

Mutual Security Program

FY 1960

House Foreign Affairs Committee Hearings

briefing material

March 24, 1959

BEST AVAILABLE

CLASSIFIED OR CONTROLLED FILE

THIS FILE CONTAINS PAPERS OF VARYING CLASSIFICATIONS AND CONTROL DESIGNATIONS UP TO AND INCLUDING

AND SHOULD BE HANDLED IN ACCORDANCE WITH SECURITY REGULATIONS RELATING TO THIS CLASSIFICATION OR CONTROL DESIGNATION

UNCLASSIFIED

PERSONS ADDING MATERIAL TO THIS FILE ARE REQUIRED TO CHANGE THE CLASSIFICATION OR CONTROL DESIGNATION SHOWN ABOVE, WHEN APPROPRIATE

B

DEVELOPMENT LOAN FUND
STATUS OF FUNDS AND LOAN PROPOSALS 3/20/59

(in thousands)

	Current Status 3/20/59 (Cumulative)	Status as of 6/30/58 (FY 1958 Activity)	Current Status Compared with 6/30/58 (FY 1959 Activity)
1. <u>Loan Funds Available</u>	\$698,750 ^{a/}	\$300,000	+ \$398,750
2. <u>Commitments Against Available Funds:</u>			
(a) Loan and guarantee agreements signed (obligations).....	474,306	102,100	+372,206
(b) Project commitments.....	205,200	78,036	+127,164
(1) Letters of Advice issued.....	(158,950)	((38,736)	(+120,214)
(2) Other project commitments ^{b/}	(46,250)	((39,300)	(+ 6,950)
(c) Loans approved - letters of advice pending.....	18,400	87,500	- 69,100
Total loan commitments.....	<u>697,906</u>	<u>267,636</u>	<u>+430,270</u>
3. <u>Balance Available for Loans</u>	<u>844</u>	<u>32,364</u>	
4. <u>Loan Proposals Under Consideration and on Hand</u>	1,447,074 ^{c/}	1,635,232	-188,158
5. <u>Proposals No Longer Under Consideration</u>	<u>809,979</u>	<u>312,448</u>	<u>+497,531</u>
6. <u>Total Proposals Received (total of lines 2, 4, 5)</u>	<u>2,954,959</u>	<u>2,215,316</u>	<u>+739,643</u>
7. <u>Disbursements</u> ^{d/}	<u>27,089</u>	<u>1,500</u>	<u>25,489</u>

a/ Excludes administrative expenses

b/ Includes agreements with certain countries to finance projects within their development programs, subject to approval of the specific projects; and Board approvals given subject to the fulfillment of additional conditions.

c/ Proposals under consideration in those countries having project commitments (footnote b/) have been offset by the amount of such commitments to avoid double counting of proposal receipts.

d/ Involves disbursement under 11 of the 41 loan agreements signed through March 20. Conditions precedent to disbursement have been met in 13 other loans.

ATTACHMENT - Status Report 3/18/59

DETAIL OF CUMULATIVE COMMITMENTS AGAINST AVAILABLE FUNDS

(a) Loan and Guarantee Agreements Signed (Obligations):

Loan Agreements

Argentina	Banco Central-Trans.Power.Ind. #60 (3/18/59).....	\$ 24,750,000
Bolivia	La Belgica Sugar Mill #39 (2/5/59).....	2,500,000
Brazil	Carabed/Castrolanda Resett. #45 (3/4/59).....	240,000
Ceylon	Celomco Suburban Railway #9 (9/3/58).....	750,000
Ceylon	Highway Development #8 (7/28/58).....	900,000
Ceylon	Irrigation & Land Development #4 (6/24/58).....	1,600,000
Costa Rica	SICA Resettlement #38 (1/13/59).....	300,000
Greece	Fertilizer Plant #41 (1/28/59).....	12,000,000
Honduras	Highway Development #1 (5/16/58).....	5,000,000
India	Railways #2 (6/23/58).....	40,000,000
India	Roads, Cement, Jute #3 (6/23/58).....	35,000,000
India	Steel Imports for Public Dev. #13A (12/24/58).....	18,000,000
India	Steel Imports for Private Dev. #13B (12/24/58).....	22,000,000
India	Second Railways Loan #12 (12/24/58).....	35,000,000
India	Public Power Development #21 (12/24/58).....	10,000,000
India	Capital Equipment for Private Ind. #40 (12/24/58).....	15,000,000
Iran	Plan Organization Project #34 (1/7/59).....	47,500,000
Israel	Development Loan #5 (6/25/58).....	15,000,000
Korea	Tong Yang Cement Plant #22 (1/20/59).....	2,140,000
Liberia	Sawmill #27 (12/16/58).....	190,000
Liberia	Telecommunications #43 (1/30/59).....	3,000,000
Malaya	N. Klang Straits #46 (3/18/59).....	10,000,000
Malaya	Roads and Bridges #54 (3/18/59).....	10,000,000
Netherlands	Resettlement of Emigrants #28 (1/21/59).....	3,000,000
Pakistan	Karachi Water & Sewerage #6 (6/30/58).....	5,500,000
Pakistan	Pakistan Ind. Credit Corp. #15 (12/4/58).....	4,200,000
Pakistan	High Tension Grid #29 (2/18/59).....	14,700,000
Pakistan	Karnafuli Dam #23 (2/18/59).....	17,500,000
Pakistan	W. Pakistan Ground Water Dev. #25 (2/18/59).....	15,200,000
Pakistan	Railways #20 (2/18/59).....	9,100,000
Paraguay	Asuncion Waterworks #10 (9/5/58).....	1,000,000
Paraguay	Brazilian Road #14 (10/29/58).....	2,500,000
Paraguay	International Products Corp. #16 (11/6/58).....	2,600,000
Taiwan	Railway Administration #18 (11/12/58).....	3,200,000
Taiwan	Shihmen Dam #17 (11/10/58).....	21,500,000
Taiwan	Improvement, Fishing Ind. (Land Bank) #26 (3/18/59).....	686,000
Taiwan	Asia Cement Corp. #7 (7/25/58).....	2,750,000
Taiwan	Ingalls-Taiwan Shipbuilding #48 (1/22/59).....	2,000,000
Taiwan	By-Product Coke Oven #49 (2/19/59).....	1,000,000
Thailand	Bangkok Power #19 (3/6/59).....	20,000,000
Turkey	Ind. Dev. Bank #11 (9/12/58).....	10,000,000
Yugoslavia	Pancevo Nitrogen Fertilizer Plant #31 (1/8/59).....	22,500,000

Subtotal..... (469,806,000)

Guarantee Agreements

Taiwan Ingalls-Taiwan Shipbuilding..... 4,500,000

Subtotal, Loan and Guarantee Agreements Signed..... 474,306,000 ⁴

(b) Project Commitments

(1) Letters of Advice Issued:

Loan Agreements Forwarded to Borrower

Brazil	Anhumas/Pedrinhas Resettlement.....	300,000
Chile	Airports (design engineering).....	150,000
Ecuador	Pan American Highway.....	4,700,000
Indonesia	Railway Development.....	3,000,000
Guatemala	Rubber Production.....	5,000,000
Korea	Chung-do Power (design Engineering).....	1,500,000
Korea	Domestic Telecommunications.....	3,500,000
Libya	Tripoli Power.....	5,000,000
Nicaragua	Matagalpa Public Utilities.....	600,000
Philippines	Small Industry Loan Fund.....	5,000,000
Somalia	Credito Somalo.....	2,000,000
Spain	Irrigation.....	7,700,000
Spain	RENFE.....	14,900,000
Sudan	Cotton Textile Mill.....	10,000,000
Taiwan	Aluminum Corporation.....	1,350,000
Taiwan	Small Industry Fund.....	2,500,000
Thailand	Dredge.....	1,750,000
Tunisia	National Railway.....	2,400,000
Tunisia	Pulp Factory.....	6,250,000
Turkey	Aerial Mineral Survey.....	900,000
Vietnam	Saigon-Cholon Water.....	19,500,000
	Subtotal.....	(98,000,000)

Loan Agreements Not Yet to Borrower

Guatemala	Kenaf Bag Factory.....	400,000
Indonesia	Harbor Development.....	6,000,000
Israel	Industrial Institution.....	5,000,000
Jordan	Electric Power.....	1,200,000
Pakistan	Ports of Chittagong & Chains Anchorage.....	4,000,000
Philippines	Roads, Bridges and Rehabilitation of Equip.....	18,750,000
Turkey	Zonguldak Coal.....	14,500,000
Turkey	Vinylex Plastics, Ltd.....	6,100,000
Yugoslavia	Diesel Locomotives.....	5,000,000
	Subtotal.....	(60,950,000)

Subtotal, Letters of Advice Issued..... (158,950,000)

(2) Other Project Commitments:

Lebanon	Development Projects.....	4,000,000
Philippines	Development Projects (balance of \$50.0 commitment).....	26,250,000
Turkey	Development Projects (balance of \$37.5 commitment).....	16,000,000
	Subtotal, Other Project Commitments.....	(46,250,000)
	Subtotal, Project Commitments.....	<u>205,200,000</u>

(c) Loans Approved - Letters of Advice Pending:

Haiti	Artibonite Valley Development.....	4,300,000	
Jordan	Phosphate Mines.....	2,500,000	
Nigeria	Apapa Warehouse.....	800,000	
Pakistan	Sui Gas Transmission.....	2,000,000	
Uruguay	UTE Telephone.....	8,800,000	
	Subtotal, Letters of Advice Pending.....		<u>18,400,000</u>
	Total, All Commitments.....		<u>697,906,000</u>

a/ Philippines:

Two project loans under the commitment have been approved: Small Industry Loan (\$5,000,000); Public Works, Roads and Bridges (\$18,750,000). Other projects will probably be considered among the following:

CONFIDENTIAL

Gonzalo Puyat Flour Mill.....	1,119,000
Waterworks Projects.....	6,900,000
Nitrogen Fertilizer Project.....	14,000,000
Liberty Flour Mill.....	1,180,000
Central Philippines Flour Mill.....	1,202,000
Orval Chem. Explosives Mfg.....	1,135,000
Mindirao Cement Plant.....	3,505,000
Pulp and Paper Mill.....	8,450,000
Bataan Integrated Pulp Mill.....	4,600,000
	<u>42,091,000</u>

The total for projects listed above is to be considered under the balance of the present commitment of..... 26,250,000

CONFIDENTIAL

b/ Turkey:

Against the initial commitment of \$37.5 million, three projects - Aerial Mineral Survey, \$900,000; Vinylex, Ltd., \$6,100,000; and Zonguldak Coal, \$14,500,000 have been approved by the Board. This leaves a current commitment amount of \$16,000,000.

Additional proposals are to be considered, based upon the balance of a list submitted by the Turkish Government February 9, 1959. The list represented views of the Turkish Government, and in some cases amounts do not coincide with the apparent loan or foreign exchange requirements of the project. These instances will be handled on a case-by-case basis:

CONFIDENTIAL

Electric Power Survey Administration,	
Power Distribution.....	\$ 5,195,000
Two Sulphuric Acid Tankers.....	1,500,000
Turkish Airlines.....	4,000,000
Koruma Agricultural Chemical Co.....	2,000,000
Minneapolis Moline Machinery.....	1,000,000
Federal Trucks.....	3,000,000
Jute Mill.....	<u>4,200,000</u>
Subtotal.....	20,895,000

This represents proposals presently being considered under the present
commitment of..... \$16,000,000

SUMMARY OF DLF PROPOSALS AND COMMITMENTS
BY GEOGRAPHICAL AREA (AS OF 2/28/59)

(in thousands)

<u>Loan Commitments</u>	<u>Africa & Europe</u>	<u>Far East</u>	<u>Latin America</u>	<u>Near East and South Asia</u>	<u>Total</u>
Loan and guarantee agreements signed (obligations).....	\$28,690	\$37,090	\$13,900	\$ 328,950	\$408,630
Letters of advice issued	53,250	103,536	36,140	31,700	224,626
Letters of advice pending	--	--	4,300	--	4,300
Other project commitments	--	26,250	--	20,000	46,250
Subtotal.....	81,940	166,876	54,340	380,650	683,806
Percent of commitments..	(11.9)	(24.4)	(8.0)	(55.7)	(100.0)
<u>Proposals Under Consideration and On Hand</u>					
Status A.....	1,612	-0- ^{a/}	11,800	4,500 ^{b/}	17,912
Status B.....	94,411	110,352 ^{a/}	36,918	186,026 ^{b/}	427,707
Status C.....	288,951	137,571	42,070	508,573	977,165
Status N.....	11,000	18,302	-0-	1,415	30,717
Subtotal.....	395,974	266,225	90,788	700,514	1,453,501
Percent of proposals On Hand.....	(27.2)	(18.3)	(6.2)	(48.3)	(100.0)
<u>Proposals No Longer Under Consideration:</u>					
Inappropriate for DLF financing.....	8,840	22,901	127,879	65,902	225,522
Insufficient information or withdrawn by borrower.....	4,846	82,954	125,357	60,345	273,502
Being considered by lending institutions	30,245	86,596	67,798	75,648	310,287
Subtotal.....	93,931	192,451	321,034	201,895	809,311
Percent of proposals no longer under consideration.....	(11.6)	(23.8)	(39.9)	(24.7)	(100.0)
Total Proposals.....	571,845	625,552	466,162	1,283,059	2,946,618
Percent of total.....	(19.4)	(21.2)	(15.8)	(43.6)	(100.0)

a/ Excludes Status A and B items under Philippines project commitment.

b/ Excludes Status A and B items under Lebanon and Turkey project commitments.

DEVELOPMENT LOAN FUND

TAB D

Estimated Obligations, Expenditures and Balance a/

(in thousands)

	<u>FY 1958</u> <u>(actual)M</u>	<u>FY 1959</u> <u>(estimate)</u> b/	<u>FY 1960</u> <u>(estimate)</u>
1. <u>Unliquidated Obligations</u>			
(start of year).....	---	\$100,600	\$501,600
2. <u>Obligational Authority:</u>			
Unobligated balance (start of year).....	---	197,900	321,900
New obligational authority..	\$300,000	625,000	700,000
<u>Total obligational authority</u>	<u>300,000</u>	<u>822,900</u>	<u>1,021,900</u>
3. <u>Obligations (dollars).....</u>	<u>102,100</u>	<u>501,000</u>	<u>700,000</u> c/
4. <u>Expenditures.....</u>	<u>1,500</u>	<u>100,000</u>	<u>200,000</u>
5. <u>Unobligated Balance (end of yr)</u>	197,900	321,900	321,900
6. <u>Unliquidated Obligations (end of yr)</u>	<u>100,600</u>	<u>501,600</u>	<u>1,001,600</u>
7. <u>Total Unexpended Balance, End of Year (lines 5 plus 6)</u>	<u>298,500</u>	<u>823,500</u> d/	<u>1,323,500</u> d/

a/ Excludes anticipated 1959 and 1960 receipts in dollars and in foreign currencies (dollar equivalent)

(Thousands)

	<u>FY 1959</u>	<u>FY 1960</u>
Dollars	\$ 900	\$3,300
For. Currencies	<u>1,500</u>	<u>6,700</u>
<u>Total</u>	<u>2,400</u>	<u>10,000</u>

b/ Assumes appropriation of \$225.0 million pursuant to FY 1959 supplemental request.

c/ Excludes estimated \$2.0 million in foreign currency (dollar equivalent) to be obligated from foreign currency receipts.

d/ Includes \$1.0 million in foreign currency (dollar equivalent) cash balance in FY 1959 and \$4.3 million in 1960.

DLF
3/17/59

DEVELOPMENT LOAN FUND

Distribution of FY Loan and Guarantee Obligations by Month

(in thousands)

	<u>By Month</u>	<u>Cumulative</u>
<u>Total FY 1958 Obligations</u>		\$ 102,100
<u>Fiscal Year 1959:</u>		
July.....	3,650	105,750
August.....	---	105,750
September.....	11,750	117,500
October.....	2,500	120,000
November.....	27,300	147,300
December.....	108,890	256,190
January.....	92,440	348,630
February.....	60,000	408,630
March (through 3/18/59).....	<u>65,676</u>	<u>474,306</u>
Total, FY 1959 through March 18, 1959..	<u>372,206</u>	

DLF
3/18/59

SELECTED SUMMARY DATA ON LOAN FUNDING, 1958-1960*

(on a cumulative basis)

	FY 1958 (Actual)	FY 1959 (estimate)	FY 1959 (thru 2/28/59)	FY 1960 (estimate)
<u>Appropriations</u> ^{a/}	\$300,000,000	\$923,750,000	\$698,750,000	\$1,621,700,000
<u>Loan commitments</u>	267,636,000	901,350,000	683,806,000	1,600,500,000
<u>Loan obligations</u>	102,100,000	601,350,000	408,630,000	1,300,500,000
<u>Loan Disbursements</u>	1,500,000	101,575,000	21,486,305	304,775,000
<u>Loan Repayments</u>				
Dollars.....	-0-	-0-	-0-	100,000
Foreign currencies (\$ equiv)	-0-	500,000	-0-	700,000
<u>Income:</u>				
<u>Interest:</u>				
<u>Earned:</u>				
Dollars.....	-0-	400,000	4,590	1,700,000
For. curr. (\$ equivalent)..	-0-	1,000,000	190,990 ^{b/}	6,000,000
<u>Fees for guaranties issued...</u>	-0-	500,000	45,000	1,500,000

*Source of data on estimate: DLF business-type statements.

^{a/} Excludes \$1,250,000 for FY 1959 administrative expenses and FY 1960 estimate of \$2,050,000 for administrative expenses

^{b/} Collections through 2/28/59 total \$61,684 in foreign currencies (dollar equivalent); \$51,059 in Israeli pounds and \$10,625 in New Taiwan dollars.

DLF
3/16/59

TAB
F

LOAN COMMITMENTS: NUMBER OF COUNTRIES, BY REGION ^{a/}

FY 1959 through 2/28/59

<u>REGION</u>	<u>COUNTRIES</u>	<u>BORROWERS</u>	<u>AMOUNTS (in thousands)</u>
Africa.....	5	7	\$ 28,840
Europe.....	3	5	53,100
Far East.....	7	20	140,626
Latin America....	11	15	54,340
Near East.....	5	9	112,200
South Asia.....	<u>3</u>	<u>17</u>	<u>248,450</u>
Totals...	<u>34</u>	<u>73</u>	<u>637,556</u> ^{a/}

a/ Excludes \$46,250,000 in projects in Philippines and Turkey

and Lebanon (\$4.0 million and balance of the amount of \$26,250,000 and \$16,000,000 respectively).

DLF
3/17/59

TAB 6

REPORT ON DISBURSEMENTS UNDER LOAN AGREEMENTS AS OF MARCH 18, 1959

REGION, COUNTRY AND PROJECT	DESCRIPTION OF LOAN TERMS			Repay. Curr. \$ L.C.	AMOUNT OF LOAN (Obligation)	STATUS OF PRE-DISBURSEMENT PROCEDURES (DATES)				AMOUNT DISBURSED	
	Dura- tion (Yrs.)	Int. Rate (%)				Loan Agree- ment Signed	Imp. Ltr. Desp.	Cond. Prior to Disb. Met	Request for Funding Made ^{a/}	This Month To Date	Cumulative
AFRICA AND EUROPE:											
Liberia - Sawmill	27	4	5 1/4	X	\$ 190,000	12/58					
Liberia - Telecom.	43	25	3 1/2	X	3,000,000	1/59					
Netherlands - Resettle.	28	20	4 1/4	X	3,000,000	1/59					
Yugoslavia - Fertilizer	31	20	5 1/2	X	22,500,000	1/59					
Subtotal, AFE.....					<u>28,690,000</u>						
FAR EAST:											
Korea - Tong Yang Cement	22	8	5 1/4	X	2,140,000	1/59					
Taiwan - Asia Cement	7	10	5 1/2	X	2,750,000	7/58	8/58	X	7/58		
Taiwan - Ingalls-Taiwan ^{b/}	48	7 1/2	5 1/2	X	2,000,000	1/59	3/59	X			\$ 564,068
Taiwan - Railway Adm.	18	10	3 1/2	X	3,200,000	11/58	1/59	X			
Taiwan - Shihmen Dam	17	35	3 1/2	X	21,500,000	11/58	3/59	X			
Taiwan - Coke Oven	49	9	5 1/4	X	1,000,000	2/19	3/59	X	2/59	\$ 988,500	988,500
Taiwan - Fishing Indust.	26	4 1/2	5	X	686,000	3/59					
Thailand-Bangkok Power	19	20	3 1/2	X	20,000,000	3/59					
Malaya - N.Klang Straits	46	30	3 1/2	X	10,000,000	3/59					
Malaya - Roads & Bridges	54	10	3 1/2	X	10,000,000	3/59					
Subtotal, FE.....					<u>73,276,000</u>					<u>988,500</u>	<u>1,552,568</u>
LATIN AMERICA:											
Bolivia - Sugar Mill	39	10	5 1/2	X	2,500,000	2/59	2/59	X	3/59	6,500	6,500
Costa Rica - SICA Reset- tlement	38	15	5 1/2	X	300,000	1/59	1/59	X	3/59	15,209	42,808
Honduras - Highway	1	20	3 1/2	X	5,000,000	5/58	7/58	X	11/58	11,933	11,933
Paraguay - Asuncion Waterworks	10	15	3 1/2	X	1,000,000	9/58	9/58	X	12/58		200,000
Paraguay - Brazil Road	14	15	3 1/2	X ^{c/}	2,500,000	10/58	12/58				
Paraguay - Int'l Prod. Corporation	16	6	5 1/4	X	2,600,000	11/58	11/58	X	11/58*	238,470	648,779
Argentina - Banco Central	60	9	5 1/2	X	24,750,000	3/59	3/59				
Brazil-Castrolanda Resett.	45	14	8	X	240,000	3/59	3/59	X			
Subtotal, LA.....					<u>38,890,000</u>					<u>272,112</u>	<u>910,020</u>

TAB H

REPORT ON DISBURSEMENTS UNDER LOAN AGREEMENTS AS OF MARCH 18, 1959 (Cont'd)

REGION, COUNTRY AND PROJECT	DESCRIPTION OF LOAN TERMS			AMOUNT OF LOAN (Obligation)	STATUS OF PRE-DISBURSEMENT PROCEDURES (DATES)			AMOUNT DISBURSED			
	Dura- tion (Yrs.)	Int. Rate (%)	Repay. Curr. \$ L.C.		Loan Agree- ment Signed	Imp. Ltr. Desp.	Cond. Prior to Disb. Met	Request for Funding Made ^{a/}	This Month To Date	Cumulative	
NEAR EAST AND SOUTH ASIA:											
Ceylon - Colombo RR	9	20	3½	X	750,000	9/58	11/58		12/58*	.....	.....
Ceylon - Highway	8	10	3½	X	900,000	7/58	11/58	X	12/58*	.....	.....
Ceylon - Irrigation	4	20	3½	X	1,600,000	6/58	11/58	X	12/58*	.....	.....
Greece - Fertilizer	41	12	5½	X	12,000,000	1/59				.....	.....
India - Railways	2	20	3½	X	40,000,000	6/58	11/58	X ^{e/}		.....	114,498
India - Roads, Cement, Jute	3	15	5¼	X	35,000,000	6/58	10/58			.....	.....
India - Steel (Public)	13A	15	3½	X	18,000,000	12/58	1/59	X ^{e/}		.....	.....
India - Steel (Private)	13B	15	5½	X	22,000,000	12/58	1/59	X ^{e/}		.....	.....
India - Public Power	21	20	3½	X	10,000,000	12/58	1/59	X ^{e/}		.....	.....
India - Second Railways	12	20	3½	X	35,000,000	12/58	1/59	X ^{e/}	1/59	.....	12,868,996
India - Private Sector	40	10	5-3/4	X	15,000,000	12/58	1/59	X ^{e/}		.....	.....
Iran - Plan Organization	34	12	d/	X	47,500,000	1/59	3/59	X	3/59	3,900,000	3,900,000
Israel - Development	5	15	5¼	X	15,000,000	6/58	6/58	X	7/58	441,862	7,742,697
Pakistan - Karachi W & S Corp.	6	30	3½	X	5,500,000	6/58	10/58	X	12/58*	.....	.....
Pakistan - High Tension Grid	15	5	5	X	4,200,000	12/58	2/59	X		.....	.....
Pakistan - Karnafuli Dam	29	25	3½	X	14,700,000	2/18				.....	.....
Pakistan - W.Pak Ground Water	23	30	3½	X	17,500,000	2/18				.....	.....
Pakistan - Railways	25	20	3½	X	15,200,000	2/18				.....	.....
Pakistan - Railways	20	20	3½	X	9,100,000	2/18				.....	.....
Turkey - Ind. Dev. Bank	11	10	5	X	10,000,000	9/58	12/58	X	11/58*	.....	.....
Subtotal, NESAs.....					<u>328,950,000</u>					<u>4,341,862</u>	<u>24,626,191</u>
TOTALS.....					<u>469,806,000</u>					<u>5,602,474</u>	<u>27,088,779</u>

a/ Advance or reimbursement unless letter of commitment procedure requested. (*)

b/ Direct loan portion only.

c/ First 18 payments in local currency; remaining 12 in dollars.

d/ Interest will be 3½% on projects in the general categories of forestry development, airport construction and development, highway improvement, municipal development, railroad equipment, telecommunications, plant pest control and railway stations; and will be 5¼% on projects in the general categories of agricultural machinery and silos and on the Chitsazi textile mill.

e/ Promissory notes will be transmitted when disbursements requested.

EXPENDITURE EXPERIENCE OF EXPORT-IMPORT BANK

1. Expenditure information available for the early years of activity of the Export-Import Bank indicates the following for the period 1934-1936 (Source: Annual Report of the Export-Import Bank of Washington, 1936):

	<u>Authorization</u>	<u>Disbursements</u>
Agricultural exports (short-term 90-day credits).....	\$ 26,723,646	\$ 17,457,613
Industrial exports (credits of 1-5 years).....	37,650,808	238,764
Other credits*.....	<u>48,353,559</u>	<u>17,353,559</u>
	112,728,014	35,143,224

It should be noted that none of these activities is comparable to the loan program of the DLF.

2. The Export-Import Bank indicated it was not readily possible to identify expenditures in current budget schedules that were specifically applicable to project loans. However, they indicated that their disbursement experience has indicated a 3-4 year disbursement span under project loans, with about 10-15% of the amount authorized disbursed in the first year following approval and the balance distributed about equally during subsequent years. Their experience has been considered in making DLF expenditure estimates.
3. The following data on Export-Import Bank development project loans appears on page 144 of the 1960 President's Budget (it should be noted that although credit authorizations represent new actions in the year indicated, disbursements in each year apply to authorizations of both current and prior years):

	(in millions)		
	<u>1958</u>	<u>1959</u>	<u>1960</u>
Credit authorizations	\$487.1	\$606.0	\$600.5
Loan disbursements	334.3	358.2	430.4

*Loans to American exporters whose capital has been reduced by lack of dollar repayments; consolidation of notes of other foreign nations held by RFC, FCA, etc; loans to Cuba to purchase silver bullion, etc.

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EXPENDITURE EXPERIENCE OF IBRD (WORLD BANK)

At the time a loan agreement is signed the IBRD establishes a "closing date" for the completion of disbursement which is estimated at the time of signature, to follow closely the signing of the loan. However, as a matter of practice, there is in 90 per cent of cases frequent extension of the "closing date" on nearly all loans, so that disbursements under signed agreements actually are spread out over a period of years. Although the IBRD could not on short notice isolate development project loans, they indicated that the average of such loans is disbursed over a 3½ to 4-year period. Disbursements tend to be low during the first year, as the project gets under way.

DEVELOPMENT LOAN FUND
Revised February 24, 1959

**COMMITMENT AND OBLIGATION PROCEDURES
OF THE EXIMBANK AND DLF**

EXIMBank. As soon as the Board of the Export-Import Bank approves the establishment of a particular loan or a "line of credit", the amount of the loan or credit is immediately established as an obligation against lending authority of the Bank. In its experience, the EXIMBank has found that such actions of its Board fully commit the Bank whether or not a formal loan agreement has been signed, and hence considers all the Board approvals as obligations, although they do not constitute obligations under provisions of Section 1311 of the Supplemental Appropriation Act of 1955, which specifies that obligations shall only be recorded where a binding agreement in writing exists.

The EXIMBank in its external reporting does break down its total obligations (commitments) into signed loan agreements and pending loan agreements. 

DLF. Funds are committed when a loan is approved. The commitment represents approval of a borrower's application and a decision to use funds for that purpose. Once an application has passed through the approval stage, after considerable interchange with the borrower, the possibility is extremely remote that it will not result in a firm loan agreement.

In a few exceptional instances, funds are also committed when a loan program for a country is approved, subject to approval of specific projects by the Board of Directors. Loan agreements are executed for specific projects, not against over-all programs.

When a loan agreement is signed, formal obligation of funds is made upon the basis of the signed document in accordance with provisions of Section 1311 of the Supplemental Appropriation Act of 1955.

DEVELOPMENT LOAN FUND
February 20, 1959

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LOANS APPROVED, BY INTEREST RATES
AND AMOUNTS, AS OF 2/28/59 ^{a/}

<u>Interest Rate</u>	<u>No. of Loans</u>	<u>Amount (in thousands)</u> ^{b/}
3 3/8%	38	\$364,600
4%	1	2,000
4 1/2%	1	3,000
5%	4	19,886
5 1/2%	7	47,930
5 3/4%	14	161,650
5-3/16%	4	18,550
6%	2	540
	<u>71 ^{b/}</u>	<u>618,156</u>

Average Interest Rate.....4.25% ^{c/}

- a/ Excludes other project commitments and loan guarantee.
- b/ Excludes 2 approved loans in an amount of \$14,900,000, on which the interest rate has not yet been fixed.
- c/ Weighted to consider the dollar volume of loans at each rate.

DLF
Rev 3/20/59

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LOANS APPROVED AS OF 2/28/59, BY DURATION

Duration of the 73 loans approved by the DLF through February 28, 1959 ranged from 3 years for design studies for a Chilean airport to 35 years for the Shihmen Dam in Taiwan, with a distribution as follows:

<u>Duration of Loan</u>	<u>Number of Loans</u>
Under 5 years	1
5 to 9 years	14
10 to 14 years	19
15 to 19 years	11
20 to 24 years	18
25 to 29 years	3
30 years and over	6
varied <u>a/</u>	1
Total Loans	<u>73</u>

The average duration of the 73 loans is 15 years.

a/ One loan is repayable in part on a five year basis with a ten-year duration on the balance.

DLF
3/18/59
Revised 3/20/59

LOANS APPROVED, BY CURRENCY
OF REPAYMENT, AS OF 2/28/59

TAB L

	<u>Number of Loans</u>	<u>Amount (in dollars or dollar equivalents) ^{a/}</u>
U. S. Dollars (see ATTACHMENT)	15	\$ 133,315
Dinars - Yugoslavia.....	2	21,875
Hwan - Korea.....	3	7,140
New Taiwan Dollars - Taiwan.....	6	32,986
Lempiras - Honduras.....	1	5,000
Guaranis - Paraguay.....	2	2,500
Rupees - Ceylon.....	3	3,250
Drachmae - Greece.....	1	12,000
Rupees - India.....	7	175,000
Pounds - Israel.....	2	20,000
Rupees - Pakistan.....	7	70,200
Lira - Turkey.....	4	31,500
Dinars - Jordan.....	1	1,200
Pesos - Philippines.....	2	23,750
Piastres - Vietnam.....	1	19,500
Bolivianos - Bolivia.....	1	2,500
Pesetas - Spain.....	2	22,600
Pesos - Chile.....	1	150
Rupiahs - Indonesia.....	2	9,000
Cruzeiros - Brazil.....	2	540
Somalos - Somalia.....	1	2,000
Sucres - Ecuador.....	2	2,350
Baht - Thailand.....	2	21,750
Francs - Tunisia.....	2	8,650
Gourdes - Haiti.....	1	4,300
TOTALS.....	<u>73</u>	<u>633,056</u>

a/ Excludes other project commitments and loan guarantee.

b/ Excludes three loans where major part of principal repayment is in foreign currency (Yugoslavia - Fertilizer; Ecuador - Highway; Paraguay - Brazil Road).

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3/17/59

ATTACHMENT -TAB L

Amount
(in thousands)

Loans Repayable in U. S. Dollars (2/28/59):

Loan Agreements Signed:

Liberia - Sawmill.....	\$ 190
Liberia - Telecommunications.....	3,000
Netherlands - Resettlement.....	3,000
Yugoslavia - Pancevo Fertilizer ^{a/}	5,625
Taiwan - Ingalls-Taiwan.....	2,000
Costa Rica - SICA Resettlement.....	300
Paraguay - Brazil Road ^{b/}	1,000
Paraguay - Int'l Products Corp.....	2,600
Iran - Plan Organization Project.....	<u>47,500</u>
Subtotal, Loan Agreements Signed	(65,215)

Letters of Advice Issued:

Argentina - Banco Central, Transp. Power & Industry.....	24,750
Malaya - Roads and Bridges.....	10,000
Sudan - Textile Mill.....	10,000
Nicaragua - Matagalpa Utilities.....	600
Ecuador - Pan American Highway ^{a/}	2,350
Libya - Tripoli Power.....	5,000
Malaya - N. Klang Straits.....	10,000
Guatemala - Rubber Production.....	5,000
Guatemala - Kenaf Bag Factory.....	<u>400</u>
Subtotal, Letters of Advice Issued.....	<u>(68,100)</u>
TOTAL.....	<u>133,315</u>

- a/ Repayment of loan is 75% in Yugoslav dinars, 25% in dollars.
 b/ First eighteen payments in guaranis, last twelve in dollars.
 c/ Repayment of loan 50% in sucres, 50% in dollars.

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3/17/59

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DEVELOPMENT LOAN FUND
Washington 25, D. C.

REPORT OF TECHNICAL STATUS OF APPLICATIONS

ENGINEERING STATUS OF ALL A AND B PRIORITY PROJECTS AS OF JANUARY, 1959

This is a summary technical status report issued for the guidance of project committees, including the ICA engineers. If there are corrections, please let us know. The report will be issued periodically. Development bank and resettlement projects are not included.

The following categories are employed:

1. Ready for presentation to SSC or Board (from technical standpoint only).
 - a. Technical Feasibility Section written.
 - b. Technical Feasibility Section ready to be written.
2. All data in, but final technical review not complete.
3. Request to field for remainder of data, but no further active work until data received.
 - a. Request sent.
 - b. Airgram prepared but not yet sent.
4. Under technical review to determine additional data requirements.
5. Not yet received by T/S Office from loan officers.
6. Review completed and recommendation is unfavorable.
7. Under consideration by other agencies.

This report covers only the technical aspects of a project. An indication that the project is ready for SSC presentation from a technical standpoint does not mean that it is actually ready for presentation. Fiscal, political, economic, and other aspects will, of course, be considered by the loan officer.

John W. Delaplaine
Technical Assistant

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1. Ready for presentation to SSC (Staff Screening Committee) or Board:

a. Technical Feasibility Section for Board paper complete:

GUATEMALA	KENAF	385 (McNaron)
HAITI	ARTIBONITE	428 (Cramer) (Ex-Im project)
MOROCCO	ORANGE PACKING & CON- CENTRATING PLANT	484
PAKISTAN	SUI GAS TRANSMISSION	389
TURKEY	THY AIRCRAFT	281 (Jones)
TURKEY	SODA ASH	108 (Manian) (Revision re- quired)
TURKEY	ZONGLEDUK	47 (Lightfoot)

b. Technical Feasibility Section for Board paper not yet complete, but sufficient data available to write it at any time. ICA and DLF review complete except for completion of formal Technical Feasibility Section:

CEYLON	CEMENT	12 (McNaron) (Awaiting Bogue trip report)
KOREA	TEC PAN	190 (McNaron)
PHILIPPINES	PROVINCIAL WATERWORKS	399 (Ogden)
PAKISTAN	MULTAN LAHORE PIPELINE	178
SPAIN	G.E. ESPANOLA	103 (McNaron)
TAIWAN	TELECOMMUNICATIONS	252 (Gysland)
THAILAND	MEAT PROCESSING	426 (Manian)
TURKEY	YAKAL BORACITE	228 (Manian) (There may be an export marketing problem.)
URUGUAY	TELECOMMUNICATIONS (UTE)	455 (Gysland)
VIETNAM	POWER	311 (Lightfoot)

2. All data believed to be in, but final technical review not yet complete:

TUNISIA	SUGAR BEET	346 (Manian)
TURKEY	POWER	312/3/4 (O'Brien)

3. Request to field for the additional data required to complete project. No further work by ICA or DLF contemplated until this information is received:

a. Request sent:

ETHIOPIA	SAIDE TEXTILE	243 (Manian)
GREECE	HIGHWAY	122 (Chidester)

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JORDAN	MARBLE	39 (Lockwood)
KOREA	SODA ASH	304 (Manian)
LEBANON	METAL CONTAINER	406 (McNaron)
LEBANON	POWER	415 (Gysland)
MOROCCO	IRON MINES	347 (Lockwood) (Awaiting Miller [consultant] report.)
MOROCCO	TRIFFA	418
NIGERIA	ROAD	271 (Anderson)
PAKISTAN	SECONDARY TRANSMISSION	165 (Lightfoot)
SPAIN	CELLULOSE & BOXBOARD	102 (McNaron) (Poor project)
SPAIN	UNION ELECT. MADRILENA	84 (Lightfoot)
UGANDA	ROADS	147 (Anderson)
VIETNAM	BUS SYSTEM	53 (Jones)

b. Airgram completed, but not yet sent:

NIGERIA	APAPA WAREHOUSE	269 (Jones)
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4. Under technical review to determine additional data requirements, if any:

HAITI	SUGAR MILL	423 (Manian)
KOREA	PVC	131 (Manian)
MALAYA	CENTRAL ELECTRIC BOARD	380 (Review complete on major portion of project [IBRD loan]. Developing requirements on other phases of project.)
PAKISTAN	REMAINDER INLAND WATER TRANSPORT	167/8 ,230/1 (Jones)
PAKISTAN	R. R. REHABILITATION	183
PAKISTAN	DACCA & CHIT. WATER	187
PAKISTAN	BARGES & TUGS	340
PARAGUAY	TELECOMMUNICATIONS	292 (Gysland)
TAIWAN	SEVEN PROJECTS	
TUNISIA	L'OUED NEBANA DAM	330 (Cramer)
TURKEY	JUTE	244 (McNaron)
YUGOSLAVIA	TRESBESNJICA	301 (Lightfoot)
YUGOSLAVIA	KOSOVO THERMAL	294 (Cramer)
GHANA	REFRIGERATION & AIR CONDITIONING	457
LIBERIA	HYDROELECTRIC PROJECT	106
IRAN	IRAN-TURKEY RAILROAD	349
JORDAN	JORDAN PHOSPHATE MINES	468
PANAMA	TELECOMMUNICATIONS	309 (Gysland)

5. Not yet received by T/S office:

BOLIVIA	SUGAR (SAN AURELIA)	413 (DIF not anxious to finance second sugar mill at this time.)
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INDONESIA	SHIPPING	
KOREA	IRON MINE	288
KOREA	SALT	28 (Manian)
TURKEY	TRACTOR & TRUCK PARTS	
TURKEY	ACID TANKER	
URUGUAY	LIVESTOCK	
VIETNAM	RAILWAY	52

6. Technical review by DLF and/or ICA complete and T/S recommends against:
(T/S review not yet written in final form.)

ETHIOPIA	BANANAS	338
ETHIOPIA	ORCHARD	337
JORDAN	TOBACCO	32 (McNaron)
SUDAN	FLOUR MILL	404 (No equity)
TURKEY	ASBESTOS CEMENT PIPE	388 (McNaron)

7. Under consideration by other agencies:

URUGUAY	DOLOMITE	414
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DEVELOPMENT LOAN FUND
Washington 25, D. C.

REPORT OF TECHNICAL STATUS OF DLF LOANS AS OF FEBRUARY 1, 1959

This is a summary of the technical status of all DLF loans to date. Actually, this is a preliminary report and if there are any corrections, please let me know.

This report will be issued to all DLF Project Committee members, except ICA engineers, so that they can comment if they wish.

John W. Delaplaine
Technical Assistant

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BOLIVIA - La Belgica Sugar Mill - DLF #345

1. Contracts, plans and specifications, drawings and equipment lists approved by T/S.
2. Three waivers to Small Business clauses granted.
3. All remaining equipment now being procured and listed with the Small Business Office.

BRAZIL - Anhumas/Pedrinhas Resettlement - Carambei/Castrolanda Resettlement

1. No work by T/S required to date.

CEYLON - Irrigation and Land Development - DLF #4

1. Project mainly procurement of earth moving equipment.
2. Cable sent February 6th requesting field analysis of project.

CEYLON - Highway Development - DLF #8

1. Project proceeding smoothly as indicated in TOICA A-446.

CEYLON - Colombo Suburban Railway - DLF #9

1. Project is mainly procurement of diesel coaches (proprietary from Europe).
2. Cable sent to field suggesting how proprietary procurement could be handled (ICATO 158). No reply to date. Follow-up cable sent February 6th.

CHILE - Airport (Engineering only) DLF #319

1. List of engineering firms furnished borrower at his request.
2. Scope of Work for engineer prepared and can be submitted to borrower whenever requested.

COSTA RICA - SICA - DLF #

1. Little work by T/S to date.

ECUADOR - Roads - DLF #

1. GOE presently developing contract with Rader as Engineer to be approved by DLF.

2. GOE presently renegotiating the necessary contracts with Constructors on the southern section of the road.
3. Project appears to be proceeding smoothly.

GREECE - Fertilizer

1. Topsoe and Uhde/Casale contracts in process of being submitted to DLF for approval. Project ready for immediate implementation as soon as the Uhde/Casale contract is approved.

HONDURAS - Highway Development - DLF #1

1. Road project.
2. Supervised by IBRD (Young-IBRD Eng.)
3. Brown and Root is the Engineer.
4. Engineer developing plans and specifications and local and foreign currency cost breakdown. Construction contract has been let.
5. Project appears finally to be proceeding smoothly.

INDIA - Railways - DLF #2

1. No work to date by T/S Department.

INDIA - Roads, Jute, Cement - DLF #3

1. No work to date by T/S Department.

INDIA - Power Development

1. No work to date by T/S Department.

INDIA - Second Railway Loan

1. No work to date by T/S Department.

INDIA - Steel Imports

1. No work to date by T/S Department.

INDIA - Private Sector

1. No work to date by T/S Department.

INDONESIA - Railways - DLF #121

1. Loan for equipment to build railroad and services.
2. Borrower hiring J. G. White as Engineer.
3. Borrower told: a. first step is to develop Scope of Work (or detailed contract) with J. G. White for DLF review and approval, and b. DLF will require J. G. White to submit qualifications of the men they plan to put on the project. This could be started now (even before loan agreement is signed).

IRAN - Plan Organization Projects

1. Individual projects now determined.
2. Some have been reviewed by ICA/W and DLF.
3. Some additional back-up studies on airports and railroad stations may be requested.

ISRAEL - Development Loan

1. No work to date by T/S, except to check individual Small Business provision waiver requests.

JORDAN - Trans-Jordan Electric Power

1. DLF to develop how borrower plans to carry out project and to notify borrower to employ consultant (Engineer) and that Kennedy and Donkin are satisfactory if borrower wishes to hire them. Cable required.

KOREA - Cement Plant

1. The borrower has accepted the Engineer. Borrower will develop Scope of Work and contract in field.

KOREA - Telecommunications

1. Scope of Work required for Engineer.

KOREA - Chung Ju Hydro - DLF #291

1. Borrower has employed Bechtel as the Engineer. The Scope of Work must next be cleared with DLF.

LIBERIA - Sawmill

1. T/S has approved Fobes as Engineer (Consultant) and his contract.

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2. T/S has approved plans and specifications, equipment lists, and suppliers of all but two items.
3. T/S will develop engineering reports and schedules with IO and borrower.

LIBERIA - Telecommunications - DLF #104

1. Scope of Work for Engineer submitted to field. Borrower is now hiring Engineer.

LIBYA - Tripoli Power

1. Going ICA project with Cramer handling engineering for ICA. Engineer is William Byrne Company, and is proceeding satisfactorily.
2. USOM has reported that borrower does not wish to select Constructor picked by ICA. ICA trying to resolve.

MALAYA - North Klang Straits

1. Engineer's terms approved by T/S. Engineer is Coode and Partners, London.
2. Engineer has done excellent work on developing tender for lump sum bid by Constructors, including all equipment. Tender will soon be issued.

NETHERLANDS - Resettlement

1. No work by T/S to date.

PAKISTAN - Grain Storage (earmarked)

1. Plans and specifications for plant essentially complete. No action can be taken until ICA submits cost data from Berg to DLF.

PAKISTAN - Karachi Water & Sewage - DLF #6

1. DLF financing equipment for a part of an ICA-financed project. T/S has little understanding of how this equipment relates to the overall project.
2. The revised equipment list has been approved.

PAKISTAN - PICIC

1. Development Bank loan. No T/S work required except to review procedures for technical reviews of individual projects by PICIC (as we did on the Turkey IDB loan), and projects over \$250,000.

PAKISTAN - Railway

1. Project for procurement of locomotives, shop equipment, etc., proceeding satisfactorily. Pakistan Railway Administration well qualified to supervise project by itself. USOM obtaining data on shop equipment, etc.

PAKISTAN - Karnafuli

1. Going ICA project with satisfactory Engineer and Constructor and contracts for each. John Lightfoot following engineering aspects of project. Engineer is Int. Eng. and Constructor is Utah Construction.
2. Construction is 11.5% complete.

PAKISTAN - High Tension Grid

1. T/S has approved plans and specifications, method of issuing tenders and awarding construction contracts, etc. We have issued a memorandum on these items as a result of meetings with J. Lightfoot, Montecatini, and Mr. Ch. A. Hamid.
2. T/S reviewing Montecatini contract and will approve shortly (Engineer).

PAKISTAN - W. P. Ground Water Development

1. T/S has issued Scope of Work for Engineer.
2. Faruque now in this country to review the project.
3. Have discussed purpose of Engineer with Mr. M. A. Ahmed and Mr. Ch. A. Hamid.

PAKISTAN - Ports of Chittagong & Chalna

1. T/S now reviewing this project.
2. Hussain to visit DLF February 18th.

PARAGUAY - Asuncion Waterworks - DLF #10

1. Going Ex-Im project with satisfactory Engineer and Constructor. Engineering reviews by Ex-Im. Engineer is Rader, and Constructor is Kaiser Int. Eng. (Ex-Im Eng. Duvall).
2. No work by T/S contemplated.

PARAGUAY - Brazilian Road - DLF #14

1. Working with GOP to select Engineer and define Scope of Work.
2. Construction will be largely by force account.

PARAGUAY - IPC - DLF #16

1. Preliminary engineering work by T/S complete.
2. Progress reports should be followed closely.

SOMALIA - Credito Somalia

1. Development Bank Loan (Ag.)
2. T/S will review technical procedures.

SPAIN - Irrigation & Earth Moving Equipment - DLF #144

1. Procedures being developed with borrower.

SPAIN - RENFE

1. Procedures being developed with borrower.

SUDAN - Textile Mill

1. Borrower has been told to employ consultant.

TAIWAN - Shihmen Dam - DLF #17

1. Going ICA project with satisfactory Engineer and Constructor and with contracts in existence or being developed. Engineer is TAMS and Constructor (supervision) is Morrison-Knudson. J. Lightfoot following engineering aspects of project.

TAIWAN - Railways - DLF #18

1. Borrower requested permission to buy locomotives from U.S. This permission has been granted.
2. Borrower now negotiating with the three major U.S. suppliers. It is expected that it will be possible to purchase these locomotives in the near future.
3. Specifications will eventually be reviewed with all three U.S. suppliers prior to issuance to make certain they are not proprietary.

TAIWAN - Asia Cement - DLF #7

1. Borrower in process of hiring Burns & Roe as Engineer (mostly for procurement assistance). Burns & Roe employing Herbert Fleishman Co. as cement specialists.
2. DLF has not approved plans and specifications.

TAIWAN - Improvement of Fishing Industries

1. No outside Engineer or Constructor required.
2. Little work contemplated by T/S.

TAIWAN - Ingalls - Taiwan (Guarantee & Loan

1. No work by T/S contemplated at this time.

TAIWAN - Small Industry Fund

1. No work by T/S contemplated on this Development Bank loan except to review technical review procedures and loans over \$250,000.

TAIWAN - By-Product Coke Oven Plant - DLF #260

1. Awaiting reply to transmittal of Loan Agreement which raised several technical problems previously discussed in loan paper.
2. No Engineer or Constructor required outside of the supplier contracts now contemplated.

TAIWAN - Aluminum - DLF #290

1. Problems on this project were suggested in the loan paper. This should be discussed with the borrower in the near future. Major problem is alumina portion of plant - whether outside Engineer such as Pechiney required here. A letter on the above has been prepared by T/S.
2. T/S will accept process for aluminum section, but not alumina at this time.
3. Pechiney O.K. for aluminum section and terms and conditions proposed are satisfactory.

THAILAND - Dredge

1. Dredge similar to IBRD dredge.
2. Specifications now out and preliminary bids in. GOT proposing to select a Japanese bid.
3. Final bids and specifications requested of borrower by DLF for review.
4. Siltation survey status accepted by borrower.
5. Borrower's representative will visit DLF this month to review project.

THAILAND - Power Distribution

1. Rogers - Engineer - proceeding satisfactorily, and issuing design criteria report.
2. Bids already issued for contract services.

TUNISIA - Railway

1. Cable sent to field indicating GOT could use world-wide bidding for locomotives.

TUNISIA - Pulp Factory

1. Engineering contract being developed.
2. Reuse of effluent water for irrigation guaranty will be required in P&W contract.

TURKEY - International Development Bank

1. T/S has accepted the five projects over \$250,000 to date and will continue to review such projects.
2. T/S has reviewed IDB technical review procedures and has made recommendations.

YUGOSLAVIA - Fertilizer

1. Contract with Grace Chemical approved by T/S.
2. Major phases of the process has been approved by T/S.
3. Chemico contract has been approved, in principle, by T/S, although there are a few minor details awaiting clarification.

4. Texaco has been approved by T/S.

MALAYA - Roads and Bridges - DLF #381

1. Borrower will send representative to DLF shortly to review project.

PHILIPPINES - Small Industry Loan

1. No work by T/S contemplated.

PHILIPPINES - Spare Parts for Public Works Equipment - DLF #473

1. A letter will be sent shortly to the borrower on the engineering aspects of this project.

GUATEMALA - Rubber Production - DLF #421

1. No work by T/S to date.

NICARAGUA - Matagalpa Public Utilities - DIF #289

1. DLF should send borrower a letter on how to handle engineering aspects of this project.

YUGOSLAVIA - Diesel Locomotives - DLF #225

1. Borrower will send a representative to DLF shortly to develop procurement procedures.

TURKEY - Vinylex - Integrated - DLF #427

1. Borrower should send a representative to DLF to develop procurement procedures.

LIST OF PROJECTS FOR FINANCING FROM SUPPLEMENTAL

<u>REGION AND COUNTRY</u>		<u>(in thousands)</u> <u>AMOUNT</u>
<u>EUROPE AND AFRICA</u>		
Ethiopia	Textile Development Bank	\$ 500 2,000
Ghana	Refrigeration Project	100
Liberia	Agricultural & Industrial Corp. Electric Power System	2,000 4,000
Libya	National Agricultural Bank	5,600
Morocco	Irrigation Food Processing	20,500 212
Nigeria	Railway Extension	5,600
Spain	Electrical Manufacturing Power System Thermal Plant	1,200 4,500 9,714
Tanganyika	Roads	2,500
Uganda	Roads	5,000
Yugoslavia	Thermal Electric Hydroelectric	5,000 <u>19,000</u>
	Total	(87,426)

DLF: 2/20/59

LIST OF PROJECTS FOR FINANCING FROM SUPPLEMENTAL

<u>REGION AND COUNTRY</u>		<u>AMOUNT (in thousands)</u>
<u>FAR EAST</u>		
Indonesia	Truck & Auto Manufacturing	\$ 1,900
	Inter-Island Shipping	15,000
Korea	Hydroelectric Power	50,000
	Soda Ash	3,400
	Building Materials Plant	2,500
	Iron Mine Development	1,000
	Plastic Plant	1,800
	Salt Refining Plant	2,370
Taiwan	Industrial Plants	5,000
Thailand	Slaughterhouse & Meat Processing	1,000
	Ice Manufacturing	500
	Paint Manufacturing	190
Vietnam	Electric Power Development	8,500
	Railway Rolling Stock	18,500
	Bus System (Saigon-Cholon)	<u>2,000</u>
	Total	(113,660)

DIF: 2/20/59

LIST OF PROJECTS FOR FINANCING FROM SUPPLEMENTAL

<u>REGION AND COUNTRY</u>		<u>AMOUNT (in thousands)</u>
<u>LATIN AMERICA</u>		
Bolivia	Sugar Mill	\$ 500
Chile	Airport	7,000
Guatemala	Resettlement	5,000
Haiti	Sugar Mill	3,000
	Airport Port Au Prince	3,000
	Port and Harbor Development	3,000
Honduras	Banco de Fomento	2,000
Nicaragua	Hydroelectric	5,000
	Water Supply	2,500
Panama	Telecommunications	3,000
Paraguay	Telecommunications	1,000
Uruguay	Livestock Rehabilitation Prog.	<u>2,000</u>
	Total	(37,000)

DIF:2/20/59

LIST OF PROJECTS FOR FINANCING FROM SUPPLEMENTAL

<u>REGION AND COUNTRY</u>		<u>AMOUNT (in thousands)</u>
<u>NEAR EAST</u>		
Ceylon	Cement Plant Expansion	\$ 3,200
Greece	Hydroelectric Plant	20,000
	Highway	15,000
India	Transportation	25,000
	Power	15,000
	Industrial Development	10,000
Iran	Development Bank	5,000
Israel	Development Projects	5,000
Jordan	Phosphate Mines	) 4,000
	Marble Quarry	
	Tobacco & Cigarette Mfg.	
Nepal	Development Bank	1,300
Pakistan	Electric Transmission	20,300
	Gas Pipe Line	10,500
	Rehabilitation of Railways	13,000
	Water Systems	2,600
	Inland Water Transports	4,000
	Tugs and Barges	1,000
	Municipal Transportation	1,000
	Grain Storage	2,500
	Airport	6,000
Turkey	Soda Ash & Caustic Soda Plant	5,000
Turkey-Iran	Bagdad-Pakistan Railway	<u>70,000</u>
	Total	<u>239,400</u>
	TOTAL, ALL REGIONS	<u>477,486</u>

DLF: 2/20/59

POTENTIAL USE OF DLF FUNDS ON ASSUMPTION OF LENDING
AVAILABILITY OF \$700 MILLION AND \$1 BILLION

The table below shows the distribution by area of DLF loans approved by the Board of Directors through February 1959. These amount to almost \$700 million and in general reflect as well as can be anticipated at this time the probable distribution of loans which would be made from the \$700 million requested for FY 1960. Of course, there would be some variations in amounts depending upon specific project requirements. Some relatively small changes in emphasis might be accommodated without large scale alterations in this general pattern.

DLF Loan Approvals Through
February 1959

(In millions of \$1)

<u>Area</u>	<u>Amount</u>
Mainland Southeast Asia	61
Offshore Southeast Asia	59
Other Far East	50
India	175
Other South Asia	73
Greece, Turkey and Iran	107
Arab States	15
Israel	20
Europe	53
Africa	19
Latin America	54
Total	686

Should the DLF be provided with an additional \$300 million making a total of \$1 billion available for lending, the principal additional uses would probably be: (a) to provide substantial additional support in the South Asian area, particularly in support of the developmental plans of India and Pakistan, and (b) to support the Arab Development Bank as indicated by the President in his speech before the UN last August. Without such additional funds in the DLF, support of the Arab Development Bank would be delayed until FY 1961 funds became available or smaller amounts would go to the other areas listed above. It might also be necessary to delay support for Bagdad Pact economic projects such as the Turkish-Iranian Railway.

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 AUTHORITY: 25 USC 552, 552A, 552B, UNIFORM SECURITY
 Regulations

U. S. DOMESTIC PUBLIC WORKS ACTIVITY

The following extracts regarding the level of U. S. domestic public work activity may be relevant in making comparisons with similar activity in underdeveloped countries assisted by the DLF.

President's Budget Message, January 19, 1959

4. Carry forward current public works programs--now larger than ever before.--Increases were provided last year in construction programs for water resources, health facilities, public buildings, airways, and highways, partly to combat the recession. As a result, Federal expenditures for civil public works in fiscal 1960 will be the highest in history. It therefore seems both possible and prudent to take a breathing spell in the initiation of new projects. Accordingly, no additional funds are proposed in 1960 for starting new water resources projects, general office buildings, and veterans hospitals. Furthermore, reduced new spending authority is recommended for grants for local public and private hospitals, health research facilities, and for waste treatment works, although expenditures under earlier authorizations will continue to be high. Highway expenditures will increase in accordance with the program planned under the Federal Aid Highway Act, and modernization of airway facilities to meet operational and safety needs will go forward at a higher level of expenditure.

The combined outlay for reclamation, flood control, and navigation projects is estimated to be higher than ever before in 1960. Expenditures are expected to increase again in fiscal 1961 and to hold at that level in 1962 even without new starts beyond those for which initial appropriations have already been made. The new water resources projects authorized for starting in 1959 will be so spread out as to schedule initiation late in the year, wherever practicable, and, in a few cases, construction may be deferred until the fiscal year 1960.

Hearings Before the Joint Economic Committee, January 28, 1959

"Mr. Stans.

As I pointed out in my opening statement, which the gentleman unfortunately missed, the real budgetary action here was not significantly to reduce the level of the programs of the government, it was to restrain increases; to restrain the growth of these programs to the point at which we could bring out expenditures and our revenues in balance.

Senator O'Mahoney. Well now, what was the reason for adopting this program, which I call "deliberate program", of saying that there would be no new starts of water conservation projects?

Mr. Stans. The reason was this, sir.

Last year, under the influence of the recession, actions were

taken to increase the level of expenditures on water resources; and the Congress authorized a considerable number of new starts. Those will all get underway either in fiscal 1959 or fiscal 1960.

Senator O'Mahoney. Well, I am mindful of the struggle that some of us representing the Upper Colorado River Basin had with your predecessor to make certain that appropriations were made to continue the development, or to initiate the development on the Colorado River. It was done with great reluctance by your predecessor. But it was finally done.

That brings me to the point that I was seeking to emphasize. That we seem to be following a policy exemplified by the State Department of holding back resources while Soviet Russia is concentrating upon resources.

Mr. Stans. I would like to make it clear that we are not holding back on resource development.

Actually the amounts expended for water resource public works projects in 1960 will be at the highest level they have ever been in the history of the country. And in 1961, they will be greater even without any starts. And in 1962, they will be greater again, even though there were no new starts in the meantime.

Senator O'Mahoney. Well, sir, if Soviet Russia is concentrating, as Mr. Alan Dulles says, on a drive to increase the utilization of the water that is running to waste in Russia and in Siberia, and we are stopping conservation of that water, doesn't that bring about a rather surprising situation?

Mr. Stans. Senator, I dislike very much differing with you on this; but I don't believe we are stopping the conservation of water. Of course I am not familiar with what the Soviets are doing. But I am sure the gentleman will agree that they started out very much behind us; and perhaps they have much more to do too.

Senator O'Mahoney. Oh, there is no doubt about that. But isn't it known to the Bureau of the Budget that we are engaged in a cold war with Soviet Russia?

Mr. Stans. Certainly it is.

Senator O'Mahoney. An economic war?

Mr. Stans. Certainly it is.

Senator O'Mahoney. Isn't it known to the Bureau of the Budget that the interest on the National Debt for 1960 will be greater than ever before?

Mr. Stans. Yes, it is.

Senator O'Mahoney. Isn't it known to the Bureau of the Budget that the public debt as set forth in the Budget for 1960 will be higher than ever before?

Mr. Stans. Yes. And it will require an increase in the debt ceiling again.

Senator O'Mahoney. Well, if it be true, as you have just said, that the public debt is getting greater, that the interest on the public debt is getting greater, that we are finding it more difficult to balance the budget, doesn't it follow that we ought to have a policy that would direct the expenditure of budgetary funds on the development of new opportunities to increase production and increase the receipts of domestic industry?

Mr. Stans. I think, Senator, that is a perfectly logical suggestion. And I think it is reflected in this budget. I would like to assure you that the Bureau of the Budget is not against everything. It is not against the development of water resources.

But I think this is one of the areas in which we are forced to maintain a sense of proportion and a sense of perspective. And since there are limitations on the amount of our revenues and on the amount we can spend, it seems reasonable, with this program at the highest level in its history, not to add beyond that at this time.

Senator O'Mahoney. Well, that being true, assuming that to be true, let me ask you what your explanation is of the proposal in the budget to increase the expenditure for the development loan fund for fiscal 1959 by \$225 million where Congress last year cut the appropriation down to \$400 million?

Mr. Stans. Senator, I believe that in the Conference Report on the Mutual Security Legislation last year there was reference to the possible need of the agency for additional money for this program and an invitation to the agency to re-submit its request in the form of a supplemental after the beginning of the session of the Congress. I don't know the precise words in which that appeared. But that is my recollection of that committee's suggestion. . . ."

THE DLF AND PRIVATE INVESTMENT

TAB Q

As of March 18, 1959, about \$248 million, or about 36%, of our total of \$683 million of loan commitments were for the use of the private sector in the less developed areas.

Direct loans to private enterprise amounted to \$93 million of the total \$248 million.

We feel this is a creditable record for our first year of operation and hope to build on it in the future. To expand our operations in the area of private enterprise, we will utilize direct loans, loan guaranties, and loans to intermediate credit institutions for relending to private entrepreneurs.

Government enterprise will continue to be one of our principal borrowers chiefly because in many of the less developed countries a prime need is for the establishment of basic facilities such as roads, ports, and power plants in which private investors have expressed little interest. The establishment of such facilities through government enterprise, however, will open new opportunities for increased activity by private enterprise in these countries, and, as a corollary, develop additional opportunities for activities in this sector by the Development Loan Fund and others. The installation of power plants, for instance, can lead to the undertaking of new private industrial enterprises using the available facilities; or the opening up of new areas through the construction of additional roads and related facilities can provide incentives for local entrepreneurs to tap, with the assistance of external loans, the resources of a less developed country. Therefore, DLF assistance for sound projects initiated by government enterprise can be regarded as a step toward stimulating the private sector in the borrowing country and permitting it to play a significant role in a country's development.

DLF
2-24-59

DISTRIBUTION OF LOAN COMMITMENTS BY BORROWER AND
SECTOR OF USE
AS OF MARCH 18, 1959

TAB Q

(in thousands of dollars)

	Borrower		User	
	Public	Private	Public Sector	Private Sector
<u>LATIN AMERICA:</u>				
Argentina - Banco Central	\$ 24,750	---	\$18,722	\$ 6,028
Bolivia - Sugar Mill	---	\$ 2,500	---	2,500
Brazil - A/P Resettlement	300	---	---	300
Brazil - C/C Resettlement	---	240	---	240
Chile - Airport Design	150	---	150	---
Costa Rica - SICA Resettlement	---	300	---	300
Ecuador - Highway	4,700	---	4,700	---
Guatemala - Rubber	5,000	---	---	5,000
Guatemala - Kenaf Bag	---	400	---	400
Haiti - Artibonite	4,300	---	4,300	---
Honduras - Highway	5,000	---	5,000	---
Nicaragua - Matagalpa	600	---	600	---
Paraguay - Asuncion W/W	1,000	---	1,000	---
Paraguay - Brazil Road	2,500	---	2,500	---
Paraguay - IPC	---	2,600	---	2,600
	48,300	6,040	36,972	17,368
Total, LA				
<u>AFRICA:</u>				
Liberia - Sawmill	---	190	---	190
Liberia - Telecommunications	3,000	---	3,000	---
Libya - Tripoli Power	5,000	---	5,000	---
Somalia - Credito Somalo	2,000	---	---	2,000
Sudan - Textile	---	10,000	---	10,000
Tunisia - R. R.	2,400	---	2,400	---
Tunisia - Pulp Mill ^{E/}	3,125	3,125	3,125	3,125
	15,525	13,315	13,525	15,315
Total, Africa				
<u>EUROPE:</u>				
Netherlands - Resettlement	3,000	---	---	3,000
Spain - Earthmoving equipment	7,700	---	---	7,700
Spain - RENFE track	14,900	---	14,900	---
Yugoslavia - Locomotives	5,000	---	5,000	---
Yugoslavia - Fertilizer	22,500	---	22,500	---
	53,100	---	42,400	10,700
Total, Europe				
<u>NEAR EAST:</u>				
Greece - Fertilizer	12,000	---	12,000	---
Iran - Plan Organization Project	47,500	---	42,740	4,760
Israel - Ind. Inst.	---	5,000	---	5,000
Israel - Development	15,000	---	6,500	8,500
Jordan - Power	---	1,200	---	1,200

DISTRIBUTION OF LOAN COMMITMENTS BY BORROWER AND SECTOR OF USE AS OF MARCH 18, 1959
(Cont'd)

(in thousands of dollars)

	<u>Borrower</u>		<u>User</u>	
	<u>Public</u>	<u>Private</u>	<u>Public Sector</u>	<u>Private Sector</u>
<u>FAR EAST (Cont'd)</u>				
Taiwan - Coke Oven	---	\$ 1,000	---	\$ 1,000
Taiwan - Aluminum	\$ 1,350	---	\$ 1,350	---
Taiwan - Small Industry Fund ^{b/}	250	2,250	---	2,500
Thailand - Dredge	1,750	---	1,750	---
Thailand - Bangkok Power	20,000	---	20,000	---
Vietnam - Saigon Water	19,500	---	19,500	---
 Total, Far East	 125,986	 14,640	 120,050	 20,576
 Total, Loans Approved	 577,061	 60,495	 421,837	 215,719
 <u>Other Project Commitments^{c/}</u>				
Lebanon (\$4.0 million)	---	4,000	---	4,000
Philippines (\$26.250 million)	4,450	21,800	4,450	21,800
Turkey (\$16.0 million)	9,600	6,400	9,600	6,400
 GRAND TOTAL, ALL COMMITMENTS	 591,111	 92,695	 435,887	 247,919

a/ Mixed enterprise - 50% public; 50% private

b/ Mixed enterprise - 10% public; 50% private

c/ Distributed on the basis of relationship of the dollar volume of public and private proposals under active consideration.

SOFT LOANS VS. GRANTS

Possible Question: "Why are soft loans preferable to grants?"

Suggested Reply:

1. Loans encourage a more business-like relationship between donor (lender) and recipient (borrower)
 - Concept of payment of interest and repayment of principal, lacking in grants, makes this a business deal.
2. Loans result in better over-all relationship between those extending aid and those receiving it.
 - Properly administered loans, whether soft or hard, tend to create a partnership relationship between the parties involved and lift relationships to a higher level than may be possible in case of grants.
 - Grants too often associated with "dole" and superior-inferior relationship.
3. Loans encourage both borrower and lender to be frugal in using loan resources.
 - Accountability concept works on both borrower and lender.
 - Both parties interested in maximizing effective use and return of loan from both monetary and economic standpoint.
4. Loans encourage healthy economic policies on part of borrower.
 - Concept of repayment requires borrower to pursue economic measures not inherent in grant operations.
 - Result in a discipline not possible from other forms of assistance.
5. Loans support desire of borrower for increased self-reliance and dignity.

- This an aspect of the "better-overall relationship" argument set out above.
 - To many underdeveloped countries loans signify an economic maturity often not associated with grants.
 - Signifies a trust in their ability to meet their obligations.
6. Loans, whether soft or hard, can be melded easily with other loan funds in joint operations.
- In conjunction with IBRD projects, e.g., Honduras roads.
 - In conjunction with private investment projects, e.g., Ingalls-Taiwan project.
7. Loans promise monetary return to lender
- Return lacking in grants.
 - Potential exists for use of local currencies received from soft loans.

LEGISLATIVE HISTORY ON DLF DOLLAR REPAYMENTS

The following extracts are indicative of Executive Branch and Congressional anticipation of some dollar repayments of DLF loans:

1. The President's message to Congress on the Mutual Security Program in 1957 (May 21, 1957, H.R. Doc. No. 182, 85th Cong., 1st Sess.)

"These loans should be made on a reasonable expectation of repayment in dollars or local currencies, even though we should recognize that this expectation should be based on confidence in the long-range development of the borrowing country and on hope for an improved international political climate rather than on presently demonstrable financial soundness."

2. Senate Foreign Relations Hearings on MSAct 1957, p. 595; Mr. Dillion:

"This is not, however, the only type of loan which the fund might make. The situation of the borrowing country might permit us to require some repayment in dollars. In the case of such dollar loans, and perhaps in other cases, we might want to extend the grace period -- at least on principal repayments."

3. Senate Foreign Relations Report on MSAct 1957, p. 113:

"The Fund will operate on the basis of firm commitments to repay all loans either in dollars or other currencies."

4. Daily Congressional Record, June 14, 1957, p. 8231:

"Mr. Kennedy. I do not anticipate that it will be possible for the administrator of the loan fund always to be paid back in dollars. For that reason, I think the fund will become depleted as time goes on, and that it will not be a revolving fund, as the World Bank fund is."

5. HFA Report on MSAct 1957, p. 23:

"It is contemplated that the Fund will operate on a revolving basis with the payments of interest and principal on loans being reloaned as they become available. Repayment on loans in foreign currencies will be accepted when necessary to meet the requirements of the program. Such currencies could be reloaned; or might be sold for dollars to United States Government agencies needing such currencies, thus providing dollars for use by the Fund."

Netherlands Resettlement of Emigrants in Australia

TAB T

This loan of \$3 million was finally approved by the Board of Directors on June 30, 1958. It is intended to provide 50% of the funds required to finance housing for up to 1,000 Dutch emigrant families in Australia. The remaining 50% of the financing is to be provided by Australian banks. Funds made available by the Development Loan Fund to the Netherlands Government will be to provide lending capital for mortgage financing institutions in Australia, established for the exclusive purpose of financing housing for Dutch emigrants.

The Loan Agreement was signed on January 21, 1959. Delay in negotiation and signature of the Loan Agreement was occasioned by the necessity for determination by the Netherlands Government of the terms on which Australian bank financing would be available in connection with this loan.

During the hearings before the House Appropriations Subcommittee on the appropriation for DLF administrative expenses for FY-1959, the Chairman of the Subcommittee took occasion to criticize this loan. His principal objection appeared to be that neither of the countries involved, i.e., the Netherlands and Australia, were under developed. This fact was readily recognized by the witness (Mr. Perry), who explained that the loan was authorized only because of "special circumstances" surrounding the case. Mr. Perry had argued earlier that references in the debate on the floor of the House in the previous year by several Congressmen had indicated that this was the type of loan for which the Development Loan Fund was being established to finance, and that this record was a significant element in the decision by the Board to authorize this loan.

Additionally, during the course of the discussion, members of the Subcommittee alluded to the relationship of this project to the aggravation of Holland's excess population problem caused by the recent exodus of Dutch nationals from Indonesia. The Chairman, Mr. Passman, may therefore be under the impression that this fact was the principal element in the consideration of this loan. While DLF staff members have not, and did not at that time, encourage the Subcommittee in this belief, it is probably likely that it persists. Although the recent exodus from Indonesia was of incidental importance in the consideration of the loan, that fact has not been considered, for political and other reasons, as the principal justification for the loan.

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BY Cowell

3/30/81
SGR/MO/CR

AUTHORITY: EO 12065 & para 922, Uniform Security
Regulations 958.2

TAB U

The Export-Import Bank and DLF Loan Administration

Section 205(c) of the Mutual Security Act of 1954, as amended (PL 85-477) states:

"The Export-Import Bank shall administer loans made from the Fund, as provided in Section 505(b) of this Act."

This sentence is proposed for deletion. As stated in the Section-by-Section Analysis of the Proposed Mutual Security Act of 1959:

". . .it has been arranged by mutual agreement of ICA, Export-Import Bank, and the Development Loan Fund that the facilities of ICA are to be utilized for the performance of the services of accounting, collections, and auditing in connection with these loans -- services related to other services (such as procurement analysis and disbursement) which ICA performs for the Development Loan Fund and which can be performed by the same staff. By utilizing the existing facilities of ICA, any necessity for establishing new facilities in the Export-Import Bank and employing duplicate staff has been avoided. With the consent of all agencies concerned, the amendment will eliminate the mandatory requirement that Export-Import Bank bear responsibility in connection with these functions and will provide a more clear and flexible basis on which these agencies can work out arrangements for the performance of the various services involved in administering Fund loans. The permissive authorities in sections 505(b) and 522 of the act will permit Export-Import Bank services to be utilized as may be mutually deemed appropriate in connection with the administration of Fund loans."

PROVISION OF THE SERVICES INVOLVED IN
ADMINISTRATION OF DLF LOANS

Several questions may be asked by the House Foreign Affairs Committee about the proposal to delete the last sentence of Section 205(c) of the Mutual Security Act (which provides: "The Export-Import Bank shall administer loans made from the Fund, as provided in Section 505(b) of this Act.") This Committee was the author of this provision.

The basis for this proposal is:

- a. the fact that it has not turned out to be efficient in practice for Eximbank itself to perform the services involved.
- b. the fact that the amendment will eliminate the need for a circuitous arrangement for the provision of these services by other agencies, clearly identify the responsibility of DLF, and leave untouched other authorities under which Eximbank's services might be utilized where deemed appropriate.
- c. mutual agreement of the agencies involved that the amendment is desirable.

A statement of the background of the proposed amendment is attached.

BACKGROUND ON PROPOSED AMENDMENT

TAB U

1. The sentence being deleted from Section 205(e) was included in the Development Loan Fund provisions passed in 1957, when the DLF was made part of ICA and before separate corporate status for the DLF was considered. At the time, Mutual Security presentation witnesses (although Eximbank's understanding may have been different) indicated that under this provision it was contemplated that Eximbank would render services in connection with DLF loans similar to those Eximbank was rendering in connection with other ICA loans. At the same time, the DLF provisions made clear that the responsibility to "make" DLF's loans was separate from the service functions involved in administering these loans and that the former responsibility was not necessarily assigned to the Eximbank.

2. In connection with administering ICA loans, Eximbank (a) signs the loan agreement negotiated by ICA and obtains the necessary evidence of the Borrower's authority to sign and the binding effect of the Agreement, (b) keeps account of disbursements made under the loan as reported to it by ICA, and (c) receives and records payments of principal and interest.

3. At the end of 1957 and the beginning of 1958, State, ICA (representing DLF) and Eximbank discussed in detail the services Eximbank should perform in connection with administration of DLF loans. Finally, Mr. Dillon, in a memorandum dated January 28, 1958, to Mr. Waugh proposed that Eximbank should (a) prepare DLF's loan agreements, (b) disburse these loans, (c) supervise the utilization of these loans, and (d) receive payments of interest and installments of principal thereon.

4. On January 20, 1958, in a letter to Mr. Dillon, Mr. Waugh replied in substance: (a) it was not "feasible" for Eximbank to take on the functions in connection with DLF loans outlined in Mr. Dillon's memorandum, and (b) Eximbank was prepared to administer DLF loans in the same manner it was administering ICA loans ("That is to say, after a loan has been made and disbursed by the Fund, the obligations of the foreign borrower would be placed with the Export-Import Bank for collection in accordance with the terms upon which the loan was made."). Mr. Waugh gave the following reasons:

that the probable workload on Eximbank's staff from handling Fund loans far exceeded Eximbank's original estimate; that without an

amendment of the last sentence of Section 205(c) to make clear that Eximbank should administer Fund loans under its own procedures and under its own, rather than Fund, direction, Eximbank would not want to undertake this role; and that the creation of a separate Fund staff of the size then contemplated would make it difficult for the Managing Director of the Fund to coordinate such a staff with staff working under the direct control of Eximbank.

5. With the seeking of separate corporate status for the Fund, a decision was made that DLF, unlike ICA, should sign its own loan agreements. (Following a practice established by ECA, which was conceived as a temporary agency not suitable as a party to a long term loan agreement, FOA and ICA have made Eximbank the signatory party to their loans.) This left bookkeeping, billing and collections of the list of functions Eximbank performs for ICA.

6. During subsequent discussions between DLF, ICA and Eximbank, culminating in a meeting between DLF and Eximbank on November 21, 1958, the feeling was expressed by Eximbank that with DLF signing its own agreements and ICA handling DLF disbursements, Eximbank would prefer not to handle the remaining clerical duties of administering DLF loans, and that some other arrangement, within the provisions of applicable law, should be worked out to handle these services. On the basis of Eximbank's expression of preference, and because of the logic of centralizing the work involved in existing ICA facilities, a decision was made that Eximbank should utilize ICA under the authority to use the services of other agencies in Section 522 of the Mutual Security Act in the administration of DLF loans until deletion of the last sentence of Section 205(c) could be obtained. An agreement to this effect was recorded in a memorandum of conversations dated February 16, 1959. The necessary implementing letters are being exchanged and DLF is planning to make direct reimbursement to ICA.

7. In reporting this arrangement to Congress and proposing the deletion of the last sentence of Section 205(c) the Executive Branch has made a point of bringing the committees concerned up to date on the actual working of the arrangement and on eliminating a provision that has not proved workable in practice. The Executive Branch Section by Section Analysis explanation of the proposal make the following points:

a. The deletion eliminates a mandatory assignment to Eximbank of responsibility for performing, or arranging for the performance of, the services involved in the administration of DLF loans and will permit a clearer and more flexible arrangement for these services by the agencies involved.

b. This change is proposed on the basis of mutual agreement of the agencies involved.

c. Pending the deletion, Eximbank has avoided duplicate staffing by utilizing the existing facilities of ICA.

d. When appropriate, under existing provisions of law (Sec. 505(b) and 522 of the Mutual Security Act of 1954, as amended), the services of Eximbank may still be utilized in connection with the administration of Fund loans.

MAJOR LINES OF QUESTIONING ON DLF
1958 CONGRESSIONAL HEARINGS AND DEBATE

TAB V

House Foreign Affairs Committee Hearings

1. (page 187) What progress has the DLF made? (Reps. Chiperfield, Carnahan)
Reply: Dulles - Large volume of applications; expect commit \$300 million by end FY 1958; necessary lag between commitment and obligation; importance of DLF.
2. (p. 191) Would DLF aid Egypt and Syria or Poland? (Rep. Kelly)
Reply: Dulles - Egypt and Spain not necessarily barred, but for the current DLF aid would not serve our objectives; are aiding, though not with DLF, to encourage independence.
3. (p. 280) Shouldn't Labor and Agriculture be on DLF Board? (Rep. O'Hara)
Reply: Dillon - Board should be small operating unit; Commerce and Agriculture get crack at DLF through NAC; Smith (ICA) trying to get Labor and Agriculture members on IDAB.
4. (p. 734) What is relationship of DLF to IDA proposal? (Rep. Morgan)
Reply: Dillon - Creation of IDA won't reduce demand on U.S. for developmental capital.
5. (p. 735) Who finances surveys for DLF projects? (Rep. Morgan)
Reply: McIntosh - Preliminary engineering survey; if not already financed, would be covered in the loan, though in some cases might use DLF administrative funds.
6. (p. 738) How do you evaluate DLF as instrument for countering Soviet economic penetration? (Rep. Morrow)
Reply: Dillon - DLF is our chief and really our only weapon to counter Soviet offensive; a good weapon; interest rates higher but local currency repayment and often longer maturity.
7. (p. 746) What has DLF done for Latin America? (Morano also Rep. Fagcell p. 1568)
Reply: McIntosh - Volume of applications low because only smaller countries are applying.
Rubottom - DLF will replace Smathers fund; Latin America will get fair share from DLF; therefore Executive Branch opposes earmarking of MSP funds.

8. (p. 749) To what extent will local currency repayments be useful?
(Rep. O'Hara)
- Reply: Dillon - Will be increasingly useful for financing further development as economies grow.
9. (p. 754) What procedures has DLF to avoid adverse effect on U.S. economy?
(Rep. Coffin)
- Reply: See page 9 of presentation book and background paper in Briefing Materials Tab U.
10. (p. 944) To what extent has DLF encouraged private enterprise rather than government to government loans? (Rep. Carnahan)
- Reply: See page 9 of presentation book and Tab YZ in Background Materials.
11. Is DLF adhering to lending on a project basis? (Rep. Judd)
- Reply: See pages 12, 13 of presentation book.
12. Has DLF made loans to Yugoslavia? (Rep. Kelly)
- Reply: See page 30 of presentation book.

Senate Foreign Relations Committee Hearings

1. (p. 164) What will be relation of DLF to Secretary of State? (Sen. Smith)
- Reply: Dulles - Incorporation will not nullify authority of Secretary of State, since Board will have 3 out of 5 statutorily under guidance of Secretary of State.
2. (p. 253) What are terms of DLF loans? (Sen. Fulbright)
- Reply: Dillon - Interest rates must be high enough so do not prejudice EE-Im and IBFD.
3. (p. 314) What is the amount and what are the terms of DLF loans to India? (Sen. Mansfield)

House Appropriations Committee Hearings

1. (p. 19) How does the DLF handle a public works project? (Rep. Passman)
2. (p. 21, 338) Why was the DLF incorporated? (Rep. Gary & Passman)
3. (p. 23) How does Congress control the DLF's funds and program? (Rep. Gary)
Reply: Dillon - Exact financing form is up to Congress. Even revolving portion of DLF's funds, however, subject to annual Congressional review per Government Corporation Control Act.
4. (p. 40) To what extent has DLF committed its funds? (Rep. Rooney)
5. (p. 294) To what extent have DLF funds been obligated? (Rep. Passman)
Reply: Dulles - Should expect unobligated balance each year but not unprogrammed; delay is for negotiation, examination, study, etc.; we don't act precipitately.
6. (p. 43) On what basis do you make a finding as to prospects of repayment? (Repl Andrews)
Reply: Dillon - Where local currency repayment, consider "whether the project is a good project which will increase the general capacity of the country to earn money in its own currency."
7. What are local currency repayments useful for? (Rep. Rooney)
8. (p. 310) What is status of DLF loans actually made? (Rep. Taber)
9. (p. 353) What agreements govern the local currency payments received by the DLF? (Rep. Passman)
Reply: Dillon - We would only use them outside the country by agreement of the country.
10. (p. 370) What rate of exchange applies to DLF local currency payments? (Rep. Passman)
Reply: Dillon - Will have maintenance of value in all contracts and will calculate in most favorable rate available.
11. (p. 371) What are "soft" loans? (Rep. Alexander)



12. (p. 372) What security does the DLF take? (Rep. Alexander)

Reply: Dillon - None, for government loans; "we would have to have more security" in loans to individuals and corporations.

13. (p. 377) How does the DLF decide which applications to finance? (Rep. Miller)

Reply: Dillon - DLF is instrument of foreign policy; DLF is told by State the country priorities; then look at what is the most productive.

14. (p. 379) Does DLF take into consideration impact of loan on U.S. industry? (Rep. Alexander)

See Background Material Tab U.

15. (p. 381) In what countries will DLF finance procurement? (Rep. Taber)

Reply: Dillon - No specific requirement specifying a source, but in some of the larger loans borrowers have informally agreed bulk of loans will be spent in U.S.

16. (p. 895) How binding is a letter of advice if a loan agreement has not yet been signed? (Rep. Passman)

Reply: Bell - A letter of advice indicates DLF's readiness to enter into negotiations for the completion of a loan agreement; it is not a direct commitment on the part of our Government.

17. (p. 911) What would be done in case of default on DLF loans? (Rep. Andrews)

18. (p. 1113) Is the DLF soliciting applications or helping to prepare applications? (Rep. Passman)

Reply: Murphy - DLF is not soliciting applications; we are helping in the preparation of applications.

19. (p. 1114) What is current policy on the amount of local currency the U.S. can safely hold? (Rep. Passman)

20. (p. 1395) Are the DLF staff experienced in the field? (Rep. Passman)

21. (p. 1401) What services will Export-Import Bank perform for DLF? (Rep. Denton)

22. (p. 1423) Is the Netherlands Resettlement Loan within the DLF's authority? (Rep. Passman)

See Background Material paper.



Senate Appropriations Committee Hearings

1. (p. 30) What countries are eligible for DLF loans? (Sen. Dirksen)
2. (p. 31) Is there a limitation on the amounts lent to any country?
(Sen. Dirksen)
3. (p. 32) What is the maximum duration and what are interest rates on
DLF loans? (Sen. Dirksen)
4. (p. 33) What security is there on DLF loans? (Sen. Dirksen)
5. (p. 34) What does the DLF do with local currency repayments? (Sen. Dirksen)
6. (p. 38) How solid are the total applications to the DLF? (Sen. Dirksen)

Reply: Dillon - About half of the applications on hand may turn out
to be potential loans.
7. (p. 39) Would the International Development Association be cheaper
than the DLF? (Sen. Robertson)
8. (p. 41) Are there any limitations on where the DLF can finance procurement?
(Sen. Dirksen)
9. (p. 42) What has the DLF done with guaranties? (Sen. Dirksen)
10. (p. 43) Is the DLF concerned about labor conditions in the projects
it finances? (Sen. Dirksen)
11. (p. 44) What has been the effect of cuts on DLF operations? (Sen. Dirksen)
12. (p. 44) How much has the DLF expended? (Sen. Ellender)
13. (p. 46) Wouldn't the Netherlands have been able to borrow for its
resettlement project elsewhere? (Sen. Ellender)

See Background Material paper.

Reply: Dillon - Does not deny the Netherlands could have borrowed elsewhere;
was a case of evident mandate from Congress.
14. (p. 47) Does the DLF take into account impact of project on U.S. economy?
(Sen. Ellender)



House of Representatives: Authorizing Bill

1. (May 12, 1958, p. 7555) How can we justify the DLF when American small businessmen can't get the loans they need? (Rep. Adair)
2. (May 12, 1958, p. 7555) Shouldn't the DLF distinguish between friends and neutrals? (Rep. Adair)
3. (May 12, 1958, p. 7557) Congress should periodically review effect of DLF transactions on U.S. economy. (Rep. Kelly) (Also May 13, 1958, p. 7709, Rep. Coffin)
4. (May 12, 1958, p. 7557) We should not give foreign aid to Yugoslavia. (Rep. Feighan)
5. (May 14, 1958, p. 7562) Soft loans are "straight out grants." (Rep. Pilcher)
6. (May 14, 1958, p. 7805) DLF should not have power to borrow money anywhere without express Congressional authorization. (Rep. Gary)
7. (May 14, 1958, p. 7806) The DLF hasn't spent a dime of its money after all its big requests. (Rep. Passman)
8. (May 14, p. 7806) DLF loans are unsound because DLF can only take up a project after all other lenders have rejected it. (Rep. Passman)
9. (May 14, 1958, p. 7806) DLF cannot use its local currency repayments in third countries or for exports. (Rep. Passman)
10. (May 14, 1958, p. 7806) Why can't we capitalize DLF with present U.S. local currency holdings? (Rep. Passman)

Senate: Authorizing Bill

1. (June 3, p. 8951) (Referring to DLF) "The people of the United States are to finance the steps by which a billion people will be lifted to our economic level -- or we will be dragged down to theirs." (Sen. Jenner)
2. (June 4, p. 9064) DLF must find means to tap private capital, perhaps through various kinds of guaranties. (Sen. Humphrey)
3. DLF itself is not adequate to meet need for U.S. assistance to India's Second Five Year Plan (Comment by Sen. Humphrey prior to MS debate, 1958).



4. (June 6, p. 9328) Latin America should get a fair share of the DLF funds. (Sen. Smathers)
5. (June 6, p. 9331) Latin American projects in the fields of health, education and sanitation should be given priority by the DLF. (Sen. Smathers)
6. (June 6, p. 9336) I want to stimulate Mr. Dillon to secure support of other countries to give concentrated help to Indian second five-year plan. (Sen. Kennedy)

House of Representatives: Appropriations

1. (July 1, p. 11633) The DLF appropriation request for \$625 million "is the most exaggerated request ever to be referred to an Appropriations Committee." (Rep. Passman)
2. (July 1, p. 11633) We have "dreamers who are looking for places to spend the Development Loan Fund." (Rep. Passman)
3. (July 1, p. 11649) To cut the DLF from \$625 million to \$300 million is largely to repudiate development aid as a weapon in the cold war. (Rep. Wigglesworth)

Senate: Appropriations

1. (Aug. 23, p. 17835) We will have difficulty in making the DLF a revolving fund. (Sen. Ellender)
2. (Aug. 23, p. 17835) The DLF's policy, unfortunately, is to confine use of local currency repayments to the country where the loan was made. (Sen. Ellender)
3. (Aug 23, p. 17836) "I must warn the Senate that the rats have been in the corncrib already. The Development Loan Fund already shows signs of being raided by the big-shot bureaucrats who administer the program." At least one country that does not meet the criteria [i.e. Netherlands] is getting a loan. (Sen. Ellender)

MAJOR LINES OF QUESTIONING ON DLF

1959 Congressional Hearings
House Foreign Affairs Committee - Briefing on
Current World Situation

(p. 45) Will the DLF stop operations until the supplemental appropriations?
(Morgan)

Reply: Dillon - During the gap we won't be standing still; we will be processing applications and they will be ready for consideration. The \$225 million would be pretty well gone by the end of June too.

(p. 55) Does the Executive plan that DLF will continue year by year at \$700 million? (Selden)

Reply: Dillon - No. It may well be that next year we will try to find some practical way to put DLF on a multi-year basis; it has a lot of operating advantages.

(p. 56) Would the establishment of the Inter-American Bank reduce the need for DLF? (Selden)

Reply: Dillon - No great effect. Only \$50 million in soft loans in first year.

(p. 58) What is our attitude toward development of India?

Reply: Dillon - The pushing of development in India is probably the most important economic project we have anywhere; but DLF is out of money.

(p. 64) Has the "adverse effects" amendment been embarrassing to U.S.? How is it implemented?

Reply: Dillon - Know of no case where DLF loaned to project which would compete with U.S. Mostly basic facilities, so hasn't embarrassed us.

DRAFT PREPARED FOR INCLUSION IN SECTION 413(C) STUDY

THE DEVELOPMENT LOAN FUND

The Development Loan Fund was established by the Congress in 1957 and made an independent government corporation under the Mutual Security Act of 1958. The Development Loan Fund concentrates in one component of the Mutual Security Program investment capital to be used in accelerating growth in the less developed economies of the world. It is the principal instrument of the United States charged with this important objective.

Resources

Since its initial establishment, the Development Loan Fund has been provided by the Congress with lending resources of \$700 million. As of February 28, 1959, loan commitments totalled \$683,806,000.

Policies Take Into Account "Adverse Effects"

The basic lending policies of the Development Loan Fund originate in specific statutory requirements. These are set out in Section 202(b) of the Mutual Security Act of 1958 and require that the DLF take into account in any financial transaction (1) whether financing could be obtained in whole or in part from other Free World sources, (2) the economic and technical soundness of the activity to be financed; (3) whether the activity gives reasonable promise of contributing to the development of economic resources or to the increase of productive capacities; and (4) "the possible adverse effects upon the economy of the United States, with special reference to areas of substantial labor surplus, of the activity and the financing operation or transaction involved."

Procedure for Determining Impact on U. S. Economy

In the implementation of this latter statutory requirement, the DLF examines the possible adverse impact on the U. S. economy of the proposals placed before it. In this connection, it considers the anticipated output involved, the

equipment to be procured under the loan and the method by which the loan is to be financed.

By and large, activities whose output suggest a potentially adverse effect on the U. S. economy are located in the fields of food and agriculture and industry. Where a potentially adverse impact is foreseen, the DLF staff consults with other interested agencies such as Agriculture, Commerce, Treasury, State, ICA, and the Department of Interior (Bureau of Mines). Each recommendation for approval presented to the Board of Directors of the DLF now includes a section indicating the impact of the proposed loan on the U. S. economy. The Board itself considers this question, bringing to bear the views of its members from State, ICA, Export-Import Bank, and Treasury. If approved by the Board, consultation is held with the National Advisory Council on International Monetary and Financial Problems (NAC) where Treasury, State, Commerce, Federal Reserve Board, and the Export-Import Bank are represented as well as such non-voting participants as Agriculture and the Bureau of the Budget.

Procurement

After a loan agreement is concluded, the borrower normally must prepare detailed plans and specifications for issue of tenders or bids. Solicitation of bidding throughout the Free World is permitted under DLF loans. Purchases are normally made at the lowest competitive market price for the items procured - quality, time of delivery, and other factors considered. Prior to the placement of any orders, the borrower is required to furnish a description of the goods to be purchased and the manner of submitting bids to the purchaser, unless this requirement is specifically waived in writing. This information is then normally disseminated through the Office of Small Business in the ICA for the information of potential U. S. suppliers. The DLF is making improvements in its procurement procedures to ensure maximum opportunity for American suppliers to participate.

In addition to requiring widespread dissemination to American suppliers of prospective procurement of items financed under DLF loans and requiring procurement from the United States when this is the cheapest source of supply, it will permit borrowers to restrict procurement to the U. S. when they so elect without the former requirement of calling for worldwide participation.

Financing Operation

The DLF uses two principal methods of financing those loan transactions funded from its own resources; the letter of commitment or the reimbursement procedure. The letter of commitment procedure, the most common method, involves the use of U. S. banks selected by the borrower. In addition, the DLF utilizes other financing techniques in connection with its transactions, such as the guaranty of loans made by U. S. commercial banks.

Fields of DLF Activity

The following table indicates the functional fields or categories of project loans and commitments undertaken by the DLF through February 28, 1959:

<u>Functional Categories</u>	<u>Loan Commitments</u> <u>(\$ thousand)</u>
1. Food and Agriculture including irrigation	44,406
2. Mining	15,900
3. Water Resources	-0-
4. Transportation and Communications	233,780
5. Power (including hydroelectric)	109,750
6. Industry	194,820
7. Education	-0-
8. Health and Sanitation (including water supply and sewage)	26,600

9. Community Development	12,300
10. Undistributed	<u>46,250</u>
Total	683,806

The experience of the DLF indicates that projects most likely to have some possible adverse effect upon the U. S. economy fall into the categories of food and agriculture, mining, and industry.

In the field of food and agriculture, DLF loans have been made for such projects as land development in Ceylon, irrigation facilities in Spain, ground water development in Pakistan, land resettlement for European migrants in Brazil and Costa Rica, assistance for the fishing industry in Taiwan, the financing of agricultural development through a development bank in Somalia and the provision of agricultural machinery in Iran. Directly or indirectly, most of these projects will assist the borrower in increasing output of agricultural products needed to meet rising internal demand and which would not be met by imports because of foreign exchange stringencies. While these projects will increase the world supply of agricultural products, it is not believed they will have an adverse effect on the U. S.

In the mining category, the loans have involved an aerial mineral survey and a coal mine project in Turkey, as well as mining equipment for Israel. The aerial survey will assist in the discovery of mineral deposits for which a demand exists in the free world and whose export will contribute to the foreign exchange earnings of the Turkish economy. The coal project will meet import increasing internal demand. It will not displace current coal imports or result in coal exports.

The industrial category, in which \$194,820,000 of loans have been made, includes loans to development banks or similar institutions in such countries as

Turkey, Pakistan, Israel, and Taiwan to stimulate the growth of private enterprise. Direct loans to enterprises include such activities as a sugar mill in Bolivia, fertilizer plants in Greece and Yugoslavia, cement plants in Korea and Taiwan, a pulp factory in Tunisia, a plastics plant in Turkey and assistance to various industrial establishments in India.

Two examples of loans in which the activity involved raised questions of possible "adverse effects" were the Cotton Textile Mill in Sudan, and the Ingalls-Taiwan Shipbuilding Loan in Taiwan.

The Sudan Textile Mill project involves a loan of up to \$10 million to a private American firm for a textile mill in Sudan. The DLF, in examining the project, made a careful examination of whether it might lead to the loss of a U. S. market or create additional competition for U. S. business. It was found that this loan (a) would not reduce textile imports from the U. S. since such trade with Sudan is now negligible or non-existent; (b) would not impair a potential market for U. S. cotton textiles, imports of which are barred by dollar exchange shortages; and (c) the new mill will supply only the domestic market and not lead to Sudanese exports. Only after a determination of these findings and full consideration by the DLF Board was the loan made.

The Ingalls-Taiwan loan involved DLF financing and a DLF guaranty of private financing for expanding shipbuilding facilities in Taiwan. The DLF proceeded with this project only after checking with interested parties and ascertaining that the private U. S. shipbuilding interest (Shipbuilder's Council of America) had no objection.

Conclusion

The DLF, in the course of making approximately \$700 million of project loans and commitments, has developed procedures for taking into account the

statutory requirements on the adverse effect on the U. S. economy of its transactions. These procedures provide a means for assessing the project both from the standpoint of its economic benefits for the economy of the borrower's country and the possible impact upon the U. S. economy. Such an assessment makes possible a balanced determination, taking into account both the U. S. and the borrower's interest, as to the future disposition of the loan request. The possibility of an "adverse effects" impact is thereby minimized.

DLF activities, however, by developing the economies of the less developed areas through specific projects, contribute to rising incomes and greater purchasing power in these areas. The long-term outlook of its operations is for beneficial effects on the U. S. economy; expanding markets abroad mean greater opportunities for U. S. business and trade there.

DEVELOPMENT LOAN FUND

Summary Data on FY 1958 - 60
Administrative Expenses

	<u>FY 1958</u> <u>(Actual)</u>	<u>FY 1959</u> <u>(Estimate)</u>	<u>FY 1960</u> <u>(Estimate)</u>
<u>Permanent Positions:</u>			
DLF staff.....	33	69	108
ICA staff provided under reimbursement.	<u>-0-</u>	<u>36</u>	<u>62</u>
Total.....	<u>33</u>	<u>105</u>	<u>170</u>
<u>Man-years of employment:</u>			
DLF staff.....	10.0	54.5	91.0
ICA staff provided under reimbursement	-0-	22.7	50.4
Intermittent employment.....	.4	2.5	3.0
Engineering services.....	<u>-0-</u>	<u>5.0</u>	<u>7.7</u>
Total.....	<u>10.4</u>	<u>84.7</u>	<u>152.1</u>
<u>Amounts, by Major Categories:</u>			
Personal services.....	\$89,516	\$612,640	\$ 891,500
Travel.....	9,871	80,000	110,000
Other contractual services (ICA support, engineering review, etc.).....	6,400	369,330	753,000
Other objects (communications, rents, printing, supplies, equipment, employer retirement contributions, etc.).....	<u>36,857</u>	<u>188,030</u>	<u>295,500</u>
Total limitation.....	<u>(142,644)*</u>	<u>1,250,000</u>	<u>2,050,000</u>

*Comparative transfer from "General Administrative Expenses, ICA."

DLF
3/18/59

SUMMARY OF MAJOR INCREASES IN
FY 1960 ADMINISTRATIVE EXPENSE ESTIMATE

Limitation approved, FY 1959.....	<u>\$1,250,000</u>
Increases, FY 1960:	
For 34 additional DLF positions principally engineers, lawyers, and loan officers; for payment of full-year salary costs of employees employed less than a full year in FY 1959; and for other personal services costs.....	+ 278,860
For an additional 315 days of foreign travel; 45 days of U. S. travel; and increased local transportation costs.....	+ 30,000
For increased rental costs to meet space needs of present and proposed DLF staff.....	+ 48,000
For addition of 26 positions in the ICA for program support, principally audit; for additional engineering review of proposals; and other miscellaneous contractual services.....	+ 403,670
For other objects, including communications; printing; supplies; equipment; and statutory contributions to the Retirement Fund, related to the above increases.....	+ <u>39,470</u>
Total increase.....	+ <u>800,000</u>
Limitation requested, FY 1960.....	<u>2,050,000</u>

DLF
3/18/59

SUMMARY COMPARISON OF FY 1958-1960 ADMINISTRATIVE EXPENSE
OBLIGATIONS

	<u>1958</u> <u>(actual)</u>	<u>1959</u> <u>(estimate)</u>	<u>1960</u> <u>(estimate)</u>
01 Personal services:			
Permanent positions	\$83,373	\$481,020	\$769,500
Positions other than permanent...	4,544	32,660	37,500
Other personal services.....	1,599	78,960	60,800
Excess of annual leave earned over leave taken.....	...	20,000	23,700
Total personal services.....	89,516	612,640	891,500
02 Travel.....	9,871	80,000	110,000
03 Transportation of things.....	...	1,000	1,000
04 Communication services.....	3,300	19,000	30,000
05 Rents and utility services.....	7,100	70,000	118,000
06 Printing and reproduction.....	1,500	21,000	40,000
07 Other contractual services.....	2,000	130,000	200,000
Services performed by other agencies	4,400	239,330	553,000
08 Supplies and materials.....	2,000	8,280	12,600
09 Equipment.....	18,000	32,000	40,000
11 Grants, subsidies and contributions	4,957	34,750	51,500
15 Taxes and assessments.....	...	2,000	2,400
Total limitation	<u>(142,644)^{a/}</u>	<u>1,250,000</u>	<u>2,050,000</u>

^{a/} Amount of comparative transfer from "General Administrative Expenses, ICA."

REQUEST FOR ADDITIONAL

STATUTORY POSITION

Section 205(b) currently authorizes the following statutory positions:

Managing Director	\$20,000
Deputy Managing Director-	up to \$19,000
Three other officers -	up to \$18,000

These positions are currently filled as follows:

Managing Director	Dempster McIntosh
Deputy Managing Director for Finance & Development	Robert B. Menapace
Deputy Managing Director for Loan Operations	Hart Perry
Corporate Secretary	Joseph S. Toner
Chief, Loan Operations	Edmond C. Hutchinson

The requested additional statutory position provides for compensation up to \$18,000 and would be filled as follows:

Assistant Deputy Managing Director for Finance & Development	Robert M. Cabot
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At present this position is filled by an ICA Foreign Service Officer assigned on detail to the Development Loan Fund. Since he carries a personal rank of his own, with salary equivalent to that of a supergrade position, we have not up to now pursued establishment of an appropriate level position. To keep this officer on a permanent basis or to attract candidates of sufficient stature and experience if he returns to the Foreign Service, requires the establishment of this statutory position.

In addition to these statutory positions, the Civil Service Commission has approved three GS-16 supergrade positions for DLF. These are distributed as follows:

Chief, Private Investment Division	H. Robinson
Technical Engineer	R. L. Moorman
General Counsel (vacant)	R. W. Golby (acting)

7/1960 MAF Hearings

DEVELOPMENT LOAN FUND

Materials for Use Before House Foreign Affairs Committee March 24, 1959

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~~TAX~~
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