UNCLASSIFIED

PD-ACE-053

MUTUAL SECURITY PROGRAM

DEVELOPMENT LOAN FUND

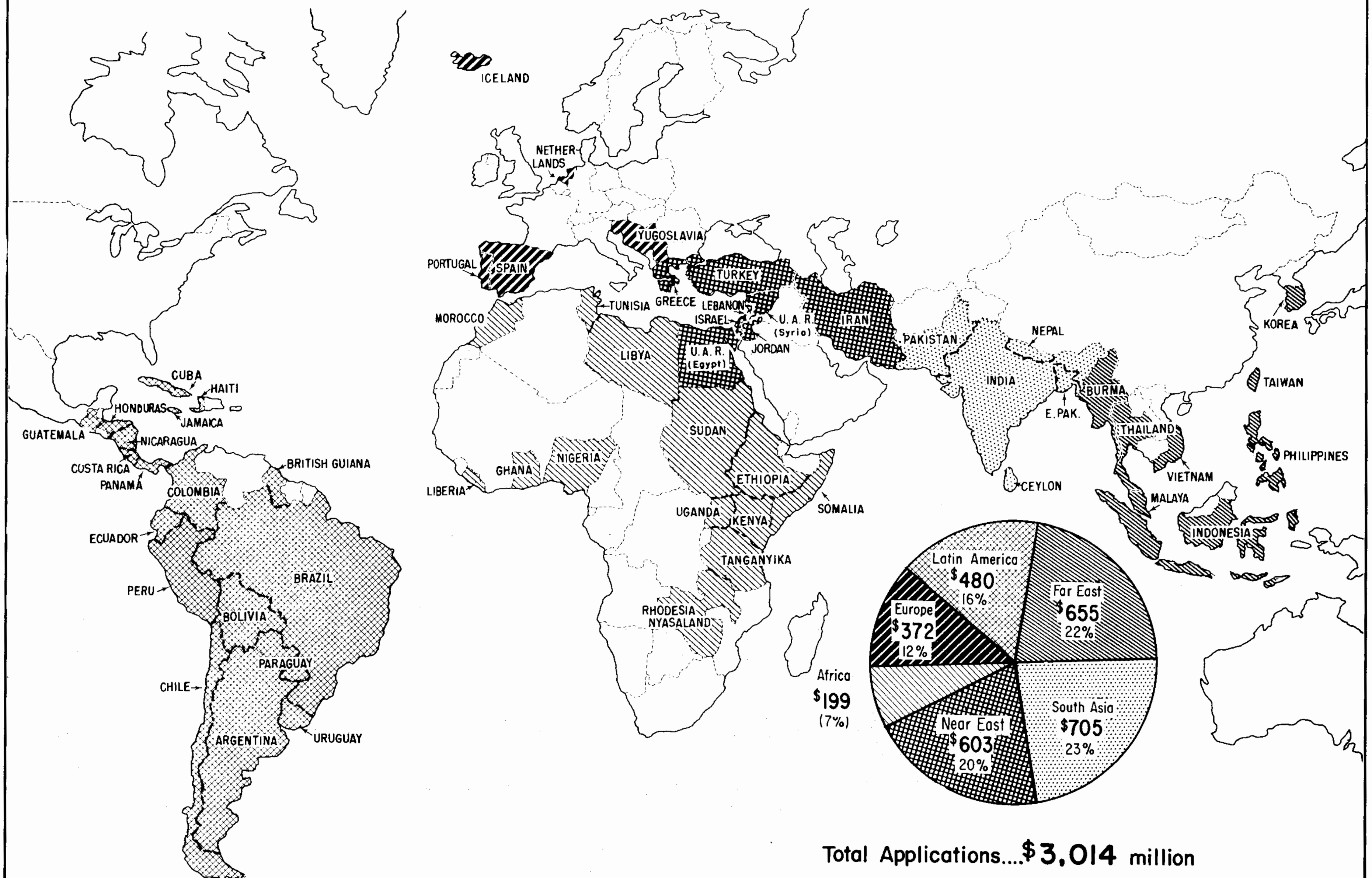
FISCAL YEAR 1960 ESTIMATES

UNCLASSIFIED

BEST AVAILABLE

DEVELOPMENT LOAN FUND

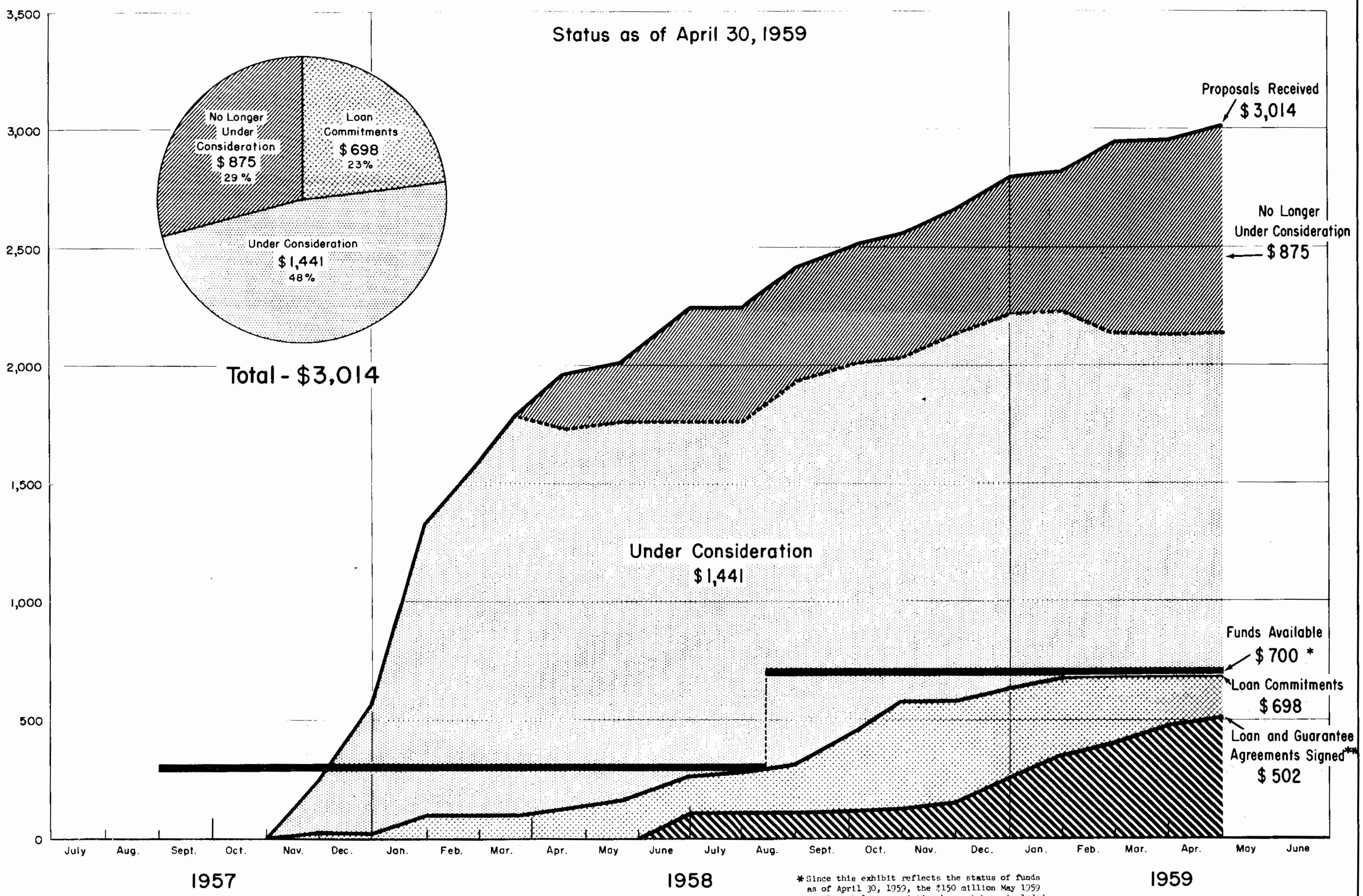
Areas from Which Applications Were Submitted Thru April 30, 1959



Revised May 19, 1959

[redacted] DEVELOPMENT LOAN FUND TREND

($ Millions, Cumulative)



*Since this exhibit reflects the status of funds as of April 30, 1959, the $150 million May 1959 supplemental appropriation has not been included in the computations.

* * Includes Loan Guaranty Agreements

Revised May 19, 1959

BEST AVAILABLE

DEVELOPMENT LOAN FUND

SUMMARY

Funding Request

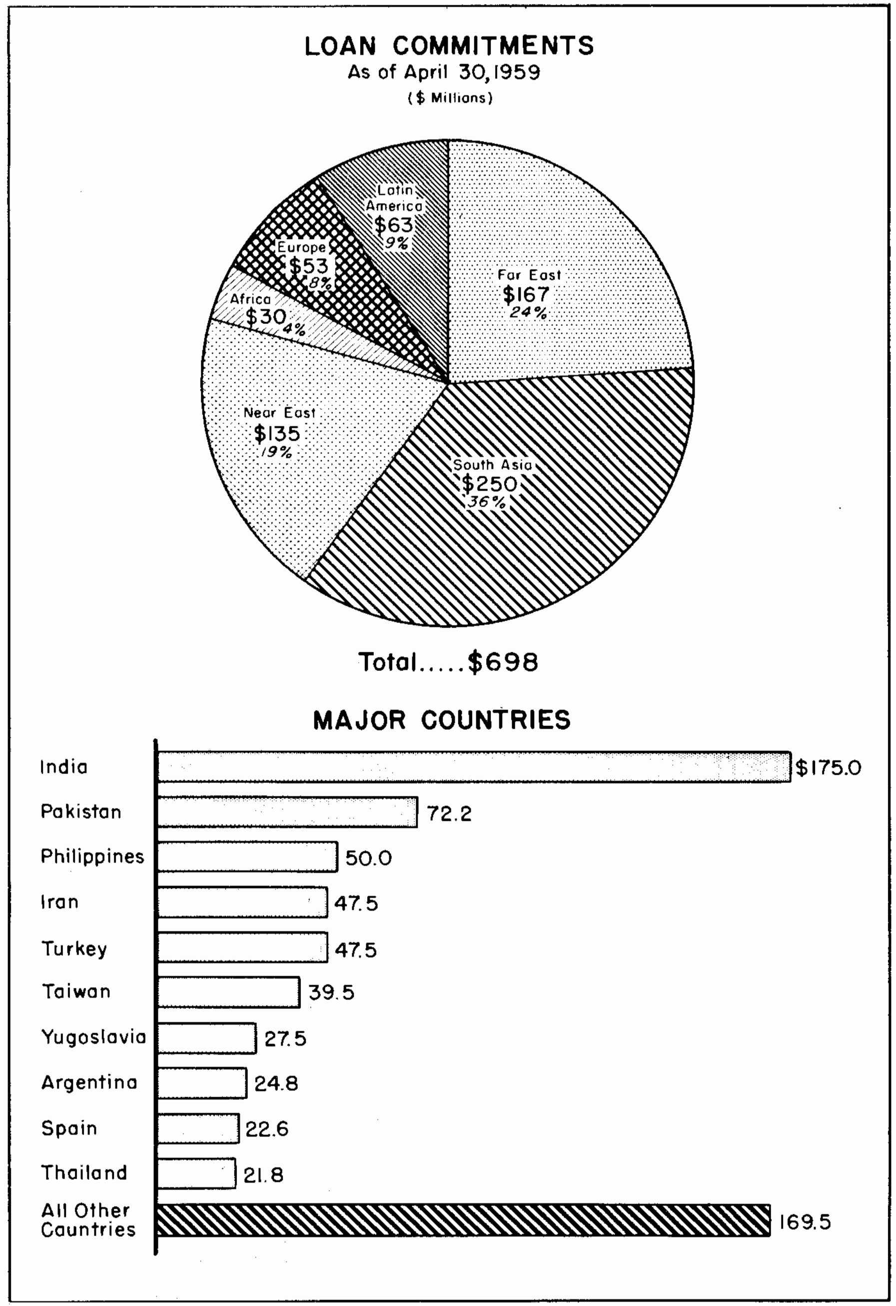
- The Executive Branch proposes that a $700 million increase in the capital of the Development Loan Fund be authorized and appropriated to become available beginning in FY 1960.
- At least $700 million is required if the foreign policy objectives of the U. S. are not to be endangered.
- The proposed increase would do no more than permit the DLF to maintain the same rate of activity that prevailed during its first year of actual lending operations.
- By the end of January, 1959, the DLF was virtually "loaned out" with about $19 million available for further lending and almost $1.5 billion in screened applications on hand. A supplemental 1959 appropriation of $225 million has been requested to avoid serious interruption in operations prior to the availability of FY 1960 funds.
- By the end of March, 1959 the DLF had only $844,000 available for further lending and more than $1.4 billion in screened proposals were still on hand.

Economic Development and U. S. Interests

- A compelling determination to grow economically has come to dominate the domestic political life of most of the underdeveloped nations of the world.
- It is in the interest of the U. S. and the entire Free World that this drive for economic growth be conducted within free institutions and in association with the rest of the Free World.
- The Soviet bloc is expanding its trade and aid in an effort to turn the aspirations of less-developed peoples to its own ends
- In its own interest, the U.S. requires an instrumentality capable of providing a margin of capital which can play a significant role in economic growth and in keeping alive the dynamism and hope of the less-developed peoples.

Role and Nature of DLF

- The DLF is an independent Government corporation governed by a Board of Directors who are subject to the foreign policy guidance of the Secretary of State.



Revised May 19, 1959

SUMMARY (Continued)

- The DLF concentrates in one element of the Mutual Security Program, investment capital for development of the less-developed countries of the world.

- It is the principal instrument of the U.S. Government charged with this objective.

- It provides financing for sound development projects through loans and other forms of credit; it does not make grants nor does it directly purchase equity securities.

- The DLF supplements and does not compete with existing sources of financing.

- It accepts repayment in local currencies where warranted.

- The DLF is not designed to allocate funds annually in advance by country. It finances only specific proposals for development programs and projects that are economically, technically and financially sound.

- DLF funds are committed, and are therefore unavailable for other uses, when a specific project loan or a loan program for a country is approved. Obligations are formally recorded at a later stage when a loan agreement is signed.

- DLF actively supports U.S. and local private investment in less-developed countries through guarantee of private loans, seeking private investors interested in loan participations, making direct loans to private enterprises, financing the basic public facilities on which private enterprise relies and supporting the growth of potential markets by helping to raise incomes.

DLF Progress and Accomplishments

- In about one year of active operations the DLF has become a functioning lending institution.

- It approved 79 separate loans and guarantees for projects in 36 countries.

- After preliminary screening, the DLF took under consideration more than $3.0 billion in applications.

STATUS OF DLF LENDING WITH RESPECT TO LENDING AUTHORITY

(in thousands of dollars)

	End of FY 1958 (Actual)	As of April 30, 1959 (Cumulative)
Lending Authority Available:		
Appropriated, FY 1958	300,000	300,000
Appropriated, FY 1959		400,000
Less Administrative Expenses		- 1,250
Accrued Interest and Fees Received		477*
Total Lending Authority	300,000	699,227
Charges Against Lending Authority:		
Loans and guarantee agreements signed (obligations)	102,100	501,656
Loan commitments not yet signed	165,286	196,250
Total Commitments Against Lending Authority	267,386	697,906
Receipts Not Yet Available		477
Uncommitted Authority	32,614	844

STATUS OF PROPOSALS TAKEN UNDER CONSIDERATION

(In thousands of dollars)

Commitments against lending authority (cumulative)	267,386	697,906
Proposals under consideration and on hand (end of period)	1,635,232	1,440,849
Proposals no longer under consideration (end of period)	312,448	874,948
Total Proposals Received (end of period)	2,215,066	3,013,703

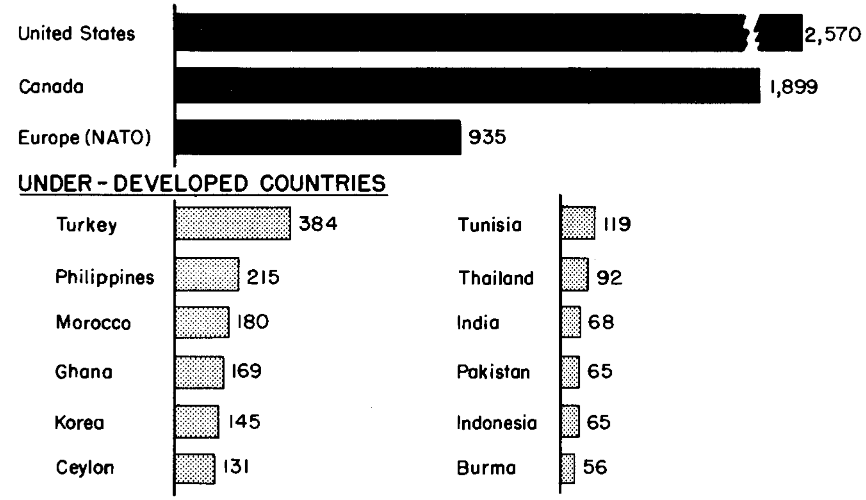
Note: Since this exhibit reflects the status of funds as of April 30, 1959, the $150 million May 1959 supplemental appropriation has not been included in the computations.

Revised May 19, 1959

UNDERDEVELOPED COUNTRIES - PRODUCTION AND INVESTMENT

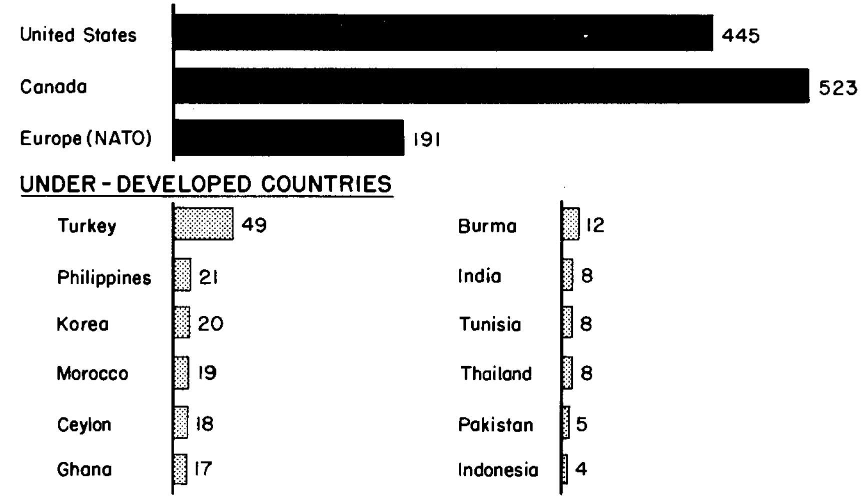
PER CAPITA GROSS NATIONAL PRODUCT - 1957

(Dollars and Dollar Equivalents)



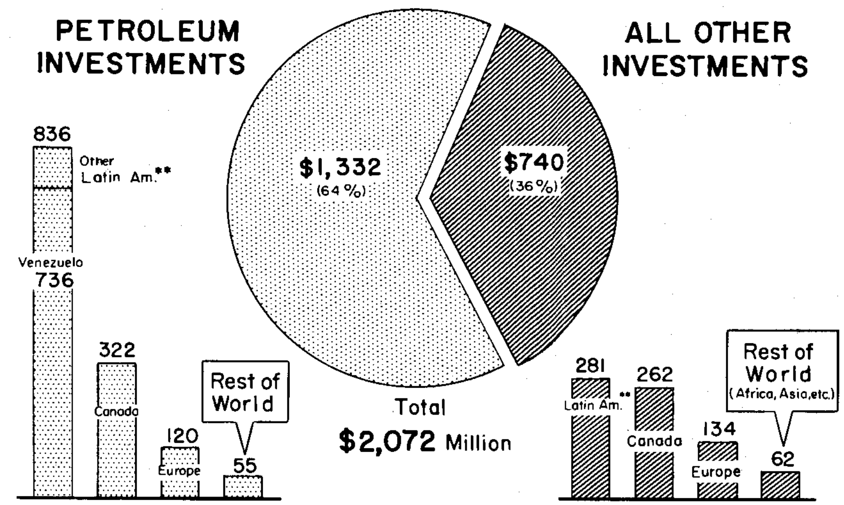
GROSS INVESTMENT PER CAPITA - 1957

(Dollars and Dollar Equivalents)



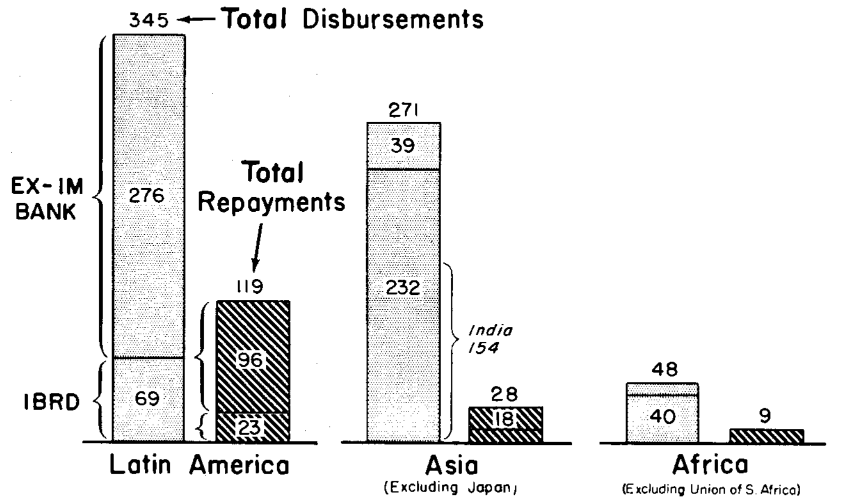
NEW U. S. DIRECT PRIVATE INVESTMENT* - 1957

(Millions of Dollars)



IBRD & EX-IM LOANS to LESS DEVELOPED AREAS

FY 1958 - (Millions of Dollars)



*Excludes reinvested earnings of subsidiaries **Includes European territories in Western Hemisphere

ECONOMIC DEVELOPMENT AND U.S. INTERESTS

When the Congress authorized establishment of the Development Loan Fund in 1957, it recognized "that the progress of free peoples in their efforts to further their economic development, and thus to strengthen their freedom, is important to the freedom and general welfare of the United States." It reaffirmed that it is the policy of the U.S. "to help free peoples to develop their economic resources and to increase their productive capabilities."

A further dimension of this policy was described recently by President Eisenhower before the member nations of the Colombo Plan, when he stated that it is "our goal...to enable free nations to achieve a momentum of economic progress which will make it possible for them to go forward in self-reliant growth."

Within this context, development assistance provided by the U.S. Government has a limited, practical objective. Like the extra burst of power needed by an airplane for take-off, it is no longer required when the craft is airborne and able to proceed under normal power. Such assistance works to eliminate the need for its own presence. When soundly used production rises to the point where further growth can be sustained through savings, conventional borrowing and foreign earnings, the need for external public assistance ends. And the sooner such assistance begins, the sooner will it end.

The means by which the people of the U.S. are helping less developed economics grow are numerous and varied. They range from the Technical Cooperation Programs of the U.S. Government to the training programs of private foundations and religious groups and to the skills imparted when American business operates overseas; they range from the commercial loans of U.S. banks and investments of U.S. businesses to the loans of the International Bank for Reconstruction and Development, of which the U.S. is a principal member, the Export-Import Bank and to the Development Loan Fund; they include the Military Assistance and the Defense Support Programs, to the extent that these programs help to bring about the security and the economic and political stability which are prerequisites for economic growth; and they include bilateral and multilateral trade policies of the U.S.

It is the purpose of this section, however, to outline the circumstances which give rise to the role now assigned to the Development Loan Fund in carrying out U.S. policies relating to economic development.

The Less Developed Countries

More than two-thirds of the Free World's people live in the less developed countries. Total annual per capita GNP is often less than $100 compared with about $2,500 in the U.S. Life expectancy is about half that of the highly developed countries.

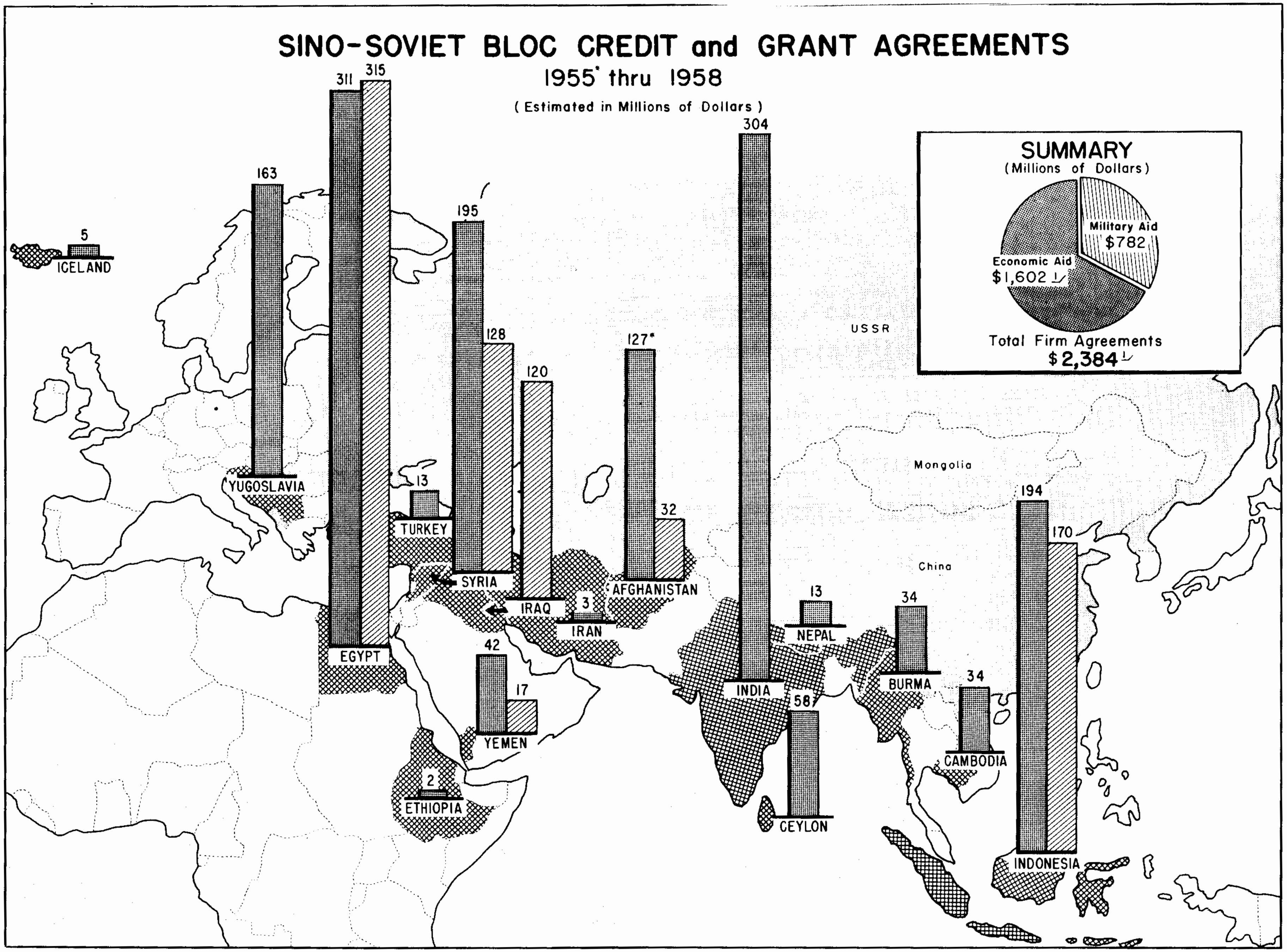
However, economic conditions vary throughout the less developed areas over a wide range. For example, many of the countries of Latin America are more developed than those of Africa and Asia, have higher per capita incomes and obtain a relatively greater amount of private capital from abroad.

Characteristic of less developed economies is their heavy reliance on the export of a few primary products, both for foreign exchange earnings and for tax revenues and domestic capital resources. Steady pressure for increased levels of consumption and for social and other government services for rapidly expanding populations, together with the growing demand for capital investments result in chronic strains on the balance of payments and on budgetary and other financial resources.

The population of these countries exceeds one billion persons and continues to grow rapidly. Rates of investment and development often do not meet, and generally do not appreciably exceed the levels needed to keep pace with population growth.

The deficiencies responsible for this slow and unbalanced growth are many. The less developed countries are generally faced with unsatisfactory and inadequate basic facilities in such areas as transportation, power and communications; inadequate financial and commercial institutions; and technically backward or nonexistent industrial plants. Although the need for capital is serious, the planning and preparation of development projects in a number of less developed countries has proceeded at a slow pace. In many cases, the organization and talent for this essential task is scarce.

But from the viewpoint of U.S. interests, certain circumstances have particular relevance. These are that (1) the low income levels and low investment levels which characterize less developed economies each impose a severe limit on the rate at which the other can expand; (2) no material increase in the rates of growth per person has been evidenced in many countries over the past few years; (3) a drive for economic growth is on throughout the less developed areas, constituting a compelling element in domestic political life; and (4) the Soviet bloc is attempting to turn this situation to its own ends.



1/ Includes $ 102 Million to Argentina and $ 2 Million to Brazil in Addition to Countries Shown

*Includes a Small Credit Extended to Afghanistan in 1954

ICA-M/S&R
Feb. 6, 1959

ECONOMIC DEVELOPMENT AND U.S. INTERESTS (Continued)

Low Incomes - Low Investment

A nation's rate of capital formation is limited by its rate of savings. When incomes are barely sufficient to meet basic subsistence needs, little can be saved or invested. And when little is invested each year, little can be expected in the way of increased incomes. Thus, the poverty of the less developed areas itself makes capital a bottleneck in eliminating their poverty.

Certainly there are many circumstances where investment could be expanded and higher productivity achieved through more efficient use of already available resources. Gains thus made could well be significant in some countries. Basically, however, the less developed areas are confronted with two alternatives: either resort to authoritarian methods in order to divert significantly greater amounts of domestic income into investment, or obtain the necessary capital from abroad.

No Material Growth in Incomes Per Person

Generally speaking, gross national product has increased over the past few years in most of the less developed countries. However, in view of rapidly rising rates of population growth, incomes per person have not risen materially. In some instances, temporary circumstances such as armed conflict or governmental overthrows have resulted in static or depressed conditions. There are also other cases in which national income has actually fallen as the result of sharp decreases in the world market price of certain primary commodities.

Growth as a National Goal

Particularly since the end of World War II, a period in which more than 20 of the less developed countries secured their independence, a growing determination to improve economic conditions has shown itself. Many governments have come to power committed to raise living standards. Promises of a better economic future and evidence of effort in this direction have become dominant elements of domestic political life. This drive for economic growth does not appear to arise simply from a desire to erase poverty. Political and psychological circumstances fortify the effort. In many instances, it stems from a desire to attain economic along with political independence, to build a strong nation or national defense for security purposes, or simply to achieve national or personal self-respect.

The Soviet Challenge

The Soviet bloc is well aware of the opportunities presented by this situation. They recognize the profound urge for economic progress in the less developed areas and they see the opportunity to woo uncommitted governments with substantial offers of aid.

From 1954-1958 the Sino-Soviet bloc signed agreements with 18 underdeveloped countries to provide $2.4 billion in credits and grants for economic and military aid, of which $1.6 billion was for economic aid alone. The increasing tempo of the Soviet offensive is indicated by the fact that agreements covering approximately $1 billion were concluded in 1958, compared with about $300 million in the previous year. This aid is also concentrated and carefully directed in the most strategic and uncommitted areas of the world in an attempt to make a breach. It should also be noted that the foregoing figures reflect only assistance to uncommitted nations as distinct from assistance to partners within the Soviet bloc.

Drawings under these agreements will in many cases extend over a period of years. At the end of 1958, a little over $900 million in Soviet bloc aid had actually been delivered, much of it in the military field.

U.S. Interests

To speak of the interest of the U.S. in these conditions is to speak of many diverse interests--political, moral and economic interests as broad as the American community.

Of prime concern to the U.S. is the climate of relationships which will exist between this country and those developing in the years to come.

Some leaders in the less developed countries are questioning whether free institutions and methods are truly applicable to the problems of their countries today. There is danger that they will resort to authoritarian methods internally if they should become convinced that these were the only alternatives to economic stagnation. There is also the danger that, lacking other alternatives, these countries might accept Soviet aid and trade to the point where ties become strong enough to enable the Red bloc to exert the leverage needed to achieve its own political purposes. Certainly the problems which would confront the U.S. and other free nations in dealing with a world of centrally controller societies and with countries oriented toward the Soviet bloc are too obvious to dwell upon.

ECONOMIC DEVELOPMENT AND U.S. INTERESTS (Continued)

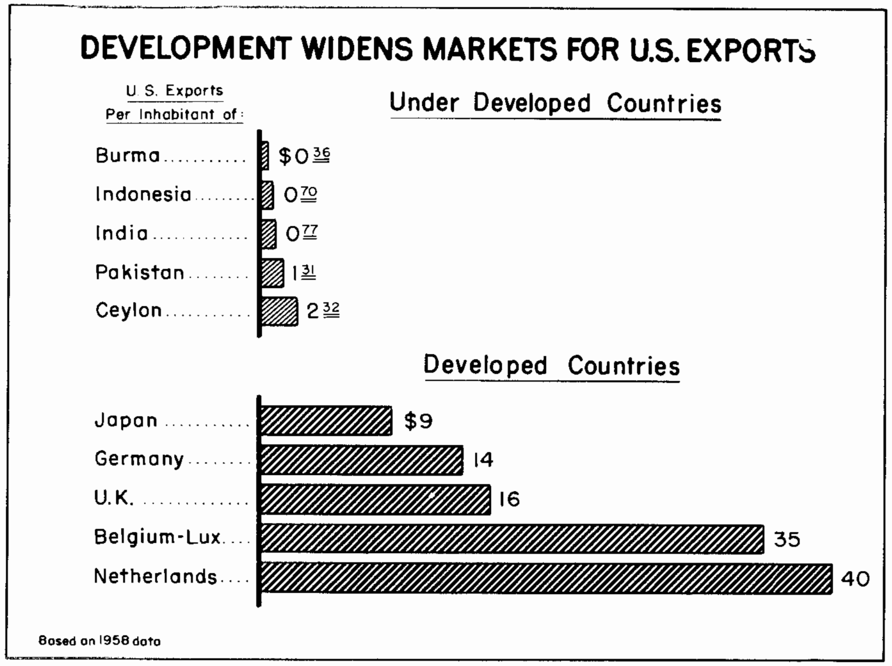
But in a more positive sense, it would be in the U.S. interest, even in the absence of the authoritarian Communist challenge, to become identified with the economic aspirations of developing peoples everywhere. The long-range interest of the U.S. will not be served if the less developed peoples become convinced that the Free World did not respond in what they believed to be an hour of need.

The Humanitarian Interest

Although U.S. efforts to help less developed areas grow is undertaken within a program for mutual "security," there seems to be little doubt in the minds of many that other interests of the U.S. are fortified by an humanitarian impulse. Thus, the Mutual Security Program is not only in the enlightened interest of the U.S. but it also rests squarely in the tradition of idealism that has motivated the American people since our early beginnings.

The Economic Benefits

The economy of the U.S. also stands to benefit from economic expansion in the less developed countries of the world.



As the adjoining chart shows, the less developed areas are not now good markets for U.S. exports; and as it also shows, there is ample reason to expect that as these economies develop they will become better markets. Exports go where markets exist and income levels are a measure of market size. The export opportunities which would be presented if the income of each person among the teaming millions of Africa and Asia were raised by a small amount would be impressive.

Despite their low economic productivity, these nations nevertheless hold within their borders enormous underdeveloped resources. In addition to great pools of manpower, they contain sizeable natural resources: petroleum, ores, minerals, fertile soils, water, etc. These resources constitute a vast and relatively untapped potential for the Free World. At the same time, as the International Development Advisory Board pointed out in 1951, the U.S. is a large net importer of raw materials. It then produced nearly one-half of the world's industrial output but only one-third of its output of basic materials. Most of its natural rubber, manganese, chromium and tin, as well as a substantial portion of its lead products came from abroad, mostly from the less developed areas. Thus, these countries are now important suppliers of raw materials. But their potentially greater importance is underlined by an estimate of the President's Materials Policy Commission that by 1975 the total volume of raw materials required by the Free World may be two-thirds to three-fourths greater than the volume used in 1950.

The Limitations

However, economic growth is not itself sufficient to assure the appearance or maintenance of free societies nor will assistance for this purpose automatically cement friendship with the West for all time. It is evident, however, that static economic conditions in the less developed areas today present a fertile field for the spread of authoritarian, Communist-oriented rule. Although economic development will not automatically guarantee that all U.S. interests will be fulfilled, it becomes a necessary condition if they are adequately to be served.

ECONOMIC DEVELOPMENT AND U.S. INTERESTS (Continued)

Furthermore, additional capital will not itself resolve the problem. Effective use of capital requires technical and management skill which most of these countries do not have to the extent called for by their economic aspirations. Shortages of available skills impose a principal limitation on the amount of capital which can be efficiently put to work.

The less developed countries themselves recognize this problem and, concurrent with an effort to expand investment, many are themselves taking steps to improve the training and experience of their population in a wide variety of fields. The Western world is cooperating in this effort through bilateral Technical Assistance Programs, such as that of the ICA, through the UN Technical Assistance Program and through the private exchanges conducted by business organizations, private foundations and religious groups.

It should be noted, however, that new investment can often be provided in such a way that it can itself serve to raise local competence. Thus, engineering and construction can be carried out so as to enable local personnel to learn on the job and the initial operations of a facility can be managed by foreign personnel in such as way as to enable indigenous management to take over in an efficient manner at a later date.

Source of Funds

Although the deficiencies which limit growth in the less developed areas are numerous, insufficient capital for investment looms as a critical shortage. As the most industrialized of nations, with capital available for export, the U.S. is in the position of being the principal single source for the new investment capital which these countries need.

This is not to say that other industrialized nations, such as those in Western Europe, are not now playing a significant role in making capital available, nor that they cannot play an expanding role. The U.S. Government is now taking steps to determine the extent that the contribution of all industrialized nations can be enlarged. However, it is only realistic to recognize the fact that the wealth of the U.S. accords it a major role in this effort.

Private Investment

It is to be hoped that U.S. private investment will meet the challenge wherever possible. At the present time, however, it cannot do the job alone. There are more attractive opportunities for private investment domestically, in Canada and in many parts of Latin America than in the less developed parts of Africa and Asia. For example, as one of the charts at the beginning of this section shows, new U.S. direct private investment, excluding petroleum, in the countries of Africa, Asia and the Middle East was only $62 million in 1957.

Because most of the countries in the Far East and Middle East are on the periphery of the Soviet bloc, investors believe in many cases that the risks outbalance the gains. In addition, investors find themselves handicapped by such economic factors as low purchasing power, limited resource development, and poor marketing facilities. Nor are private investors interested in financing the roads, ports, irrigation and other economic infrastructure on which newly developing countries must place a high priority initially.

Nevertheless, opportunities are present and it is to be hoped that the present lack of familiarity on the part of private enterprise with these opportunities in the less developed areas will soon diminish. It is also to be hoped that as basic public facilities --such as roads and power--begin to appear in greater number and as rising incomes present the prospect of expanding markets, private investors will avail themselves of these further opportunities. For in the final analysis, the capacity of these economies to progress within the framework of free institutions is to a great degree dependent on the extent to which a free business community can thrive within their borders.

Public Investment

Because these countries require economic infrastructure which they cannot obtain entirely with their own resources, because they require a variety of other productive facilities which foreign private investment is not now willing to supply, and because private investors require support and stimulation if they are to perform their potential role in the growth of these countries practically all responsible public and private agencies which have studied this matter in the last few years have recommended a substantial increase in the Development Assistance Programs of the U.S. Government.

Thus, the Committee for Economic Development suggested in a policy report issued in April 1957 that an outlay of $1 billion a year for the next five years, in addition to then current U.S. Economic Assistance Programs, would be a "desirable and necessary investment." In May 1958 the National Planning Association called for a U.S. Government program with $10-$20 billion in capital for use over 5-10 years to finance basic public investment in underdeveloped

ECONOMIC DEVELOPMENT AND U.S. INTERESTS (Continued)

countries. And in the spring of 1958, the Special Studies Project of the Rockefeller Brothers Fund echoed the recommendations of the International Development Advisory Board made the year before when it called for "substantial" increases above the present level of appropriations for development financing.

Generally, the amount of increased investment required from U.S. public sources is estimated in these and other reports at between $1 and $2 billion annually.

That there are sufficient development projects to warrant U.S. Government financing in this magnitude was a fact which emerged from a recent survey. Embassies and ICA Missions were asked to list, on the basis of their present knowledge, those specific investment projects for which there is reason to believe that requests for external financing can and should be made over the next five years.

The results showed that the Development Loan Fund can expect to receive over the next five years about $4.0 to $4.5 billion in applications beyond the $1.5 billion now on hand, making a total lending potential of $5.5 to $6.0 billion during that period. If anything, this estimate is probably conservative since (1) it is impossible to foresee now all of the particular projects that are likely to develop over a period of five years into the future and (2) no specific information was available on India's next development plan, which should cover three-fifths of the period involved.

Conclusion

If U.S. interests are to be served, it is evident that the peoples of the less developed areas must come to realize that the U.S. is sympathetic with and supports their economic growth and it is also evident that their economies must grow at a rate which will keep dynamism and hope alive. Given the inability of the countries themselves, private investment, or other free nations to provide all of the necessary resources, the U.S. Government must employ its own resources to fulfill its own objectives.

For this purpose, it must have an instrumentality endowed with sufficient resources to foster economic growth. In addition, the instrumentality must provide financing in those particular ways which will assure the efficient use of resources. The repayment requirements of loans are useful in this connection as are concentration on specific projects as subjects for financing and any operational practices which will enable the less developed countries to retain primary responsibility for their own growth.

DEVELOPMENT LOAN FUND

ROLE AND NATURE OF THE DLF

The Development Loan Fund is an independent government corporation, established under the Mutual Security Act of 1958 and subject to the Government Corporation Control Act and governed by a Board of Directors. The Board consists of the Under Secretary of State for Economic Affairs, Chairman; the Director of the ICA; the U.S. Executive Director of the IBRD, who is also an Assistant Secretary of the Treasury; the President of the Export-Import Bank; and the Managing Director of the DLF. The Board carries out its responsibilities subject to the foreign policy guidance of the Secretary of State.

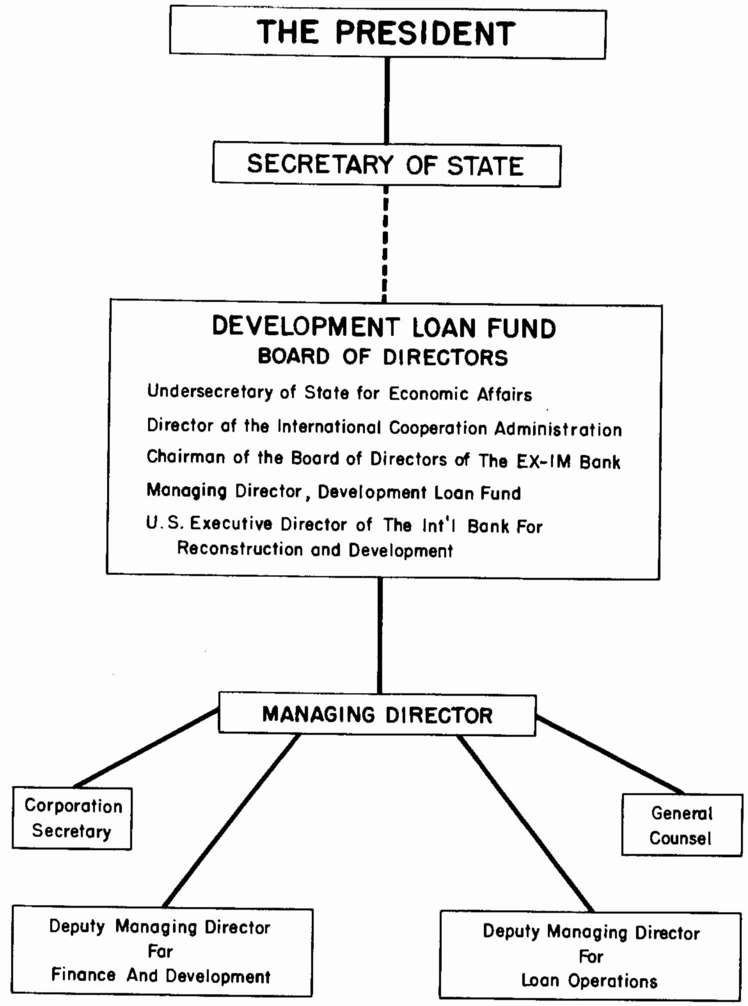
Role of the DLF

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 Government charged with this objective.

Authorized by the Congress in the summer of 1957 and, after a period of organization, in active operation for about one year, the Development Loan Fund has certain features which are unique on the international financing scene.

The DLF acts only when financing from other Free World sources is unavailable on reasonable terms. Thus, by statutory requirement and administrative practice, it supplements and does not compete with existing sources of capital.

Because the DLF is able to provide financing on flexible terms, it can realistically adapt its repayment requirements to the capacities of borrowers in underdeveloped areas, many of whom cannot meet the terms which existing sources of capital must impose. A principal feature in this connection is the authority of the DLF to accept repayment in local currencies where warranted. When authorized, local currency repayment also avoids undue impairment of a country's present or future capacity to service in hard currencies loans and investments extended by the International Bank for Reconstruction and Development (IBRD), the Export-Import Bank and external loans by private individuals and institutions.



ROLE AND NATURE OF THE DLF (Continued)

Type of Operations

The DLF also represents certain significant departures in the manner in which the United States Government provides development financing.

Prior to FY 1958, development financing in the Mutual Security Program was provided on both a grant and loan basis. The DLF is authorized to extend only loans, credits, guarantees and other forms of financing, excluding grants or direct purchases of equity securities. The DLF can enter into credit arrangements with foreign governments, private American and foreign business enterprises and international organizations, either singly or combined.

Unlike the annual, advance allocation of funds by country, which existed under previous Mutual Security development financing, the DLF makes no advance allocations, but is intended to act only on specific development proposals. Such proposals can be for technically and economically sound projects or programs which contribute to the productive growth of the country in which they are located. Loans are made only on the basis of firm commitments by the borrower to repay and upon a finding that there are reasonable prospects for repayment.

Funding Structure

Unlike other elements of the Mutual Security Program, the DLF is a revolving fund. Funds made available to it by the Congress need not be obligated within a specific period of time. Such funds, together with repayments and earnings, become a part of the organization's capital structure to be used as required.

At the present time, the DLF is capitalized with appropriations authorized in Sec. 203 of the Mutual Security Act of 1954, as amended. Out of the $1,125 million authorized therein, of which $500 million could have become available in FY 1958 and $625 million in FY 1959, a total of $700 million has been appropriated by the Congress. $300 million of this amount was made available for use beginning in FY 1958 and $400 million beginning in FY 1959.

It should be noted that DLF capital will in time be composed of foreign currencies as well as dollars received in repayment. Under existing agreements with the countries of issue, the DLF will be free to lend these currencies for local development activities or sell these currencies to other agencies of the United States Government for their administrative use. Agreements also provide for use of such currencies to finance local exports and for their conversion into other currencies upon agreement with the country whose currency is involved.

Internal Organization and Staffing

The DLF operates through four basic organizational units in addition to the office of Managing Director. The Office of the Deputy Managing Director for Finance and Development is responsible for the development of financial policies and programs and for various special programs such as the promotion of private investment and of local development banks. The review, negotiation and implementation of specific loan proposals is the responsibility of the office of Deputy Director for Operations. In addition, the DLF contains an office of the Secretary which is responsible for maintaining Corporate records and general administrative functions and an office of the General Counsel.

The small size of the DLF staff reflects an effort to rely as fully as possible upon the technical and other resources and services already available in other government agencies and private organizations. For example, the staff of about 65 now depends on the ICA for the financial administration of loans, including the handling of disbursements and financial record keeping. ICA also performs financial audits of DLF loans and provides general housekeeping services. The DLF also turns to ICA, other government agencies and private consulting firms for engineering and other technical review and advisory services. The DLF pays for such services out of its assets under an annual administrative expense limitation contained in appropriations legislation.

Lending Policies

The basic lending policies of the DLF originate in specific statutory requirements. These require that it 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; (4) the possible adverse effects upon the economy of the U.S. with special reference to areas of substantial labor surplus.

Since the purpose of the DLF is to help stimulate long-range development, the Board has adopted a number of additional policies

ROLE AND NATURE OF THE DLF (Continued)

intended to reflect this basic intention. For example, it normally does not consider: (1) Proposals by exporters to finance sales to foreign buyers. These are referred to the Export-Import Bank where exports from the U.S. are involved. (2) Proposals involving imports for resale. (3) Working capital loans. (4) Proposals to refund or refinance.

It is the DLF policy to finance specific projects or programs where such programs involve several projects. Thus, it funds such specific facilities as power plants, manufacturing facilities, water and sewage systems and port improvements. Underlying this preference for projects is the belief that financing for a broad or loosely-defined set of purposes or activities could result in the use of funds for purposes which do not contribute directly or efficiently to productive growth.

The DLF is normally reluctant to provide dollars for the financing of local costs of development activities. In those instances where such financing is considered, clear evidence is required that such currencies cannot be made available by the borrower without serious damage to the price and monetary situation in the country concerned.

Loan Terms and Conditions

Interest rates charged by the DLF normally are based on the type of project involved. If the activity is classed as economic overhead (including roads, ports, etc.) a rate approximating the current cost of money to the U.S. Government is used. Currently the rate for this type of project is 3-1/2%.

For profit-making types of projects the DLF normally charges a rate comparable to that charged by the Export-Import Bank. At the present time this rate is about 5-3/4%.

Particularly in those cases where DLF funds are reloaned by intermediaries to local private borrowers, as in the case of loans to development banks, exceptions to this general rate policy have been necessary in order to allow for reasonable charges by the secondary lender and a reasonable rate to the ultimate borrower.

Where local currency repayment has been authorized, the borrower agrees to maintain the dollar value of the original loan.

Loan maturities are normally geared to the useful life of the facility to be financed.

Review and Approval Procedures

The DLF accepts applications submitted through U.S. Embassies or Operations Missions overseas or submitted directly to the DLF in Washington.

When an initial loan proposal is received, it is subjected to a preliminary review by the staff to determine whether, on the face of the information available at that point, the proposal is consistent with the basic criteria for DLF financing and appears to be sufficiently sound and important to warrant further consideration.

Before an intensive evaluation of a proposed loan is made, a check is made to determine whether financing is available from private financing sources, the Export-Import Bank, the International Bank for Reconstruction and Development or the International Finance Corporation.

If the proposal passes the preliminary review and financing is not available at reasonable terms from other sources a decision is then made to subject it to intensive review and evaluation. A DLF Staff Committee, consisting of a loan officer, an engineer and a lawyer, is then formed to examine and supervise the loan proposal through its implementation phase, if a loan actually results, or until it is rejected.

The applicant is then invited to submit such additional engineering, technical, financial and other data as is required for this purpose.

In reviewing the economic and technical aspects of a proposal, the DLF loan officers and engineers draw upon the specialized services of the technical staffs in ICA, Export-Import Bank and other Government and private organizations. The views of the U.S. Embassies and ICA Missions in the country concerned are also obtained and considered.

On completing its evaluation, the DLF management submits a memorandum to the Board of Directors recommending approval, supported by appropriate justification and documentation. If the Board reaches a favorable conclusion, it adopts a formal resolution recommending that the loan be established and specifies the basic terms for the loan. The Board may on the other hand disapprove the proposal or send it back to the DLF management for further information, study or negotiation.

ROLE AND NATURE OF THE DLF (Continued)

After approval by the Board, the proposal is referred for advice to the National Advisory Council on International Monetary and Financial Problems. The NAC consists of the Secretary of the Treasury, the Secretary of Commerce, the Secretary of State, the Chairman of the Board of Governors of the Federal Reserve System, the Chairman of the Board of Directors of the Export-Import Bank and their representatives.

Commitment of Funds

DLF funds are committed when a loan is approved; committed funds are no longer available for further lending. 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 against specific projects, not against the over-all programs.

Establishment of Loan

After a loan is approved, the Managing Director of the DLF takes the necessary steps to establish the loan. He first sends to the applicant a letter which formally advises him that approval of his application has been authorized according to specified loan terms and conditions (interest rate and schedule, terms of repayment of principal, obligation to maintain the value of repayment if in foreign currency and other basic conditions).

A loan agreement tailored to the specific project is then prepared by the DLF, negotiated, and signed. Formal obligation of funds is recorded on the basis of the signed loan agreement.

Although formal obligation occurs at this stage, as indicated above, the DLF must consider that funds are committed, and unavailable for further lending when an application is approved, a stage which precedes formal obligation by varying lengths of time.

Obligations are entered for the full principal amount of direct loans. At the present time, an obligation incurred under a loan guaranty is considered to be the full value of the loan so guaranteed, i.e., a 100% reserve is established against such guarantees. In time, as the guaranty program progresses, it may prove feasible to reserve less than the full value of the guaranty similar to the practice of most other Federal loan guarantee or insurance programs.

Disbursement and Procurement Methods

Disbursement of DLF loans is made for particular items or groups of items or services specified in the loan agreement or subsequent documents issued pursuant to that agreement.

However, after a loan agreement is concluded, the borrower normally must prepare detailed plans and specifications for issue of tenders or bids, often with assistance of consulting engineers hired by him for that purpose. He must then await the preparation of bids, evaluate them when received, award a contract or contracts, await the production and shipment of necessary items and begin necessary construction or installation.

Since disbursements against DLF loans are normally made only for purchases made or services rendered and since the completion of many projects, particularly in the construction field, may take several years, it is evident that:

(1) Some months will often elapse after a loan agreement is signed until an initial disbursement is made; and

(2) Final disbursement may not be made until three or four years after a loan agreement is concluded.

DLF experience, in this respect, is expected to be consistent with that of the Export-Import Bank, the IBRD, and other institutions which finance capital projects.

The DLF disburses loan proceeds under one of two procedures. Under the "letter of commitment" procedure, the DLF addresses letters of commitment to a U.S. bank of the borrower's choosing in which the DLF agrees to reimburse the bank for any money paid by it under letters of credit issued at the direction of the borrower for those items of equipment, material or supplies described by the DLF in the commitment letter. Under the "reimbursement" procedure the borrower uses his own resources to pay for goods and services and is then reimbursed by the DLF on presentation of proof that expenditures have been made for the purposes specified by and under the conditions of the loan.

ROLE AND NATURE OF THE DLF (Continued)

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.

Review of Economic Feasibility

In evaluating the economic soundness of proposals placed before it the DLF has recourse to information and judgments from within its own staff and from the economic and technical staffs of ICA, consulting engineering firms and Export-Import Bank, the IBRD, the Bureau of Reclamation, and other Government agencies. The borrower is required to submit sufficient information to enable the staff readily to determine the economic worth of a project in relation to its total costs.

As the Conference Committee Report on the Mutual Security Act of 1958 suggested, however, lack of available data in many of the underdeveloped countries precludes rigid adherence to any cost-benefit formula and would make difficult any mandatory application of a specific formula to projects carried out in underdeveloped economies.

Impact of Loans on U.S. Economy

Consistent with the statutory requirement, the DLF examines the possible adverse impact on the U.S. economy of 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 suggests 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 now includes a section indicating what the "adverse effects," if any, might be on the U.S. economy. The Board itself considers this question, bringing to bear their views as representatives of 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 plus such non-voting participants as Agriculture and the Bureau of the Budget.

The loan disbursement methods employed by the Development Loan Fund also utilize the services of U.S. banking institutions, as indicated above. In addition, the DLF is attempting to use other financing techniques which will stimulate the use of funds by U.S. banks and other private investors. One such technique is the guaranty of loans made by U.S. commercial banks.

Support of Private Investment

Mindful of language in Section 202(b) of the Mutual Security Act and in the Report of House Foreign Affairs Committee on the Mutual Security Act of 1958 relative to the support of private investment, the DLF review of loan proposals is concerned with the extent to which financing might be available from private sources. Each applicant for a loan is required to state in writing efforts undertaken to seek financing from other sources and the terms, if any, on which such capital is available. The DLF, however, makes its independent appraisal of the availability of funds to the applicant.

While every effort is made to canvass such alternative sources, the nature of most of the undertakings presented to the DLF, such as railroads, highways, sewage plants, high tension grids, power dams and ports is not attractive to private investors. Often, the current financial position of the borrowing country makes unattractive a project for which private financing might otherwise be available. Industrial establishments both large and small, public and private, normally offer more attractive opportunities and it is here that the DLF exerts its principal effort to find other sources of financing.

At the present time, the DLF is investigating ways of improving its procedures for contacting potential private investors both in the U.S. and abroad. In addition to staff level surveillance to determine whether private financing might be available, DLF loans are also reviewed from this standpoint by its Board of Directors and the NAC, thereby bringing the interest and experience of other agencies to bear on this problem.

ROLE AND NATURE OF THE DLF (Continued)

The DLF is particularly interested in supporting the growth of small local private businesses in less developed countries and in fostering wherever appropriate the adoption of credit practices which would make funds available for such small enterprises on reasonable terms. For administrative reasons, however, it has not proved feasible for the DLF to handle directly loans of less than $100,000. Therefore, in order to support small business, it envisages the use of local development banks where feasible in underdeveloped areas as a means of channeling foreign exchange loans to small entrepreneurs. Several loans to such banks have already been approved and more are under consideration.

PROGRESS AND ACCOMPLISHMENTS

Summary

Authorized by the Congress in August, 1957, and established by Executive Order in November of the same year, the DLF experienced a preparatory period prior to the commencement of actual operations. It was first necessary to establish a working organization, decide on basic lending policies and receive applications based on these new technical requirements. The present Managing Director was unable to leave his post as Ambassador to Venezuela and take office with the DLF until January 4, 1958. The DLF, as a result of all these factors, was unable to begin handling loan requests until January 1958 with one-half of FY 1958 remaining.

As the DLF's capabilities for processing applications were getting under way early last year, applications began to mount at a rate far beyond that anticipated. By mid-January they had risen to $1.3 billion and by the end of June to $2.2 billion. By April 30, 1959, the DLF had formally taken under consideration proposals totaling more than $3.0 billion.

It should be noted that this figure represents proposals which survived an initial screening. It excludes a vast and indeterminable volume of applications and inquiries whose ineligibility for DLF consideration was so clear at the outset that there seemed to be no need to consider them further.

The $3.0 billion in proposals actually taken under consideration were in the following status as of April 30, 1959:

Loan commitments have been made for a total of $698 million. The DLF had, therefore, used all but $844,000 of its capital available for lending as of that date.

Another $875 million in applications were no longer under consideration either because they had been found to be inappropriate for DLF financing, because they had been withdrawn by the borrower, or because other institutions, primarily the Export-Import Bank, had indicated a willingness to consider financing.

This leaves a total of more than $1.4 billion in applications still on hand. These proposals have all passed a preliminary review indicating that, on the basis of the preliminary information available, they are the type of projects which appear to be eligible under DLF criteria subject to the outcome of an intensive evaluation.

Proposals Taken under Consideration

The $3.0 billion in proposals taken under consideration by the DLF in the 17 months preceding May, 1959 emanated from 58 countries and involve 596 separate applications.

The largest single bloc of proposals, amounting in value to almost 45% of the total, has been received from South Asia and the Near East. An additional 21% came from the Far East, 12% from Europe, 16% from Latin America and 6% from Africa. The distribution of the proposals by region is summarized in the following table:

Proposals Taken under Consideration (4/30/59) - By Region

	Dollar Value (in thousands)
South Asia	704,908
Near East	602,562
Far East	655,222
Latin America	480,262
Europe	372,015
Africa	198,734
Total	3,013,703

The wide variations among regions and countries in volume of applications received is accounted for by a variety of reasons. One obvious fact that emerges from the foregoing table is that the bulk of the proposals, in terms of value, originated in the most populous areas of the less-developed world. It is also evident that some countries, as a result of past preparations, had on hand a backlog of ready projects; others did not. This disparity is accounted for in some instances by the general status of a country's development efforts and in others by the particular state of the country's or region's skills. It might also be contended that responses from some areas were fewer than would have been the case if substantial alternative sources of financing had not already been available.

The kinds of development improvements taken under consideration by the DLF are summarized in the following table by functional category. It should be noted that proposals in the field of industry, power, transport and communications dominate the picture:

Revised May 19, 1959

PROGRESS AND ACCOMPLISHMENTS (Continued)

Proposals Taken under Consideration (4/30/59) - By Type

	Dollar Value (In thousands)
Food and Agriculture, including irrigation	223,963
Mining	72,289
Water Resources	78,006
Transportation and Communications	820,462
Power	466,917
Industry	1,116,146
Health and Sanitation, incl. water sup. & sewerage	117,732
Community Improvement	104,288
Miscellaneous	13,900
Total	3,013,703

Loan Commitments

Out of the $698 million in loan commitments made through April 30, 1959, specific project approvals totaled $652 million and loan program approvals totaled $46 million. Formal loan agreements had been signed for $502 million of this total and loan agreement negotiations were in process on the balance.

The bulk of total DLF loan commitments thus far have fallen in the South Asian region, where India and Pakistan dominate the picture, thereby reproducing the pattern already observed in connection with proposals received by the DLF. Distribution by major country is summarized in the following table:

Loan Commitments (4/30/59) - By Major Country

Country	Dollar Value (In millions)
India	175.0
Pakistan	72.2
Philippines	50.0
Iran	47.5
Turkey	47.5
Taiwan	39.5
Yugoslavia	27.5
Argentina	24.8
Spain	22.6
Thailand	21.8
Malaya	20.0
Israel	20.0
Vietnam	19.5
Greece	12.0
Sudan	10.0
Others	88.0
Total	697.9

Specific project commitments, which are individually described in a separate section below entitled "Approved Loans," involve such varied activities as road, railway and port development, a sawmill, cement plants, telecommunications facilities, power generation and distribution facilities, local development banks, fertilizer plants, a coke oven, and a sugar mill. When classified by broad activity fields, they fall into the following categories:

Specific Project Commitments (4/30/59) - By Type

Functional Categories	Loan Commitments (in thousands)
Food and Agriculture, including irrigation	44,406
Mining	18,400
Transportation and Communications	241,287
Power	113,060
Industry	195,603
Health and Sanitation, incl. water sup. & sewerage	26,600
Community Improvement	12,300
Total	651,656

In addition to these loans for approved projects it was found to be in the U.S. interest to make several commitments for loan programs in advance of agreement on specific projects, to several countries experiencing an emergency situation in connection with their development programs. In two instances such DLF funding was undertaken as part of a multilateral assistance effort. DLF joined with member governments of the Organization for European Economic Cooperation in an effort to place the development efforts of Turkey on a stable basis. It also cooperated with the International Monetary Fund in a comparable undertaking with respect to Argentina.

Disbursements against these commitments are being and will be made only in accordance with loan agreements authorizing expenditures for specified development projects. Such commitments still outstanding on April 30, 1959, for which project details were being determined, totaled $46.3 million and consisted of the following:

Lebanon ($4,000,000) - For projects in the private sector.

Revised May 19, 1959

PROGRESS AND ACCOMPLISHMENTS (Continued

Philippines ($26,250,000) - For public and private projects which will probably be selected from the following proposals: pulp and paper mills, cement plant, provincial water works, and a fertilizer project.

Turkey ($16,000,000) - Among the proposals to be considered are those for power distribution under the Electric Power Survey Administration, two sulphuric acid tankers, improvement of Turkish Airlines, jute processing factory, Koruma Agricultural Chemical Co., Minneapolis Moline Machinery Co., and Federal Trucks.

Loans to Private Enterprise

Almost $250 million, or more than 35% of committed funds will directly benefit private enterprise. Agreements totaling $92 million have been or are expected to be concluded directly with privately-owned firms. The balance, or about $158 million of the total, involves commitments to governments for the purchase of imported capital items which are being placed directly at the disposal of local private industry.

Currencies of Repayment

Out of the $698 million in loan commitments, more than $140 million or about 20% are expected to be repaid in dollars. Realization of dollars or other hard currencies in this amount exceeds the expectations which were reflected in last year's Presentation to the Congress. Such repayments were then estimated at about 7½% of approved loans.

Some Uses of Loan Funds

Several additional characteristics of the DLF's first year of activity are also worth noting. In a number of cases the DLF participated with other lending institutions in financing common or complementary undertakings in a particular country. Thus, shortfalls in project financing under India's second five-year plan were met with two loans totaling $175 million, in conjunction with credits extended by the Ex-Im Bank and the International Bank for Reconstruction and Development. The DLF also loaned $5 million to Honduras to meet residual costs of a highway development program financed also by the IBRD. A DLF loan to Thailand to finance a power distributing system for Bangkok was developed in conjunction with an Export-Import Bank loan for generation facilities in the same area.

In its effort to support an enlarged flow of private U.S. capital to the less-developed areas, the DLF was able to conclude its first loan guarantee several months ago. Under this arrangement the DLF guarantees collectibility for a loan to be extended by two American banks to the Ingalls-Taiwan Shipbuilding Corporation to permit increased ship construction. This transaction is described in detail below in the separate section entitled "Approved Loans."

Effect of First Year's Loans

The full impact of the DLF's first year of active operations remains to be measured. The actual contribution of the DLF to economic growth will be evident and measurable when factories begin to produce, dams begin to generate power and roads and railways are in full operation. These results will normally come about only several years after DLF loan agreements are signed. In many cases the loan agreements must be followed by detailed engineering designs, solicitation of bids, a period of variable length for construction and a period for the start-up of operations.

Proposals No Longer Under Consideration

Of the $875 million in proposals no longer under consideration as of April 30, 1959, 60 separate applications, totaling $315 million had been accepted for consideration by other lending institutions, largely by the Export-Import Bank. A total of $247 million had been found, in addition, to be inappropriate for DLF financing as a result of more intensive evaluation and $313 million were judged to contain information insufficient on which to base a judgment or were withdrawn by the borrower.

Proposals Still Under Consideration and On Hand

Having disposed of $1.57 billion in proposals in the manner described above, the DLF had on hand as of April 30, 1959, 320 separate proposals totaling $1,441 million. These are summarized by region and type of activity in the following table:

PROGRESS AND ACCOMPLISHMENTS (Continued)

Proposals under Consideration and on Hand (4/30/59)
By Region and Type

(in millions of dollars)

	Total	South Asia	Near East	Far East	Europe	Africa	Latin Amer.
Food & Agriculture, including irrigation	85.8	20.8	7.5	2.4	23.8	28.6	2.8
Mining	30.9		4.4	18.8	7.6	0.3	
Water Resources	59.7	22.0		7.7		30.0	
Transportation & Communications	370.9	113.5	102.8	64.1	20.9	27.5	42.1
Power	246.2	60.7	55.4	60.0	44.8	25.3	
Industry	595.9	173.6	125.1	117.6	155.8	8.1	15.7
Health & Sanitation, including water sup. and sewerage	30.9	5.4		17.1		8.5	
Community improvement	12.9					12.9	
Miscellaneous	7.5	2.0		5.5			
Total	1,440.8	397.9	295.2	293.0	253.0	141.1	60.6

Note: May not add due to rounding.

Obligations and Expenditures

Total obligations, or signed loan agreements, amounted to $102.1 million in FY 1958, and were largely incurred in the last month of that year. They rose to $502 million by April 30, 1959 and are expected to total about $600 million by the end of this fiscal year. The DLF obligation rate is expected to rise still further in FY 1960 when estimated obligations of about $700 million are expected to raise cumulative obligations to about $1.3 billion.

Expenditures are also expected to show a sharp rise. Starting at a level of $1.5 million in FY 1958, cumulative expenditures are expected to rise to more than $100 million by the end of FY 1959 and about $300 million by June 30, 1960.

Since the DLF obligates funds for the full cost of a project rather than in annual increments, full expenditure under any loan agree ent is not expected to take place until two to four years after its signing. This is comparable to the experience of other lending institutions engaged in similar financing.

Repayments and Earnings

Since payments of interest and repayments of principal begin to flow back to the DLF normally six months and one year, respectively, following the initial expenditure of funds, and since loan repayments are often of token size in the early years of the loan, realization of liquid assets from this source will not be significant for some time. By the end of FYs 1959 and 1960, such receipts are expected to total $0.9 million and $9.9 million, respectively, as indicated in the following table:

Cumulative Receipts
(In dollars or equivalent)

	End FY 1959 (est)	End FY 1960 (est)
Interest earned:	800,000	7,800,000
In dollars	200,000	1,400,000
In foreign currencies	600,000	6,400,000
Loan Repayments:	50,000	1,450,000
In dollars		200,000
In foreign currencies	50,000	1,250,000
Fees for Guarantees Issued (dollars)	50,000	650,000
Total Receipts	900,000	9,900,000
In dollars	250,000	2,250,000
In foreign currencies	650,000	7,650,000

It should be noted that the bulk of such receipts will be in the form of foreign currencies. While the DLF expects to relend such currencies for local development projects as rapidly as possible, needs for such local funds in economies whose basic requirement is for foreign exchange are expected to be limited over the next few years.

Further detail on obligations, expenditures and receipts is provided in the Financial Statements section below.

Revised May 19, 1959

PROPOSED INCREASE IN CAPITAL

It is requested that the Congress authorize and appropriate $700 million to become available to the Development Loan Fund beginning in FY 1960.

Foreign Policy Objectives

The Congress has stated that it is United States policy "to help free peoples to develop their economic resources and to increase their productive capabilities" and the President has announced that it is "our goal...to enable free nations to achieve a momentum of economic progress which will make it possible for them to go forward in self-reliant growth."

Within this context, U.S. development assistance has a limited, practical objective. It works to eliminate the need for its own presence. The sooner such assistance begins, the sooner can it end.

These U.S. objectives recognize that aspiration for economic progress is one of the most compelling forces at work today in Asia, Africa and Latin America. They recognize that the less developed countries cannot mobilize out of their own resources all the capital they require to attain satisfactory rates of growth; they must obtain a critical margin of investment capital from outside sources. By virtue of its wealth and level of industrialization, the United States has been thrust inevitably into the position of being the principal single source in the Free World from which such capital can come.

U.S. policies are mindful of the fact that the Soviet bloc is seeking increasingly to turn this situation to its own purposes. The Soviet effort is summarized on pages 7 and 8.

Existing U.S. policies reflect a conviction that it is in the interest of the United States and the entire Free World that the drive for economic growth now under way be conducted within free institutions and in association with the rest of the Free World.

For this purpose, the United States requires an institution endowed with sufficient resources to foster economic growth by supplementing existing sources of investment capital. The Development Loan Fund is the principal instrument of the United States Government charged with this objective.

The nature of U.S. interest in the growth of the less developed countries and the circumstances which give rise to the role of the Development Loan Fund are more fully summarized on pages 5 to 11.

Funding Requirements

The Executive Branch believes that maintenance of at least the current $700 million annual lending rate of the Development Loan Fund is essential if the foreign policy objectives of the United States are not to be endangered. The proposed increase in capital to become available in FY 1960 would do no more than permit the DLF to maintain the same rate of activity that prevailed during its first year of actual lending.

That this level is minimal is supported by the findings of almost all responsible public and private groups that have expressed themselves on the subject. An indication of several of these views is contained on pages 10 and 11.

The very creation of the Development Loan Fund reflects in part the conviction that a substantial increase in development financing by the United States Government is needed beyond the estimated annual level of $400 to $500 million which prevailed in the years immediately prior to the DLF. It is evident that when funds were being made available at that earlier level many countries showed no material increase in incomes per person. At least $700 million must be made available to the DLF in FY 1960 if it is to play a significant role in altering this pattern.

Moreover, an increased level of funding in at least that amount is essential if the less developed countries of the world are to continue to appreciate that the United States is sympathetic with and supports their economic aspirations.

By the end of the current fiscal year the Development Loan Fund will have completed its two-year trial period. Any doubts that may have been felt regarding its ability to undertake a sound lending program at a rate beyond the funding levels provided for each of its first two years should be dispelled by its record. That record is set forth in detail in several of the preceding sections of this volume.

By the end of January 1959 the DLF was virtually "loaned out." At that time, it had more than $1.5 billion in screened proposals on hand and under consideration. Additional applications are continuing to flow in. A supplemental FY 1959 appropriation has been requested to avoid a serious interruption in operations prior to the availability of FY 1960 funds.

PROPOSED INCREASE IN CAPITAL (Continued)

Administrative Expense Limitation

FY 1960 administrative expenses of the DLF are estimated at $2,050,000. Congress will be requested to enact a limitation in this amount on the use of corporate funds when it considers Mutual Security appropriations for FY 1960. In accordance with the practice of Government corporations, no separate appropriation for this purpose will be requested.

A limitation of $1,250,000 was enacted by the Congress for FY 1959. The increase for FY 1960 will be required to support the full-year operation for the first time of all elements of the lending program as well as the increased level of lending activity estimated for FY 1960.

During its first year--fiscal year 1958--the DLF, as a new organization with new functions, was necessarily concerned with the establishment of lending policies and criteria, recruitment of key staff, and development of an organization for review and approval of proposals. It was not until relatively late in FY 1958 that the first loan agreement was signed. Throughout its second year--fiscal year 1959--as a substantial volume of new loans was being approved, it was necessary to devote increasing attention to operations which immediately follow loan approval, namely, the drafting, negotiation, and conclusion of detailed loan agreements, and the initial phases of loan implementation.

During FY 1960 the DLF must give increasing attention to the final operational phase involved in carrying out a lending program; the implementation of signed loan agreements. By the end of FY 1959 a total of $600 million in loan agreements will have been signed. During FY 1960 the progress of these projects, as well as many of those agreed to in the course of the year, must be reviewed and corrective action taken where necessary. Therefore, a site audit program must be undertaken, and all activities concerned with effecting disbursement of funds and administration of approved loans must be in full operation. The more extensive operation of all aspects of DLF lending operations constitutes a primary reason for the estimated increase in DLF administrative expenses during FY 1960.

The DLF has found on the basis of a full year of lending experience, that the workload required to review a loan proposal, present it to the Board, negotiate and sign a loan agreement and arrange for implementation is significantly higher than had been anticipated. Estimates of FY 1959 requirements were of necessity developed without the benefit of actual work experience. The estimate also reflects an estimate of $700 million in signed loan and guaranty agreements in FY 1960 compared with about $500 million in FY 1959 and $102 million in FY 1958.

The estimates make provision for the same basic pattern of working relationships with the ICA, whereby DLF staff secures extensive administrative and program support services on a reimbursable basis. The proposed increase in the administrative expense limitation would permit the DLF and the ICA, which provides support services, to meet the increasing workload demands described above. It is proposed to increase DLF staff from 69 to 103 persons -- primarily in the categories of loan officers, lawyers, and engineers -- and to enable the ICA to provide additional staff to carry on the required fiscal administration, audit, and administrative "housekeeping" services required in FY 1960.

DEVELOPMENT LOAN FUND

L O A N C O M M I T M E N T S

INDEX OF DETAILED DESCRIPTIONS

The following section contains a description of each loan commitment for specific projects outstanding as of April 30, 1959. These commitments have a total value of $651,656,000. The descriptions on pages 63a through f represent commitments issued since January 31, 1959, the cut-off date for the original edition of this volume. It should be noted that many of the commitments issued through January 31, which are described on pages 27 - 63 below, and for which letters of advice had been issued as of that date, now represent signed loan agreements. In order to avoid the expense of reprinting many of the following pages to reflect these changes, those loans are asterisked (*) in the index below which have moved from the letter of advice to the loan agreement stage since January 31.

Revised May 19, 1959

L O A N C O M M I T M E N T S (Continued)

INDEX OF DETAILED DESCRIPTIONS (Continued)

Revised May 19, 1959

BOLIVIA

La Belgica Sugar Mill

Loan Amount and Terms: $2,500,000 repayable in 10 years at 5-1/2% in bolivianos.

Borrower: Gasser y Cia, Industries "La Belgica" S.A., a private corporation, near Santa Cruz, Bolivia.

Status: Loan Agreement signed.

The proceeds of the loan will be used to assist in financing the foreign exchange costs of acquiring equipment, materials, supplies and services required for expansion and modernization of the applicant's sugar planting and processing facilities near Santa Cruz, Bolivia.

During harvest time "La Belgica" employs 500 laborers who with their families, living in rent-free houses on the farm, total about 3,000 persons. In addition to operating 3,000 hectares of its own land, La Belgica buys sugar cane from neighboring farmers, as well as rice, yucca (Manioc), corn, meat, coffee and bananas as food for their personnel.

To increase the estimated 1958 production of 12 million pounds of sugar to 34 million pounds by 1962, new equipment and plant expansion are required. The sugar mill machinery is to be imported from the United States.

Expansion of the sugar mill should save Bolivia more than $1,000,000 annually in foreign exchange and will be an inducement to the farmers in the Santa Cruz to expand their sugar plantations in order to provide sugar cane to meet the increased capacity of the mill. The increase in plantings will also increase employment of farm laborers.

BRAZIL

Anhumas/Pedrinhas Rural Resettlement

Loan Amount and Terms: Up to $300,000 repayable in 20 years at 8% in Brazilian cruzeiros.

Borrower: Companhia Brasileira de Colonizacao e Imigracao Italiana, a private stock company whose shares are held by the Italian Government.

Status: Letter of Advice issued.

Proceeds of the loan will be used to assist in financing the costs of resettling 50 Italian families on farms at Anhumas, Brazil and of establishing an irrigation system in connection with the applicant's rural resettlement project.

The applicant is the Companhia Brasileira de Colonizacao e Imigracao Italiana, with headquarters in Rio de Janeiro and an operations office in Sao Paulo.

Founded in 1950, the company settles immigrant Italian farm families on land which it purchases and subdivides, and improves the land and provides each holding with the necessary buildings, equipment and livestock. It also provides financial, technical and social assistance to the settlers until they have become independent. The poor standard of living and low consumption level of rural Brazil, together with the prevailing land tenure system, are the main deterrents to progress in rural areas. Organized rural communities consisting of the type of farming unit being established at Anhumas-Pedrinhas, are setting examples of both higher consumption and production. The envisaged production pattern at Anhumas-Pedrinhas emphasizes crops such as tomatoes and peas, as well as dairying combined with hog raising for the rapidly developing industrial complex of the cities of Sao Paulo and Santos. Since wide variations occur in both the summer and winter rainfall of the area, the practice of auxiliary irrigation is considered essential to give greater stability to farm production.

Carambei/Castrolanda Resettlement Project

Loan Amount and Terms: Up to $350,000 repayable in 14 years at 8% in Brazilian cruzeiros.

Borrower: Cooperativa Agropecuaria Batavo Limitada and Cooperativa Castrolanda Limitada located in the Municipality of Castro, Parana, Brazil.

Status: Letter of Advice issued.

Proceeds of the loan will be used to assist in financing the costs of acquiring land, equipment, materials, supplies and services required to create about 100 farming units near the existing settlements of Carambei and Castrolanda.

The loan is being extended to two agricultural cooperatives for the purpose of settling some 60 Dutch families and providing farms

BRAZIL (Continued)

for 40 Brazilian families of Dutch origin. The additional 100 farming units are expected to support approximately 500 persons.

A guided and planned group settlement project such as this one, under the sponsorship of the Intergovernmental Committee for European Migration (ICEM), serves effectively as a center of demonstrating new and efficient techniques for the benefit of Brazilian agriculture. In this case, emphasis is on dairy products, not only because the Dutch settlers are master farmers in this specialization but also because the demand for such products from the State of Parana exceeds the production of the existing settlements. As the example set by the Dutch colony spreads through the area the dairy product supply situation of more distant and rapidly growing markets, such as Sao Paulo and Rio de Janeiro, may be expected to improve.

CHILE

Airport Engineering Design

Loan Amount and Terms: Up to $150,000 repayable in three years at 3-1/2% in Chilean pesos.

Borrower: The Government of Chile, through the Ministry of Public Works, which is charged with the function of designing and constructing airports, among other public works duties.

Status: Letter of Advice issued.

Proceeds of the loan will be used to finance preparation of a master plan and detailed design plans, specifications and cost estimates for a new international jet airport at Pudahuel, Santiago, Chile.

The existing international airport in Santiago is inadequate to handle Chile's constantly increasing traffic and is unable to receive the new jet-propelled planes which will be put into service between the United States and Latin America in 1960. Adequate airport facilities are essential if the country is not to be bypassed by new international air transportation services and to suffer significant disadvantages in international commerce and tourism if it is not able to produce an airport to accommodate modern international air traffic.

COSTA RICA

SICA Resettlement

Loan Amount and Terms: $300,000 repayable in 16 years at 5-1/2% in U.S. dollars.

Borrower: Societa Italiana di Colonizzazione Agricola (SICA), an Italian corporation.

Status: Letter of Advice issued.

Proceeds of the loan will be used to assist in financing the foreign exchange and local currency costs of acquiring equipment, materials, supplies and services required for improvement and expansion of the applicant's development and resettlement activities.

SICA was organized to resettle Italian farm families in Costa Rica. The colony's land is fertile and produces excellent coffee at a low price per pound. This coffee is of the mild upland type used for blending with stronger African and Brazilian coffees and is not in oversupply. The Costa Rican Government has sold about 22,000 acres of land to SICA with the understanding that it will be turned over at cost to the colonists in 25-acre parcels. For each farm unit of land settled, the SICA company receives title to an area of about 8 acres for its own use. The colony is now diversifying its agriculture into poultry and vegetable production, dairying and beef cattle.

The project will aid in the economic development of a large and potentially rich agricultural region in southern Costa Rica. In an area which in 1950 was uninhabited jungle, the SICA colony has developed a settlement that now gives employment to sustain approximately 500 Italians and 1,600 Costa Ricans. The colony is expected to earn $600,000 in foreign exchange during the current year. The energy and skills which the settlers can bring into this area will have an important influence on the development of all southern Costa Rica.

The colony has an abundance of fertile land and large amounts of excellent timber available. The United Fruit Company nearby provides a ready market for all the lumber, meat, fruit, and vegetables which the colony can produce. The completion of the Inter-American Highway in 1960 will open up new markets in Panama and the Central Plateau of Costa Rica for some of the colony's products.

ECUADOR

Pan-American Highway

Loan Amount and Terms: $4,700,000 repayable in 20 years at 3-1/2% in currency of Ecuador until half paid, balance in U.S. dollars.

Borrower: Republic of Ecuador.

Status: Letter of Advice issued.

Proceeds of the loan will be used to assist in financing the costs of acquiring equipment and materials, supplies and services required for the completion of a highway between Loja and Macara, a distance of km. 204.6. This is the last remaining unimproved section of the Pan-American Highway in Ecuador, and its construction will permit not only unbroken automobile travel from the Colombian border to Peru, but also from Caracas to Buenos Aires, thus linking by highway almost all the countries in this continent.

In addition to its importance as a part of the Pan-American Highway, the road is urgently needed to open the Loja Province, in which it is located, to the commerce of Ecuador. The Province of Loja is the fifth in size of the fifteen coastal and Sierra provinces, with an area of 11,500 square miles and a population of 280,000. About 9.3% of the total area is under cultivation in the province.

The climate of the province is favorable to growing bananas, plantain, corn, yucca, barley, coffee, beans, peas, potatoes, rice, peanuts, wheat, sugar cane, oranges and avocados, in addition to expanding its livestock potential. The completion of the road will encourage increased production of foodstuffs, both for the local market and also the export market, thereby improving Ecuador's foreign exchange position.

GUATEMALA

Rubber Production

Loan Amount and Terms: $5,000,000 repayable in 12 years, at 5-3/4% in United States dollars.

Borrower: Government of Guatemala (Ministry of Agriculture).

Status: Letter of Advice issued.

The proceeds of this loan will be used to assist in financing the costs of acquiring equipment, materials and services required for putting approximately 80,000 acres of land in the Departments of Pscuintla, Retalhuleu and Suchitepequez on the Pacific slope of Guatemala, into rubber production by private investors.

The total investment in the 80,000-acre project is estimated at the equivalent of $41,000,000. Of this amount, private enterprise will invest the equivalent of $24,700,000, and borrow locally in Guatemala the equivalent of approximately $4,275,000.

It has been estimated that this 80,000-acre project will ultimately employ 17,000 full-time workmen. This would mean improved living standards for approximately 100,000 persons, or 3% of the present population.

The project is expected to create an incentive for other rubber development projects, as it has been estimated that over 200,000 acres of land are suitable for rubber production. It will assist Guatemala in diversifying her export products so that she would not be so dependent on coffee and bananas for foreign exchange earnings. It is estimated that by 1975 this project could produce as much as $30,000,000 in rubber exports. The project will also save foreign exchange for Guatemala, which presently imports crude rubber for a newly established tire factory. With a supply of domestic rubber, this tire factory would be in a better position to supply tires to other Central and South American countries.

HONDURAS

Highway Development

Loan Amount and Terms: $5,000,000 repayable in 20 years at 3-1/2% in Honduran lempiras.

Borrower: Government of Honduras, Department of Public Works.

Status: Loan Agreement signed.

This loan is to assist in financing local currency costs of three roads as part of the country's larger road development program.

The road program was developed over the past three years with the assistance of the IBRD and is planned for implementation over the next several years. It has three distinct components: improved maintenance of existing roads and secondary improvements of the

HONDURAS (Continued)

existing network, the construction of additional main highways to complete the road network and the construction of feeder roads.

The DLF loan will be applied, jointly with IBRD financing, to the construction of the Bufalo-Puerto Cortes Road, the Western Highway (including roads and bridges) and the Southern Road.

Puerto Cortes is the main outlet for the overseas trade of Honduras and practically all of seaborne imports and exports move through this port. Because of the lack of effective highway connection between Puerto Cortes and Bufalo, until recently all highway traffic to and from the interior of the country has been funneled from and to Puerto Cortes over the Honduras National Railway, running from Puerto Cortes to Potrerillos, 95 km. inland.

The Western Highway serves one of the most densely populated areas of Honduras through a potentially rich agricultural region. The development of the region is retarded by a lack of overland transportation facilities connecting with principal markets and ports of export. The conversion of the Western Highway into an all-weather road is considered essential to the economic progress of the area.

The Southern Highway is the most important traffic artery in Honduras, with a reported traffic count of 250-300 vehicles per day. It is the only means of communication from the Pacific Coast ports to Tegucigalpa and the interior. This highway is used to bring in the country's oil and gasoline imports, is the main outlet of the timber trade, and is the only connection in Honduras to the Inter-American Highway.

NICARAGUA

Matagalpa Public Utilities

Loan Amount and Terms: $600,000, repayable in 15 years at 3-1/2%, in United States dollars.

Borrower: Municipality of Matagalpa, a city in the Department of Matagalpa in Nicaragua.

Status: Letter of Advice issued.

The loan will be used to assist in financing (a) the purchase and installation of a water treatment plant, (b) the construction of additional sanitary and storm sewer facilities, and (c) the completion of paving of flood control waterways.

The three projects are a continuation of a public utility improvements program in which the city has already invested over $200,000 in recent years. Since the municipality will continue to carry out other elements of this program concurrently with the projects covered by the proposed loan, it is expected to use more than $90,000 of its own resources annually over the next few years for this purpose.

Prevalence of malaria and intestinal parasites constitutes the two chief causes for the high infant mortality rate and low productivity of the area. Provision of pure water supplies, sanitary sewage disposal and programs eliminating mosquito-breeding will raise the general health level and contribute thereby to the economic productivity of the area.

PARAGUAY

Asuncion Waterworks

Loan Amount and Terms: $1,000,000 repayable in 20 years at 3-1/2% in Paraguayan guaranies.

Status: Loan Agreement signed.

The proceeds of the loan are being used to assist in financing the local currency costs of equipment, materials, supplies and services required to complete construction of a water supply distribution system and treatment plant in Asuncion, the capital city. The Export-Import Bank has already provided a loan of $7,000,000 for the purchase of American equipment being used in this project. Physical construction of the system is now more than 60% complete.

Asuncion, with a population of 440,000, or 30% of the nation's total, lacks sufficient potable drinking water and water for industrial purposes.

Brazilian Road

Loan Amount and Terms: $2,500,000, repayable in 15 years at 3-1/2%, first 18 semiannual installments in Paraguayan guaranies, balance in U.S. dollars.

Borrower: Government of Paraguay.

PARAGUAY (Continued)

Status: Loan Agreement signed.

The proceeds of the loan will be used to assist in financing construction of a gravel surface, including costs of machinery, equipment, materials, services and supplies, on the Brazilian Road.

The Brazilian Road lies between Coronel Oviedo and Puerto Presidente Stroessner and is part of the international route linking Paraguay with Brazil. In 1943, Paraguay negotiated with the Export-Import Bank a $3 million loan for the financing and construction of a section of the road between Asuncion and Coronel Oviedo.

Paraguay has been economically handicapped because of its total dependence on the Parana River as a means of commerce with contiguous countries. Completion of the proposed free road to Brazil would give Paraguay another exit to the sea. The road is important as part of the Pan-American Highway system which aims to provide communication and commerce between Argentina, Bolivia, Brazil, Paraguay and Uruguay.

The Brazilian road connects with the International Bridge, a joint Brazilian-Paraguayan project serving to increase trade between these countries. Its completion will foster the sale of meat, leather and agricultural products in exchange for manufactured goods produced in the centers of Sao Paulo and Curitiba, Brazil.

International Products Corporation

Loan Amount and Terms: $2,600,000, repayable $2,100,000 in 5 years and $500,000 in convertible debentures in 6 years at 5-1/4%, payment to be made in U.S. dollars.

Borrower: International Products Corporation (IPC), a Delaware corporation.

Status: Loan Agreement signed.

The proceeds of the loan will be used to assist in financing the costs of acquiring equipment, materials, supplies, livestock and services for purposes of modernizing and expanding operations of the International Products Corporation in the fields of ranching, meat packing and quebracho processing. U.S. equipment purchases under this loan are estimated at $1,262,550, livestock and labor at $1,305,000.

The IPC, which has been operating in Paraguay since 1925, is the country's largest earner of dollar exchange. It owns in Paraguay an integrated meat packing plant, a quebracho extract (tanning) plant in Puerto Pinasco, 2.4 million acres of land with quebracho forests and a ranch of 568,000 fenced acres supporting a herd of 65,000 head of cattle, oxen and horses. IPC recently has also been granted an oil and gas concession by the Government.

In the 5-year period, 1953-1957, more than $14 million in foreign exchange has been acquired by Paraguay as a result of IPC export activities. Remittances increased from $2.2 million in 1953 to more than $4 million in 1957 and are of major significance for Paraguay whose total annual dollar earnings are about $7 to $8 million.

Increased dollar exports would enable Paraguay to meet more of its import needs for consumption and development from its own resources. In addition to the U.S. dollars acquired by Paraguay from IPC exports, the country benefits from employment by IPC of 4,500 workers who, with their families represent about 25,000 persons dependent for their livelihood on the IPC operations.

LIBERIA

Liberia Sawmill

Loan Amount and Terms: $190,000 repayable in 5 years at 5-1/4% in U. S. dollars.

Borrowers: Liberian-American Enterprises, Inc. and the Liberian Agricultural and Industrial Corporation, which jointly own a third corporation, the Liberian-American Agricultural and Industrial Corporation which conducts the lumbering operation. The first company was incorporated in Michigan by a group of Detroit businessmen with the purpose of investing in Liberian ventures. The second, incorporated in Liberia, is owned by a group of Liberian investors. Ownership of the operating firm is held 60% by the former and 40% by the latter.

Status: Loan Agreement signed.

This lumbering concern has been in operation since January 1958. It is now capable of producing at the rate of 15,000 board feet, but lack of logging and transportation equipment held output to one-third that figure. Proceeds of this loan will be used to provide the necessary logging and transportation equipment as well as a sawmill, storage, a planing mill, a treating plant and miscellaneous equipment and materials. The equipment will raise total output of the lumbering operation to 22,500 board feet.

Liberia is a net importer of lumber, despite the fact that 8,700,000 acres are covered with high forests and 30% of total land area supports timber considered adequate in quantity and quality for commercial lumbering. Liberia's strongly leached soil is far more suitable for tree crops such as rubber, cocoa oil palms, bananas and lumber, than for field crops. At present rubber is the most valuable of the tree crops, and along with iron ore, accounts for 90 percent of total export earnings, but timber products are considered to be another potential major export.

The borrowers own and have an option to purchase 100,000 acres in the Bapulo area, to the northeast of Monrovia. The availability on these holdings of suitable species of timber in adequate quantities has been established by a technical survey.

Liberia Telecommunications

Loan Amount and Terms: $3,000,000 repayable in 25 years at 3-1/2% in U.S. dollars.

Borrower: Government of Republic of Liberia, which exercises responsibility for telecommunications operations through its Department of Posts, Telegraph and Telephone.

Status: Loan Agreement signed.

The loan will be used to assist in financing the costs of acquiring equipment, materials, supplies and services required for the renovation, repair and extension of the telecommunications facilities and services in Liberia.

Liberia lacks an integrated telecommunications system, a fact which hampers its future economic development. Telecommunications is now largely confined to the independent, unconnected facilities operated by three foreign enterprises in Liberia. An unmet demand for broader facilities in the expanding coast areas and in inland areas now being opened up creates the need to expand an integrate the present facilities.

LIBYA

Tripoli Power

Loan Amount and Terms: $5,000,000 repayable in 25 years, at 3-1/2%, in U.S. dollars.

Borrower: Government of the United Kingdom of Libya. Through its Ministry of Finance, the Government will extend the loan, in turn, to the independent Power Authority.

Status: Letter of Advice issued.

The loan will be used to assist in financing foreign exchange costs of materials and services required for the rehabilitation and expansion of the generation, transmission and distribution facilities of the electric power plant in the city of Tripoli and its surrounding area.

The DLF loan will partially finance a project whose total cost is estimated at about $13,000,000. A loan of $3,500,000 has been made for this project by ICA from prior year funds, and the Government of Libya has loaned about $3,600,000.

The present power plant and system in Tripoli was installed by the Italians prior to World War II. Very little maintenance or expansion was undertaken until after Libya became independent in 1952. The city has been expanding rapidly and the worn-out, obsolete facilities have become inadequate.

PREVIOUS PAGE BLANK

LIBYA (Continued)

An extensive engineering survey has been made and the project is under way. The plan calls for the addition of two 10,000 kw generating units, thermal powered, in a new building, together with renovation and extension of the transmission and distribution facilities. The entire system, when completed, will have an installed capacity of 34,450 kw, which is estimated to be sufficient to meet foreseeable requirements over the next decade, assuming a demand growth factor of 7% per year.

The area to be served by the proposed project includes the city of Tripoli and about 75 square miles of surrounding agricultural area. It contains a population of about 290,000 or roughly 26% of Libya's population, the bulk of its industry and agriculture, including agriculture for export. This is by far the largest concentration of population in Libya, and continues to grow.

SOMALIA

Credito Somalo

Loan Amount and Terms: $2,000,000, repayable in 15 years at 4% in currency of Somalia (Somalos).

Borrower: Credito Somalo, a financial institution owned and operated by the Government of Somalia.

Status: Letter of Advice issued.

Credito Somalo was established in 1954 with a capitalization, provided by the Government, equivalent to approximately $815,000. The Credito's enabling legislation permits private participation in its capitalization although, to date, no shares have been distributed to the public.

The Credito Somalo is empowered to assist agriculture, animal husbandry, small industries, and artisan enterprises by financing their installation, development, production, marketing, and export of finished products. The operating staff consists of Italians and indigenous personnel. The International Cooperation Administration is providing a technical adviser in agricultural cooperatives to work with the staff of the Credito.

The DLF loan will be utilized primarily to assist the Credito Somalo in making small loans to private individuals to finance imports essential to the development of a textile industry supplying local needs, fisheries, tanning and leather manufacturing, meat canning, processing of agricultural products and the cultivation and marketing of long-staple cotton, groundnuts, sesame, and incense. The loan will permit the extension of the Credito's activities to embrace medium and long-term loans, the local currency component of which will be derived mostly from local resources. A small portion ($250,000) of the loan by the Development Loan Fund may, however, be utilized to meet some local currency expenditures. The loans by the Credito will bear interest at about 6% and be repayable in 10-15 years.

Somalia is currently administered by Italy as a UN Trusteeship. Independence is scheduled for 1960. The economy is predominantly agricultural and subsistence in nature. It is a single crop economy, with bananas accounting for 70% of its exports. Since 1954, the Trusteeship Administration has been undertaking a seven-year development program, with emphasis on agriculture. Industrial development is left largely to private initiative.

By making available financial resources at reasonable rates of interest, the DLF loan will make possible the procurement of essential imported equipment to modernize and expand existing small industries and to initiate new endeavors in this field. Such industries, in private hands, will provide a stimulus to the growth and diversification of the Somalian economy.

SUDAN

Sudan American Textile Industry

Loan Amount and Terms: $10,000,000 repayable in 15 years at 5-1/2%, in U.S. dollars.

Borrower: Sudan-American Textile Industry, John Theodoracopulos Company, Ltd. - with offices in New York City.

Status: Letter of Advice issued.

The loan will be used to assist in financing the costs of acquiring equipment, material, supplies and services required for the construction, equipping and starting up of a textile plant in or near Khartoum, Sudan.

This project calls for the construction of a textile plant equipped with 25,000 spindles and 900 automatic looms. It is estimated that the plant, working with three shifts at 90% efficiency, should be able to attain an annual production of 30 to 40 million yards of cloth, depending on the quality of the fabrics made. The facility should employ up to 1,500 workers.

SUDAN (Continued)

Because of climatic conditions in Khartoum, the plant, which will occupy an area of approximately 324,000 square feet, must be built with double walls, without windows, and with air-conditioning and humidification. As public power is wholly inadequate to supply the energy necessary to operate the plant, it must generate its own power. For this reason, construction plans call for the installation of four diesel engines of 1,600 HP each. Lack of roads and other convenient means of communication will necessitate the construction of a spur line connecting the plant with the main railroad line.

The Sudan American Textile Industry has arranged to train Sudanese workers at its expense for a period of six to ten months. Arabic speaking Greeks will be used as instructors and interpreters.

The Sudan has virtually no industry. The facility to be financed under this loan would produce essential goods from domestically produced raw materials. It would save substantial amounts of foreign exchange now being used to import textiles from countries to whom Sudan sends raw cotton. It should also stimulate the creation of allied industries as, for example, hosiery, thread and underwear industries.

TUNISIA

Tunisian National Railroad

Loan Amount and Terms: $2,400,000 repayable in ten years at 3-1/2% in Tunisian francs.

Borrower: The Tunisian National Railroad (Societe Nationale des Chemins de Fer Tunisiens), a Government-owned corporation.

Status: Letter of Advice issued.

The loan will be used to assist in financing the foreign exchange costs of acquiring equipment and machinery required for improvement of its passenger service and efficient operation of its maintenance shops.

Specifically, the funds are to be used to purchase diesel-powered self-propelled coaches, of which six will be standard guage and six will be narrow gauge; and to purchase ten standard guage and fifteen narrow gauge coaches. These are to replace worn-out rolling stock on the main lines. The estimated cost of these purchases is $2,050,000.

An additional $238,000 will be used to purchase machinery to replace and expand existing shop equipment. It will include boring and milling machines, lathes, planers, a shearing machine, presses, and a Bessemer steel and electric laundry. The expanded shop would be operated primarily for the repair of railroad equipment but would also undertake to repair spare parts for private industry which, otherwise, would have to be imported.

The acquisition of new and the retirement of old equipment on main-line runs should result in reductions in operating costs, increased revenues from more efficient passenger service, and general improvement in the transportation facilities of the country.

The improvement and expansion of existing maintenance shops will permit cheaper and more rapid repair of engine and locomotives and, in addition, provide facilities for improved construction of freight cars. It would also provide the facilities needed for the repair and manufacture of tools and machinery for Tunisian agriculture and small industry. Its implementation is expected to result in savings of needed foreign exchange now expended for maintenance purposes.

Tunisian Pulp Factory

Loan Amount and Terms: $6,250,000 repayable in 14 years at 5-3/4%, in currency of Tunisia, France or the United Kingdom, as DLF shall prescribe.

Borrower: Societe Nationale Tunisienne de Cellulose, a corporation organized under the laws of Tunisia with ownership 50% by the Government of Tunisia and 50% by Parsons and Whittemore Co.

Status: Letter of Advice issued.

The loan will be used to assist in financing the cost of acquiring equipment, materials, supplies and services required for plant facilities to produce bleached esparto pulp, including a pulp mill, a steam power plant, a water treatment plant and an electrolytic caustic soda plant.

The project involves the construction of a modern bleached esparto pulp mill with a production capacity of about 80 metric tons per day in the Vicinity of Kasserine, Tunisia. The plant will utilize about 60,000 metric tons of raw esparto grass per year. Esparto grass is an indigenous plant grown in Tunisia. In the initial stages the pulp produced is intended for sale on world markets, principally in the United Kingdom, which is the largest

TUNISIA (Continued)

traditional user of esparto pulp. Consequently, the entire output of the mill will result in foreign exchange earnings. Currently esparto grass is exported in bales.

It is reasonable to assume that 230 people employed in the mill itself will correspond to a total of more than 1,000 persons who will benefit directly from the result of this project. The mill will serve to attract skilled Tunisian labor now employed in France which cannot at present find suitable outlets for their industrial skills in Tunisia.

The conversion of the raw esparto grass into a semi-finished product (pulp) will greatly increase its export value. It is estimated that the resulting net improvement in the Tunisian balance of payments, once the mill is in production, will be in the order of $1 million annually.

Not only will the mill conserve and enhance the flow of esparto grass, but it will also provide a new outlet for other domestic available raw materials such as salt and limestone.

NETHERLANDS

Resettlement of Emigrants

Loan Amount and Terms: $3,000,000 repayable in 40 successive semiannual installments, at 4-1/2% in U. S. dollars.

Borrower: The Government of the Netherlands.

Status: Loan agreement signed.

The loan is to be used for the partial financing of cooperative terminating building societies (mortgage financing institutions) to be established in Australia for the financing of owner-occupant housing for Dutch immigrants in Australia. These societies are to be established in the states of New South Wales and Victoria where the majority of Dutch immigrants settle and where the housing shortage is particularly severe. Total funds required are $6,000,000 - of which $3,000,000 will be loaned by Australian banks. The loans are to be made by the building societies to individuals for the construction of individual houses.

The loan is considered of importance in view of the recent exodus of Dutch nationals from Indonesia. Since December of 1957, approximately 35,000 Dutch Nationals left Indonesia for the Netherlands. It is expected that this number may eventually approach 50,000. This influx will add considerably to the population problem now confronting the Netherlands, which stands out as the country in Western Europe having the highest rate of national population increase. The loan will enable about 1,000 families to be resettled in Australia.

SPAIN

Irrigation (Earthmoving Equipment)

Loan Amount and Terms: $7,700,000 repayable in 6 years at 3-1/2% in Spanish pesetas.

Borrower: Instituto Nacional de Colonizacion, an autonomous Spanish Government agency, operating under the Ministry of Agriculture, charged with a long-term program of transforming low yield arid areas into irrigated farm lands.

Status: Letter of advice issued.

The loan will be used to assist in financing the importation of earthmoving and related machinery and spare parts for converting 190,000 acres currently in dry land wheat production and grazing to irrigated farms. The cost of the reclamation project to which the DLF is contributing will total $84,000,000, and the DLF loan of $7,700,000 will provide for the purchase of 270 tractors, 90 scrapers, 12 graders, and the necessary auxiliary equipment and spare parts. The project is scheduled for completion within six years.

The project is located in the northeast part of the country, some 30 miles from the City of Zaragoza, and involves irrigating semi-arid land, averaging 12 inches of rainfall annually. Apart from the lack of water, agricultural characteristics are good. With irrigation, a more substantial and more reliable annual water supply amounting to about 37.5 inches will be provided.

Despite the fact that about 50 percent of the working population is directly engaged in agriculture, in some years it is necessary for Spain to import a substantial share of essential farm products. Annual imports have run as high as $170 million.

Underlying this situation are the severe limitations of a dry climate and uncertainty of rainfall. The completion of the project for which a DLF loan has been authorized will increase the irrigated area of Spain by 4.5 percent, and add to agricultural output at an estimated rate of $16 million a year.

While this is a significant figure, it is expected that the project will have little, if any, effect in reducing imports. Spain's consumption per capita of food is now one of the lowest in Europe. Thus, rising living standards as general economic development takes place, along with increasing population, should more than absorb the augmented productivity from any newly irrigated lands.

RENFE

Loan Amount and Terms: $14,900,000 repayable in 20 years in Spanish pesetas with interest at 3-1/2%.

Borrower: Spanish National Railways (RENFE), a wholly owned government corporation which operates and controls about 8,000 of the 11,000 route miles of railroads in Spain.

Status: Letter of advice issued.

SPAIN (Continued)

The loan will assist in financing the foreign exchange cost of equipment, materials and supplies to rehabilitate and maintain railroad trackage.

The track renewal program covers rehabilitation of four main line sections totalling 290 miles; 75 miles of the Barcelona-French border line, 71 miles of the Madrid Barcelona line, 50 miles of the Palencia-Coruna line, and 94 miles of the Madrid-Hendaye line. These lines carry some of the heaviest traffic in Spain, the Palencia-Coruna stretch handling up to 50 trains a day.

RENFE until recently has been using solely hand-crushed ballast, which is generally too large for good road-beds. But now, the railroad has four mechanical crushing plants and with the two additional ones to be modernized under the loan will be close to meeting the needs for small size ballast on the main lines. Resulting smoother road-beds should speed up service and greatly reduce accident hazards.

As to the track work, it is almost exclusively done by hand, a method that even with low wages is slow and costly. Furthermore, the end result leaves much to be desired. The $410,000 of equipment to be purchased under the loan should bring about improvements on all three counts.

The particular lines for which the loan is being provided are all of particular importance to the economy. Two of these lines constitute the principal overland connections with France - the Barcelona French Border line and the Madrid Hendaye line. The latter is one of the two most important transportation arteries of Spain, being the route for most of the traffic between Madrid and the industrial cities of the northwest. The Palencia-La Coruna line connects the mining region of the Northwest with the principal port in the region. The Madrid-Barcelona line is the second of the two most important transportation arteries in Spain, serving traffic from the industrial northeast coast to the interior.

YUGOSLAVIA

Diesel Locomotives

Loan Amount and Terms: $5,000,000 repayable in 12 years at 3-1/2% interest in currency of Yugoslavia (Dinars)

Borrower: Yugoslavia State Railway Administration

Status: Letter of advice issued.

The DLF loan will finance the purchase abroad of about 16 diesel locomotives to be used on the Bosanski Novi Knin-Split line, one of the two most important lines linking the Adriatic with central Yugoslavia. These lines carry a large portion of Yugoslavia's international goods traffic as well as a large volume of passenger and tourist traffic to the Dalmatian coast. Steam locomotives are presently used on the Bosanski Novi Knin line. The average age of these locomotives is 30 years; they are obsolete technically and economically, and their replacement is necessary. With the existing steam locomotives (averaging 1000 horse power), the transport capacity of the Bosanski line has been fully exploited and is not sufficient to meet requirements. It is not feasible to resolve this problem by buying new steam locomotives since these would be much too heavy for the existing railway system and far more expensive to operate than diesels. The only practical solution is the replacement of steam locomotives by diesels averaging 2000 horse power.

Dieselization of this railway line will greatly increase its transport capacity. Moreover, large savings in operating costs will result from the replacement of the present over-age steam locomotives.

Pancevo Nitrogen Fertilizer Plant

Loan Amount and Terms: $22,500,000 repayable in 20 years at 5-1/2%, 75% in Yugoslavian currency (dinars) and 25% in U.S. dollars or transferable European currencies.

Borrower: Government of Yugoslavia

Status: Loan agreement signed.

This loan will finance the foreign exchange costs of equipment, contract services, and personnel training involved in constructing a plant to produce 360,000 metric tons per year of cal-nitro. An earlier commitment by the Soviet Union to provide such financing was withdrawn.

Major items of foreign equipment required will be for the utilities, maintenance facilities, loading equipment, and necessary pipelines and transportation equipment. A U.S. firm will provide architect engineering services while still other U.S. firms will make available the technical process under a license agreement, and consulting engineering services.

YUGOSLAVIA (Continued)

The Government of Yugoslavia will provide (1) the land, (2) some twenty buildings, (3) roads, railroads and canals to service the plant and (4) the equivalent of about $17.5 million in dinars to cover all local costs.

Yugoslavia is utilizing increasing amounts of nitrogen fertilizers but is at present producing less than 10% of its needs. The proposed capacity of the cal-nitro plant to be constructed will permit Yugoslavia to avoid a foreign exchange expenditure for nitrogen fertilizer equal to about $11 million annually; in other words, the annual foreign exchange savings will amount to 50% of the total foreign exchange costs of the project.

GREECE

Fertilizer Plant

Loan Amount and Terms: $12,000,000 repayable in 12 years at 5-1/4% in Greek drachmas.

Borrower: The Government of Greece.

Status: Loan Agreement signed.

The loan will assist in financing the foreign exchange costs of acquiring machinery, equipment, services and materials for the construction of a nitrogenous fertilizer plant. Total foreign exchange costs of the plant may run as high as $30 million. Financing of payments not covered by the DLF loan will be met partly by the Greek Government and partly by exporter credits from other European countries.

The planned capacity of the projected plant is 75,000 metric tons of fixed nitrogen per year in the form of liquid ammonia, ammonium sulphate and ammonium nitrate. Plans are based on a detailed study made by a top United States engineering firm in 1955. The plant will be part of complex of projects designed to utilize extensive lignite deposits in the Macedonian area of Greece.

The market for nitrogen-base fertilizers in Greece is sizeable and growing rapidly. In 1956 it was 53,000 metric tons; it rose to 60,000 in 1957. The 1960 market is forecast at 77,000 tons and by 1965 it is expected to attain 90,000 tons.

Fertilizer imports have constituted a heavy drain on scarce foreign exchange holdings. In order to conserve exchange, such imports have been reduced over the last two years to what is now below a prodent level. It is expected that the new fertilizer plant will conserve up to $16 million a year in foreign exchange. This saving is nearly equal to the annual foreign exchange losses which the country has sustained since 1956. Thus, the plant will be a strong support for Greece's international financial position.

IRAN

Plan Organization Projects

Loan Amount and Terms: $47,500,000 repayable in 12 years in U.S. dollars. An interest rate of 5-1/4% is to be paid for the Chit-sazi textile mill, agricultural machinery and silos projects and 3-1/2% for the balance of the loan.

Borrower: The Seven-Year Development Loan Organization of Iran, an autonomous Government agency.

Status: Loan Agreement signed.

The projects to be financed with this loan are integral parts of Iran's Seven-Year Development Program, which contemplates in total expenditures of slightly over $1 billion. Most of this amount is to be derived from the Iranian Government share in oil revenues. The DLF loan will finance to completion projects in the following fields for which oil revenues allotted to the Plan Organization are insufficient.

Agricultural Machinery: About $5,000,000 to finance the importation of agricultural machinery to be sold to individual farmers on credit. Extensive farming methods appear to be very appropriate for certain parts of Iran and should assist in substantially increasing agricultural output.

Silos: About $3,000,000 to install machinery in and generally rehabilitate, three grain silos completed just before the last war, but which have been of little use for storage in the absence of appropriate machinery. Iran sorely needs storage capacity both to reduce grain losses from dirt, pests, etc., and to permit grain to enter the market in such a way as to avoid excessive price fluctuations.

Municipal Development: About $9,000,000 to finance the construction of minimal municipal facilities such as sanitary water supply and sewage disposal, asphalting of main roads, and electricity generation in some 56 Iranian municipalities of all sizes. The municipal development program will serve some 6 million people, and will have significant benefits in terms of the general health of the population and in encouraging local artisans and other potential entrepreneurs to engage in productive activities.

Tehran Electric Network: Tehran's population is booming and power is urgently needed for industrial plants now being established. About $4,000,000 of the loan will be used to extend the present network, particularly the transmission lines.

Railroad Equipment: Some $3,500,000 to import signal equipment, switchers, and passenger and freight cars for use on the main railway lines.

Roads: About $8,500,000, to improve secondary roads in Iran. Some $2 million of this amount will be used to import equipment which will supplement the Export-Import Bank financed program of

PREVIOUS PAGE BLANK

ISRAEL (Continued)

of the foreign exchange the country needs for carrying out its development plans and for attaining greater self-sufficiency.

JORDAN

Transjordan Electric Power Company

Loan Amount and Terms: $1,200,000 repayable in 10 years at 5-3/4% in currency of Jordan (dinars).

Borrower: Transjordan Electric Power Company, Amman, Jordan.

Status: Letter of advice issued.

The proceeds of the loan are to be used to assist in financing the foreign exchange costs of acquiring equipment, materials and services required in the renovation and expansion of the borrower's electric power system in the Amman, Jordan area.

The Transjordan Electric Power Company is a privately-owned concern with a concession from the Government of Jordan to generate, transmit, distribute and sell electric energy to consumers in the Amman area. The installed generating capacity of the system will be increased from 6,119 kw to 11,019 kw by the installation of four diesel generating units of 1,225 kw each. The transmission system will be renovated and extended to serve loads in the area which is growing rapidly.

The system is not now able to serve all customers and at times it has been necessary to ask industrial concerns to halt the use of electricity between 5 to 10 p.m. in order to reserve the power for light. The project is scheduled to be completed in 1962.

TURKEY

Industrial Development Bank

Loan Amount and Terms: $10,000,000 repayable in 10 years at 5% in Turkish lira.

Borrower: The Industrial Development Bank (IDB) of Turkey, a privately-owned bank established in 1950 with the primary purpose of providing a source of long-term financing to private industry in that country. It was established with the technical guidance of the International Bank for Reconstruction and Development which also has made loans to the IDB.

Status: Loan Agreement signed.

The purposes of the Bank are to support and stimulate the establishment of new and the expansion and modernization of existing private enterprises in Turkey, to encourage and assist the participation of domestic and foreign private capital in Turkish industry, encourage and promote the private ownership of Turkish industrial securities, and to assist in the development of a securities market in Turkey.

The Bank possesses a qualified technical staff which, among other tasks, assists applicants in the preparation of projects and in the improvement of technical and management practices.

The DLF loan will be used to finance, through long-term credits, the purchase abroad, by enterprises controlled and substantially owned by private capital, of equipment, materials, supplies, and services needed for the industrial development of Turkey. The loan proceeds will meet only the foreign exchange costs of external purchases. Emphasis will be given by the Industrial Development Bank to the extension of loans to industries which sell an important part of their products abroad (exchange-earning industries) or which produce products which are now being imported in substantial quantities (exchange-saving industries).

Most of the loans made from the resources provided by the Development Loan Fund will be small and of a size generally beyond the administrative capacity of the Development Loan Fund to process.

Turkey is undertaking a diversified program of development with emphasis upon transportation and industry. While the Government is undertaking the responsibility for much of this development, particularly as regards the installation of such industrial prerequisites as transportation, power, and mining, the participation of private enterprise and capital in development is encouraged and is growing. The Industrial Development Bank was established to further this objective and has made a significant contribution to this end.

The excellent record of the IDB indicates the efficacy of its selective system of choosing loan applications for approval which promise the largest immediate productive return in terms of foreign exchange earnings or savings.

At the present time, when convertibility of the Turkish lira to foreign currencies is precluded by exchange stringencies, the Industrial Development Bank must rely on loans from institutions such as the Development Loan Fund to provide the resources to

TURKEY (Continued)

cover the foreign exchange costs of its loans to local entrepreneurs. Without such loans, the pace of industrial development in Turkey and the strengthening of its private sector would be hampered.

Aerial Mineral Survey

Loan Amount and Terms: $900,000 repayable in 6 years at 3-1/2% in Turkish lira.

Borrower: The Turkish Institute of Mineral Research and Exploration (MTA) an agency of the Turkish Government performing functions comparable to those of our own Bureau of Mines and Geological Survey. It has been in existence for some 22 years and is regarded as an experienced agency engaged in carrying out an operation of primary importance to the Turkish economy.

Status: Letter of advice issued.

The loan will assist in financing an aerial mineral survey covering areas of Turkey of most likely mineral occurrence. Funds will be used to cover the foreign exchange cost of a contract with an experienced aerial survey company, and the services of a consultant to supervise the project along lines which will assure the maximum results both in making the survey and the necessary follow-up.

The Turkish economy is dependent largely on farm products and minerals for the foreign exchange earnings needed to meet external payments. At this stage of Turkey's economic evolution, increased mineral production for export stands as one of the most probable sources of improved earnings. While mineral output today accounts for only 2 to 3% of the country's national product, as an export earner, it amounts yearly to between 12 and 16%. Chrome shipments, about half of the value of mineral exports, in 1957 were $6.7 million. The bulk of the remainder is manganese, copper and iron ore. Principal buyers are the United States, West Germany, Great Britain, Italy, France and Austria.

Mineral deposits have been worked in Turkey since pre-historic times, but mostly in primitive surface workings. It is believed that production potentials remain high if mining is combined with modern extractive methods. To do this, more needs to be known about the location and extent of commercial ore bodies.

The aerial survey is expected to speed up the process of discovery. Its advantages lie in pinpointing the favorable areas and concentration of the more expensive groundwork. Thus as an instrument of exploration it should result in savings both in time and money and possibly advance the opening of new mines.

Plastics and Related Chemicals

Loan Amount and Terms: $6,100,000 repayable in 13 years at 5-3/4% in Turkish lira.

Borrower: A subsidiary to be formed under the laws of Turkey by Vinylex Limited Sirketi (of Turkey) in conjunction with Monsanto Chemical Company of Missouri and the Italian concerns, Sicedison S.P.A. and Oronzio De Nora.

Status: Letter of advice issued.

The loan will assist in financing the foreign costs of establishing a plant in Turkey to produce caustic-soda, chlorine, calcium carbide, PVC resins and PVC compounds.

All but a very small amount of the caustic-soda will be surplus to the needs of the plant and will be available for outside sale. The amount to be sold, some 4,250 tons per year, will represent only a very small part of Turkey's demand for this item. The chlorine produced will, for the most part, be used in the manufacture of PVC resins, with a small portion, about 400 tons per year, available for outside sale. The plant will produce about 12,000 tons of calcium carbide, of which about 8,000 tons will be used in the manufacture of PVC resins, and the remainder will become available for outside sale. Vinylex itself will absorb the bulk of PVC resin produced for the manufacture of finished plastic articles such as insulation for electric cable, mine vent tubes, water proofing material for military and industrial uses and consumer uses of various types. Some portion of the PVC resins will be used in the manufacture of PVC compounds, the amount depending upon the demand for the latter.

Turkey has the basic raw materials for the development of a heavy chemical industry. For lack of know-how and capital, however, it has been importing caustic soda, calcium carbide, chlorine, PVC and other such products and their derivatives for industrial uses.

TURKEY (Continued)

The uncertainty of supply occasioned by foreign exchange shortages gave rise to the desire to produce these materials locally. The project will provide savings in foreign exchange amounting to around $2 million annually and provide the beginning of a chemical industry in Turkey, based on the use of locally available raw materials.

CEYLON

Colombo Area Railroad

Loan Amount and Terms: $750,000 repayable in 20 years at 3-1/2% in Ceylonese Rupees.

Borrower: Government of Ceylon.

Status: Loan agreement signed.

This loan is to assist in financing the purchase of five diesel powered coaches to improve the suburban railway service for Colombo, the capital city of Ceylon. The new coach trains, made up of diesel powered coaches with three trailers, are expected to render express service to some 36,000 daily commuters to Colombo.

The present lack of adequate railway facilities for the suburban areas outside Colombo constitute a major factor contributing to the growth of slums in Colombo. Insufficient transport contributes to greater concentration of population within Colombo, consequent crowding, and high land values and rents in Colombo propen

It is expected that the availability of increased and improved suburban commuting facilities will also accelerate the development of land in the outskirts of Colombo for industrial production facilities.

In addition, the new coaches will result in estimated fuel savings of about one rupee per train mile. Since both coal and oil are imported, this offers a substantial savings in foreign exchange.

Highway Development

Loan Amount and Terms: $900,000 repayable in 10 years at 3-1/2% in Ceylonese Rupees.

Borrower: Government of Ceylon.

Status: Loan agreement signed.

The loan is to be used to assist in financing the purchase and import into Ceylon of highway construction and maintenance equipment and shop tools and machinery as follows: $300,000 for repair shop machinery and bench tools; $600,000 for dump and flat bed trucks, portable rock crushers, rollers, jeeps, front and loaders mounted on rubber, small portable asphaltic concrete plants, air-compressors and pneumatic drills, soil stabilizing equipment, portable pile drilling rigs and other similar equipment.

The project involves the planning and aid in the construction of roads in underdeveloped areas of Ceylon which are being opened for farming and resettlement through the Ministry of Lands and Land Development. This project is tied in with an irrigation and land development project, and the two projects are part of an integrated plan for development and resettlement of families in such lands.

The equipment acquired through this loan is initially to be used to rehabilitate flood damaged roads and then by the Department of Public Works in connection with Ceylon's six-year road plan.

Irrigation and Land Development

Loan Amount and Terms: $1,600,000 repayable in 20 years at 3-1/2% in Ceylonese Rupees.

Borrower: Government of Ceylon.

Status: Loan agreement signed.

The purpose of the loan is to assist in financing the purchase and import of equipment and materials for irrigation and land development and for rehabilitation of flood damaged reservoirs. It is anticipated that this loan will allow the completion of work begun on a project involving 13 irrigation systems.

The specific objective of the project is the completion of 13 irrigation schemes in the dry zone of the country including 10 reservoirs, three diversion weirs and all canals and laterals to irrigate 29,000 acres of land. The project includes the reclaiming of an additional 18,000 acres of upland adjacent to the irrigation areas. All told, it will provide cultivable land and a means of livelihood for about 23,000 landless farm families.

Also involved is the establishment of an adequate machinery equipment repair shop located near Anuradhapura, in the center of a principal area of construction operations, for the repair and maintenance of equipment of the Department of Irrigation.

The over-all plan for the construction and development of irrigation schemes in Ceylon provides for a total of 123,000 acres of new land to be brought under irrigation by 1962.

INDIA

Railways

Loan Amount and Terms: $40,000,000 repayable in 20 years at 3-1/2% in Indian Rupees.

INDIA (Continued)

Borrower: Government of India.

Status: Loan agreement signed.

This loan will finance the importation of structural steel and other steel products to be used in the manufacture of railroad freight cars and coaches and steam locomotives for use on the Indian railway system.

The steel acquired from the proceeds of this loan will be utilized by private manufacturers and government-owned facilities to produce approximately 20,000 freight cars, 300 steam locomotives, 600 steel coaches, and 2,500 underframes. The loan will complement an extensive railroad improvement project being undertaken by the Government of India under loans extended to it by the International Bank for Reconstruction and Development.

Railway expansion and modernization constitutes an important aspect of the Indian Second Five-Year Plan (1956-1961). The objective of the over-all program is to enable the presently overloaded railways to carry 47 million tons of additional freight annually by 1961 and provide for a 15% increase in passenger services. The over-all program calls for the procurement of additional locomotives, freight cars, and coaches, renewal of tracks, installation of signalling equipment and electrification of certain lines. It is estimated that the foreign exchange cost of the freight car, coaches and locomotive portion of the program is the equivalent of $345 million, of which, at the time this loan was requested, about $236 million was available. The loan from the Development Loan Fund will provide a part of the additional resources needed to complete the program.

This loan is part of the offer made by the United States in January 1958 to extend approximately $225 million in loans from the resources of the Export-Import Bank and the Development Loan Fund to assist India in meeting its economic problems. The Development Loan Fund's share in that offer was $75 million, of which $40 million is for this railway loan.

Roads, Cement and Jute

Loan Amount and Terms: $35,000,000 (of which $25,000,000 is for road transport equipment, $5,000,000 for machinery for the cement industry and $5,000,000 for machinery for the jute industry), repayable in 15 years at 5-1/2% in Indian Rupees.

Borrower: Government of India

Status: Loan agreement signed.

This $35,000,000 loan consists of three parts:

(a) Road Transportation Project - $25,000,000 for the importation of components for assembly in India into buses, trucks, and jeeps. Approximately 16,000 such vehicles will be assembled from the components imported under this loan. Assembly will be by existing private firms equipped to perform this task.

(b) Cement Industry Project - $5,000,000 for equipment purchases necessary for the expansion of India's privately-owned cement industry. The firms to receive access to the exchange used in procurement of imports will be determined through a National Trust arrangement, an independent entity comprised of cement producers and government officials.

(c) Jute Industry Project - $5,000,000 to purchase equipment for use in the modernization and expansion of India's privately-owned jute industry. Equipment to be procured includes looms, spindles, and spare parts. The proceeds of the loan will be made available by the Government of India to private companies through a National Jute Trust composed of representatives of the industry and government officials.

The three projects encompassed by this $35,000,000 loan are part of the Indian Second Five-Year Plan.

Under the Plan the Indians are expanding the roadways system through new construction and the provision of additional vehicles. This program is regarded as an important corollary of the expansion of the railway system in order that new areas may be opened up and adequate facilities for transporting goods to market places may be economically achieved. Development of the road system will relieve the railways of as large a proportion of their present and potential load as possible. Road transport will also provide a means of communication with areas not connected by rail and will be particularly important as regards the transport of agricultural produce from the farm to the market at an economical price and in a manner to avoid undue spoilage.

Expansion of the cement industry is also an important element of the Second Five-Year Plan. The Plan originally called for increasing capacity from 5 million tons in 1956 to 16 million tons by 1961. Demand for cement is currently twice the present production of 6 million tons a year and, with the accelerated pace of development, demand is increasing each year.

INDIA (Continued)

The modernization and re-equipment of the jute industry has been assigned a relatively high priority in the Second Five-Year Plan. Jute is an important export earner for the Indian economy, accounting for about one-fifth of India's export earnings. Emphasis is placed on modernization and expansion of the industry in order to enable India to maintain a competitive position in the export field. Much of the present machinery is antiquated and in need of replacement if India is to maintain the present level of exports and to raise them to the target figure set in the Plan of 900,000 tons by 1961.

Steel Imports for Public Sector Projects

Steel Imports for Private Sector Projects

Loan Amount and Terms: $22,000,000 for private sector projects repayable in 15 years at 5-1/2% in Indian rupees; $18,000,000 for public sector projects repayable at 3-1/2% in 15 years in Indian Rupees.

Borrower: Government of India

Status: Loan agreement signed.

The proceeds of this loan are being used to purchase and import structural and other types of steel for a variety of public and private projects in India in connection with the country's Second Five-Year Development Program.

The types of steel to be obtained with this loan include heavy structural steel, light structural steel, light rails, rounds, plates and sections, wires, tin plates, black sheet strips (hot and cold rolled) and tools, alloy and special steel. Approximately half of the $40 million to be provided under the two loans is expected to be utilized for the purchase of prime steel (i.e. structural steel rails, rounds, plates and sections) and the rest for the other types named above.

The private projects for which the steel imports would be used include fertilizer factories, projects in the automobile industry, in the tool machine industries and in the ball-bearing and locomotive industries and the like. The public projects which will put the steel to use number about 30 and include approximately 20 power projects, 4 water supply and irrigation schemes and 4 port improvement projects.

Second Railways Loan

Loan Amount and Terms: $35,000,000 repayable in 20 years at 3-1/2% in Indian Rupees.

Borrower: Government of India.

Status: Loan agreement signed.

The proceeds of the loan will be used to finance the importation of materials, equipment and supplies for the development of the Indian Railways.

The over-all plan for the development and rehabilitation of the Indian Railways during the Second Five-Year Plan, ending on March 31, 1961 is expected to cost the equivalent of $2,355 million, of which $821 million will be in foreign exchange. To meet current costs under this program, the Government has provided about $150 million from its own resources and has secured about $280 million from countries of the Colombo Plan, the IBRD, ICA and the DLF (the $40 million loan noted above). This second DLF loan is in further support of the over-all program.

The integrated plan for railways involves the purchase of rolling stock, construction of about 1,400 miles of electrification of railway lines, 1,300 miles of doubling existing lines, over 800 miles of new line construction, the remodeling and reconstruction of a number of old marshalling yards and the construction of new ones, signalling improvements and other line capacity and developmental works.

Public Power Development

Loan Amount and Terms: $10,000,000 repayable in 20 years at 3-1/2% in Indian Rupees.

Borrower: Government of India.

Status: Loan Agreement signed.

The proceeds of the loan will be used for the purchase and importation of equipment, supplies and materials needed to complete or continue a variety of power projects being undertaken in connection with the country's Second Five-Year Plan.

The total installed capacity of power generating facilities increased in India by some 50% from 2.3 million KW to 3.4 million KW

INDIA (Continued)

during the period of the First Five-Year Plan (1951-1956). Despite this sizeable increase, shortages of power were felt in many areas towards the end of the Plan period. During the Second Plan, an increase of over 100% in installed capacity is projected, raising the availability from 3.4 million KW to 6.9 million KW.

In view of the difficult foreign exchange position in which India finds itself, the power development program was recently rephased. India has chosen to concentrate foreign exchange availabilities on so-called "core" projects as well as other projects which are nearing completion and for which most of the foreign exchange has already been committed.

This DLF loan will finance supplementary requirements for such items as transformers, circuit breakers, penstack bead-gates, turbines, steel towers, etc. primarily in connection with fourteen of the "core" projects.

Capital Equipment for Private Industries

Loan Amount and Terms: $15,000,000 repayable in 10 years at 5-1/2% in Indian Rupees.

Borrower: Government of India.

Status: Loan agreement signed.

The proceeds of this loan will be used by the private sector in India to purchase and import machinery and other capital goods needed in the rehabilitation and modernization of existing industrial plants and establishment of new ones. Those industries which may use the foreign exchange made available under this loan include the metallurgical and mineral industries, chemical industries, cement industry, machinery manufacturing, and engineering industries, textile industry, sugar industry, and the paper and paper board industries.

At first, India's Second Five-Year Plan envisaged a total investment equivalent to $1,438 million in capital equipment for industries in the private sector. Of this, $1,123 million were to be for new investments and $315 million for replacements. The total foreign exchange expenditure was estimated at about $670 million of which $525 million were for new investment.

After original formulation of the plan, costs of construction and import prices proved higher than were anticipated and it also became necessary to revise upwards targets in certain industries notably rayon and electrical equipment. Consequently, the total investment required to fulfill programs for the private sector is estimated to have increased to about $1,764 million and foreign exchange costs rose to $1,029 million.

The balance of the foreign exchange still required, as of last fall, totaled $348 million. The DLF loan will assist in meeting this gap.

PAKISTAN

Karachi Water and Sewage

Loan Amount and Terms: $5,500,000 repayable in 30 years at 3-1/2% in Pakistan Rupees.

Borrower: Government of Pakistan.

Status: Loan agreement signed.

The purpose of this loan is to assist in financing the import of equipment and materials for use in the construction of a water supply and sewage disposal system for the city of Karachi. The proceeds of the loan will be used primarily for purchasing re-in-forcing wire to be used in the manufacture of prestressed concrete pipe and for construction, workshop and maintenance equipment.

The objective of this project is to provide a water supply and sewage disposal system adequate for the present needs of Karachi. The population of Karachi has increased from 400,000 in 1947 to 1,500,000 in 1954 and is expected to reach 2,000,000 by 1960. The present supply of water is about 20 million gallons per day (MGD) against a need for 70 MGD. An expanded water supply and sewage disposal system is considered essential for health and sanitation and to provide the water needed by present and future industry.

Pakistan Industrial Credit and Investment Corporation (PICIC)

Loan Amount and Terms: $4,200,000 repayable in 5 years at 5% in Pakistan Rupees.

Borrower: Pakistan Industrial Credit and Investment Corporation (PICIC) a privately owned development corporation established in 1957.

Status: Loan agreement signed.

PICIC assists industrial enterprises within the private sector in Pakistan by making loans or by acquiring equity capital in new or

PAKISTAN (Continued)

existing enterprises and by rendering other forms of assistance.

The Corporation has been sponsored by and received the support of the Pakistan Government and the International Bank for Reconstruction and Development. The International Bank assisted in the formation of the Corporation initially by providing technical assistance for drawing up the main outlines for such a financial institution.

The DLF loan will provide foreign exchange resources to meet the external costs of medium term loans made by the Corporation. The term of loans made by the Corporation from the Development Loan Fund will range from 2 to 5 years. The fund will be utilized by private borrowers for the purchase abroad of machinery, equipment, materials and services for economic development purposes.

Pakistan's economy is essentially agricultural but in the decade since independence considerable industrial development has taken place as a result of the Government's efforts to achieve diversification, increase industrial output, provide greater employment, expand manufactured exports and satisfy growing demand for many industrial items from local resources. With this increase in the tempo of industrial development, however, there developed an increasing need for setting up an institution to cater to the credit requirements of the private sector in Pakistan. Particularly apparent was the need for a specialized institution which could provide not only the requisite credit but would also assist in the actual technical and financial details involved in the establishment of private industries. The Pakistan Industrial Credit and Investment Corporation was established to meet this need.

West Pakistan High Tension Grid

Loan Amount and Terms: $14,700,000 repayable in 25 years at 3-1/2% in Pakistan Rupees.

Borrower: Government of Pakistan.

Status: Letter of advice issued.

This loan is to assist in financing the costs of acquiring equipment, materials, supplies and services required for power transmission lines of the West Pakistan High Tension Grid, a part of a major power development program now underway in the most important industrial area of the country. This program includes expansion of generation capacity from a present level of about 150 MW in summer and 130 MW in winter to 470 MW in summer and 440 MW in winter by 1960; plans are also being made for further expansion after 1960.

The DLF loan will assist in meeting the foreign exchange requirements of the following construction: a double circuit 132 KW power transmission line between Lyallpur and Daudkhel, a route distance of 155 miles; a double circuit 132 KW power transmission line between Warsak and Daudkhel, a route distance of 100 miles; a single circuit 132 KW power transmission line strung on double circuit towers between Lyallpur and Lahore - a route distance of 110 miles; a single circuit power transmission line strung on double circuit towers between Lyallpur and Montgomery, a route distance of 56 miles. New substations at Sarghoda and Daudkhel are also planned, as are extensions or modifications of substations now in existence or under construction at Lyallpur, Peshawar, Wah, Rawalpindi, Jhelum, Shalimar, Kot Lakhpat and Montgomery.

The grid is designed to integrate distribution of hydro-electric power generated in plants which are or will be located in the North, and thermal power, generated in plants which for the most part are or will be located in the South. Such integration will insure maximum availability of thermal power on the system during periods when the generation of hydro-electric power is reduced by low water flow. It will also provide maximum scope for the distribution of hydro-electric power during periods when hydro-electric capacity is increased by high water flow.

Karnafuli Multi-Purpose Project

Loan Amount and Terms: $17,500,000 repayable in 30 years at 3-1/2% in Pakistan Rupees.

Borrower: Government of Pakistan.

Status: Letter of advice issued.

This loan is to finance the purchase and import of materials and equipment and the payment of contract services to carry out a long range program involving the construction of the Karnafuli multipurpose hydro-electric development project, which will form the key power source of the proposed electric power grid transmission system for East Pakistan.

The project is to be located on the Karnafuli river in the Chittagong Hill Tracts of East Pakistan some 40 miles upstream from Chittagong. It will consist of an earth dam, a power house, a spillway control structure, diversion tunnel, and a cargo handling device. The project will also provide storage for flood control, level regulation, and navigation improvement on the Karnafuli

PAKISTAN (Continued)

river and in the Chittagong harbour. It is part of the Five-Year Development Plan of the Government of Pakistan. The over-all cost of the project is estimated at $69,153,000. It is being financed by ICA ($19,653,000), the Government of Pakistan ($32,000,000) and the DLF ($17,500,000).

The total present power development from all sources in East Pakistan is approximately 70,000 to 80,000 KW. This will be doubled with the completion of the Karnafuli project, providing great impact on the rate of development of both industry and agriculture.

More specifically, the project will contribute to the development of the jute industry in East Pakistan, the principal foreign exchange earner. The project should consequently help to improve the country's balance of payments position. It will also provide power necessary for reclaiming agricultural lands now only partially usable due to periodic flooding, thereby contributing to an increase of agricultural output. It is further expected that the project will bring under useful control the water resources of the area which are being wasted at present. Finally, the project should improve transport facilities of the river and by providing increased accessability to the numerous tributaries, a vast amount of timber and other forest resources shall be made available.

West Pakistan Ground Water Development Loan

Loan Amount and Terms: $15,200,000 repayable in 20 years at 3-1/2% in Pakistan Rupees.

Borrower: The Government of Pakistan.

Status: Letter of advice issued.

This loan is to assist in financing the costs of importing equipment, materials, supplies and contract services required for the installation of approximately 1,800 tubewells in the Punjab for the reclamation of saline and waterlogged land.

The principal food producing area of West Pakistan is located in the Punjab. However, salinity has become a principal cause of declining or subnormal agricultural production. In 1955-56, a salinity survey showed that of the 9,500,000 Punjab canal irrigated acres, 14.0% are out of cultivation, 17.2% are 55% productive and 48.4% are 85% productive and only 20.4% are 100% productive. The survey also revealed that about 70,000 acres are going out of production annually.

It is the general purpose of the project to reclaim initially about 1,596,950 acres of the more than 4,000,000 acres of saline and waterlogged lands in the Punjab through the installation of 1,800 strategically located tubewells with an average capacity of about 3.72 cubic feet per second. As a result of increased population and the current rate of per capita consumption, Pakistan's food requirement has increased to a point that the annual food grain deficit is estimated at about one million tons a year. Insufficient food production has become Pakistan's foremost economic problem. The development of West Pakistan ground water resources will contribute to a solution and will also help to raise rural standards above subsistence level.

Pakistan Railways

Loan Amount and Terms: $9,100,000 repayable in 20 years at 3-1/2% in Pakistan Rupees.

Borrower: Government of Pakistan.

Status: Letter of advice issued.

This loan is to assist in the partial financing of the foreign exchange costs of acquiring equipment, materials and supplies required for carrying out a long range program for the rehabilitation of the Pakistan Railways, a part of Pakistan's Five-Year Development Plan.

The foreign exchange cost of the current railway rehabilitation program amounts to $119.1 million which has been covered to the extent of $43.96 million by the IBRD, $21.92 million by ICA grants and loans, of $9.61 million by U.K. credits and of $20.61 million by government resources. A request for the financing of the remaining U.S. $23.0 million was submitted to DLF.

The proceeds of the approved loan will finance plant and equipment for a diesel electric locomotive servicing depot in Lahore at an estimated cost of $450,000; plant and equipment for a diesel electric locomotive repairshop in Rawalpindi at an estimated cost of $450,000; 20 diesel electric locomotives and spare parts, at an estimated cost of $5,000,000; and 172 heavy duty flat cars to be shipped assembled at an estimated cost of $3,200,000.

The Pakistan Railways are the main carriers of passengers and freight within the country; they are vital to the economic life of the country. The proceeds of the loan will help ensure greater safety, through improvement and replacement of equipment and will meet an increasing demand for transport. The shift from steam to

PAKISTAN (Continued)

diesel electric locomotives is considered not only more efficient but it should also result in a saving of foreign exchange, since it will reduce the imported fuel costs.

Ports of Chittagong and Chalna Anchorage

Loan Amount and Terms: $4,000,000 repayable in 20 years at 3-1/2% in Pakistan Rupees.

Borrower: Government of Pakistan.

Status: Letter of advice issued.

This loan is to assist in financing development of port facilities at the Port of Chittagong and the Chalna Anchorage in East Pakistan. With respect to the development of the Chittagong Port, the proceeds of the loan will be used to import a tug, 2 hopper barges equipped with pumping units and pipe lines, radio telephone network for port craft, river lighting equipment, water carrier cum-anchor hoy, twin screw pilot launch, first aid workshop equipment, supplies for a slipway for underwater hull repairs to port craft, mooring and channel buoys and repair facilities.

The new equipment would enable the port to operate on a 24-hour basis - dredging to be continuous with the dredged spoil to be used for reclaiming low level areas instead of being dumped, as at present, into the sea for lack of facilities to convey the spoil to reclaimable areas.

For the Chalna Anchorage, proceeds of the loan will be used to import a hulk of 10,000 tons, or several hulks of passenger ships of approximately 3,000 tons each (total 10,000 tons) with propulsion gear stripped and fitted with diesel electric power pumps, fire fighting equipment, holds equipped with power derricks, Pilot Vessel, 2 despatch boats, 1 diving boat, fixed moorings. The ships to have quarters for Custom Officers to expedite the clearance of imports and exports.

Since the partition of Pakistan from India in 1947, the use of the Port of Calcutta, India for East Pakistan exports and imports was discontinued and the Port of Chittagong was established. As this port was unable to handle all the exports and imports for East Pakistan, the Chalna Anchorage, a transfer port for deep sea vessels and inland water transport on the Pussur River, was established in 1950.

The port facilities which were thus brought into existence since the partition are not only important to East Pakistan but also to the entire economic life of Pakistan. However, the cost of passing through these ports are excessive due to high inland freight charges. It has been estimated that about 90% of the freight traffic for East Pakistan is carried by inland waterway transport. Detentions at the port of Chalna are many times the period which is considered economical by internationally accepted standards.

However, as the result of contemplated improvements, to be financed in part with the proceeds of this loan, the existing fleet of inland water transport is expected to carry cargo at twice the current rate, and thereby permit a considerable reduction in transport costs.

INDONESIA

Railway Development

Loan Amount and Terms: $3,000,000 repayable in 15 years at 3-1/2% in Indonesian rupiahs.

Borrower: The Indonesian State Railway Service (Djawatan Kerati Api), an instrumentality of the Indonesian Government.

Status: Letter of advice issued.

The loan will be used to finance imported goods and services in the rehabilitation of 165 KM of railway between Tandjung Enim and Palembang (Kertapati) in South Sumatra. Of this $3,000,000 program of track rehabilitation, approximately $2,750,000 would be used for equipment and $250,000 be used to finance a six-man engineering contract for 18 months. In addition, rupiah costs of the project run to Rp. 94,455,786. Of these, approximately Rp. 41,000,000 have already been spent on the project leaving a balance of Rp. 53,000,000 to be funded. The local currency is to be provided by the Indonesian Government as its contribution to the project.

Among the items of equipment to be purchased are flat cars, ballast cars, track jacks, quarrying equipment, motor transport equipment and small generating sets. All of these items will be procured from non-Indonesian sources.

The loan will also finance a contract group consisting of experts in railroad construction, equipment operations and maintenance, railroad ballast rock quarrying, crusher operations and procurement. Actual construction, including Indonesian foremen, maintenance-of-way equipment operations, and labor will be supplied by the State Railway Service and Indonesian subcontractors.

The Five-Year Plan of the Indonesian State Railway System indicates that its principal sources of revenue derive from the transport of goods within the Archipelago. Only 55% of the present potential capacity for goods transport is currently being utilized, thus making it difficult to establish a balance in the railway budget, and impossible to consider the realization of a profit. One of the essential factors preventing an increase in traffic and tonnage load is the condition of the track. During the war and since, railways have suffered an estimated loss of about 10% of their prewar assets due to inability to provide proper maintenance which, in turn, is attributed solely to the lack of materials and personnel. This present program will serve to stimulate the rehabilitation program included in the Five-Year Plan by giving initial technical assistance, required equipment and on-the-job training to Indonesian personnel.

Port and Harbor Development

Loan Amount and Terms: $6,000,000 repayable in 20 years at 3-1/2% in Indonesian rupiahs.

Borrower: The Government of the Republic of Indonesia.

Status: Letter of advice issued.

The loan is to make available the foreign exchange required to perform surveys, engineering, design work, construction, and technical supervision for the rehabilitation of a number of Indonesian harbors. The loan would cover materials, supplies, equipment, and services. The Indonesian Government has obligated itself to provide the equivalent of $5 million in rupiahs for local costs of the projects.

The project divides itself into four components: harbor development and rehabilitation; improvement of water supply within harbor areas; provision of cargo handling equipment; and harbor salvage work.

Improving the harbors will facilitate the collection and exportation of local products. Indonesia depends chiefly on shipping as a means of transporting goods and produce between its numerous islands. As a result, certain ports have become centers of shipping traffic for groups of islands and areas. Local products and resources are brought to these ports in small vessels and in coasters for shipment by steamer to Java and international ports. Similarly, foodstuffs from other areas, consumer goods, imported products, cement, building materials, and hardware are brought to such ports by steamships for redistribution to neighboring islands and coastal areas. The advancement and development of these areas, and to some extent, the political stability of outlying areas of Indonesia are dependent on the efficiency and adequacy of such port service.

The present condition of these secondary ports is exceedingly bad resulting in considerable damage and loss of cargo handled, and consuming much time and expense to shippers in the process. In addition, the lack of facilities precludes many coastal vessels and international steamers from visiting these areas.

KOREA

Tong Yang Cement Plant

Loan Amount and Terms: $2,140,000 repayable in eight years at 5-1/4% in Korean hwan.

Borrower: Tong Yang Cement Manufacturing Co. Ltd., a privately-owned concern, with its plant and head office in Sam Chok, Korea. This company is one of the two large producers of cement in the country.

Status: Loan agreement signed.

The proceeds of the loan will assist in financing the importation of equipment, materials, supplies and services required in the expansion of the company's plant at Sam Chok, Korea. This expansion will increase rated maximum capacity of 90,000 M/T per year by 120,000 M/T bringing the total rated capacity to 210,000 M/T.

Use of cement in Korea, which up until recently has been comparatively limited in relation to the extent of its use in more industrialized areas, is increasing. The country's production is now about 280,000 M/T per year. The Government of the Republic of Korea estimates that consumption in 1958 was about 400,000 M/T per year, will increase to 500,000-600,000 M/T in the near future and will gradually rise to 1,000,000 M/T by 1963. To date, the deficiency has been made up by imports largely financed with ICA funds. Even with the expansion of this plant by 120,000 M/T per year, thereby raising the total yearly production to about 400,000 M/T it is anticipated that, with the increasing requirements, there will remain a deficit for some time to come.

Domestic Telecommunications

Loan Amount and Terms: $3,500,000 repayable in 20 years at 3-1/2% in Korean hwan.

Borrower: Government of the Republic of Korea.

Status: Letter of advice issued.

This loan is to be used to assist in the financing of the importation of equipment, materials, supplies and services required for the expansion and improvement of telephone and telegraph facilities and services in Korea. $2,250,000 of the total will be devoted to expansion and improvement of local exchange and local services (intracity). $850,000 will be utilized for the expansion and improvement of the long-distance telephone facilities and services (intercity). $400,000 will be spent for expansion and improvement of the telegraphic facilities and services. The total requirement for the project, including local currency costs to be met from Republic of Korea resources, is estimated at $5.5 million.

The telecommunications system of Korea was 80% destroyed during the Korean War. Since the end of the war it has been rehabilitated in some measure by the efforts of the Korean Government and in large part with the assistance of ICA. The present project is designed to contribute to the further improvement and expansion of the communications system so as to meet the increasing demands upon the system which are being brought about by the general rehabilitation and improvement of the economy of Korea.

While this project will help expand presently existing facilities, it will meet only a portion of current and expected demand. It will remedy only the most pressing inadequacies of the present system.

MALAYA

North Klang Straits

Loan Amount and Terms: $10,000,000 repayable in 30 years at 3-1/2% in U.S. dollars.

Borrower: The Federation of Malaya, through the Malayan Railway Administration, a Government corporation.

Status: Letter of advice issued.

This project will provide for the development of a new deep-water port in the North Klang Straits near Port Swettenham. Three deep-water berths, transit sheds, jetties, approaches, and an access bridge will be constructed.

Port Swettenham has for many years been increasing in importance as a gateway for traffic, and particularly for cargo traffic into and out of the Federation of Malaya. Tonnage of cargo handled, other than oil and bulk, is now 50% above its prewar peak of 600,000 in 1929. The proximity of Port Swettenham to Kuala Lumpur (26 miles), the Federal City, is likely to make it an even more important port in the future than it has been in the past.

The need for the additional berths has arisen also from a marked change in the character of the import trade through the port. Bulk commodities such as rice, flour, and sugar, which formed the main items 20 years ago now constitute only one-quarter of all imports; the proportion of general merchandise cargo has increased substantially. Furthermore, the development of the export trade in latex and palm oil in bulk, scrap iron and ilmenite ore, has radically altered the function of an import wharf.

MALAYA (Continued)

Roads and Bridges

Loan Amount and Terms: $10,000,000 repayable in 10 years at 3-1/2% in U.S. dollars.

Borrower: The Federation of Malaya.

Status: Letter of advice issued.

This loan will assist in meeting the costs of constructing the highest priority roads and bridges in the Malayan Development Plan for 1956-1960. The Federation has already spent or committed the equivalent of $12.3 million for roads and bridges under this program.

The projects to be financed with this DLF loan have been selected (1) with a view toward meeting requirements where traffic demands are now heaviest, and (2) with a view toward improving over-all communications or facilitating the opening of areas, particularly on the East Coast so that accessibility to rural areas is improved. It is the present Government's first care to redress the gap between the attention given the rural areas and their needs and thereby bring greater economic opportunity and stability to the rural population.

The components of this project are primarily designed to be of material assistance in developing the network of roads required to permit the orderly development of the East Coast. Construction of all-weather roads, road improvement and bridge construction will provide linkage not now in existence throughout the year. The underdeveloped parts of Malaya will thus be open to mining, timber extraction, and agricultural development. Fishing communities on the East Coast will be linked with markets in Johore for the first time. The road system will be capable of handling the increase in the volume of traffic as well as the increase in the size and capacity of modern vehicles.

Another component of the project will direct itself to the highway from the Capital to Port Swettenham. The rapid growth of the satellite town, Petaling Jaya, and an anticipated rise in tonnage at the port as a result of an expansion program financed by another DLF loan will require additional road facilities.

PHILIPPINES

Small Industry Loan Fund

Loan Amount and Terms: $5,000,000 repayable in seven years at 5-1/4% in Philippine pesos.

Borrower: The Central Bank of the Philippines.

Status: Letter of advice issued.

The Central Bank of the Philippines is a public institution, subject to the control of the Government, which performs the normal functions of a central bank, exercising fiscal functions of the Government and regulatory functions with respect to the banking system of the country.

The loan will be used to finance foreign exchange costs of the acquisition of materials, equipment and services by privately-owned small industries. Many such requests are channeled to the Central Bank through local commercial banking institutions which are approached by their customers for funds to establish a new industry or expand existing facilities. Preferential consideration will be given to sugar centrals, logging and sawmill industries, cottage industries, cocoanut oil and copra oil concerns, plywood and veneer plants and mining companies. The loans will be of a size too small individually to be handled directly by the DLF.

Roads, Bridges and Rehabilitation of Equipment

Loan Amount and Terms: $18,750,000, the first $9,000,000 repayable in five years, and the balance in 10 years at 3-1/2%, in Philippine pesos.

Borrower: Department of Public Works and Communications of the Government of the Republic of the Philippines.

Status: Letter of advice issued.

This loan is designed to assist the Government in carrying out a program to improve and expand its highway system. $9,000,000 of the total amount will be used for procurement of spare parts to rehabilitate and put in first class condition equipment already owned by the Department of Public Works and Communications. This will expedite planned work for maintaining and extending highways and local roads. This portion of the loan will provide assistance throughout the Islands, as the equipment which will be repaired is dispersed over the country.

PHILIPPINES (Continued)

The balance of the loan will be used for specific highway projects, namely, the Sayre Highway in Mindanao, for which $1,000,000 will be used; a diversion road leading north from Manila requiring $2,700,000, and a diversion road leading south from Manila requiring $1,400,000. The funds will be used to import road and bridge building materials, including asphalt and structural steel, and road and bridge-building equipment required specifically for these projects. The Sayre Highway is a major travel artery in the southern island of Mindanao which is rapidly being developed, and the two diversion roads north and south of Manila will provide urgently needed expansion of traffic facilities out of the city and will relieve the overburdened and overcrowded two-lane highways now in use.

Damage to bridges sustained during World War II has not been permanently overcome in the Philippines. There are many temporary bridges in use throughout the Islands which are costly to maintain and require frequent replacement as a result of typhoon damage. $4,650,000 of the above loan will be used to import structural steel and equipment required to replace selected bridges throughout the Islands, including a number of World War II U.S. Army Bailey bridges on the Kennon Road which leads into a developing mining and industrial area in northern Luzon.

TAIWAN

Railway Administration

Loan Amounts and Terms: $3,200,000 repayable in 11 years at 3-1/2% in New Taiwan dollars.

Borrower: Taiwan Railway Administration, a Government enterprise.

Status: Letter of advice issued.

This loan provides for the purchase of 12 diesel electric locomotives and central traffic control equipment for installation on 91 KM of TRA's coastal trunk line between Chuman and Changhua.

Total cost of the project is estimated as follows:

	U.S.dollars	Local currency in U.S. dollar equiv.
Diesel electric locomotives	2,000,000	417,600
Coastal trunk line	1,200,000	1,180,000
Total	3,200,000	1,597,000

The local costs will be borne by TRA.

It is estimated that the annual ton kilometers of freight traffic, which were $1.6 million in 1956, will increase to $2.4 million in 1960, or by 46.2%. Increase of freight cars and locomotives to handle the rise in freight is planned. The first step in fulfillment of the plan was financed by ICA in its FY 1957 Program and the DLF loan is to meet the second stage requirement.

Modernization of the railway system is a critical element in the economic growth of Taiwan. Basic to modernization and improvement of the railway system is progressive, and eventually complete dieselization, and extensive application of central traffic control (CTC).

Installation of CTC on the coastal trunk line will lower running time considerably and is expected to increase the capacity of this section from 52 trains per day to more than 90 trains per day. It is expected that by 1960 there will be a requirement for 80 trains a day over this section of the track.

In addition to increasing traffic capacity, it is estimated that CTC will save each freight train an average of two hours and each passenger train approximately 20 minutes, thus effecting a savings of seven steam train locomotives, 100 freight cars, one passenger locomotive, and three or four passenger cars. It will also permit a savings in personnel expenditures.

Shihmen Dam

Loan Amount and Terms: $21,500,000 repayable in 35 years at 3-1/2% in New Taiwan dollars.

Borrower: The Shihmen Development Commission, an agency of the Government of the Republic of China.

Status: Loan agreement signed.

The proceeds of this loan will assist in financing the importation of equipment, materials, supplies and services required for construction of the Shihmen multipurpose dam project for hydroelectric power, irrigation, water supply and flood control purposes.

The project involves as a basic feature a 410 ft. concrete arch dam and includes a power plant with space for three 40,000 KW units, a spillway, an afterbay dam, irrigation canals, a water treatment plant and distribution system, power lines, etc.

Initially installed power capacity will provide dependable peaking power of 77,600 KW. The project will provide irrigation for 57,260 hectares of land. It will reduce the flood stage of rivers

TAIWAN (Continued)

in the vicinity of Taipei City and will substantially reduce flood losses. In the early stage of development, it will provide public water supply for 100,000 people, and will eventually provide water for 340,000.

Estimates of funding requirements for construction, equipment and commodities and technical services and including installation of two power units, is US $72,446,000. Of that amount US $29,174,000 will be required in US dollars and the balance in the equivalent of US $43,272,000 in New Taiwan dollars. There has been made available for this project US $7,793,559 from FY 1956 and FY 1957 ICA programs.

Asia Cement Corporation

Loan Amount and Terms: $2,750,000 repayable in 10 years at 5-1/2% in New Taiwan dollars.

Borrower: Asia Cement Corporation, a private concern incorporated under the laws of the Republic of China.

Status: Loan agreement signed.

This loan will be used to import equipment for use in establishing a cement plant with an annual production capacity of 150,000 metric tons at Ta-tu Hung-shan Village, Hsin-chu Hsien, Taiwan. The total amount of financing required to put the plant into operation is US $6,400,000 or the equivalent. In addition to this loan for importation of equipment, another $3,400,000, or NT $184,000,000, are required in local currency to defray local procurement and labor costs. This amount will be provided to the extent of NT $75,000,000 by private investors, and NT $9 million from counterpart funds.

The proposed plant is designed to help meet increasing domestic consumption and export demands for cement. The continuing demand for domestic use is heavy in Taiwan, stemming partly from a shortage of other building materials, notably steel. The trend in use of cement is illustrated by the fact that tonnage of local consumption was only 200,000 MT in 1948, whereas it is estimated that it will reach 1,170,000 MT in 1961. Taiwan imported approximately US $2,000,000 worth of cement per annum in the years 1955, 1956 and 1957.

In the hope of developing an export capacity to other Far Eastern countries to earn foreign exchange, the Government has been planning over a period of time for yearly production of 1,370,000 MT by 1961.

Ingalls-Taiwan Shipbuilding and Drydock Co.

Loan Amount and Terms: $2,000,000 repayable in nine years at 5-1/2% in U.S. dollars.

Borrower: The Ingalls-Taiwan Shipbuilding and Drydock Co. incorporated in Liberia and doing business in Taiwan.

Guaranty Amount and Terms: A guaranty has been given to the Bank of America and the Marine Midland Bank covering a $4,500,000 ship construction loan made by these institutions.

Status: Guaranty agreement concluded; direct loan agreement signed.

The proposed loan would assist in financing the company's shipyard in Taiwan. The expansion is designed to (a) improve ship repair facilities for friendly naval vessels and merchant vessels; (b) rearrange and/or improve shop facilities for the manufacture of heavy and industrial equipment as a service to Taiwan industries; (c) expand and improve yard facilities for the construction of fishing craft, coastal ships and large dry cargo vessels and tankers.

A total of more than $10 million over and above the $4.5 million in bank loans and the $2 million DLF loan will be put into this project.

The project will be among the largest American private investments in Taiwan. Much of the repair work and the greater percentage of the shipbuilding will be for private shipping interests in Taiwan. The shipyard and industrial project in Taiwan is not confined to the construction of tankers. Important features of the project are the improvement of the repair facilities of strategic importance to the U.S. and Chinese navies, the improvement of facilities for the manufacture of fishing boats and other small vessels, and the manufacture of industrial equipment. A heavy volume of inquiries has already been received by the yard with respect to new vessel construction from which it is evident that there is a continuing demand for vessel construction, particularly in Taiwan and Southeast Asia.

TAIWAN (Continued)

Improvement of Fishing Industry

Loan Amount and Terms: $686,000 repayable in five years at 5% in New Taiwan dollars.

Borrower: The Land Bank of Taiwan of the Government of the Republic of China, a Government-controlled bank specializing in land and agricultural financing.

Status: Letter of advice issued.

The Land Bank makes long-term, low interest rate loans to farmers and agricultural organizations. It obtains its resources from deposits and the Government. Its loans are used to increase agricultural production, for the construction of buildings and irrigation facilities, assistance to farmers associations, development of fisheries, land improvement and for mortgages.

DLF loan to the Land Bank will provide foreign exchange to cover external costs of a fishing project whose total cost in foreign and local currencies is estimated to be the equivalent of $1,575,440. The Land Bank proposes to re-lend the $686,000 of the Development Loan Fund loan to small private borrowers for the improvement and expansion of their fishing establishments. Items to be procured, and their approximate values, are diesel engines ($298,000), refrigeration and cold storage equipment ($255,000), imported items used in boat construction ($96,000), and specialized seine ($37,000).

About 55 diesel engines ranging in size from 20 to 300 HP units will be procured for replacement of existing installations, and use in new boats. The refrigeration and cold storage equipment is to be used in storage facilities being developed by various fishermen and private concerns as well as private fishermen associations. Boat construction items will be utilized in the building of 12 25-ton purse seine boats which will be owned by six private fishermen or small private companies. The imported specialized seine is to be used on two night purse seiners.

Taiwan, with a rate of population growth of about 3-1/2% per annum is undertaking various programs, including efforts to secure an increase in the general good supply, in order to accommodate an increased population and improve living standards. This project will assist the further growth of the fishing industry, provide substantial increases in earnings, and make a significant contribution to the supply of protein foods in Taiwan.

By-Product Coke Oven

Loan Amount and Terms: $1,000,000 repayable in nine years at 5-1/2% in New Taiwan dollars.

Borrower: Pioneer Chemical Corporation Taipei, Taiwan, China, a private concern, incorporated under Chinese law in 1956 with a capitalization of NT $30 million.

Status: Letter of advice issued.

This loan will finance about 30% of the import requirements to establish a by-product coke oven plant in Taiwan, and provide the foreign exchange requirements for the supervision of installation, initial operation of the plant by foreign engineers and on-the-job training of Chinese engineers abroad.

The project will involve a local washing plant; a coke oven plant with by-product recovery and gas purification facilities; a tar distillation plant; and a light-oil refining plant. Total cost of the project will be US $3,295,000 and NT $85,400,000. The balance of the US dollar requirements over the proposed DLF loan is expected to be financed through local Japanese banks and the Japanese Export-Import Bank. The plant will use the limited coal resources of Taiwan more economically by supplying the expanding coke demand of Taiwan industry with cheaper and better coke. Plans call for production of 360 metric tons of coke per day or a little over 131,000 M/T per year.

With the advancing industrialization of Taiwan the requirements for coke and many of the by-products of coke production have increased. A new fertilizer plant now going into production imposes an additional requirement which can only be filled by import of coke or increase of existing facilities for production of coke. This proposed plant will provide these coke and coke by-product requirements more economically than existing crude beehive coke ovens which do not recover the by-products and which utilize 15% of the coke produced as fuel. It will also help to meet increasing import requirements for some of the by-products which now exist and it will possibly provide some exports though the extent cannot definitely be determined. Foreign exchange savings and earnings may approximate US $1,500,000 per annum.

Small Industry Loan Fund

Loan Amount and Terms: $2,500,000 repayable in five years at 5-1/2% in New Taiwan dollars.

TAIWAN (Continued)

Borrower: There are four borrowers for this loan: the Hua Nan Bank ($750,000), the Chang Hua Bank ($750,000), the First Commercial Bank ($750,000), and the Central Trust of China ($250,000) all located in Taipei, Taiwan. The first three institutions are commercial banks with a large degree of private ownership while the Central Trust is a Government-owned bank which, in addition to conducting a regular banking business, engages in procurement on Government account.

Status: Letter of advice issued.

The loan will be utilized by the banks involved to make medium-term loans suitable to a wide variety of small private industries. It will provide foreign exchange for the importation of equipment required for the establishment or expansion of a wide variety of industrial and manufacturing establishments. Equipment involved will include generators and motors, electrical apparatus, engines and turbines, construction, mining and surveying equipment, tools, metal working machinery, industrial machinery, scientific instruments, and miscellaneous equipment.

The loan will permit the continuation of a program originally initiated, prior to the establishment of the Development Loan Fund, by the International Cooperation Administration to provide the only source in Taiwan of medium-term credits for small enterprises on terms within the scope of their capabilities for repayment. The DLF loan of foreign exchange is supplemented by local currency resources provided by the banks involved, ICA and other indigenous sources for loans to meet the local costs of small enterprise development projects.

Taiwan is predominantly an agricultural economy. The Government of the Republic of China is seeking to diversify the economy and accelerate its growth by developing industrial resources and increasing the productive capabilities of existing plants. Small private enterprises have an important role to play in this process and the Small Industry Fund, by providing loans to these enterprises to meet foreign exchange and local costs, contributes greatly to increased production in that sector of the local economy, both for consumption and for export. The individual projects are sound and related to the resources of the economy, each applicant for a bank loan being required to show availability of raw materials, power, natural resources, labor, and markets. Consideration is especially given to applicants which have as their purpose the best utilization of available resources, increase of employment and stabilization of prices, or expansion of overseas markets for local products. A survey of results achieved through this program in the past indicates a very successful increase of productive capacity and actual production as well as increases in employment.

Taiwan Aluminum Corporation

Loan Amount and Terms: $1,350,000 repayable in five years, at 5-1/2% in New Taiwan dollars.

Borrower: The Taiwan Aluminum Corporation, a corporation wholly owned by the Government of the Republic of China through the Ministry of Economic Affairs and other Government agencies.

Status: Letter of advice issued.

The proceeds of this loan will assist in financing the costs of acquiring equipment, materials, supplies and services required for modernization and expansion of the corporation's facilities for producing alumina and aluminum ingot at Kaohsiung, Taiwan.

The purpose of the loan is to increase efficiency of operations, increase yield of aluminum ingot and reduce costs through installation of new filters and other equipment in the alumina production units, a red mud processing unit to recover caustic soda and aluminum oxide from red mud waste, 10 new sets of mercury arc rectifiers, new oil circuit breakers, and other items.

Although greater availability of aluminum for fabrication locally will reduce requirements for products manufactured from imported materials, or with limited local resources of other materials, the greatest benefit from this project should accrue from increased exports. It is estimated that of the total production of 20,000 M/T of ingot annually, 12,600 M/T, or about 60% of the production will be available for export, and it is believed that a market for a much larger amount than that exists in the region. It is estimated that after meeting the import costs the company should net over $4.5 million per year in foreign exchange for Taiwan. The increased plant capacity will also help supplant metal currently imported, thus decreasing Taiwan's foreign exchange requirements.

THAILAND

Bangkok Power Distribution

Loan Amount and Terms: $20,000,000 repayable in 20 years at 5-1/2% in baht.

THAILAND (Continued)

Borrower: The Metropolitan Electricity Authority, a newly created autonomous Government agency, under the general supervision of the Ministry of Interior.

Status: Letter of advice issued.

The project for which this loan provides financing of foreign costs is intended to provide a system capable of distributing 250,000 KW and accommodating the power generated by the Yanhee hydro project and a 75 MW steam unit. The proposed construction schedule calls for completion of this portion of the project by 1963. It is expected that the system will become self-supporting at this time and that further expansion (to 500,000 KW by 1980) will be financed from revenue.

Salient features of the system are:

(a) A 69 KV subtransmission system emanating from three primary step-down terminal substations to be built by the Yanhee Electricity Authority, consisting of approximately 22 KM of single circuit lines and 10 KM of double circuit lines.

(b) Nine step-down (69 - 12 KV) distribution substations averaging 30 MVA capacity. Five are to be located at sites of existing generating plants, four at new sites.

(c) A 12 KV distribution system consisting of conventional overhead conductor on wood poles, with pole-mounted distribution transformers (approximately 377,000 KVA) and a 56,000 KVA overhead secondary network system for the congested commercial system of Bangkok.

(d) A completely new secondary system and rehabilitation of approximately 150,000 meters and services.

(e) Sufficient funds to purchase construction and maintenance vehicles and equipment and to support a construction management contract to provide supervisory and training personnel for implementing the project.

This distribution system is essential if the benefit to the Bangkok area of new power to be generated at the Yanhee installation and by the contemplated thermal unit is to be realized. Load growth in Bangkok is expected to utilize fully the additional power and the distribution facility, particularly in view of the growing industrial complex in the area.

Dredge

Loan Amount and Terms: $1,750,000 repayable in 15 years at 3-1/2% in baht.

Borrower: The Port Authority of Thailand, an autonomous Government entity.

Status: Letter of advice issued.

This loan finances the purchase abroad of a 2,000 cubic meter dredge to be used to maintain a channel in the Chao Phya River for the Port of Bangkok.

Maintenance of Bangkok Port facilities requires continuous dredging on a large scale to prevent silting of the harbor and the formation of a bar at the entrance. The Port Authority has five dredges now in operation on this project. The cost of operating the older barges increases considerably each year, and the silting problem is increasing.

The new dredge would replace Sandon II, a 54-year old vessel, given to Thailand when declared obsolete by the U.S. Corps of Engineers, which has been reconditioned several times and is no longer reliable and safe to face the heavy dredging requirements in the channel.

A dredge for the Port of Bangkok is considered of high priority within the context of Thailand's over-all development requirements. Should the siltation problem become further aggravated and actually impede the flow of traffic, this would seriously damage Thailand's international commerce since Bangkok is the only sizable port available to the Thais.

VIET-NAM

Saigon-Cholon Water Distribution System

Loan Amount and Terms: $19,500,000 repayable in 30 years at 3-1/2% interest in Vietnamese piastres.

Borrower: The Government of Viet-Nam.

Status: Letter of advice issued.

The loan will cover the foreign exchange cost of a project for improving and expanding the water supply of the Saigon Metropolitan area. The foreign exchange cost will cover engineering and

VIET-NAM (Continued)

construction supervision, materials, and equipment necessary to complete the project. The Government of Viet-Nam will provide an additional 641 million V.N. piastres to cover all local expenses of the project.

Because of unusual economic and political conditions, the population of the Saigon Metropolitan Area (Saigon-Cholon-Giadinh-Govap) has grown very rapidly from 500,000 in 1946 to some 1,800,000 in 1958. It is estimated that of this total population some 1,000,000 are refugees with primarily agricultural backgrounds.

The existing water supply and distribution system is completely inadequate to service the minimum requirements of the Saigon Metropolitan Area. This deficiency presents a threat to the general welfare and health of the population.

The capacity of the present system to deliver water to the population is dangerously low. In the poorer and more populated districts, a continuous emergency condition exists. On an over-all basis, the average annual nominal supply per capita is approximately 90 liters per day, and during the dry season, it is 67 liters per capita per day. If one takes into account the losses in the distribution system, the actual average consumption is even less.

The water delivered, although bacteriologically safe at its source, is of poor quality, highly acid and with excessive iron content.

This project is designed to fill the urgent water requirements of Saigon today, and to provide additional potable water for its growth in the immediate future. In addition, the water will be available for increasing industrial usage, as well as for use by Prefectural and governmental authorities for fire fighting, for the post, and for other uses.

LATIN AMERICA (Cont'd.)

ARGENTINA

Banco Central

Loan Amount and Terms:. $24,750,000 payable in dollars at 5½% in 17 semi-annual installments.

Borrower: Banco Central de la Republica Argentina, owned by the Government of Argentina and the Bank of issue.

Status: Loan agreement signed.

The proceeds of the loan will be used to assist in financing the foreign exchange costs of supplying electric power and transmission lines for industrial and domestic use; providing adequate transportation for passengers and cargo permitting goods to be transported to the larger cities and ports and to relieve the current congestion of passenger traffic; and providing cranes, furnaces and fabricated and non-fabricated structural steel for the building of industrial plants.

Of the $24,750,000 loaned by the DLF, $13,439,563 will be used to assist in procuring generators, transformers, material to complete electrical mechanical installations, etc.; $6,307,132 for locomotives, motorized railway cars, spares, street cars, etc.; $4,983,494 for an open hearth furnace plant, cranes for strip mill, annealing equipment, fabricated and non-fabricated structural steel.

Under a previous regime the Argentine economy deteriorated as the result of the policies followed. For a number of years the transportation systems of railways and highways have seriously suffered from a lack of adequate expansion and ability to keep pace with modern improvements. There has developed an increasing accumulation of goods which cannot be moved to market because of inadequate facilities. In the electric power field shortages have become increasingly acute.

To counteract the current serious economic condition of the country the present Government requested assistance from the International Monetary Fund and with the Fund developed plans to stabilize the currency and institute certain budgetary reforms and restrictions of credit. In order to enable the Government to carry out these stabilizing measures and to move forward with industrial development, the International Monetary Fund established a $75 million standby fund, private American banks have made available $54 million, the Export-Import Bank $100 million, the U.S. Treasury $50 million and DLF, $24.75 million.

GUATEMALA

Kenaf Bag Factory

Loan Amount and Terms: $400,000 repayable in 5 years at 5-3/4% in United States dollars.

Borrower: Productos de Kenaf, S.A. (PROKESA), of Guatemala, a privately-owned firm.

Status: Letter of advice issued.

The proceeds of this loan will be used to assist in financing part of the foreign exchange costs of machinery and equipment for a kenaf (a soft bast fiber similar to jute) bag manufacturing factory. The plant will be located on the edge of the town of Escuintia near the source of its raw material.

The initial investment in this project is the equivalent of $900,000. Of this amount, private enterprise (Guatemalan and American capital) will invest $500,000.

This project will increase employment and is expected to create an incentive to the farmers of that area to diversify their crop production and switch from the growing of cotton to the more profitable kenaf crop.

The project will also save over one million dollars in foreign exchange annually for Guatemala, which presently imports jute and jute coffee bags. When the factory is in full production it is anticipated that foreign exchange may be earned by the export of coffee bags to other Latin American countries. The United States will benefit from this project by having a fiber production center in the Western Hemisphere.

HAITI

Artibonite Valley Project

Loan Amount and Terms: $4,300,000, repayable in 30 years at 3½% in Haitian gourdes.

Borrower: The Government of Haiti, with disbursement under the loan to be handled through the "Organisme de Develop-

[redacted]

LATIN AMERICA (Cont'd.)

HAITI (Continued)

ment de la Vallee de l'Artibonite" (ODVA), a government corporation established to develop agriculture in the Artibonite Valley.

Status: Letter of Advice issued.

The loan funds would be used to complete drainage ditches for 25,000 acres now partially irrigated, and construct further irrigation works to bring water to an additional 30,000 acres. The irrigation and drainage of the additional acreage will contribute substantially to increased crop production which is important to the economy of Haiti.

Despite the fact that Haiti is predominantly agricultural, there is not sufficient locally grown foodstuffs to meet internal needs. Foodstuffs now account for approximately 20 percent of Haiti's total imports. With the land brought into full irrigation, annual production of foodstuffs for internal use should increase by $5 million.

Begun in 1953 as a multi-purpose irrigation, drainage, flood control and hydroelectric project, the present facilities consist of a buttress dam designed for the eventual installation of three generators with a total capacity of 40,000 KW, and canals and ditches to fully irrigate 25,000 acres. The cost of the project thus far has been between $31 million and $32 million financed by the Export-Import Bank, grants from the International Cooperation Administration and direct investment by the Government of Haiti.

URUGUAY

UTE Telephone Expansion

Loan Amount and Terms: $8,800,000 repayable in 20 years at 3½% approximately one-fourth (1/4) repayable in Uruguayan pesos, balance in dollars.

Borrower: General Administration of Electric Plants and Telephones of the State (UTE), an autonomous government enterprise.

Status: Letter of advice issued.

The proceeds of the loan will enable UTE to meet a growing demand for telephones in Montevideo, Uruguay's capital city, and surrounding areas. The loan will finance foreign currency purchases of central office equipment and spare parts; power equipment, cables; telephone sets; underground conduits, and other necessities. Local costs will be provided by UTE.

There are now 64,000 telephones in Montevideo and 27,000 in the rest of Uruguay, for a total of 91,000. Unsatisfied demands for telephones now total 52,000 applications, including 46,000 for service in Montevideo. The expansion project which would be financed with DLF funds contemplates an increase in the operating capacity of the Montevideo telephone plant by 51,500 new lines, which are equivalent to 46,000 new telephones.

UTE was created in 1912 to provide light and power and given authority in 1931 to operate Uruguay's telephone system. All UTE profits are reinvested into the enterprise.

AFRICA (Cont'd.)

NIGERIA

Apapa Produce Warehouse

Loan Amount and Terms: $800,000, repayable in 12 years at 5-3/4% in U. S. dollars.

Borrower: The Nigerian Ports Authority, a public authority established by the federal government of Nigeria to administer and operate Nigeria's ports.

Status: Letter of advice issued.

The loan to the Nigerian Ports Authority will assist in financing construction of a new warehouse on Apapa Quay in Lagos Harbor Nigeria, and make a substantial contribution to the Authority's ability to carry out a major port development program which has been underway in recent years.

The warehouse of 15,000 ton capacity will be the second of three planned for Apapa Quay by the Authority to handle exports of cocoa and other agricultural crops. The first one was completed in 1957 and has proved very successful. With the cargo growth that has taken place at Lagos, it is expected that the new warehouse will be used to capacity within six months of completion.

NEAR EAST (Cont'd.)

JORDAN

Jordan Phosphate Mines Company, Ltd.

Loan Amount and Terms: $2,500,000 repayable within 13 years at 5-3/4% in pounds sterling.

Borrower: Jordan Phosphate Mines Company, Ltd. Amman, Jordan, of which approximately two-thirds of the capital stock is owned by private shareholders and the balance by the Government of Jordan.

Status: Letter of advice issued.

The proceeds of this loan are to be used primarily to assist in financing the foreign exchange and some local costs of acquiring equipment, materials and services required for the expansion of the phosphate mines at Ruseifa, Jordan, where geological surveys have proved the existence of extensive reserves. It is expected that the proposed expansion of the mining operations will almost double the current output. At the present time the total output is exported.

One of the basic obstacles to the economic development of Jordan is low foreign exchange earnings. Increased earnings from the phosphate mines is considered second only to the further development of agriculture in its potential contribution to the economic future of the country. The IBRD 10-year Development Plan for Jordan gives considerable emphasis to the further development of the phosphate mines.

Current marketing plans indicate that a considerable portion of the output will go to new markets in Yugoslavia. The Company also proposes to transport a greater portion of their product through the Port of Aqaba which is being modernized and expanded through UK assistance. This development will make it possible to market an increasing amount of Jordan phosphate in South Asia, in particularly in India.

TURKEY

Zonguldak Coal Mines

Loan Amount and Terms: $14,500,000 repayable in 12 years at 5-3/4% in Turkish lira.

Borrower: The Turkish Coal Enterprises (Turkiye Komur Isletmeleri Kurumu), a state operated enterprise.

Status: Loan agreement signed.

The loan will assist in the financing of equipment, materials and services required to develop and sustain the yield of the Zonguldak bituminous coal mines. A portion of this loan, along with a request submitted to the Export-Import Bank for a loan for equipment valued at $1,000,000 will complete the financing required to attain a gross (run of mine) production goal of 7,000,000 tons of coal. This development program for the mines had been initiated under a program financed by the ECA and successor agencies.

The DLF loan will also be used to obtain capital equipment replacements for which the Turkish Coal Enterprises had been unable to obtain foreign exchange over the past several years.

These mines are, for all practicable purposes, the sole source of bituminous coal for Turkish industry. The coal is of coking quality and is used locally in the production of iron and steel. The contribution of Zonguldak operations to the economic development of Turkey is substantial and vital. It provides the basic fuel requirements for the bulk of Turkey's industry and principal transportation facilities. Virtually no coal is now imported. Although coal is mined under difficult geological conditions, which preclude intensive mechanization at the coal face, the cost per ton of coal produced appears to be significantly lower than the cost of comparable imported coal.

SOUTH ASIA (Cont'd.)

PAKISTAN

Sui Gas Transmission Co.

Loan Amount and Terms: $2,000,000 repayable in 12 years at 5-3/4% in Pakistan rupees.

Borrower: Sui Gas Transmission Company, Ltd., a private corporation located in Karachi, Pakistan.

Status: Letter of advice issued.

The proceeds of the loan will be used to assist in financing the foreign exchange costs involved in adding two banks to a gas purification plant at Sui, each with a capacity of 37 million cubic feet per day.

The present plant is comprised of two banks each designed to purify a maximum daily capacity of 37 million cubic feet. However, this flow cannot be maintained continuously as maintenance must be carried out together with internal inspections at regular intervals. Allowing reasonable maintenance and utilization of pipeline pack a continuous flow of just over 50 million cubic feet per day is possible from the two banks.

Anticipated industrial and power requirements, however, are expected to far exceed this capacity within the next 18 months. The Karachi Co. pipeline, which is a major supplier of industrial needs, will have to meet an estimated sustained load of 50 million cubic feet per day by October, 1959. On the Multan pipeline sustained offtakes of 20 million cubic feet per day are anticipated from the new Multan power station, due to begin operations in September 1959, in addition to about 5 million cubic feet per day required by existing industry. In June 1960 the Multan fertilizer plant starts operations requiring a sustained offtake of 18 million cubic feet per day which, together with normal expansion and purification plant requirements, will make total requirements more than 95 million cubic feet per day.

Sui gas is less expensive than imported fuel oil. It also provides a means of saving scarce foreign exchange. If the same power requirements were met from fuel imports, it is estimated that $4.5 million would be required in foreign outlays in 1959 and $14.6 million in 1972.

May 19, 1959

EAST (Cont'd.)

KOREA

Chung Ju Hydro Design Engineering

Loan Amount and Terms: $1,500,000 repayable in ten (10) years at $3\frac{1}{2}\%$ interest in Korean Hwan.

Borrower: Korea Electric Power Company of Seoul, Korea; a corporation 90% owned by the government.

Status: Letter of advice issued.

The proceeds of the loan will be used to finance the design engineering of a hydroelectric power facility at Chung Ju on the South Han River.

The Republic of Korea and the Korea Electric Power Company presented an application to the DLF for the actual development of the Chung Ju site. The DLF evaluation indicated that further engineering should be done in order definitely to establish the design of the facility and its costs. Upon completion of design engineering, the Korea Electric Power Company will decide on its subsequent course of action and may again approach DLF for a loan to build the proposed plant.

Following World War II, South Korea found itself with practically no power facilities, the large power establishments having been located in the more industrialized norther half of the country. With U.S. aid it has made some progress since the end of the Korean War in rehabilitating damaged facilities and in building new thermal facilities. It is now estimated that even with the efforts that are being made, which are expected to provide maximum output of 360,000 KW by 1962, the demand will have increased by that time to somewhere near 615,000 KW, leaving an estimated shortage of 254,000 KW in 1962.

In an effort to provide for the developing power requirements of the country, the Korea Electric Power Company with the support of the Korean Government and the ICA, has undertaken surveys of the large rivers to find acceptable hydroelectric power sites for immediate and future development, because of the long range economy in the production of hydroelectric as contrasted to thermal power. Chung Ju on the South Han River has been determined to be the most promising site for immediate development.

DEVELOPMENT LOAN FUND

OBLIGATIONS AND EXPENDITURES

Fiscal Years 1958-1960

(In thousands)

	FY 1958 (Actual)	FY 1959 (Estimate)	FY 1960 (Estimate)
Obligations:			
Loan and guarantee program	$102,100	$499,750	$697,950
Administrative expenses	143 a/	1,250	2,050
Total obligations	$102,243	$501,000	$700,000
Expenditures (net)	$1,500	$ 75,000 ~~b/~~	$200,000

a/ Comparative transfer from "General administrative expenses," ICA.
~~b/ Revision not reflected in MSP over-all presentation documents.~~

PREVIOUS PAGE BLANK

Revised May 19, 1959

COMPARATIVE STATEMENT OF INCOME AND EXPENSE, FY 1958 - 1960

	FY 1958 (Actual)	FY 1959 (Estimate)	FY 1960 (Estimate)
Income:			
Interest on loans:			
Payable in dollars	-0-	$ 200,000	$ 1,200,000
Payable in foreign currencies ($ equiv.)	-0-	600,000	5,800,000
Fees for guarantees (dollars)	-0-	50,000	600,000
Total Income	-0-	850,000	7,600,000
Less: Operating Expenses:			
Administration:			
Expenditures	-0-	1,070,000	1,776,000
Accounts payable	-0-	135,000	225,000
Depreciation on equipment	-0-	6,458	10,824
Total Expenses	-0-	1,211,458	2,011,824
Profit or Loss from Prior Year	-0-	-0-	- 361,458
Cumulative Profit or Loss End of Year	-0-	- 361,458	5,226,718

May 19, 1959

DEVELOPMENT LOAN FUND

PRO-FORMA STATEMENTS OF FINANCIAL CONDITION

Actual as of June 30, 1958, Estimated as of June 30, 1959 and June 30, 1960

	Actual as of 6/30/1958	Estimated as of 6/30/1959 a/	Estimated as of 6/30/1960
ASSETS			
Cash:			
Operating Cash with Treasury (U.S.$)	$ 298,500,000	$ 773,000,000	$ 1,266,650,000
Obligated	(100,600,000)	(525,900,000)	(1,017,700,000)
Unobligated	(197,900,000)	(247,100,000)	(248,950,000)
Dollar Equivalent Value of Foreign Currency		500,000	6,850,000
Loans Receivable:			
Repayable in U.S. $		21,000,000	60,800,000
Repayable in Foreign Currencies	1,500,000	55,050,000	220,100,000
Accounts Receivable:			
Payable in U.S. $		50,000	200,000
Payable in Foreign Currencies		150,000	800,000
Furniture and Fixtures	21,649	45,191	73,367
Total Assets	300,021,649	849,795,191	1,555,473,367
LIABILITIES AND CAPITAL			
Current Liabilities		135,000	225,000
Appropriated Capital (Cumulative);			
Loans Acquired (disbursements)	1,500,000	76,100,000	282,350,000
Undisbursed Loans and Outstanding Guarantees	100,600,000	525,750,000	1,017,450,000
Subtotal - Agreements (obligations)	102,100,000	601,850,000	1,299,800,000
Unobligated balance	197,900,000	246,900,000	246,900,000
Subtotal - Operating Funds	300,000,000	848,750,000	1,546,700,000
Applied to Administrative Expenses		1,250,000	3,300,000
Total - Appropriated Capital	300,000,000	850,000,000	1,550,000,000
Donated Capital	21,649	21,649	21,649
Net Operating Profit		- 361,458	5,226,718
Total Liabilities and Capital	300,021,649	849,660,191	1,555,248,367

a/ Includes $150,000,000 supplemental appropriation approved by Congress

PREVIOUS PAGE BLANK

Revised May 19, 1959

BUSINESS-TYPE STATEMENTS

The following financial statements have been prepared in accordance with Sections 102 - 103 of the Government Corporation Control Act (P.L. 248, 79th Congress), in the form and content prescribed in Bureau of the Budget Circulars A-11 and A-41.

DEVELOPMENT LOAN FUND

PROGRAM AND FINANCING

(In thousands)

	APPROPRIATED FUNDS			Foreign currencies (In dollar equivalents)			Total		
	FY 1958 (Actual)	FY 1959 (Estimate)	FY 1960 (Estimate)	FY 1958 (Actual)	FY 1959 (Estimate)	FY 1960 (Estimate)	FY 1958 (Actual)	FY 1959 (Estimate)	FY 1960 (Estimate)
Program by Activities:									
1. Direct loans............	$102,100	$489,750	$647,950			$ 2,000	$102,100	$489,750	$649,950
2. Guaranteed loans.........		10,000	50,000					10,000	50,000
3. Administration..........	143	1,250	2,050				143	1,250	2,050
Total program (obligations)..................	102,243	501,000	700,000			2,000	102,243	501,000	702,000
Financing:									
Amounts becoming available:									
Appropriation.............	300,000	550,000 a/	700,000				300,000	550,000 a/	700,000
Comparative transfer from "General administrative expenses, " ICA..........	143						143		
Collection of loans........			200		50	1,200		50	1,400
Interest earned............		200	1,200		600	5,800		800	7,000
Fees for guarantees issued.		50	600					50	600
Total amounts becoming available..............	300,143	550,250	702,000		650	7,000	300,143	550,900	709,000
Unobligated balance brought forward..................		197,900	247,150			650		197,900	247,800
Total amounts available..	300,143	748,150	949,150		650	7,650	300,143	748,800	956,800
Unobligated balance carried forward..................	-197,900	-247,150	-249,150		-650	-5,650	-197,900	-247,800	-254,800
Financing applied to program....................	102,243	501,000	700,000			2,000	102,243	501,000	702,000

a/ Includes $150,000,000 supplemental appropriation approved by Congress.

Revised May 19, 1959

PREVIOUS PAGE BLANK

DEVELOPMENT LOAN FUND

SOURCE AND APPLICATION OF FUNDS (OPERATIONS)

	FY 1958 (Actual)	FY 1959 (Estimate)	FY 1960 (Estimate)
Gross expenditures (funds applied):			
Acquisition of loans	$1,500,000	$ 74,600,000	$206,250,000
Acquisition of equipment		30,000	39,000
Expense		1,205,000	2,001,000
Increase in selected working capital:			
Dollars			60,000
Foreign currencies (in dollar equivalents)		150,000	650,000
Total gross expenditure	1,500,000	75,985,000	209,000,000
Receipts from operations (funds provided):			
Repayment of loans:			
Dollars			200,000
Foreign currencies (in dollar equivalents)		50,000	1,200,000
Revenue:			
Dollars		250,000	1,800,000
Foreign currencies (in dollar equivalents)		600,000	5,800,000
Decrease in selected working capital: Dollars		85,000	
Total receipts from operations		985,000	9,000,000
Budget expenditures	1,500,000	75,000,000 ~~a/~~	200,000,000

a/ ~~Revision not reflected in MSP over-all presentation documents.~~

REVENUE, EXPENSE, AND RETAINED EARNINGS

	FY 1958 (Actual)	FY 1959 (Estimate)	FY 1960 (Estimate)
Revenue:			
Dollars		250,000	1,800,000
Foreign currencies (in dollar equivalents)		600,000	5,800,000
Total revenue		850,000	7,600,000
Expense:		1,211,458	2,011,824
Net income for the year		-361,458	5,588,176
Retained earnings, beginning of year			-361,458
Retained earnings, end of year		-361,458	5,226,718

PREVIOUS PAGE BLANK

Revised May 19, 1959

DEVELOPMENT LOAN FUND

FINANCIAL CONDITION

	FY 1958 (Actual)	FY 1959 (Estimate)	FY 1960 (Estimate)
Assets:			
Cash:			
Cash with Treasury..................................	$298,500,000	$773,000,000	$1,266,650,000
Foreign currencies (in dollar equivalents)...........		500,000	6,850,000
Loans receivable:			
Dollars..		21,000,000	60,800,000
Foreign currencies (in dollar equivalents)...........	1,500,000	55,050,000	220,100,000
Accounts receivable:			
Dollars..		50,000	200,000
Foreign currencies (in dollar equivalents)...........		150,000	800,000
Furniture and equipment (net).........................	21,649	45,191	73,367
Total assets..	300,021,649	849,795,191	1,555,473,367
Liabilities (current).................................		135,000	225,000
Government Investment:			
Non-interest-bearing capital:			
Start of year..		300,021,649	850,021,649
Appropriations during the year........................	300,000,000	550,000,000 a/	700,000,000
Capitalization of donated property....................	21,649		
End of year..	300,021,649	850,021,649	1,550,021,649
Retained earnings....................................		-361,458	5,226,718
Total Government investment..........................	300,021,649	849,660,191	1,555,248,367

a/ Includes $150,000,000 supplemental appropriation approved by Congress.

PREVIOUS PAGE BLANK

Revised May 19, 1959

DEVELOPMENT LOAN FUND

STATUS OF CERTAIN FUND BALANCES

	FY 1958 (Actual)	FY 1959 (Estimate)	FY 1960 (Estimate)
Unexpended balance:			
Cash with Treasury..........	$298,500,000	$773,000,000	$1,266,650,000
Obligated balance, net:			
Current liabilities..........		135,000	225,000
Undisbursed program obligations:			
Direct loan commitments..........	100,600,000	515,750,000	959,450,000
Guaranteed loan commitments..........		10,000,000	60,000,000
Unpaid undelivered orders..........		15,000	25,000
Accounts receivable (-):			
Dollars..........		-50,000	-200,000
Foreign currencies (in dollar equivalents)..........		-150,000	-800,000
Foreign currencies received (-)..........		-500,000	-6,850,000
Total obligated balance..........	100,600,000	525,200,000	1,011,850,000
Unobligated balance is distributed as follows:			
Dollars..........	197,900,000	247,150,000	249,150,000
Foreign currencies (in dollar equivalents)..........		650,000	5,650,000

Revised May 19, 1959

PREVIOUS PAGE BLANK