

1500002 (2)  
PD-AAD-954

UNCLASSIFIED

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations  
For the Review of the  
Development Loan Committee

PORTUGAL - Feasibility Studies

AID-DLC/P-2070

UNCLASSIFIED

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

UNCLASSIFIED

AID-DLC/P-2070

February 17, 1975

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: PORTUGAL - Feasibility Studies

Attached for your review are recommendations for authorization of a loan to the Government of Portugal ("The Borrower") of not to exceed One Million United States Dollars (\$1,000,000) to assist in financing the foreign exchange and local costs of sectoral, market, and project feasibility studies and consulting services in the general fields of food and nutrition, education and human resources, transportation, power and industry, and urban development.

No meeting is scheduled for this proposal. However, please advise us of your concurrence or objection as early as possible, but in no event later than noon on Friday, February 21, 1975. If you are a voting member a poll sheet has been enclosed for your response.

Development Loan Committee  
Office of Development  
Program Review

Attachments:

Summary and Recommendations  
Project Analysis  
Memorandum of Law

UNCLASSIFIED

## PROJECT PAPER

### A. SUMMARY AND RECOMMENDATIONS

1. Borrower: The Government of Portugal (GOP)  
Implementing Agency: Ministry of Finance, Government of Portugal
2. Amount: Not to exceed \$1 million
3. Terms: Principal to be repaid over a period of 25 years, including a grace period of 5 years; interest at the rate of 5 percent per annum to be paid semi-annually, beginning six months from the date of first disbursement.
4. Description of Project: Proceeds of the loan will be used to finance the cost of studies and other consulting services to be carried out by U.S. and Portuguese individuals, consulting firms or educational and other institutions. Such studies and services would include pre-feasibility, feasibility and market studies; and consulting services for technical and economic analyses and project development and scheduling. A grant of \$500,000 for "Technical Consultants and Training", which is being proposed simultaneously, will finance short-term consultations, both in Portugal and in the U.S. and mostly short-term training of Portuguese in the U.S. The loan here proposed would finance more extended studies in the areas listed in paragraph 3.
5. Purpose: The studies and services to be financed by this loan are intended to assist the GOP with the identification, development and execution of projects to be financed from its own resources and from funds expected to be available from international financing institutions and bilateral economic assistance, including but not limited to U.S. assistance.
6. Estimated Cost: Up to \$1 million.
7. Mission Views: The U.S. Embassy strongly supports the loan here proposed.
8. Statutory Criteria: See Annex 1.
9. Recommendation: Authorization of a loan of \$1 million on the terms summarized in item 3, above, and detailed in the attached draft loan authorization.

## B. THE PROJECT

1. Background: During the visit with President Ford of President Costa Gomes of Portugal in October 1974, it was agreed to explore and develop a program of economic and technical cooperation between the two countries. A U.S. technical team discussed possible fields of such cooperation during a visit to Lisbon in November 1974. A follow-up team visited Lisbon in January 1975 and held discussions with the Ministry of Finance and a number of technical ministries in our effort to ascertain the nature of assistance which would best meet Portugal's present needs. During this latest round of discussions, it became clear that there is a good deal of technical competence available both within the ministries and outside, but that there are gaps in various fields of expertise. Such gaps exist in certain specialized areas and, conspicuously, in the fields of organization, project management, scheduling and control of project execution.

2. Summary of the Economic Situation: While Portugal is Western Europe's least developed country, with a per capita GNP of \$1,021 (1972) it is considerably better off than traditional AID recipients. Although antiquated in both its agricultural and industrial sectors, its economy had, until the past year or so, been growing at a rapid rate: GNP rose 17% in 1972 after an 11% rise in 1971 and exports, workers remittances and tourism receipts were also rapidly rising. Success in its external accounts induced problems at home with the rapid buildup in exchange reserves feeding inflation.

The change to a Government committed to shifting income to the poor further accelerated the inflation rate through higher minimum wages and the loosening of wage controls in general. The price level rose 30% in 1974. Price rises for petroleum and other essential imports and the less rapid rise in the prices received for Portugal's exports resulted in a serious worsening of the terms of trade. Along with a decline in tourism and remittance receipts aggravated by Western Europe's deepening recession, Portugal's foreign exchange reserves declined about \$400 million in the first ten months of 1974. While obviously such a rate of drawdown cannot continue indefinitely, the present reserve level of \$2,435 million in October of 1974 is still sufficient to finance nearly 8 months of imports at the 1974 rate, somewhat more than the European average. However, since nearly half its foreign exchange earnings are from tourism and remittances from Portuguese workers in Western Europe, the Portuguese economy is vulnerable to the European recession, particularly if it continues for long.

Whatever the prospective economic difficulties Portugal is facing, these appear likely to be more short-to-medium term in nature than the long-range structural difficulties associated with more traditional aid recipients. The principal need, in economic terms, is to help alleviate a hopefully temporary situation, rather than meeting a perceived need for long-term support.

3. Illustrative List of Studies. The following list of studies includes subjects in which various agencies of the GOP have so far expressed an interest. Specific requests by the GOP for financing any of these studies have, however, not yet been received nor have specific scopes of service been discussed. The list is, therefore, only indicative of what type of studies may be financed.

(a) Transportation. The railroad network, and the operation of the railroads are acknowledged to need a great deal of improvement; studies that will probably be required relate to track improvements, signalling, operational problems, fare structure, new connections of the network to the new port of Sines in southern Portugal, and improvements in suburban rail lines.

(b) Education. An involvement by AID in matters of curriculum and overall organization of the educational system is not envisaged. It is, however, possible that the GOP will request consultant services in such fields as campus design, technology in the audio-visual and educational television.

(c) Health. The much neglected health sector will need outside expertise in hospital administration and organization, design and installation of community health services and integration of many non-existing parallel health service organizations. Some of these services may be supplied under the Consulting Grant but more formal studies in one or more of these areas, if requested by the GOP, would be financed under the proposed loan.

(d) Agriculture. Overall plans for the ailing agricultural sector have not yet been developed. Nevertheless, it is already clear that some specific areas will require urgent attention, and undoubtedly detailed study, no matter what plan emerges. Among such studies would be an analysis of the potential for sugar beet cultivation and the related questions of marketing and processing sugar beets; an analysis of the steps necessary to increase the benefits from already installed irrigation systems; feasibility studies of additional irrigation systems; expansion of agricultural cooperatives; livestock production; and increased collaboration between research and extension services.

(e) Industry. The competitive edge which some Portuguese industry, notably the textile industry, has had in Europe due to its low wage structure is beginning to dull. On the other hand, increasing unemployment, and the structure of international competition, may make it politically and economically hazardous for the GOP to envisage increased mechanization as the only answer. In the absence of any overall plan for industrial development, it is not yet clear whether the GOP will request assistance in solving such basic problems. Feasibility studies for specific industrial projects may, however, be requested.

.4'

4. Implementation: Requests for studies or other services to be financed under the proposed loan would originate with the competent ministry and be forwarded, after approval by a GOP coordinator (in all likelihood the Secretary of State for Planning) to the U.S. Embassy. A draft Scope of Work would be prepared by the interested GOP agency for review and approval by AID. After approval, the normal advertising and host country contracting procedure would be followed, except as AID may waive all or part of that procedure in specific cases. (The details of the implementation procedure would be set out in an Implementation Letter.) We anticipate a 24-months' implementation period, starting with the date Conditions Precedent are met.

5. Terms. A number of alternate terms have been examined, ranging from the most concessionary terms which govern most Development and Supporting Assistance Loans made by AID to an interest rate of 5 percent and a repayment period of 25 years, including 5 years grace. In view of Portugal's economic situation, the latter terms are proposed. Such terms would result in a grant element of 26.8 percent and would remain within the DAC definition of Official Development Assistance.

### Loan Authorization

Provided from: FAA Section 496 ("Assistance to Portugal and Portuguese Colonies in Africa Gaining Independence")

Portugal: Consulting Services Loan

Pursuant to the authority vested in the Assistant Administrator for Near East and South Asia, Agency for International Development ("A.I.D.") by the Foreign Assistance Act of 1961, as amended, ("the Act") and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan ("The Loan") pursuant to Part I, Chapter X, Section 496, Assistance to Portugal and Portuguese Colonies in Africa Gaining Independence, of said Act, to the Government of Portugal ("The Borrower") of not to exceed One Million United States Dollars (\$1,000,000) to assist in financing the foreign exchange and local costs of sectoral, market, and project feasibility studies and consulting services in the general fields of food and nutrition, education and human resources, transportation, power and industry, and urban development. The Loan shall be subject to the following terms and conditions:

1. Terms of Repayment and Interest Rates

The Borrower shall repay the Loan to A.I.D. in United States Dollars within twenty-five (25) years from the date of the first disbursement under the Loan, including a grace period of not to exceed five (5) years from said date. The Government shall pay to A.I.D. in United States Dollars interest at the rate of five percent (5%) on the outstanding disbursed balance

-B'

of the Loan and on any due and unpaid interest.

2. Other Terms and Conditions

- (a) Unless A.I.D. otherwise agrees in writing, the Loan shall be used to finance the procurement of services of individuals who are United States citizens or of firms or institutions located in the United States. Unless A.I.D. shall otherwise agree in writing, corporate firms or institutions whose services are financed under the Loan shall not be less than fifty percent (50%) beneficially owned by United States Citizens.
- (b) The Loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

\_\_\_\_\_  
Assistant Administrator  
Near East and South Asia

\_\_\_\_\_  
Date

**Clearance**

NESA/NENA:T.A.Schwarzwalder \_\_\_\_\_  
NESA/DP:G.O.Patterson \_\_\_\_\_  
NESA/CD:T.H.Lustig \_\_\_\_\_  
PPC/DPRE:A.M.Handly \_\_\_\_\_

GC/NESA:CGoldstein:jab:2/14/75

MEMORANDUM OF LAW

SUBJECT: The Portugal Consulting Services Loan

I have reviewed each of the statutory restrictions and policy considerations applicable to the authorization and execution of a consulting services loan to the Government of Portugal. I have concluded that the loan meets the criteria for assistance under Part I Chapter X, Sec. 496, Assistance to Portugal and Portuguese Colonies in Africa Gaining Independence, and that there are no restrictions, limitations, prohibitions or exceptions preventing the furnishing of the proposed assistance to Portugal. The interest terms and terms of repayment are legal under the laws of Portugal and of the United States. Thus, upon completion of appropriated Congressional notification and consultation, the Loan may be properly entered into.

*Michael G. Kitay*

Michael G. Kitay  
Assistant General Counsel for Near  
East and South Asia

11-27-74

CHECKLIST OF STATUTORY CRITERIA

In the right-hand margin, for each item, write answer or, as appropriate, a summary of required discussion. As necessary, reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended.

FAA, 1973 - Foreign Assistance Act of 1973.

App. - Foreign Assistance and Related Programs Appropriation Act, 1974

MMA - Merchant Marine Act of 1936, as amended.

BASIC AUTHORITY

1. FAA § 102; § 104; § 105;  
§ 106; § 107. Is loan being made

a. for agriculture, rural development or nutrition;

inapplicable

b. for population planning or health;

c. for education, public administration, or human resources development;

d. to solve economic and social development problems in fields such as transportation, power, industry, urban development, and export development;

AID 1240-2 (5-74)

e. in support of the general economy of the recipient country or for development programs conducted by private or international organizations.

COUNTRY PERFORMANCE

Progress Towards Country Goals

2. FAA § 201 (b) (5), (7) & (8); § 208

A. Describe extent to which country is:

(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.

inapplicable

(2) Creating a favorable climate for foreign and domestic private enterprise and investment.

inapplicable

AID 7240-2 (5-74)

(3) Increasing the public's role in the developmental process.

inapplicable

(4) (a) Allocating available budgetary resources to development.

inapplicable

(b) Diverting such resources for unnecessary military expenditure (See also Item No. 20) and intervention in affairs of other free and independent nations.)  
(See also Item No. 11)

inapplicable

(5) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.

inapplicable

(6) Willing to contribute funds to the project or program.

inapplicable

(7) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.

inapplicable

B. Are above factors taken into account in the furnishing of the subject assistance?

inapplicable

Treatment of U.S. Citizens and firms.

3. FAA § 620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?

There are at present no claims meeting the criteria for termination of assistance pursuant to this section. However, Syria is now discussing with the U.S.G. and private creditors the status of all outstanding debts of Syria, in order to negotiate settlement.

4. FAA § 620(c)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

Syria has taken action in the past, which without appropriate action on Syria's part would call for a 620(c) sanction. Syria is now discussing the resolution of these claims with the U.S.G. and private creditors. Therefore a determination is being sought that Syria is taking appropriate steps to discharge its obligations under section 620(c)

AID 1240-2 (5/74)

5. FAA § 620(o); Fishermen's Protective Act, U.S. If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters,

No instance of any such seizure or imposition of such penalty or sanctions is now known.

a. has any deduction required by Fishermen's Protective Act been made?

no

b. has complete denial of assistance been considered by A.I.D. Administrator?

no

Relations with U.S. Government and Other Nations

6. FAA § 620(a). Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba?

No instance of any such conduct is known.

AID 1240-2 (5-74)

7. FAA § 620(h). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement?

The Secretary of State has determined that Syria is not controlled by the international communist movement

8. FAA § 620(d). If assistance is for any productive enterprise which will compete in the United States with United States enterprise, is there an agreement by the recipient country to prevent export to the United States of more than 20% of the enterprise's annual production during the life of the loan?

The purpose of the contemplated program is not to assist the conduct or operation of a productive enterprise within the meaning of 620(d).

9. FAA § 620(f). Is recipient country a Communist country?

The recipient is not a communist country.

10. FAA § 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression?

The President has not determined that the recipient country is involved in such conduct.

11. FAA § 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property?

There is no reason to believe that Syria will fail to take adequate measures to prevent the recurrence of mob action which may result in damage or destruction to U.S. property within Syria. Negotiations pertaining to settlement of old claims pertaining to such damage will take place soon.

AID 1240-2 (5-74)

18. FAA § 620(L). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, in convertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason?
- The institution of an investment guaranty program is now under review. A.I.D. has not considered denying assistance for this reason.
19. FAA § 620(n). Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam?
- Syria is not known to be engaged in such a course of conduct
20. FAA § 620(a). Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country?
- There is an outstanding legal question concerning Syrian liability for repayment of an A.I.D. loan. Pending further study, there is no determination of default under a FAAct loan to Syria.
21. FAA § 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
- Syria broke diplomatic relations with the U.S. in 1967. Diplomatic relations have now been resumed. The U.S. plans to negotiate a new bilateral agreement to up-date the current agreement which is still in effect.
22. FAA § 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget?
- Syria is up to date in payment of its U.N. obligations

AID 1240-2 (5-74)

17. FAA § 481. Has the government of recipient country failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

The President has made no determination under section 481 that Syria is in violation of this section

18. FAA, 1973 § 29. If (a) military base is located in recipient country, and was constructed or is being maintained or operated with funds furnished by U.S., and (b) U.S. personnel carry out military operations from such base, has the President determined that the government of recipient country has authorized regular access to U.S. correspondents to such base?

Inapplicable

Military Expenditures

19. FAA § 620(e). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).)

A. I. D. is taking into account each of the listed considerations and has determined that considerations as to current military expenditures by the Syrians do not inhibit economic aid but rather that the projected program contributes to the underlying intent of the FAA which seeks to reduce arms costs and to stimulate economic development.

AID 1240-2 (5-74)

CONDITIONS OF THE LOAN

General Soundness

20. FAA § 201(d). Information and conclusion on reasonableness and legality (under laws of country and the United States) of lending and relending terms of the loan. inapplicable
21. FAA § 201(b)(2); § 201(e)  
Information and conclusion on activity's economic and technical soundness. If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to A.I.D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner? inapplicable
22. FAA § 201(b)(2) Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects. inapplicable
23. FAA § 201(b)(1) Information and conclusion on availability of financing from other free-world sources, including private sources within the United States. inapplicable

AID 1240-2 (5-74)

24. FAA § 611(a)(1). Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the United States of the assistance?

The necessary commodity listings and cost estimates are completed and included within the Program Loan paper.

25. FAA § 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of loan?

No further legislative action is required to implement the program other than confirmation action pertaining to the signed loan agreement.

26. FAA § 611(c). If loan is for Capital Assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

inapplicable

Loan's Relationship to Achievement of Country and Regional Goals

27. FAA § 207: § 113  
Extent to which assistance reflects appropriate emphasis on: (a) encouraging development of democratic, economic, political, and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs;

inapplicable

AID 1240-2 (5-74)

(e) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or  
(f) integrating women into the recipient country's national economy.

inapplicable

20. FAA § 209. Is project susceptible of execution as part of regional project? If so why is project not so executed?

inapplicable

29. FAA § 201(b)(1) Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to realizable long-range objectives.

inapplicable

30. FAA § 201(b)(2) Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth.

inapplicable

37. FAA § 209;  
Information and conclusion whether assistance will encourage regional development programs.

inapplicable

32. FAA § Section 111. Discuss the extent to which the loan will strengthen the participation of the urban and rural poor in their country's development, and will assist in the development of cooperatives which will enable and encourage greater numbers of poor people to help themselves toward a better life. inapplicable
33. FAA § 201(f). If this is a project loan, describe how such project will promote the country's economic development taking into account the country's human and material resource requirements and the relationship between ultimate objectives of the project and overall economic development. inapplicable.
34. FAA § 281(a). Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions. inapplicable
35. FAA § 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government. inapplicable
36. FAA § 201(b)(3). In what ways does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities? inapplicable

37. FAA § 601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.
- (a) The program loan will be used to finance the import of commodities with the long-term objective of increasing Syria's ability to engage in international trade. (b) Under A. I. D. Reg. 1 procedures, private initiative and competition will be fostered to the maximum extent possible. (c) No direct impact, (d) no direct impact (e) the purpose of the program is to encourage agricultural production which involves improvement of the technical efficiency of industry agriculture and commerce, (f) no direct impact.
38. FAA § 619. If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?
- Syria is not a newly independent country

Loan's Effect on U.S. and A.I.D. Program

39. FAA § 201(a)(2) Information and conclusion on possible effects of loan on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving the U.S. balance of payments position.
- inapplicable
40. FAA § 202(a) Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.
- inapplicable

41. FAA § 601(b). Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
- A.I.D. Regulation 1 ensures that there will be maximum private participation in transactions financed under the loan.
42. FAA § 601(d). If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest?
- This assistance is not a capital project activity.
43. FAA § 602. Information and conclusion whether U.S. small businesses will participate equitably in the furnishing of goods and services financed by the loan.
- Procurement of commodities and services under the loan will be according to established A. I. D. Regulation 1 procedures.
44. FAA § 620(h). Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries?
- No.
45. FAA § 621. If Technical Assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on
- Technical Assistance is not financed by the loan.

whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.

Loan's Compliance with Specific Requirements

46. FAA § 119(a); § 208(c). In what manner has or will the recipient country provide assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the loan is to be made? **inapplicable**
47. FAA § 112. Will loan be used to finance police training or related program in recipient country? **The loan will not be used to finance police training**
48. FAA § 114. Will loan be used to pay for performance of abortions or to motivate or coerce persons to practice abortions? **inapplicable**
49. FAA § 201(b). Is the country among the 20 countries in which development loan funds may be used to make loans in this fiscal year? **inapplicable**
50. FAA § 201(d). Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter? **inapplicable**
51. FAA § 201(f). If this is a project loan, what provisions have been made for appropriate participation by the recipient country's private enterprise? **inapplicable**
52. FAA § 204(a). Will all commodity procurement financed under the loan be from the United States except as otherwise determined by the President? **Yes. The loan authorizes procurement from the United States.**
53. FAA § 604 (1). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price? **A. I. D. Regulation I will be incorporated in the Loan Agreement to enforce statutory pricing restrictions.**

54. FAA § 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will loan agreement require that marine insurance be placed in the United States on commodities financed by the loan?
- Syria has indicated that there will be no discrimination against U.S. marine insurance companies. This provision will be covered by the loan agreement.
55. FAA § 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?
- No offshore procurement is planned.
56. FAA § 604(f). If loan finances a commodity import program, will arrangements be made for supplier certification to A.I.D. and A.I.D. approval of commodity as eligible and suitable?
- Yes, A.I.D. Regulation 1 will apply.
57. FAA § 608(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.
- A.I.D. Regulation 1 applies except to public sector procurement, where in efforts will be made to utilize excess property to the maximum extent possible. In the private sector, the procurement of such property may not be financed under A.I.D. Regulation 1.
58. FAA § 611(b); App. § 101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962?
- Not applicable.

AID 1240-2 (5-74)

59. FAA § 611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable? Not applicable
60. FAA § 612(b); § 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services. No contractual or other services are being financed under the loan.
61. App. § 113. Will any of loan funds be used to acquire currency of recipient country from non-U.S. Treasury sources when excess currency of that country is on deposit in U.S. Treasury? Syria is not an excess or near-excess currency country
- 
62. Section 30 and 31 of PL 93-189 (FAA of 1973). Will any part of the loan be used to finance directly or indirectly military or paramilitary operations by the U.S. or by foreign forces in or over Laos, Cambodia, North Vietnam, South Vietnam, or Thailand? inapplicable
63. Section 37 of PL 93 - 189 (FAA of 1973); App. § 113. Will any part of this loan be used to aid or assist generally or in the reconstruction of North Vietnam? inapplicable
64. FAA § 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release? No, Syria is not an excess or near-excess currency country.
65. FAA § 620(c). What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property? The scope of the loan project coupled with the restrictions of A.J.D. Reg. 1 will prohibit use of loan funds for any such purpose.
- 25

AID 1240-2 (5-74)

66. FAA § 620(k). If construction of productive enterprise, will aggregate value of assistance to be furnished by the United States exceed \$100 million? Not applicable
67. FAA § 626(i). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction? No, procurement is limited to the United States
68. App. § 103. Will any loan funds be used to pay pensions, etc., for military personnel? No
69. App. § 105. If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms? Not applicable
70. App. § 107. Will any loan funds be used to pay UI assessments? No.
71. App. § 109. Compliance with regulations on employment of U.S. and local personnel. (A.I.D. Regulation 7). Not applicable

AID 1240-2 (5-74)

72. App. § 119. Will any of loan funds be used to carry out provisions of FAA § 209(d)? No

73. App. § 118. Will any of the funds appropriated or local currencies generated as a result of AID assistance be used for support of police or prison construction and administration in South Vietnam or for support of police training of South Vietnamese? No

74. App. § 114. Describe how the Committee on Appropriations of the Senate and House have been or will be notified concerning the activity, program, project, country, or other operation to be financed by the loan. Pursuant to section 903 of the FAA notification was sent to Congress on January 24, 1975 regarding A. I. D. plans to commit these loan funds.

75. App. § 601. Will any loan funds be used for publicity or propaganda purposes within the United States not authorized by Congress? no

76. App. § 601. Will any of the funds appropriated for this project be used to furnish petroleum fuels produced in the continental United States to Southeast Asia for use by non-U.S. nationals? No.

77. FAA § 207.D; FAA § 610C.

(a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.

A. I. D. Regulation 1, which covers this matter will apply to this loan.

(b) Will grant be made to loan recipient to pay all or any portion of such differential as may exist between U.S. and foreign-flag vessel rates? No.