employee's Credit Union (B)

 Mandrel Industries Co., Ltd. (B)
 Mansfield Tire & Rubber (D)
 Manufacturers Hanover Trust Co. (B)
 Mattel, Inc. (B)
 Merck & Co., Inc. (B)
 Merck Sharp & Dohme (I.A.) (B)
 Michalos, George P. (B)
 Mobil Oil Corp. (B)
 Motorola, Inc. (B)

 National Distillers & Chemical Corp. (B)
 National Lead Co. (B)
 Nebraska Consolidated Mills Corp. (B)
 New World Development Corp. Ltd. (B)
 North American Corp. (B)
 Norton Co. (B)

 Oak Electronics Corp. (B)
 Otis Elevator Co. (B)

 Pan-Alliance Corp. (B)
 Pan American World Airways (B)
 Parfet, Conrtland E. (B)
 Parke Davis & Co. (D)
 Pet Inc. (B)
 Petroleum Helicopters, Inc. (B)
 Phelps Dodge Corp. (B)
 Phelps Dodge International Corp. (B)
 Phelps Dodge Svenska Metalverken Int'l. Corp. (B)
 Philip Morris, International (B)
 Phillips Petroleum Co. (B)

 Radio Corporation of America (B)
 Ralston Purina Co. (B)
 Renrall Ltd. (B)
 Rexall Drug & Chemical Co. (B)
 Reynolds International Inc. (B)
 Reynolds Metals Co. (B)
 Roscoe Moss Co. (B)
 Ross, Leonard (A)
 Rowland, William D. (B)
 Russell, Birdsall & Ward Bolt & Nut Co. (B)
 Ryan, Frank T. (B)

 St. Regis Paper Co. (B)
 Sanders, Stephen (B)
 Schering Corp. (B)
 Schering Corp. (Panama) SA (B)
 Seaboard Allied Milling Corp. (B)
 G. D. Searle & Co. (B)
 Semiconductor, Ltd. (B)
 Signetics Corp. (B)
 Singer Company (B)
 Sonia Messer Imports (A)
 Sonneborn Assoc. Petroleum Corp. (D)
 Sonoco Products Co. (B)
 Squibb Mathieson International Corp. (B)
 E. R. Squibb & Sons (B)
 Standard Fruit Co. (B)
 Standard Fruit & SS Co. (AB)
 Standard Oil of New Jersey (D)
 Standard Pressed Steel Co. (B)
 Stange Co. (A)
 State Street Bank & Trust (C)
 Sterling International (B)
 Stokely-Van Camp, Inc. (B)
 Sullivan, Sallie P. & Barry R. (B)

 TRW, Inc. (B)
 Texaco, Inc. (B)
 Theonett & Co. (B)
 Thompson Aircraft Tire Corp. (A)
 Thomson, Chester L. (B)
 Thomson Leeds Co., Inc. (B)
 Trans World Airlines, Inc. (B)
 Tubbs Cordage Co. (B)
 Tubeco, Inc. (A)

 Union Carbide Corp. (B)
 United States Steel Int'l. (New York) Inc. (B)
 Universal Food Corp. (B)

 Vickers Division (Sperry Rand Corp.) (B)

 Warner-Lambert International (B)
 Weiler, Peter J. (B)
 Westinghouse Air Brake Co. (B)
 Whitman, Frederick (C)
 Wilbur-Ellis Co. (B)
 William Underwood Co. (B)
 Wire Rope Corporation of America, Inc. (B)
 Witco Chemical Co., Inc. (B)
 World Homes (Garvey Grain) (D)
 The World Tablewear Corp. (B)
 Wyman-Gordon Co. (B)

 Xerox Corporation (B)
 Zachry Co. of Santo Domingo (B)
 B. C. Ziegler & Co. (C)

ORGANIZATIONS

American Friends Service Committee (F)
American Jewish Joint Distribution Committee (F)
American-Korean Foundation (F)
American Mission to Greeks (F)
American National Red Cross (F)
American ORT Federation (F)
Assemblies of God—Foreign Service Committee (F)

Catholic Relief Services—USCC (F)
Christian Reformed World Relief Committee (F)
Church World Service (F)
Cooperative for American Relief Everywhere
(CARE) (F)
The Cooperative League of the U.S.A. (E)
Council for International Progress in Management,
Inc. (E)
CUNA International, Inc. (E)

Farmers Union International Assistance Corporation (E)
Foster Parents' Plan (F)
Foundation for Cooperative Housing International (E)
Friends of the United States of Latin America (F)

Hadassah (F)
Heifer Project (F)

International Cooperative Development Association (E)
International Cooperative Training Center (Regents
of the University of Wisconsin) (E)
International Educational Development (F)
International Executive Service Corps (E)

International Institute of Rural Reconstruction (F)
Iran Foundation (F)

Lutheran World Relief (F)

Medical Assistance Programs, Inc. (F)
Mennonite Central Committee (F)
Mizrachi Women's Organization of America (F)

National League of Insured Savings Associations (E)
National Rural Electric Cooperative Association (E)

Pan American Development Foundation (F)
People to People Health Foundation (Project
HOPE) (F)

Salvation Army—National Headquarters (F)
Seventh-Day Adventist Welfare Service (F)
Summer Institute of Linguistics (F)

Technical Assistance Information Clearing House
(American Council of Voluntary Agencies for Foreign
Service, Inc.) (E)
The Thomas A. Dooley Foundation (F)

United Israel Appeal (F)

Volunteers for International Technical Assistance
(VITA) (E)

World Relief Commission Inc., N.A.E. (F)
World Vision Relief Organization (F)

Y.M.C.A.—International Committee (F)

If you want to find out how any of the programs described in these pages might relate to your organization, please write:

Office of Private Resources
Agency for International Development
Washington, D.C. 20523