PD-ACE-055

Mutual Security Program

FY 1960

Senate Appropriations Committee Hearings

briefing material

August 1959

BEST AVAILABLE

COVER SHEET FOR

CLASSIFIED OR CONTROLLED FILE

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

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

All Top Pt. + T

UNCLASSIFIED

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

FORM DS-1078
3-17-55

BRIEFING MATERIAL

SENATE APPROPRIATIONS COMMITTEE
FY 1960 MSP HEARINGS - AUGUST 1959

INDEX

Mutual Security Act of 1959 (item removed)

Draper Committee Interim Reports (1, 2, 3) (item removed)

A. List and biographical sketches of Members of Senate Appropriations Committee

B. President's Request for $500 Million FY 1961 Appropriations

Illustration on Need for Continuity

C. Status of Funds and Loan Proposals as of August 11, 1959

Reconciliation of June 30, 1959 Loan Actions with totals of pp. 25-26 of April 30, 1959 revision of DLF "Red Bood"

List of Loans not included in "Red Bood" revision of April 30, 1959, as of June 30, 1959

D. How DLF Funds are Committed

Sample Letter of Advice and Press Release

Commitment Procedures of Other Federal Lending Institutions

E. Summary of DLF Obligations and Commitments, June 30, 1959, and June 30 Obligations Compared with January 31, 1959

F. Total Loan Obligations, Commitments and Authorizations, Number of Countries, by Region, as of June 30, 1959

Summary of DLF Proposals and Commitments by Geographical Area, June 30, 1959

G. Estimated DLF Obligations, Expenditures and Balances as of June 30, 1959

Comparative Statement of Financial Condition, FY 1958-60 (estimates)

Comparative Statement of Income and Expense, FY 1958-60 (estimates)

Statement of Financial Condition and Income and Expanse, FY 1959 (actual) (item removed)

H. Distribution of FY 1959 Loan and Guarantee Obligations by Month

Distribution of FY 1959 Loan Disbursements by Month (item removed)

Total Loans Approved, by Month

BRIEFING MATERIAL

SENATE APPROPRIATIONS COMMITTEE
FY 1960 MSP HEARINGS - AUGUST 1959

INDEX - Continued

I. Selected Summary Data on Loan Funding, 1958-1960

Loan Disbursement Status, June 30, 1959 (item removed)

Interest Earned and Collected

J. Expenditure Experience of Export-Import Bank

Expenditure Experience of IBRD

K. Loans Approved by Interest Rates and Amounts, June 30, 1959

Loans approved by Duration, June 30, 1959

Loans Approved by Currency of Repayment, June 30, 1959

L. The DLF Private Investment

Private Investment and Economic Overhead

Summary of Loans Approved June 30, 1959, by Borrower and Sector of Use, June 30, 1959

M. Soft Loans Vs. Grants

N. Legislative History on DLF Dollar Repayments

Legislative History on Advance Country Allocation

Legislative History on Projects vs. Programs

O. Commitments in Advance of Receipt of Specific Project Applications

P. Netherlands Resettlement of Emigrants in Australia

Q. Rep. Coffin Statement on DLF

DLF Reply to FY 1958 GAO Report

R. Excerpt from Section 413(c) Report - "adverse Impact on U. S. Economy"

S. DLF Status Report as of July 31, 1959

T. Ellender Material:
Letter July 24 1959 from Sen. Ellender
Shinmen Dam Project
Summary of DLF Commitments, Obligations and Disbursements as of 6/30/59

BRIEFING MATERIAL

SENATE APPROPRIATIONS COMMITTEE
FY 1960 MSP HEARINGS - AUGUST 1959

INDEX - Continued

T. Cont'd Loan Applications on Hand as of 6/30/59

Loan Officer Memos

ICA Capital Grants and DLF Loan Obligations

Selected Countries, FY 1958-1959

U. Position Paper - Restoration of House Cut in DLF Adm. Expenses Limitations

Comparison of Actual Adm. Expense Obligations June 30, 1959 with FY '59 est.

Summary Data on FY 1958-60 Administrative Expenses (item removed)

Distinction between Administrative Services Provided by DLF and those on a Reimbursable Basis

Summary of Increase, FY 1960

Engineering Services forDLF Loans

86TH CONGRESS, 1st Session } HOUSE OF REPRESENTATIVES { DOCUMENT No. 205

AMENDMENT TO THE PROPOSED APPROPRIATION FOR FISCAL YEAR 1960 FOR THE DEVELOPMENT LOAN FUND

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

AN AMENDMENT TO THE PROPOSED APPROPRIATION FOR THE FISCAL YEAR 1960 FOR THE DEVELOPMENT LOAN FUND, PREVIOUSLY TRANSMITTED IN MY LETTER OF JUNE 26, 1959. THIS AMENDMENT WILL PROVIDE FUNDS FOR BOTH THE FISCAL YEAR 1960 AND THE FISCAL YEAR 1961

JULY 27, 1959.—Referred to the Committee on Appropriations and ordered to be printed

THE WHITE HOUSE,
Washington, July 24, 1959.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: I have the honor to transmit herewith for the consideration of the Congress an amendment to the proposed appropriation for the fiscal year 1960 for the Development Loan Fund, previously transmitted in my letter of June 26, 1959. This amendment will provide funds for both the fiscal year 1960 and the fiscal year 1961.

The details of this amendment, the necessity therefor, and the reasons for its submission at this time are set forth in the attached letter from the Director of the Bureau of the Budget, with whose comments and observations thereon I concur.

Respectfully yours,

DWIGHT D. EISENHOWER.

34012

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., July 23, 1959.

The PRESIDENT,
The White House.

SIR: I have the honor to submit herewith an amendment to the proposed appropriation previously transmitted for the fiscal year 1960 for the Development Loan Fund under the heading "Mutual Security, Funds Appropriated to the President." It is now requested that my letter of June 24, 1959, be amended by deleting the requirements for the Development Loan Fund (as printed on p. 2, H. Doc. 188) and in lieu thereof inserting the following:

Development Loan Fund: For advances to the Development Loan Fund, as authorized by section 203, to remain available until expended, and to become available as follows: during the fiscal year 1960, $700,000,000, and during the fiscal year 1961, $500,000,000.

Funds are being requested at this time to become available to the Development Loan Fund in the fiscal year 1961 to provide continuity and enable the Fund to improve planning in the long term use of its resources and promote its efforts to encourage more comprehensive measures of self-help by its borrowers. Notwithstanding section 204(b) of the Mutual Security Act of 1954, as amended, these funds will not be obligated prior to fiscal year 1961. This request is based on authorization contained in H.R. 7500, 86th Congress, which has been passed by both the Senate and the House of Representatives and is being proposed at this time in order that the House of Representatives may consider this request before taking action on the appropriations for mutual security. This request is within the amounts authorized. Any additional amounts for the fiscal year 1961 will be dependent upon conditions then existing and the need to maintain Development Loan Fund operations at a desirable level. The level of Development Loan Fund requirements will be reviewed in the light of current foreign developments, the beginning of operations by the Inter-American Bank, and the possible establishment of the International Development Association.

I recommend that the foregoing amendment be transmitted to the Congress.

Respectfully yours,

MAURICE H. STANS,
Director of the Bureau of the Budget.

O

Members of the Senate

on

Committee on Appropriations

(86th Congress-1st Session)

Democrats	Republicans
HAYDEN, Carl - Chairman, Arizona	BRIDGES, Styles; New Hampshire
RUSSELL, Richard B.; Georgia	SALTONSTALL, Leverett; Massachusetts
CHAVEZ, Dennis; New Mexico	YOUNG, Milton R.; North Dakota
ELLENDER, Allen J.; Louisiana	MUNDT, Karl E.; South Dakota
HILL, Lister; Alabama	SMITH, Margaret Chase; Maine
McCLELLAN, John L.; Arkansas	DWORSHAK, Henry; Idaho
ROBERTSON, A. Willis; Virginia	KUCHEL, Thomas H.; California
MAGNUSON, Warren G.; Washington	HRUSKA, Roman L.; Nebraska
HOLLAND, Spessard L.; Florida	ALLOTT, Gordon; Colorado
STENNIS, John; M.; Mississippi	
JOHNSON, Lyndon B.; Texas	
PASTORE, John O.; Rhode Island	
KEFAUVER, Estes; Tennessee	
MONRONEY, A.S. Mike; Oklahoma	
BIBLE, Alan; Nevada	
BYRD, Robert C.; West Virginia	
DODD, Thomas J.; Connecticut	
McGEE, Gale W.; Wyoming	

Everard H. Smith, Clerk
Thomas Scott, Deputy Clerk

Note: Biographic data taken from the Congressional Directory

M/CONT:3/4/59

BIOGRAPHICAL INFORMATION

CARL HAYDEN - Arizona

Democrat, Phoenix, Arizona; born Hayden's Ferry (now Tempe), Arizona, October 2, 1877; educated in public schools of Tempe, Normal School of Arizona, and Stanford University; delegate Democratic National Convention 1904; elected treasurer Maricopa County 1904, sheriff 1906, reelected 1908; appointed major of Infantry, United States National Army, October 4, 1918; married; elected to Sixty-second and succeeding Congresses through Sixty-ninth; elected to United States Senate 1926; reelected 1932, 1938, 1944, 1950 and 1956.

RICHARD B. RUSSELL - Georgia

Democrat, of Winder, Georgia.

DENNIS CHAVEZ - New Mexico

Democrat, of Albuquerque, New Mexico, born at Los Chavez, Valencia County, New Mexico, April 8, 1888; attended public schools of Albuquerque; graduate of law school, Georgetown University, 1920, with LL. B. degree; married Imelda Espinosa, November 9, 1911; has three children - Dennis Chavez, Jr., Mrs. George Dixon and Mrs. Jorge Tristani; served as clerk of the United States Senate, 1918 to 1920; member of New Mexico Legislature; practiced law at Albuquerque; elected to the Seventy-second Congress; reelected to the Seventy-third Congress; appointed to the United States Senate by Gov. Clyde Tingley on May 11, 1935; elected November 3, 1936; reelected November 5, 1940; reelected November 5, 1946; reelected November 4, 1952; reelected November 4, 1958.

ALLEN J. ELLENDER - Louisiana

Democrat, of Houma, Louisiana; born in Montegut, Terrebonne Parish, La., September 24, 1891; lawyer and farmer; graduate of St. Aloysius College, New Orleans, La., and Tulane University of Louisiana, at New Orleans, with degrees of M. A. and LL. B.; married to Miss Helen Calhoun Donnelly (died September 30, 1949); one son, Allen J., Jr.' served in World War I; city attorney of Houma, 1913-15; district attorney, Terrebonne Parish, 1915-16; delegate to Constitutional Convention of Louisiana in 1951; member of the house of representatives of Louisiana, 1924-36; floor leader, 1928-32, during administration of the late Huey P. Long, Governor; speaker of the house of representatives, 1932-36; Democratic nominee for United States Senator from Louisiana, and elected without opposition in the general election held on November 3, 1936, for the term ending January 3, 1943; reelected November 3, 1942, in the general election, without opposition, for the term ending January 3, 1949; reelected without opposition in the general election held on November 2, 1948, for the term ending January 3, 1955; again reelected without opposition in the general election held on November 2, 1954 for the term ending January 3, 1961; Democratic national committeeman from Louisiana, 1939-40.

LISTER HILL - Alabama

Democrat, of Montgomery, Ala., where he was born December 29, 1894; was graduated from Starke University School, Montgomery, Ala., in 1911; from University of Alabama at Tuscaloosa, Ala., in 1914; from the law school of the University of Alabama in 1915; and from the law school of Columbia University New York City, in 1916; took a special course at the law school, University of Michigan, at Ann Arbor, Mich., in the summer of 1914; honorary LL.D. degree. University of Alabama, 1939, Alabama Polytechnic Institute, 1939, National University, 1941, and Woman's Medical College of Pennsylvania, 1956; honorary fellow, American College of Hospital Administrators, 1954; was admitted to the bar of Alabama in 1915 and commenced the practice of law at Montgomery, Ala., in October 1916; president of the Montgomery Board of Education, 1917-22; served in the Army with the Seventeenth and Seventy-first United States Infantry Regiments during the World War, 1917-19; member of Phi Beta Kappa; married Henrietta Fontaine McCormick, of Eufaula, Ala.; children, Mrs. Charles Hubbard and Luther Lister; elected to the Sixty-eighth Congress to fill the vacancy caused by the death of John R. Tyson; renominated and reelected without opposition to the Sixty-ninth, Seventieth, Seventy-first, Seventy-second, Seventy-third, Seventy-fourth, and Seventy-fifth Congresses, and served from August 14, 1923, until his resignation on January 11, 1938; appointed to the United States Senate on January 10, 1938, and elected on April 26, 1938, to fill the vacancy in the term ending January 3, 1939; reelected on November 8, 1938, for the term ending January 3, 1945; reelected on November 7, 1944, for the term ending January 3, 1951; reelected on November 7, 1950, for the term ending January 3, 1957; reelected on November 6, 1956, for the term ending January 3, 1963.

JOHN L. McCLELLAN - Arkansas

Democrat, of Camden, Ark.; born at Sheridan, Grant County, Ark., February 25, 1896; first lieutenant of A.S.S.C. during the First World War; lawyer; prosecuting attorney of the seventh judicial district of Arkansas, 1926-30; member of Seventy-fourth and Seventy-fifth Congresses from the Sixth Congressional District of Arkansas; elected United States Senator November 3, 1942, for the term beginning January 3, 1943; reelected to the Senate November 2, 1948, for term beginning January 3, 1949; reelected to United States Senate November 2, 1954 for the term beginning January 3, 1955.

A. WILLIS ROBERTSON - Virginia

Democrat, of Lexington, Va., was educated in the public schools of Lynchburg and Rockymount, Va.; B.A., LL.B., and honorary LL.D. degrees, University of Richmond, Washington and Lee University, and College of William and Mary; member Pi Kappa Alpha, Omicron Delta Kappa, Phi Beta Kappa, Phi Alpha Delta law fraternity, of Jamestowne Society, and Sons of the American Revolution; admitted to the bar in 1908; member of State senate for 6 years, 1916-22; Commonwealth's attorney for Rockbridge County for 6 years, 1922-28; chairman of commission of game and inland fisheries for 6 years, 1926-32; during World War I served in the United States Army from August 1917 to June 1919; married Gladys Churchill Willis,

JOHN CORNELIUS STENNIS - Mississippi

Democrat, of DeKalb, Miss., was born in Kemper County, Miss., August 3, 1901, the son of Hampton Howell and Cornelia (Adams) Stennis; attended the county schools and graduated from Kemper County Agricultural High School, Scooba, 1919; B.S. degree, Mississippi State College 1923; LL.B. degree, University of Virginia Law School, 1928; member of Phi Beta Kappa, Phi Alpha Delta (legal), and Alpha Chi Rho fraternities; Presbyterian, Mason, Lion, member of Farm Bureau, Mississippi and American Bar Associations; past president, State 4-H Club Advisory Council; elected Mississippi House of Representatives from Kemper County, 1928-32; elected district prosecuting attorney, Sixteenth Judicial District, 1931 and 1935; appointed circuit judge, Sixteenth Judicial District, 1937, and elected 1938, 1942, 1946; elected United States Senator November 4, 1947; reelected November 4, 1952, to term ending January 3, 1959; reelected November 4, 1958 to term ending January 3, 1965; member, Appropriations Committee and Armed Services Committee; married Coy Hines of New Albany, Miss., December 24, 1929; two children, John Hampton and Margaret Jane.

LYNDON BAINES JOHNSON - Texas

Democrat, of Johnson City, Texas; born near Johnson City, Tex., August 27, 1908; B.S. degree, Southwest Texas State Teachers College at San Marcos, in 1930; attended Georgetown Law School, 1935; LL.D. degree, Southwestern University, 1943; elected to the Seventy-fifth Congress at a special election held on April 10, 1937; reelected to the Seventy-sixth, Seventy-seventh, Seventy-eighth, Seventy-ninth, and Eightieth Congresses; elected to the United States Senate, November 2, 1948, for the term ending January 3, 1955; reelected November 2, 1954, for term ending January 3, 1961; parents, Sam Ealy and Rebekah Baines Johnson; married Lady Bird Taylor, November 17, 1934; daughter, Lynda Bird Johnson, born March 19, 1944; daughter, Lucy Baines Johnson, born July 2, 1947; member, Armed Services Committee and Appropriations Committee; elected Democratic leader of the Senate January 3, 1953.

JOHN O. PASTORE - Rhode Island

Democrat, of Providence, R.I.; lawyer, born in Providence, March 17, 1907; married Elena Caito in 1941; children, John O., Jr., Frances Elizabeth, and Louise Marie; member of the Rhode Island General Assembly, assistant attorney general, Lieutenant Governor, Governor, U.S.Senator since 1950; Northeastern University, LL.B.; honorary degrees: Providence College, Brown University, University of Rhode Island, Rhode Island College of Education, Rhode Island College of Pharmacy, and Bryant College.

ESTES KEFAUVER - Tennessee

Democrat, of Chattanooga; son of Robert Cooke and Phedonia Estes Kefauver; born at Madisonville, in Monroe County, Tenn., July 26, 1903; educated in the public schools of Monroe County; received A B. degree at University of Tennessee in 1924, and LL. B. degree at Yale University in 1927; honorary degrees: Doctor of Laws at Western Reserve University, Tusculum College, George Pepperdine College; Doctor of Civil Law and honorary chancellor at Union College; practiced law at Chattanooga since 1927; member of the firm of Kefauver, Duggan & Miller; married to Miss Nancy Patterson Pigott, of Glasgow, Scotland; three daughters, Eleanor, Diane Carey, and Gail; one son David; served as commissioner of finance and taxation, State of Tennessee, for 4 months in 1939; member of the First Baptist Church of Chattanooga, the Rotary and the Mountain City Clubs, the Kappa Sigma fraternity, honorary member of Political Science Fraternity, Pi Sigma Alpha National, and the American and State Bar Associations; elected to the Seventy-sixth Congress; reelected to the Seventy-seventh, Seventy-eighth, Seventy-ninth, and Eightieth Congresses; served on Committee on the Judiciary and Select Committee on Small Business; author of book "Crime in America"; coauthor of book "20th Century Congress"; elected to the United States Senate November 2, 1948, for term ending January 3, 1955; reelected November 2, 1954 for term ending January 3, 1961; member of Armed Services Committee and Committee on the Judiciary; Democratic nominee for Vice President, 1956.

A. S. MIKE MONRONEY - Oklahoma

Democrat, of Oklahoma City, Okla.; born in Oklahoma City, March 2, 1902; educated inthe public schools and the University of Oklahoma, B. A., 1924; married; son, Michael Monroney; served 5 years as political writer of the Scripps-Howard Oklahoma News in Oklahoma City; elected to the Seventy-sixth Congress; reelected to the Seventy-seventh, Seventy-eighth, Seventy-ninth, Eightieth and Eighty-first Congresses; served as vice-chairman of the Joint Committee on the Organization of Congress during the Seventy-ninth Congress; coauthor with Senator Robert M. LaFollette of legislative reorganization bill of 1946; served as a member of the Banking and Currency Committee; winner of 1945 Collier's award for "Distinguished Congressional Service" in House of Representatives; member of Phi Gamma Delta, Sigma Delta Chi, and Phi Beta Kappa fraternities; elected to the United States Senate November 7, 1950; reelected November 6, 1956.

ALAN BIBLE - Nevada

Democrat, of Reno, Nev.; born in Lovelock, Nev., November 20, 1909, son of J.H. and Isabel (Welsh) Bible; married Loucile Jacks; children--Debra (Mrs. Robert Watkins), Paul Alfred, William Alan, and David Milton; A.B., University of Nevada, 1930; LL.B., Georgetown University School of Law, 1934; admitted to the Nevada State Bar, 1935; associate law partner of late United States Senator Pat McCarran, Reno, 1935-38; appointed, then elected district attorney of Storey County (Virginia City), 1935; appointed deputy attorney general of Nevada in 1938; elected attorney general of Nevada in 1942 at age of 32 years, becoming youngest attorney general in United States; reelected attorney general in 1946 without

opposition; served as president and vice president of National Association of Attorneys General; private practice of law under firm name of Bible & McDonald, Reno, from January 1951; member of American Bar Association, chairman of State delegation of Committee on Improvement of Judicial Administration, National Safety Council, Nevada State Bar Association, University of Nevada Alumni Association, Lambda Chi Alpha social fraternity, Masons, and Eagles; elected to the United States Senate November 2, 1954, to fill the unexpired term of late Senator Pat McCarran; reelected November 6, 1956, for 6-year term.

ROBERT C. BYRD - West Virginia

Democrat, elected to West Virginia House of Delegates in 1946 and 1948; West Virginia Senate, 1950; Eighty-third, Eighty-fourth and Eighty-fifth Congresses; United States Senate 1958.

THOMAS J. DODD - Connecticut

Democrat, of West Hartford, Conn; born in Norwich, Conn., May 15, 1907; graduated St. Anselm's Preparatory School, 1926; Providence College, Ph. B., 1930; Yale University Law School, LL. B., 1933; vice chairman board of review, and later executive trial counsel, office of the United States Chief of Counsel for the Prosecution of Axis Criminality at Nurnberg, Germany, 1945 and 1946; elected to 83d and 84th Congresses; married Grace Murphy of Westerly, R.I.; 6 children: Thomas J., Jr.; Carolyn, Jeremy, Martha, Christopher, and Nicholas; elected to the United States Senate November 4, 1958.

GALE WILLIAM McGEE - Wyoming

Democrat, of Laramie, Wyo.; born in Lincoln, Nebr., March 17, 1915; graduate of high school, Norfolk, Nebr., 1932; A.B., 1936, Nebraska State Teachers College, Wayne, Nebr.; M.A. 1939, University of Colorado at Boulder; Ph.D. 1947, University of Chicago; professor of American history: Crofton, Nebr., High School, 1936-37; Kearney, Nebr., High School, 1937-40; Nebraska Wesleyan University, 1940-43; Iowa State, at Ames, 1943-44; University of Notre Dame, 1944-45; University of Chicago, 1945-46; University of Wyoming since 1946; married Loraine Baker, of Pierson, Iowa, in 1939; two sons and two daughters; elected to the United States Senate on November 4, 1958, for the term ending January 3, 1965.

STYLES BRIDGES - New Hampshire

Republican, of Concord, New Hampshire; born in West Pembroke, Maine, September 9, 1898; was graduated from the University of Maine; received M.A. degree from Dartmouth College, and LL.D. degree from the University of Maine, University of New Hampshire, Northeastern University, Iowa Wesleyan College, Alma College, Villanova University, Portia Law School and Rider College; D.C.L. degree from Carroll College and from New England College; D. Lit. Florida Southern College; former member of the extension staff of the University of New Hampshire; former secretary and treasurer of the Farm Bureau Mutual Automobile Insurance Co.; member of the New Hampshire Public Service Commission, 1930-34; Governor of New Hampshire, 1935-37; delegate-at-large and chairman of the New Hampshire delegation to the Republican National Convention in 1936; delegate-at-large to the Republican National Convention in 1940; delegate to National Convention, 1956; at present serving as vice president and trustee of the New Hampshire Savings Bank, as director of the Rumford Press, as treasurer, and trustee of the Putnam Agricultural Foundation, and as director of the Farm Bureau Mutual Automobile Insurance Co.; member of the National Forest Reservation Commission; married Doloris Thauwald February 11, 1944; his three sons are Henry Styles, David Clement and John Fisher Bridges; elected to the United States Senate on November 3, 1936; reelected for the second term on November 3, 1942; reelected for the third term on November 2, 1948; reelected for the fourth term on November 2, 1954; served as Republican leader in the second session of the Eighty-second Congress; served as President pro tempore of the United States Senate during the Eighty-third Congress; served as Chairman of the Appropriations Committee during the Eighty-third Congress; serving in the Eighty-sixth Congress as ranking Republican member of the Appropriations Committee, member of the Armed Services Committee, member of the Preparedness Investigating Subcommittee, member of the Republican Personnel Committee, chairman, Joint Congressional Committee on Inaugural Ceremonies, 1953 and 1957; member of Special Committee to Investigate Political Activities, Lobbying and Campaign Contributions, 1956-57; member of the Senate Office Building Commission, and Chairman of the Republican Policy Committee; member of the Hoover Commission; Trustee of the Robert A. Taft Memorial Foundation. Residence: 233 Eastman Street, Concord, New Hampshire; Office: 145 Senate Office Building, Washington, D.C.

LEVERETT SALTONSTALL - Massachusetts

Republican, of Dover, Mass,; born in Chestnut Hill (Newton), Mass., September 1, 1892; Noble and Greenough School; Harvard College, A B., 1914; Harvard University Law School, LL.D., 1917; married Alice Wesselhoeft, of Jaffrey, N.H., June 27, 1916; children, Leverett, Jr. (first lieutenant, U.S. Army, discharged) Rosalie (deceased), Emily B. (Rm. 1/c U.S.N.R. WAVES, discharged), Peter B. (killed in action, sergeant, U.S. Marines), William L. (Quartermaster 3/c U.S.N.R., discharged), and Susan; served as first lieutenant, Three Hundred and First Field Artillery, 1917-18 (5 months' service in France); attorney at law; member of board of aldermen, Newton, 1920-22; assistant district attorney of Middlesex County, 1921-22; member, Massachusetts House of Representatives, 1923-36; speaker of the House for 8 years of service; director of Greater Boston Community Fund Drive, 1938; elected Governor of Massachusetts in 1938; reelected in 1940 and

1942; chairman, New England Governors' Conference, 1939-44; chairman, National Governors' Conference, 1944; elected to the United States Senate on November 7, 1944, for the unexpired term of Senator Henry Cabot Lodge, Jr. (resigned), ending January 3, 1949; reelected to the United States Senate on November 2, 1948, for 6-year term ending January 3, 1955; reelected November 2, 1954, for another 6-year term ending January 3, 1961.

MILTON R. YOUNG - North Dakota

Republican, of La Moure, N. Dak.; born December 6, 1897, in Berlin, N. Dak.; attended the La Moure County public schools and was graduated from LaMoure High School in 1915; attended North Dakota State Agricultural College and Graceland College at Lamoni, Iowa; was actively engaged in the operation of his farm near Berlin, N. Dak., until his appointment to the United States Senate; member of school, township, and county AAA boards; elected to House of Representatives of North Dakota State Legislature in 1932; elected to State Senate of North Dakota in 1934 and served continuously until his resignation March 14, 1945; elected president pro tempore 1941; majority floor leader 1943; married Malinda V. Benson, of LaMoure, N. Dak., July 7, 1919; three sons Wendell M., Duane C., and John M.; appointed to the United States Senate March 12, 1945, by Governor Fred G. Aandahl to fill the vacancy caused by the death of John Moses; elected at special election June 25, 1956, for term ending January 3, 1951; reelected to full 6-year term in general election November 7, 1950, and again in the general election November 6, 1956; in all of the statewide elections, both primary and general, he only lost one county (1950) of the 53 in entire State; only Republican candidate for the United States Senate in the 1956 general election who received a larger majority than the President; served as secretary to the Senate Republican Conference Committee since 1948; member of Appropriations Committee and Agriculture and Forestry Committee.

KARL E. MUNDT - South Dakota

Republican, of Madison, S. Dak.; born in Humboldt, S. Dak., June 3, 1900, the only son of F. J. and Rose E. Mundt, pioneer hardware merchants of that community; educated in the public schools of Humboldt, Pierre, and Madison in South Dakota; A. B. from Carleton College, Northfield, Minn., 1923; A. M. from Columbia University, New York City, 1927; LL. D. (honorary degree) Rider College, Trenton, N. J., 1952; successively a school teacher and school superintendent in Bryant, S. Dak.; college speech and social science teacher in Eastern State Normal School, Madison, D Dak.; farm operator and real estate and insurance business; appointed to South Dakota Game and Fish Commission (bipartisan) in 1931 for a 6-year term; one-time national vice president of Isaak Walton League; member of Delta Sigma Rho, Pi Kappa Delta, and Tau Kappa Alpha (honorary societies); cofounder and holder of membership certificate No. 1, of National Forensic League, of which is now national president, editor of the Rostrum; associate editor, the Speaker; former editorial writer, Outdoor America; author of articles in Successful Farming, Collier's, U.S. News and World Report, The Chritian Advocate, The Country Gentleman, Liberty magazine, Tomorrow, The Annals of the American Academy of Political and Social Science, Nation's Schools, Fairplay (London), and others; past governor, Minnesota-Dakotas District of Kiwanis International; member National Press Club and the University

Club, Washington, D. C.; married in 1924 to Mary Moses of Northfield, Minn.; elected to the Seventy-sixth Congress; reelected to the Seventy-seventh, Seventy-eighth, Seventy-ninth, and Eightieth Congresses; elected to the United States Senate from South Dakota in 1948 for the term ending January 3, 1955; reelected for a second 6-year term November 2, 1954.

MARGARET CHASE SMITH - Maine

Republican, Skowhegan.

HENRY C. DWORSHAK - Idaho

Republican, of Burley, Idaho; born in Duluth, Minn., August 29, 1894; educated in the public schools of Duluth; learned printing trade and entered newspaper work; editor and publisher of the Burley Bulletin 1924-44; elected president of Idaho Editorial Association in 1931; served in the American Expeditionary Forces; was Idaho commander of the American Legion in 1932; served as governor of the Idaho-Utah district of Rotary International, being installed at convention in Nice, France, in June 1937; married Miss Georgia B. Lowe in 1917, and they have four sons--Henry I., Charles L., Ward W., and Calvin G.; thirty-third degree Scottish Rite Mason and Shriner; member of B.P.O.E. and I.O.O.F.; elected to the Seventy-sixth Congress; reelcted to the Seventy-seventh, Seventy-eighth, and Seventy-ninth Congresses; elected November 5, 1946, to the United States Senate, to fill the vacancy caused by the death of John Thomas, for the term ending January 3, 1949; appointed October 14, 1949, to fill the vacancy caused by the death of Bert H. Miller; elected November 7, 1950, for the term ending January 3, 1955; reelected November 2, 1954, for the term ending January 3, 1961.

THOMAS H. KUCHEL - California

Republican, of Anaheim, Calif.; born in Anaheim, Calif., on August 15, 1910; son of the late Henry Kuchel, who owned, edited, and published the Anaheim Gazette for 48 years and whose parents were among the pioneers who founded the city of Anaheim in 1859; the newspaper still remains in the Kuchel family; the Senator's mother continues to reside at Anaheim; attended the public schools of Anaheim and graduated from the University of Southern California with an LL.B. degree; admitted to the State bar in 1935, and except for period of military service in the Navy, practiced law in Anaheim, Orange County, until appointed State controller; elected to the State assembly from Orange County in 1936, reelected in 1938 and then was elected to the State senate for two terms; in 1940, at the age of 30, was elected chairman of the Republican State Central Committee, the youngest man ever to hold that office; in 1942 while still State senator, volunteered and was called to active duty in the United States Naval Reserve and served until released to inactive duty in 1945; appointed State controller by Gov. Earl Warren on February 11, 1946, and elected in November by the largest vote ever received by a candidate for controller; reelected in 1950, polling about 3 million votes; married and has one daughter, Karen; member of the Episcopal Church; Mason; BPOE;

Anaheim Post No. 72, American Legion; and Mother Colony Parlor, NSGW; appointed United States Senator by Gov. Earl Warren on December 22, 1952; took oath of office January 3, 1953; elected United States Senator November 2, 1954; reelected November 6, 1956.

ROMAN LEE HRUSKA - Nebraska

Republican, of Omaha, Nebr.; born in David City, Nebr., August 16, 1904; son of Joseph C. and Caroline L. Hruska; attended the public schools; prelegal course University of Omaha; University of Chicago Law School, 1927 and 1928; Creighton University College of Law, Omaha, LL.B. in 1929; general practice of law in Omaha since; married Miss Victoria E. Kuncl of Omaha, 1930; 3 children, Roman L., Jr., Quentin J., and Jana L.; member Nebraska State and American Bar Associations, Kiwanis, Shrine, Unitarian Church; member University of Omaha Board of Regents 1950-57; national vice president and legal counsel Western Bohemian Fraternal Association (Cedar Rapids, Iowa) since 1942; past president Nebraska Fraternal Congress; in 1944 appointed to Board of County Commissioners, Douglas County, Nebr., elected in 1946 and 1950, served as its chairman 1945-52, resigned in 1952; member Advisory Committee to Nebraska Board of Control, 1947-52; president Nebraska Association of County Officials 1950 and 1951; elected to the Eighty-third Congress November 4, 1952; elected to the United States Senate November 2, 1954, to serve until January 1959, to complete the term for which the late Senator Hugh Butler was elected in 1952; reelected in November 1958.

GORDON LLEWELLYN ALLOTT - Colorado

Republican, of Lamar, Colo; born in Pueblo Colo., January 2, 1907; graduated from the University of Colorado, B.A. 1927 and LL.B. 1929; lawyer, county attorney of Prowers County in 1934 and 1940-46; deputy district attorney 1946-48; district attorney 1946-48; Lieutenant Governor, two terms, 1950-54; member of Legislative Council; vice chairman, State Board of Paroles; member State Board Bar Examiners, 1949-50; president, Lamar Rotary Club, 1937; director, Chamber of Commerce, 1940-41; secretary, Southeast Colorado Livestock Association, 1933-35; director and attorney, First Federal Savings & Loan Association; Lamar Recreation Commission; chairman, Community Building Planning Committee, 1949-50; Junion Chamber of Commerce, 1940-42; chairman, Lamar Planning Commission; commissioned in U.S. Army Air Force, served 1942-46, South Pacific Theater with 339th Fighter Squadron; member, American Legion and Veterans of Foreign Wars; first chairman, Young Republican League of Colorado, 1935-38; national committeeman, Young Republicans, 1938-40; general counsel, Young Republican National Federation, 1938-41; director, Young Republican National Federation, 1941-46; Executive Committee, Young Republican National Federation, 1946-49; married to the former Welda O. Hall, May 15, 1934; two children Roger H., and Gordon L. Jr., Episcopalian, Junior Warden, Senior Warden, and member of the Vestry; Mason; elected to the United States Senate November 2, 1954, for the term ending January 3, 1961.

Illustration on Need for Continuity

To illustrate how advance assurance of funds would make for more effective operations, let us take a hypothetical situation, but one which occurs regularly. A government or company comes in with a proposed project which has high merit but which is not well drawn up. The proposal may be to provide an essential road or railroad extension, or power plant which would enable a significant increase in output in a particular less developed country. This increase in output frequently means an increase in the ability of a country to feed itself, or pay for its essential imports out of its own earnings. Now, as a matter of policy, we scrutinize projects closely and of course do not give approval to projects which do not have economic merit. However, if the project appears to be sound, even though it requires further preparatory work, pressures develop in the applicant country to urge speedy approval. It becomes a matter of national importance and the Government makes a major issue of whether or not the project is approved. If the project has little merit, a review by our engineers or a consultant engineering firm brings this out and the applicant is told what our findings show. We are generally able to convince the government that it would be unwise to place its resources in an uneconomic project. If the project has no apparent defects, the assurance of funds in the next year would enable us to examine all the facets of the project and suggest that the borrower develop the proposal further. Thus we are able to resist the pressures for premature allocation of funds. The applicant government would recognize that it had no short term deadline which had to be met before

the ELF's money ran out. It would consequently be more amenable to requests for further information, delays caused by the preparation and study of engineering reports, the changes suggested on the basis of such studies and other requirements of efficient management. Out of this would come a project on which we would have a very great assurance that we are getting the best possible results for the money loaned.

DEVELOPMENT LOAN FUND
STATUS OF FUNDS AND LOAN PROPOSALS 8/11/59
(in thousands)

	Current Status 8/11/59 (Cumulative)	Status as of 6/30/59 (FY 58-59 Activity)	Current Status Compared with 6/30/59 (FY 60 Activity)
1. Loan Funds Available	$ 888,615 a/	$ 848,750	$ + 39,865
2. Charges Against Lending Authority (Loan and Guarantee Authorizations):			
(a) Commitments:			
Loan and guarantee agreements signed (obligations)	651,856	623,306	+ 28,550
Loan agreements not yet signed	171,800	136,750	+ 35,050
Letters of Advice issued	(153,650)	(113,300)	+(40,350)
Other Project commitments b/	(18,150)	(23,450)	-(5,300)
(b) Uncommitted Authorizations (Letters of Advice pending)	11,900	75,500	- 63,600
Total charges against lending authority	835,556	835,556	-0-
3. Balance Available for Loans	53,059	13,194	
4. Loan Proposals Under Consideration:			
(a) To be considered 8/11/59: Pakistan - PICIC (2nd)---$10,000	10,000)		
(b) Other proposals under active consideration c/	415,827)	1,514,630	-128,504
5. Other Proposals on Hand	960,299))		
6. Proposals No Longer Under Consideration	1,149,661	940,767	+208,894
7. Total Proposals Received	3,371,343	3,290,953	+ 80,390
8. Loan Disbursements, 7/31/59 d/	84,964	67,064	+ 17,900

a/ Excludes administrative expenses, and includes supplemental appropriation of $150,000. Includes also loan funds made available under the July continuing resolution.

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

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

d/ Disbursement figure as of 7/31/59 is preliminary. Disbursement information as of August 11, 1959 is not yet available.

DETAIL OF CHARGES AGAINST LENDING AUTHORITY AS OF AUGUST 11, 1959

Charges Against Lending Authority

(a) Commitments:

1. Loan and Guarantee Agreements Signed (Obligations):

		Amount (thousands)
AFRICA		
Ethiopia	SAIDE Cotton Textile Mill #88 (8/6/59)	500
Liberia	Sawmill #27 (12/16/58)	190
Liberia	Telecommunications #43 (1/30/59)	3,000
Libya	Tripoli Power #24 (6/25/59)	5,000
Somalia	Credito Somalo #34 (3/31/59)	2,000
Sudan	Cotton Textile Mill #37 (5/21/59)	10,000
Tunisia	Pulp Factory #36 (5/13/59)	6,250
Tunisia	National Railways #33 (5/27/59)	2,400
	Subtotal	(29,340)
EUROPE		
Netherlands	Resettlement of Emigrants #28 (1/21/59)	3,000
Spain	RENFE #51 (6/5/59)	14,900
Spain	Irrigation #50 (6/5/59)	7,700
Yugoslavia	Pancevo Fertilizer Plant #31 (1/8/59)	22,500
Yugoslavia	Diesel Locomotives #65 (6/12/59)	5,000
	Subtotal	(53,100)
FAR EAST		
Indonesia	Harbor Development #80 (6/26/59)	6,000
Indonesia	Railway Development #42 (6/26/59)	3,000
Korea	Chung Ju Hydro (design) #61 (5/26/59)	1,500
Korea	Domestic Telecommunications #32 (4/8/59)	3,500
Korea	Tong Yang Cement Plant #22 (1/20/59)	2,140
Malaya	N. Kleng Straits Proj. #46 (3/18/59)	10,000
Malaya	Roads and Bridges #53 (3/18/59)	10,000
Philippines	Small Industry Fund #59 (5/6/59)	5,000
Philippines	Roads, Bridges, Rehabilitation of Equipment #67 (6/29/59)	18,750
Philippines	Bataan Pulp & Paper Mill #81 (7/10/59)	5,300
Taiwan	Railway Adm. #18 (11/12/58)	3,200
Taiwan	Shihmen Dam #17 (11/10/58)	21,500
Taiwan	Fishing Ind., - Land Bank #26 (3/18/59)	686
Taiwan	Asia Cement Corp. #7 (7/25/58)	2,750
Taiwan	Taiwan Aluminum Corp. #55 (6/25/59)	1,350
Taiwan	By-Product Coke Oven #49 (2/19/59)	1,000
Taiwan	Ingalls-Taiwan Shipbuilding #48 (1/22/59)	2,000
Thailand	Bangkok Power #19 (3/6/59)	20,000
Thailand	Dredge #30 (4/10/59)	1,750
Thailand	Meat Processing #77 (7/16/59)	750
	Subtotal	(120,176)

DETAIL OF CHARGES AGAINST LENDING AUTHORITY AS OF AUGUST 11, 1959

Charges Against Lending Authority

(a) Commitments:

1. Loan and Guarantee Agreements Signed (Obligations) (cont'd)

		Amount (thousands)
LATIN AMERICA		
Argentina	Banco Central #60 (3/18/59)	24,750
Bolivia	La Belgica Sugar Mill #39 (2/5/59)	2,500
Brazil	Carembei/Castrolanda Resettlement #45 (3/4/59)	240
Chile	Airport Design #57 (5/20/59)	300
Costa Rica	SICA Resettlement #38 (1/13/59)	300
Ecuador	Pan American Highway #44 (3/23/59)	4,700
Haiti	Artibonite Valley Development #58 (2/28/59)	4,300
Guatemala	Kenaf Bag Factory #73 (6/3/59)	400
Honduras	Highway Development #1 (5/16/58)	5,000
Nicaragua	Matagalpa Utilities #64 (5/7/59)	600
Paraguay	Asuncion Waterworks #10 (9/5/58)	1,000
Paraguay	Road to Brazil #14 (10/29/58)	2,500
Paraguay	Int'l Products Corp. #16 (11/6/58)	2,600
	Subtotal	(49,190)
NEAR EAST		
Greece	Fertilizer Plant #41 (1/28/59)	12,000
Iran	Plan Org. Project #34 (1/7/59)	47,500
Israel	Development Loan #5 (6/25/58)	15,000
Israel	Industrial Development Bank of Israel #66 (5/12/59)	5,000
Jordan	Electric Power #56 (6/5/59)	1,200
Turkey	Ind. Dev. Bank #11 (9/12/58)	10,000
Turkey	Aerial Mineral Survey #53 (4/30/59)	900
Turkey	Zonguldak Coal #70 (4/30/59)	14,500
	Subtotal	(106,100)
SOUTH ASIA		
Ceylon	Colombo Area RR #9 (9/3/58)	750
Ceylon	Highway Development #8 (7/28/58)	900
Ceylon	Irrigation and Land Development #4 (6/24/58)	1,600
India	Railways #2 (6/23/58)	40,000
India	Roads, Cement, Jute #3 (6/23/58)	35,000
India	Steel for Public Sector #13A (12/24/58)	18,000
India	Steel for Private Sector #13B (12/24/58)	22,000
India	Second Railways #12 (12/24/58)	35,000
India	Public Power Dev. #21 (12/24/58)	10,000
India	Capital Equip. - Private Dev. #40 (12/24/58)	15,000
India	Steel - Private Sector (2nd Loan) #78 (7/27/59)	20,000

DETAIL OF CHARGES AGAINST LENDING AUTHORITY AS OF AUGUST 11, 1959

Charges Against Lending Authority

Amount (thousands)

(a) Commitments

1. Loan and Guarantee Agreements Signed (Obligations)

SOUTH ASIA (Cont'd)

Pakistan	Karachi Water & Sew. #6 (6/30/58)	$	5,500
Pakistan	Pak. Ind. Credit Corp. #15 (12/4/58)		4,200
Pakistan	High Tension Grid #29 (2/18/59)		14,700
Pakistan	Karnafuli Dam #23 (2/18/59)		17,500
Pakistan	W. Pak. Ground Water #25 (2/18/59)		15,200
Pakistan	Railways #20 (2/18/59)		9,100
Pakistan	W. Pak. Secondary Transmission #79 (6/29/59)		23,000
Pakistan	Port of Chittagong #68 (7/10/59)		2,000
	Subtotal		(289,450)
	Subtotal, Loan Agreements		647,356
Taiwan	Ingalls-Taiwan Shipbuilding (Guaranty)		4,500
	Subtotal, Loan and Guarantee Agreements (Obligations)		651,856

2. Loan Agreements Not Yet Signed:

Letters of Advice Issued

LOAN AGREEMENTS FORWARDED TO BORROWER:

Bolivia	El Alto Airport	1,500
Brazil	Anhumas/Pedrinhas Resettlement	300
Guatamala	Rubber Production	5,000
Jordan	Phosphate Mines	2,500
Nigeria	Apapa Warehouse	800
Pakistan	Channel Marking and Charting	1,750
Pakistan	Sui Gas Transmission	2,000
Taiwan	Small Industry Fund	2,500
Turkey	Vinylex Plastics, Ltd	6,100
Uruguay	UTE Telephone	8,800
Vietnam	Saigon Cholon Water	19,500
Yugoslavia	Kosovo Thermal Electric Power	9,000
	Subtotal	(59,750)

DETAIL OF CHARGES AGAINST LENDING AUTHORITY AS OF AUGUST 11, 1959

Charges Against Lending Authority		Amount (thousands)
(a) Commitments:		
2. Loan Agreements Not Yet Signed		
LOAN AGREEMENTS NOT YET TO BORROWER:		
Iran	Industrial Development Bank.....	$ 5,200
Iran	Highway Construction (Avej-Andimeshk Link).....	25,000
Israel	Industrial Development Bank of Israel(2nd Loan)..	5,000
Korea	Korea Reconstruction Bank.....	5,000
Korea	Oriental Chemical Industry Co., Ltd.....	5,600
Lebanon	El-Bared Power Plant Project.....	500
Lebanon	Agric., Industrial & Real Estate Bank.....	5,000
Pakistan	Karachi Commercial Jet Strip.....	4,800
Pakistan	Port of Chalna Anchorage.....	2,000
Paraguay	Telecommunications.....	1,000
Philippines	Bago Pulp & Paper Mill.....	5,300
Philippines	Mindanao Portland Cement Corporation.....	3,700
Syria	Worsted Textile Mill.....	1,000
Turkey	Electric Power Distribution.....	7,000
Turkey	Koruma Chlor-Alkali & Pesticides Mfg.....	2,800
Yugoslavia	Trebisnjica Hydroelectric, Stage 1.....	15,000
	Subtotal.....	(93,900)
	Subtotal, Letters of Advice Issued....	153,650
	Other Project Commitments	
Philippines	Development Projects (balance of $50.0 million commitments) 1/	11,950
	Development Projects (balance of $37.5 million commitments) 2/	6,200
	Subtotal, Other Projects Commitments..	18,150
	Subtotal, Loan Agreements Not yet Signed.....	171,800
(b) Uncommitted Authorizations (Letters of Advice Pending):		
Nyasaland	Nyasaland and Trans-Zambesia Railways... $ 10,700	
Spain	General Electric Espanola..... 1,200	11,900
	TOTAL CHARGES AGAINST LENDING AUTHORITY	835,556

1/ Philippines

Five project loans under the commitment have been approved. Small Industry Loan ($5,000,000); Public Works, Roads and Bridges ($18,750,000); Bataan Pulp and Paper Mill ($5,300,000); Mindanao Portland Cement Corporation ($3,700,000); and Bago Pulp and Paper Mill ($5,300,000). Other projects will be considered, among which are the following:

Waterworks	6,900,000	CONFIDENTIAL
Fertilizer Project	14,500,000	

The total for projects above is $21,400,000, to probably be considered against the present commitment of ---------- 11,950,000

2/ Turkey

Against the initial commitment of $37.5 million, five projects have been approved: Aerial Mineral Survey ($900,000); Vinylex Plastics ($6,100,000); Zonguldak Coal ($14,500,000); Electric Power ($7,000,000); and Koruma Pesticides ($2,800,000). Other projects will be considered, among which are the following:

Jute Factory	4,200,000	CONFIDENTIAL
Federal Truck	3,000,000	
Farm Machinery	1,751,000	
Sulfuric Acid Tankers	1,500,000	
Asbestos Cement Pipe Factory	1,000,000	

The total for projects above is $11,451,000, to be probably considered aginst the project commitment of ---------- 6,200,000

STATUS OF LOAN FUNDS: RECONCILIATION OF AMOUNTS REFLECTED IN "RED BOOK" AS OF APRIL 30 WITH AMOUNTS AS OF JUNE 30, 1959

	Loan and Guarantee Agreements Signed (Obligation)	Loan Agreements Not Yet Signed: Letters of Advice Issued	Loan Agreements Not Yet Signed: Other Project Commitments	Uncommitted Authorization Letters of Advice Pending	Total Charges Against Lending Authority
Amounts as of April 30.....	$501,656	$150,000	$ 46,250	-0-	$697,906
Actions April 30 - June 30:					
Philippines - Bataan Pulp		5,300	-5,300		
Ethiopia - SAIDE Textile		500			500
Chile - Airport	300	- 150a/			150
Thailand - Meat Processing		750			750
Philippines - Small Industry	5,000	-5,000			
Nicaragua - Matagalpa	600	- 600			
Israel - Industrial Inst.	5,000	-5,000			
Tunis - Pulp	6,250	-6,250			
India - Second Steel		20,000			20,000
Iran - Dev. Bank		5,200			5,200
Spain - G. E. Espanola				1,200	1,200
Pakistan - W. Pak. Grid	23,000				23,000
Sudan - Textile	10,000	-10,000			
Korea - Chung Ju	1,500	-1,500			
Tunis - Railway	2,400	-2,400			
Haiti - Artibonite	4,300	-4,300			
Guatemala - Kenaf bag	400	- 400			
Spain - RENFE	14,900	-14,900			
Spain - Irrigation	7,700	-7,700			
Jordan - Electric Power	1,200	-1,200			
Syria - Worsted Mill		1,000			1,000
Yugoslavia - Kosovo Thermal		9,000			9,000
Turkey - Power		7,000	-7,000		
Pakistan - Waterways		1,750			1,750
Israel - Industrial Inst. (2nd)				5,000	5,000
Korea - Reconstruction Bank		5,000			5,000
Pakistan - Karachi Jet strip		4,800			4,800

		Loan and Guarantee Agreements Signed (Obligation)	Loan Agreements Not Yet Signed: Letters of Advice Issued	Loan Agreements Not Yet Signed: Other Project Commitments	Uncommitted Authorization Letters of Advice Pending	Total Charges Against Lending Authority
Yugoslavia	- Deisel Locomotives	5,000	-5,000			
Turkey	- Koruma Pesticides			-2,800	2,800	
Bolivia	- El Alto Airport		1,500			1,500
Korea	- Soda Ash Plant				5,600	5,600
Lebanon	- Power			-500	500	
Paraguay	- Telecommunications				1,000	1,000
Yugoslavia	- Tresbisnjica Power				15,000	15,000
Taiwan	- Aluminum Corporation	1,350	-1,350			
Libya	- Tripoli Power	5,000	-5,000			
Indonesia	- Railways	3,000	-3,000			
Indonesia	- Harbors	6,000	-6,000			
Philippines	- Roads and Bridges	18,750	-18,750			
Lebanon	- Bank			-3,500	5,000	1,500
Nyasaland	- Railway				10,700	10,700
Iran	- Highways				25,000	25,000
Philippines	- Mindanao Cement			-3,700	3,700	
Amounts	- 6/30/59	623,306	113,300	23,450	75,500	835,556

a/ Chile Airport initially listed as $150,000 based on preliminary estimate. Loan Agreement signed in an amount of $300,000.

DLF BUDGET
7/5/59

Loan Actions Not Reflected in DLF "RED BOOK"

Total of Loans Listed pp 25-26 of the "Red Book" as of 4/30/59..... $651,656,000 a/

Loan Actions 5/1 - 5/31/59:

Philippines	Bataan Pulp	$ 5,300,000	
Ethiopia	SAIDE Textile	500,000	
Chile	Airport	150,000 b/	
Thailand	Meat Processing	750,000	
India	Second Steel (Private)	20,000,000	
Iran	Development Bank	5,200,000	
Spain	G.E. Espanola	1,200,000	
Pakistan	W. Pak. Secondary Transmission Grid	23,000,000	56,100,000

Loan Actions 6/1 - 6/30/59:

Syria	Worsted Mill	1,000,000	
Yugoslavia	Kosovo Thermal Plant	9,000,000	
Yugoslavia	Trebisnjica Power	15,000,000	
Turkey	Power Project	7,000,000	
Turkey	Koruma Pesticides	2,800,000	
Pakistan	Waterways Marking	1,750,000	
Pakistan	Karachi Jet Strip	4,800,000	
Israel	Israel Industrial Inst. (2nd)	5,000,000	
Korea	Reconstruction Bank	5,000,000	
Korea	Soda Ash Plant	5,600,000	
Bolivia	El Alto Airport	1,500,000	
Lebanon	El Bared Power	500,000	
Lebanon	Bank	5,000,000	
Paraguay	Telecommunications	1,000,000	
Nyasaland	Railway	10,700,000	
Iran	Highway Construction	25,000,000	
Philippines	Mindanao Cement	3,700,000	104,350,000
Total of Loans, 6/30/59			812,106,000a/

a/ Excludes other project commitments in an amount of $23,450,000 on June 30.

b/ The Chile Airport loan has been reflected on DLF reports in an amount of $150,000 (preliminary estimate of requirements); the agreement wes signed in an amount of $300,000.

DLF BUDGET
7/15/59

HOW DLF FUNDS ARE COMMITTED

The attached table on the status of lending authority shows that as of June 30, 1959, the DLF has committed $836 million of its $849 million in capital available for loans. Committed funds were in four separate categories as of June 30, reflecting various administrative phases in the DLF commitment process. The meaning of these four categories is as follows:

	Status as of 6/30/59 (in millions $)
1. Loans approved - Letters of Advice Pending	
When the Board of Directors approves a loan, a charge is entered against available lending authority. This commitment of funds represents approval of a borrower's application and a decision to use funds for that purpose. By considering that the funds thus authorized for loans are not available for other lending, the DLF is conforming to a prudent banking practice followed by the Export-Import Bank, many other Federal lending programs and private banks. Funds remain in this category until a letter of advice is issued to the applicant. The gap between a loan approval and issuance of a letter of advice is now about ten days. As of June 30, 1959, letters of advice pending were	$75.5
2. Project Commitments	
(a) Letters of Advice Issued	
After a loan is approved by the Board of Directors, the Managing Director of the DLF sends to the applicant a letter formally advising him that his application has been approved and offering to conclude a formal loan agreement according to specified loan terms and conditions. Commitments are carried in this category until a formal loan agreement is concluded. These formal outstanding pledges amounted as of June 30 to	$113.3

Status as of 6/30/59
(in millions $)

(b) Other Project Commitments

On a few occasions during the past year, it was found to be in the U. S. interest to make several commitments for loan programs in advance of approval of specific projects. The pledges so made were subject to subsequent approval of specific projects by the Board of Directors. The pledges were communicated to the governments concerned and announced in formal press releases. As of June 30, project evaluation was proceeding against remaining balances of formal pledges totaling..... $ 23.5

3. Loan and Guarantee Agreements Signed (Obligations)

The DLF enters a formal obligation on its books when it concludes a detailed loan agreement with the borrower. The gap between issuance of a letter of advice and the signing of a formal loan agreement has been steadily shortened over the course of the current fiscal year as the DLF improved and refined its administrative capabilities. In the last six months alone, the DLF has concluded $372 million in such agreements. As of June 30, signed loan agreements totaled..... $623.3

TOTAL COMMITMENTS AGAINST LENDING AUTHORITY $835.6

SAMPLE LETTER
OF ADVICE

DEVELOPMENT LOAN FUND
Washington 25, D. C.

February 20, 1959

AIR MAIL

Mr. Fred H. Sherwood, Secretary
Productos de Kenaf, S. A. (PROKESA)
4a, Avenida 13-65, Zona 1
Escuintla
Guatemala, C. A.

Dear Sir:

I am pleased to inform you that, on the basis of the proposal previously submitted by your firm, and discussions between our respective representatives related thereto, the Board of Directors of the Development Loan Fund has authorized the establishment of a loan to Productos de Kenaf, S. A. (PROKESA) in an amount not to exceed Four Hundred Thousand Dollars ($400,000) or its equivalent, to assist in financing the foreign exchange costs of acquiring equipment, materials and services for a kenaf bag manufacturing factory.

The loan will be established by, and extended under terms and conditions specified in a Loan Agreement which we shall transmit to you at an early date for consideration and execution. The Loan Agreement will describe more fully the purpose and method of utilization of the Loan, and will include the following terms, some of which have already been discussed informally with your representatives.

1. Interest shall accrue, from the dates of the respective disbursements under the Loan, at the rate of five and three-quarters percent (5-3/4%) per annum. Interest shall be payable semi-annually on all outstanding balances, the first payment to be due and payable on a date, to be specified in the Loan Agreement, no later than six (6) months from the date of the first disbursement under the Loan Agreement.

2. The principal amount of the loan shall be repayable in ten (10) successive semi-annual installments, the first of which shall be due and payable on a date, to be specified in the Loan Agreement, no later than one (1) year from the date of the first disbursement under the Loan Agreement. Each of the first three (3) installments of repayment of principal shall be in the amount of Ten Thousand Dollars ($10,000).

3. Provision shall be made for repayment of principal and payment of interest in United States dollars.

4. The applicant shall furnish evidence of paid-in capital equaling or exceeding the equivalent of Five Hundred Thousand Dollars ($500,000).

5. The loan shall be subject to other terms and conditions set out in the Loan Agreement.

DLF expects to make a public announcement of this loan on March 2. It is suggested that you communicate in the meantime with the USOM to Guatemala, c/o American Embassy, Guatemala City, for assistance in arranging publicity in your country.

Sincerely yours,

/s/

Robert B. Menapace
Acting Managing Director

SAMPLE PRESS RELEASE

DEPARTMENT OF STATE

MARCH 2, 1959 FOR THE PRESS NO. 147

KENAF BAG FACTORY TO BE BUILT
IN GUATEMALA WITH DLF LOAN

The United States Development Loan Fund today announced authorization by its Board of Directors of a $400,000 loan to Productos de Kenaf, S.A. (PROKESA) of Guatemala to finance part of the foreign exchange costs of machinery 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 Escuinta, a short distance from Guatemala City.

Dempster McIntosh, DLF Managing Director, said that the project should enable Guatemala to save approximately one million dollars in foreign exchange now being expended on the importation of jute bags for coffee. The establishment of this project should also increase employment and encourage the farmers further to develop their lands by growing a profitable crop of kenaf.

The DLF loan will be utilized by Productos de Kenaf, S.A. (PROKESA) primarily to purchase jute textile machinery and other equipment necessary to the manufacture of kenaf bags.

The growing of kenaf in Guatemala was first introduced in 1951 and 1952 by the Commodity Credit Corporation and many tons of top-grade kenaf were shipped to the United States during this period. At the time it was proven that the kenaf fiber could be produced on a large scale in Guatemala at a profit to the farmer. However, one of the early obstacles to fiber production was the lack of reliable extraction machinery. In the past three years two successful commercial decorticators (extraction machinery) have eliminated this obstacle.

* * *

State--FD, Wash., D.C.

COMMITMENT PROCEDURES OF OTHER FEDERAL LENDING INSTITUTIONS

Section 1311 of the Supplemental Appropriations Act of 1955 specifies that obligations shall only be recorded where a binding agreement in writing exists. However, many Federal lending institutions consider that their funds are committed, reserved or otherwise used up and no longer available for further lending before a binding agreement is executed. Additional funds are requested and provided to meet the needs for commitments, authorizations, reservations or other use of funds, even though smaller amounts are formally obligated. Illustrative of this are the following:

(1) The Export-Import Bank considers that its lending authority is used up when the Board of Directors approves establishment of a particular loan or a "line of credit." The Bank has found that such actions by its Board fully commit the institution whether or not a formal loan agreement has been signed. At the end of FY 1959, the year in which the Bank requested and received an additional $2 billion in lending authority, it had more than $800 million in unobligated funds and only about $300 million which it considered uncommitted.

(2) Under its Urban Renewal program, the Housing and Home Finance Agency reserves funds, and considers them unavailable for further lending, when it decides to undertake a project in a particular locality. It often takes 18 months to two years between the time that a reservation of funds is made and a contract to proceed is signed. The current request for additional contract authority in FY 59 and FY 60 is based on the need to approve additional projects beyond those for which funds have already been reserved.

(3) In the College Housing program conducted by the Housing and Home Finance Agency, funds are reserved and considered unavailable for additional lending when a potential borrower is informed that he is eligible to submit an application.

(4) Other domestic programs which operate on a basis which is directly comparable to DLF's procedures include the Public Facility Loans and the Public Works Planning Advance program. The Federal Housing Administration procedure is analagous in that it considers the commitment stage the controlling cut-off point in its Insurance Authority rather than the later closing stage. Its requests for additional Insurance Authority are directly related to the level of commitments and not its closings.

SUMMARY OF DLF OBLIGATIONS AND COMMITMENTS
(As of June 30, 1959)

(in thousands)

Country	Loan Description	OBLIGATIONS a/ Cumulative As of 1/31/59 (1)	OBLIGATIONS a/ Cumulative As of 6/30/59 (2)	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loan Commitments b/ (3)	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loans Authorized c/ (4)	TOTAL OBLIGATIONS COMMITMENTS AND AUTHORIZATIONS As of 6/30/59 (2) + (3) + (4) (5)
AFRICA						
Ethiopia	Cotton Textile Mill (SAIDE)	$ --	$ --	$ 500	$ --	$ 500
Liberia	Sawmill Expansion	190	190	--	--	
	Telecommunications Improvement	3,000	3,000	--	--	
	Subtotals, Liberia	3,190	3,190	--	--	3,190
Libya	Tripoli Electric Power	--	5,000	--	--	5,000
Nigeria	Apapa Warehouse	--	--	800	--	800
Nyasaland	Nyasaland and Trans-Zambesia Railways f/	--	--	--	10,700	10,700
Somalia	Credito Somalo (agricultural lending)	--	2,000	--	--	2,000
Sudan	Cotton Textile Mill	--	10,000	--	--	10,000
Tunisia	National Railroad (rolling stock)	--	2,400	--	--	
	Esparto Pulp Factory	--	6,250	--	--	
	Subtotals, Tunisia	--	8,650	--	--	8,650
	TOTALS, AFRICA	3,190	28,840	1,300	10,700	40,840

Country	Loan Description	OBLIGATIONS a/ Cumulative As of 1/31/59	OBLIGATIONS a/ Cumulative As of 6/30/59	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loan Commitments b/	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loans Authorized c/	TOTAL OBLIGATIONS COMMITMENTS AND AUTHORIZATIONS As of 6/30/59 (2) + (3) + (4)
EUROPE						
Netherlands	Resettlement of Emigrants in Australia	$ 3,000	$ 3,000	$ --	$ --	$ 3,000
Spain	Irrigation (earthmoving equipment) ...	--	7,700	--	--	
	General Electrica Espanola	--	--	--	1,200	
	RENFE - Railway Track Rehabilitation..	--	14,900	--	--	
	Subtotals, Spain	--	22,600	--	1,200	23,800
Yugoslavia	Nitrogen Fertilizer Plant	22,500	22,500	--	--	
	Diesel Locomotives	--	5,000	--	--	
	Kosovo Thermal Electric Power	--	--	9,000	--	
	Trebisnjica Hydroelectric, Stage 1 ...	--	--	--	15,000	
	Subtotals, Yugoslavia	22,500	27,500	9,000	15,000	51,500
	TOTALS, EUROPE	25,500	53,100	9,000	16,200	78,300
FAR EAST						
Indonesia	Railway Rehabilitation	--	3,000	--	--	
	Harbor Rehabilitation	--	6,000	--	--	
	Subtotals, Indonesia	--	9,000	--	--	9,000
Korea	Tong Yang Cement Plant	2,140	2,140	--	--	
	Chung Ju Power - Design Engr.	--	1,500	--	--	
	Telecommunications Improvement	--	3,500	--	--	
	Korea Reconstruction Bank	--	--	5,000	--	
	Oriental Chemical Industry Co., Ltd...	--	--	--	5,600	
	Subtotals, Korea	2,140	7,140	5,000	5,600	17,740

Country	Loan Description	OBLIGATIONS a/ Cumulative As of 1/31/59	OBLIGATIONS a/ Cumulative As of 6/30/59	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loan Commitments b/	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loans Authorized c/	TOTAL OBLIGATIONS COMMITMENTS AND AUTHORIZATIONS As of 6/30/59 (2) + (3) + (4)
FAR EAST (cont'd)						
Malaya	N. Klang Straits - Port Development	$ --	$10,000	$ --	$ --	$
	Road and Bridge Construction	--	10,000	--	--	
	Subtotals, Malaya	--	20,000	--	--	20,000
Philippines	Small Industry Loan Fund	--	5,000	--	--	
	Roads, Bridges & Rehabilitation of Public Works Equipment	--	18,750	--	--	
	Bataan Pulp and Paper Mill	--	--	5,300	--	
	Mindanao Portland Cement Corp.	--	--	--	3,700	
	Development Projects d/	--	--	17,250	--	
	Subtotals, Philippines	--	23,750	22,550	3,700	50,000
Taiwan	Railway Modernization	3,200	3,200	--	--	
	Shihmen Multipurpose Dam	21,500	21,500	--	--	
	Improvement of Fishing Industry Equipment	--	686	--	--	
	Cement Plant	2,750	2,750	--	--	
	Ingalls-Taiwan Shipbuilding e/	6,500	6,500	--	--	
	By-Product Coke Oven	--	1,000	--	--	
	Aluminum Corporation	--	1,350	--	--	
	Small Industry Fund	--	--	2,500	--	
	Subtotals, Taiwan	33,950	36,986	2,500	--	39,486
Thailand	Bangkok Power Distribution	--	20,000	--	--	
	Meat Processing Plant	--	--	750	--	
	Channel Dredge	--	1,750	--	--	
	Subtotals, Thailand	--	21,750	750	--	22,500
Vietnam	Saigon-Cholon Water Distr. System	--	--	19,500	--	19,500
	TOTALS FAR EAST	36,090	118,626	50,300	9,300	178,226

Country	Loan Description	OBLIGATIONS a/ Cumulative As of 1/31/59	OBLIGATIONS a/ Cumulative As of 6/30/59	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loan Commitments b/	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loans Authorized c/	TOTAL OBLIGATIONS COMMITMENTS AND AUTHORIZATIONS As of 6/30/59 (2) + (3) + (4)
LATIN AMERICA						
Argentina	Transportation, Power, Industry	$ --	$24,750	$ --	$ --	$24,750
Bolivia	Sugar Mill	--	2,500	--	--	
	El Alto Airport	--	--	1,500	--	
	Subtotals, Bolivia	--	2,500	1,500	--	4,000
Brazil	Rural Resettlement - Carembei/ Castrolanda	--	240	--	--	
	Rural Resettlement - Anhumas/ Pedrinhas	--	--	300	--	
	Subtotals, Brazil	--	240	300	--	540
Chile	Airport Design Engineering	--	300	--	--	300
Costa Rica	Resettlement	300	300	--	--	300
Ecuador	Pan American Highway	--	4,700	--	--	4,700
Guatemala	Rubber Production	--	--	5,000	--	
	Kenaf Bag Factory	--	400	--	--	
	Subtotals, Guatemala	--	400	5,000	--	5,400
Haiti	Artibonite Valley Development	--	4,300	--	--	4,300
Honduras	Highway Development	5,000	5,000	--	--	5,000
Nicaragua	Public Utilities - Matagalpa	--	600	--	--	600

Country	Loan Description	OBLIGATIONS a/ Cumulative As of 1/31/59	OBLIGATIONS a/ Cumulative As of 6/30/59	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loan Commitments b/	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loans Authorized c/	TOTAL OBLIGATIONS COMMITMENTS AND AUTHORIZATIONS As of 6/30/59 (2) + (3) + (4)
LATIN AMERICA (cont'd)						
Paraguay	Waterworks - Asuncion	$ 1,000	$ 1,000	$ --	$ --	$
	Road to Brazil	2,500	2,500	--	--	
	International Products Corporation (ranching, meat packing, quebracho).	2,600	2,600	--	--	
	Telecommunications	--	--	--	1,000	
	Subtotals, Paraguay	6,100	6,100	--	1,000	7,100
Uruguay	UTE Telephone Expansion	--	--	8,800	--	8,800
	TOTALS, LATIN AMERICA	11,400	49,190	15,600	1,000	65,790
NEAR EAST						
Greece	Nitrogen Fertilizer Plant	12,000	12,000	--	--	12,000
Iran	Plan Organization Projects	47,500	47,500	--	--	
	Industrial Development Bank	--	--	5,200	--	
	Highway Construction (Avej-Andimeshk)	--	--	--	25,000	
	Subtotals, Iran	47,500	47,500	5,200	25,000	77,700
Israel	Development Loan (power, railways, agricultural and industrial dev.) ..	15,000	15,000	--	--	
	Industrial Institution (development bank)	--	5,000	--	5,000	
	Subtotals, Israel	15,000	20,000	--	5,000	25,000
Jordan	Electric Power	--	1,200	--	--	
	Phosphate Mines	--	--	2,500	--	
	Subtotals, Jordan	--	1,200	2,500	--	3,700
Lebanon	El-Bared Power Plant Project	--	--	--	500	
	Agric., Industrial & Real Estate Bank	--	--	--	5,000	
	Subtotals, Lebanon	--	--	--	5,500	5,500

Country	Loan Description	OBLIGATIONS a/ Cumulative As of 1/31/59	OBLIGATIONS a/ Cumulative As of 6/30/59	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loan Commitments b/	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loans Authorized c/	TOTAL OBLIGATIONS COMMITMENTS AND AUTHORIZATIONS As of 6/30/59 (2) + (3) + (4)
NEAR EAST (cont'd)						
Syria	Worsted Textile Plant	$ --	$ --	$ 1,000	$ --	$ 1,000
Turkey	Industrial Development Bank	10,000	10,000	--	--	
	Aerial Mineral Survey	--	900	--	--	
	Zonguldak Coal Development	--	14,500	--	--	
	Plastics & Related Chemicals Plant ...	--	--	6,100	--	
	Electric Power Distribution	--	--	7,000	--	
	Koruma Chlor-Alkali & Pesticides Mfg..	--	--	--	2,800	
	Development Projects d/	--	--	6,200	--	
	Subtotals, Turkey	10,000	25,400	19,300	2,800	47,500
	TOTALS, NEAR EAST	84,500	106,100	28,000	38,300	172,400
SOUTH ASIA						
Ceylon	Colombo Railroad (motor coaches)	750	750	--	--	
	Highway Development Equipment	900	900	--	--	
	Irrigation and Land Development	1,600	1,600	--	--	
	Subtotals, Ceylon	3,250	3,250	--	--	3,250
India	Railways (steel for locomotives and rolling stock)	40,000	40,000	--	--	
	Road Transport Equipment, Cement and Jute Industry Machinery	35,000	35,000	--	--	
	Steel for Public Projects	18,000	18,000	--	--	
	Steel for Private Projects	22,000	22,000	20,000	--	
	Equipment for Railway Development	35,000	35,000	--	--	
	Equipment for Public Power Development	10,000	10,000	--	--	
	Capital Equipment for Private Ind. ...	15,000	15,000	--	--	
	Subtotals, India	175,000	175,000	20,000	--	195,000

Country	Loan Description	OBLIGATIONS a/ Cumulative As of 1/31/59	OBLIGATIONS a/ Cumulative As of 6/30/59	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loan Commitments b/	OTHER LOAN AUTHORIZATIONS AND COMMITMENTS AS OF 6/30/59 Loans Authorized c/	TOTAL OBLIGATIONS COMMITMENTS AND AUTHORIZATIONS As of 6/30/59 (2) + (3) + (4)
SOUTH ASIA (cont'd)						
Pakistan	Karachi Water and Sewerage	$ 5,500	$ 5,500	$ --	$ --	$
	Industrial Credit Corporation	4,200	4,200	--	--	
	W. Pak. High Tension Grid (power transmission)	--	14,700	--	--	
	Karnafuli Multipurpose Dam	--	17,500	--	--	
	W. Pak. Ground Water Development (reclamation)	--	15,200	--	--	
	W. Pak. Secondary Transmission	--	23,000	--	--	
	Railway Rehabilitation Equipment	--	9,100	--	--	
	Port of Chittagong	--	--	2,000	--	
	Port of Chalna Anchorage	--	--	2,000	--	
	Sui Gas Transmission	--	--	2,000	--	
	Marking & Charting of Navigable Waterways of E. Pak.	--	--	1,750	--	
	Karachi Commercial Jet Strip	--	--	4,800	--	
	Subtotals, Pakistan	9,700	89,200	12,550	--	101,750
	TOTALS, SOUTH ASIA	187,950	267,450	32,550	--	300,000
	GRAND TOTALS	348,630	623,306 e/	236,750	75,500	1835,556

a/ Loan and guarantee agreements signed.
b/ Loans approved by the Board of Directors, for which letters of advice have been issued to borrowers. Also includes country development project commitments mentioned in footnote c/.
c/ Loans approved by the Board of Directors, but letters of advice not yet issued.
d/ Agreement to finance projects within country development programs, subject to approval of the specific projects.
e/ Includes loan guarantee of $4.5 million.
f/ Will probably be split into two loans.

DLF Budget
7/17/59

TOTAL LOAN OBLIGATIONS, COMMITMENTS, AND AUTHORIZATIONS:
NUMBER OF COUNTRIES, BY REGION

FY 1959

REGION	COUNTRIES	LOANS	GUARANTEES	AMOUNTS (in thousands)
Africa	8	10	0	$ 40,840
Europe	3	8	0	78,300
Far East	7	25	1	160,976
Latin America	12	18	0	65,790
Near East	7	18	0	166,200
South Asia	3	23	0	300,000
Totals	40	102	1	812,106
		Other Project Commitments		23,450 a/
		Total charges against lending authority		835,556

a/ Includes $23,450,000 in project commitments (balance of Philippines and Turkey commitments, the amounts of $17,250,000 and $6,200,000 respectively).

SUMMARY OF DLF PROPOSALS AND COMMITMENTS BY GEOGRAPHICAL AR (as of 6/30/59)

	Africa	Europe	Far East	Latin America	Near East	South Asia	Total
Charges Against Lending Authority							
Loan and guarantee agreements signed	28,840	53,100	118,626	49,190	106,100	267,450	623,306
Letters of advise issued	1,300	9,000	33,050	15,600	21,800	32,550	113,300
Other project commitments	-0-	-0-	17,250	-0-	6,200	-0-	23,450
Letters of advice pending	10,700	16,200	9,300	1,000	38,300	-0-	75,500
TOTALS	40,840	78,300	178,226	65,790	172,400	300,000	835,556
Percent of Charges Against Lending Authority	4.9	9.4	21.3	7.9	20.6	35.9	100.0
Proposals Under Consideration and on Hand (Preliminary)							
Status A	22,300	-0-	4,456 a/	12,700	-0- b/	4,500	43,956
Status B	41,634	17,734	104,084 a/	22,922	148,430 b/	41,382	376,186
Status C	61,674	221,245	127,919	28,487	254,993	274,218	968,536
Status N	365	-0-	19,200	7,587	71,000	27,800	125,952
TOTALS	125,973	238,979	255,659	71,696	474,423	347,900	1,514,630
Percent of Proposals on Hand	8.3	15.8	16.9	4.7	31.3	23.0	100.0
Proposals No Longer Under Consideration (preliminary)							
Inappropriate for DLF financing	8,170	4,980	27,864	141,942	57,187	9,872	250,015
Insufficient info or withdrawn by borrower	8,046	950	82,954	126,007	54,168	44,312	316,437
Being considered by other lending institutions	19,870	64,805	132,444	93,298	61,615	2,283	374,315
TOTALS	36,086	70,735	243,262	361,247	172,970	56,467	940,767
Percent of Proposals No Longer Under Consideration	3.8	7.5	25.9	38.4	18.4	6.0	100.0
tal Proposals (A + B + C)	202,899	388,014	677,147	498,733	819,793	704,367	3,290,953
Percent of Total	6.2	11.8	20.6	15.1	24.9	21.4	100.0

Excludes Status A and B Items under Philippines project commitment.
Excludes Status A and B Items under Turkey project commitment.

DLF Budget
7/17/59

DEVELOPMENT LOAN FUND

Estimated Obligations Expenditures and Balances

(in thousands)

	FY 1958 (actual)	FY 1959 (estimate)	FY 1959 (actual)	FY 1960 (estimate)
1. Unliquidated Obligations, Start of Year	---	$100,600	$100,600	$526,600
2. Obligational Authority:				
Unobligated balance, start of year	---	197,900	197,900	246,900
New obligational authority	$300,000	550,000	550,000	700,000
Total Obligational authority	300,000	747,900	747,900	946,900
3. Obligations	102,100	501,000	522,437 a/	702,000
4. Expenditures	1,500	75,000	66,617 b/	200,000
5. Unobligated Balance, End of Year	197,900	246,900	225,463	244,900
6. Unliquidated Obligations, End of Year	100,600	526,600	556,420	1,028,600
7. Total Unexpended Balance, End of Year	298,500	773,500	781,883	1,273,500

Note: Income is reflected applied against gross expenditures; hence income is excluded from availability and unobligated balances.

a/ Includes administrative expenses of $1,~~231,239~~. 1,214,078

b/ Preliminary, Includes administrative expenses disbursements of $1,~~053,312~~. 1,005,684

COMPARATIVE STATEMENT OF FINANCIAL CONDITION, FY 1958-60

Assets	June 30, 1958 (act.)		June 30, 1959 (est.)		June 30, 1960 (est.)	
Undisbursed Cash:						
Undisbursed loan obligations (loan agreements signed).....	$100,600,000		$525,750,000		$1,017,450,000	
Loan agreements not signed and other undisbursed funds.....	197,900,000		247,050,000		247,150,000	
Interest, repayments, and fees....	-0-	$298,500,000	200,000	$773,000,000	2,050,000	$1,266,650,000
Foreign Currencies Received.....		-0-		500,000		6,850,000
Loans Receivable:						
Repayable in dollars.....		-0-		21,000,000		60,800,000
Repayable in foreign currencies....		1,500,000		55,050,000		220,100,000
Accrued Interest on Loans:						
Payable in dollars.....		-0-		50,000		200,000
Payable in foreign currency.....		-0-		150,000		800,000
Other Assets (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.....		-0-		135,000		225,000
Investment of the U. S. Government:						
Appropriated Funds.....	300,000,000		850,000,000		1,550,000,000	
Donated capital.....	21,649	300,021,649	21,649	850,021,649	21,649	1,550,021,649
TOTAL LIABILITIES AND CAPITAL.....		300,021,649		850,156,649		1,550,246,649
NET OPERATING PROFIT OR LOSS.....		-0-		-361,458		5,226,718

DEVELOPMENT LOAN FUND

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

DEVELOPMENT LOAN FUND

Distribution of FY 1959 Loan and Guarantee Obligations by Month
(Loan and Guarantee Agreements Signed)

(in thousands)

	By Month	Cumulative
Total FY 1958 Obligations		$ 102,100
Fiscal Year 1959:		
July	3,650	105,750
August	—	105,750
September	11,750	117,500
October	2,500	120,000
November	27,300	147,300
December	104,390	251,690
January	96,940	348,630
February	60,000	408,630
March	72,376	481,006
April	20,650	501,646
May	35,350	537,006
June (through June 30)	86,300	623,306
Total, FY 1959	521,206	

Distribution of FY 1959 Loan Disbursements by Month

(in thousands)

	By Month	Cumulative
Total FY 1958 Loan Disbursements		$ 1,500
Fiscal Year 1959:		
July-December	4,413	5,913
January	12,495	18,408
February	3,078	21,486
March	11,202	32,688
April	8,610	41,298
May	9,111	50,409
June	16,655	67,064
Total, FY 1959	65,564	

LOANS APPROVED, BY MONTH a/

	By Month		Cumulative	
	No.	Amount	No	Amount
FY 1958			25	$278,086
FY 1959				
July	4	$ 15,250	29	243,336
August	2	430	31	243,766
September	8	107,900	39	351,666
October	10	97,990	49	449,656
November	4	28,950	53	478,606
December	6	34,600	59	513,206
January	10	80,400	69	593,606
February	4	43,950	73	637,556
March	4	14,100	77	651,656
April	-0-	-0-	77	651,656
May	7	56,100	84 b/	707,756
June	17	104,350	101 b/	812,106
Total, 1959	77	584,020		
Other Project Commitments				23,450
Total Charges Against Lending Authority				835,556

a/ Excludes earmarking of funds and project commitments

b/ Does not agree with total number of approved loans, as Pakistan loan for Ports of Chittagong and Chalna Anchorage subsequently split into two loans during process of negotiating the loan agreement.

SELECTED SUMMAR DATA ON LOAN FUNDING, 1958-1960

(on a cumulative basis)

	FY 1958 (Actual)	FY 1959 (Estimate)	FY 1959 (Thru 6/30/59)	FY 1960 (Estimate)
Appropriations a/	$300,000,000	$848,750,000	$848,750,000	$1,546,700,000
Loan Authorizations and Commitments	267,386,000	848,750,000	835,556,000	1,546,700,000
Loan Obligations	102,100,000	601,850,000	623,306,000	1,299,800,000
Loan Disbursements	1,500,000	76,100,000	67,064,000 b/	282,350,000
Loan Repayments				
Dollars	-o-	-o-	-o-	200,000
Foreign currencies ($ equiv.)	-o-	50,000	75,000	1,250,000
Income				
Interest Earned	-o-	800,000	786,342 b/ c/	7,800,000
Fees for guaranties issued	-o-	50,000	~~23,175~~ 806,517	650,000
Total, Income	-o-	850,000	~~786,342~~	8,450,000

a/ Excludes $1,250,000 for FY 1959 administrative expenses and FY 1960 estimate of $2,050,000 for administrative expenses. Includes $150,000,000 fiscal year 1959 supplemental appropriation.

b/ Rounded to nearest dollar.

c/ Interest collections total $263,210.30.

DLF Budget
8/4/59

INTEREST EARNED AND COLLECTED, June 30, 1959

	Interest Collected 6/30/59	Interest ~~Accrual~~ Earned 6/30/59
Dollars		
Paraguay - IPC, #16	$6,956.43	$17,233.53
Yugoslavia - Fertilizer, #31	-0-	1,139.93 a/
Iran - Plan Organization, #34	-0-	176,083.64
Costa Rica - Resettlement, #38	1,164.77	1,740.16
Liberia - Telecommunications, #43	-0-	38.36
Subtotal, dollars	8,121.20	196,235.62
Local Currency (dollar equivalents)		
Honduras - Highway, #1	33.18	305.48
India - Railways, #2	-0-	12,148.48
India - Roads, Cement, Jute, #3	-0-	520.45
Ceylon - Irrigation, #4	427.10	3,336.52
Israel - Development, #5	210,790.20	298,257.54
Taiwan - Cement, #7	10,624.57	28,643.85
Paraguay - Asuncion W/W, #10	479.45	11,794.52
India - Second RR, #12	32,734.60	200,388.46
Pakistan - PICIC, #15	-0-	51.48
Taiwan - Shihmen Dam, #17	-0-	888.86
Korea - Cement, #22	-0-	1,210.90
Pakistan - Karnafuli, #23	-0-	4,479.39
Yugoslavia - Fertilizer, #31	-0-	3,419.81 a/
Bolivia - Sugar Mill, #39	-0-	5,167.09
India - Capital Equipment for Pri. Industry, #40	-0-	269.38
Brazil - Castrolanda, #45	-0-	1,796.67
Taiwan - Coke Oven, #49	-0-	17,427.39
Subtotal, Local Currency	255,089.10	590,106.27
TOTALS	263,210.30	786,341.89

a/ Yugoslavia Loan #31 repayable 1/4 in Dollars and 3/4 in Local Currency

DLF Budget
8/5/59

EXPENDITURE EXPERIENCE OF EXPORT-IMPORT BANK

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

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

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

2. The Export-Import Bank indicated it was not readily possible to identify expenditures in current budget schedules that were specifically applicable to project loans. However, they indicated that their disbursement experience has indicated a 3-4 year disbursement span under project loans, with about 10-15% of the amount authorized disbursed in the first year following approval and the balance distributed about equally during subsequent years. Their experience has been considered in making DLF expenditure estimates.

3. The following data on Export-Import Bank development project loans appears on page 144 of the 1960 President's Budget (it should be noted that although credit authorizations represent new actions in the year indicated, disbursements in each year apply to authorizations of both current and prior years):

	(in millions)		
	1958	1959	1960
Credit authorizations	$487.1	$606.0	$600.5
Loan disbursements	334.3	358.2	430.4

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

EXPENDITURE EXPERIENCE OF IBRD (WORLD BANK)

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

DEVELOPMENT LOAN FUND
Revised February 24, 1959

LOANS APPROVED, BY INTEREST RATES AND AMOUNTS, AS OF 6/30/59 a/

Interest Rate	No. of Loans	Amount (in thousands)
3½%	51 b/	$473,230
4%	1	2,000
4½%	2	8,000
5%	5	29,886
5¼%	6	44,400
5½%	15	164,250
5-3/4%	20	85,300
8%	2	540
	102	807,606

Average Interest Rate..... 4.3% c/

a/ Excludes other project commitments and loan guarantee.

b/ Interest rate of 3½% and 5¼% are applicable to the Iran loan: as the bulk of the loan ($37,430) represents projects under the 3½% rate category, the loan has been counted in the 3½% group, although the amount applicable to each rate has been reflected under the appropriate rate group.

c/ Weighted to consider the dollar volume of loans at each rate.

DLF - BUDGET
7/15/59

LOANS APPROVED AS OF 6/30/59, BY DURATION

Duration of the 102 loans approved by the DLF through June 30 1959, ranged from three years for design studies for a Chilean Airport to 35 years for the Shihmen Dam in Taiwan, with a distribution as follows:

Duration of Loan	Number of Loans
Under 5 years	1
5 to 9 years	14
10 to 14 years	35
15 to 19 years	18
20 to 24 years	22
25 to 29 years	5
30 years and over	6
Varied a/	1
Total Loans	102

The average duration of the 102 loans is 15.1 years.

a/ One loan is repayable in part of a seven-year basis with a twelve-year duration on the balance.

LOANS APPROVED, BY CURRENCY OF REPAYMENT, AS OF 6/30/59

	Number of Loans	Amount (in dollars or dollar equivalents) a/
U. S. Dollars (see Attachment).....	24 b/	$ 197,115
Dinars - Yugoslavia.....	4	42,125
Hwan - Korea.....	5	17,740
New Taiwan Dollars - Taiwan.....	7	32,986
Ethiopian Dollars - Ethiopia.....	1	500
Lempiras - Honduras.....	1	5,000
Guaranis - Paraguay.....	3	3,000
Rupees - Ceylon.....	3	3,250
Drachmae - Greece.....	1	12,000
Rupees - India.....	8	195,000
Pounds Sterling - Jordan.....	1	2,500
Pounds - Israel.....	3	25,000
Pounds - Libya.....	1	5,000
Rupees - Pakistan.....	11	101,750
Lira - Turkey.....	6	41,300
Pesos - Uruguay.....	1	2,200
Pesos - Philippines.....	2	23,750
Dinars - Jordan.....	1	1,200
Piastres - Vietnam.....	1	19,500
Bolivianos - Bolivia.....	2	4,000
Pesatas - Spain.....	3	23,800
Pesos - Chile.....	1	300
Rupiahs - Indonesia.....	2	9,000
Curzeiros - Brazil.....	2	540
Somalos - Somalia.....	1	2,000
Sucres - Ecuador.....	2	2,350
Baht - Thailand.....	2	21,750
Tunisian Francs - Tunisia.....	1	2,400
Gourdes - Haiti.....	1	4,300
Other - Tunisia c/.....	1	6,250
TOTALS.....	102	807,606
Other Project Commitments.....		23,450
Loan Guarantee.....		4,500
Total charges against lending authority.....		835,556

a/ Excludes other project commitments and loan guarantee.

b/ Excludes six loans where part of principal repayment is in foreign currency (Yugoslavia - Fertilizer; Ecuador - Highway; Paraguay - Brazil Road; Uruguay - Telephone; Paraguay - Telecommunication; Yugoslavia - Trebisnjica Power)

c/ Repayable in currency of Tunisia, France, or United Kingdom to be determined.

DLF - Budget

ATTACHMENT

	Amount (in thousands)
Loan Amounts Repayable in U. S. Dollars (6/30/59)	
Loan Agreements Signed:	
Argentina - Banco Central, Transp. Power & Industry	$ 24,750
Liberia - Sawmill	190
Liberia - Telecommunications	3,000
Ecuador - Pan American Highway c/	2,350
Netherlands - Resettlement	3,000
Yugoslavia - Pancevo Fertilizer a/	5,625
Taiwan - Ingalls - Taiwan	2,000
Costa Rica - SICA Resettlement	300
Malaya - North Klang Straits	10,000
Malaya - Roads and Bridges	10,000
Nicaragua - Matagalpa Utillties	600
Iran - Plan Organization Project	47,500
Paraguay - Brazil Road b/	1,000
Paraguay - International Products Corp.	2,600
Sudan - Textile Mill	10,000
Guatemala - Kenaf Bag Factory	400
Subtotal, Loan Agreements Signed	123,315
Letters of Advice Issued:	
Philippines - Bataan Pulp and Paper Mill	5,300
Nigeria - Warehouse	800
Guatemala - Rubber Production	5,000
Uruguay - UTE Telephone d/	6,600
Thailand - Meat Processing	750
Iran - Development Bank	5,200
Subtotal, Letters of Advice Issued	23,650
Loan approved (letters of advise not yet issued)	50,150
Total	197,115

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

DLF - Budget
7/15/59

THE DLF AND PRIVATE INVESTMENT

As of June 30, 1959, about $285 million, or about 34% of our total of $836 million of loan commitments were for the use of the private sector in the less developed areas.

Direct loans to private enterprise and to mixed private-public organization amounted to $115 million of the total $285 million.

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

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

DLF
6/30/59

Insert at Tab L

Legislative History on the DLF Authority to Provide Loans for Economic Overhead and Private Enterprise Projects

The legislative history of the DLF provides substantial justification for the use of DLF funds for both economic overhead and private investment projects. Cited below are several excerpts from hearings and reports on the Mutual Security Act of 1957 and the Mutual Security Appropriations Act, 1958.

1. Primary task of Fund. Fund booklet, HFA, p. 1220.

"The primary purpose of the proposed Development Loan Fund would be to help finance -- independently, or in partnership with other public lending institutions or private lending institutions or private enterprise -- soundly conceived economic development in free countries of the less developed areas."

2. Sen. Fulbright's View of Fund. SFR, p. 25.

"Senator Fulbright. Mr. Secretary, I wanted a moment ago, and I didn't get to it, to particularly express my approval of the fourth and fifth points in your statement: That this fund would not be used to meet emergencies or other needs for short-term assistance, and the thought that this is to be devoted to basic public works, such as transport, communications, power installations, power irrigation, and drainage, and also to support local development banks and private enterprise engaged in the development of the country. I think those two points are especially pertinent and well taken."

3. Sample Fund Projects. Fund booklet, HFA, p. 1225-1226.

"These possible project proposals cover a wide variety of fields, including

(a) Basic transportation: By connecting isolated markets and opening up inaccessible areas, the building of road, railroad, and port facilities could lead to a substantial growth in economic activity, and more particularly in private investment.

(b) Power facilities: Throughout the less developed areas there are large unutilized hydroelectric power potentialities. Their development would lead to greatly multiplied opportunities in a number of other fields, some of which could be exploited by local or foreign business interests.

(c) Agriculture: The bulk of the people of the less developed countries earn their livelihood from farming. The needs of the agricultural sector of the economy are correspondingly great. These needs are of two kinds: Those of individual farmers for better tools, credit, marketing methods, and other improvements, and those of the agricultural community as a whole for basic new investment, e.g., for enlarged irrigation facilities.

(d) Industry: One of the objectives of the U.S. is to assure that private industry is given an opportunity to show capacity to help in the growth of less developed countries. Industrial growth will do this, and will also offer new opportunities for restless literate groups in these countries. The Fund will have an opportunity to assist in the development of industrial facilities through private or mixed public-private development banks, or in some instances through direct loans to private entities.

(e) Education, Health and Sanitation: Many countries will present sound projects for expanding educational and health facilities. It is not the policy of established public lending institutions to finance such projects. Yet educational and health improvements are often necessary to economic growth: A training school can contribute as much to increased production as a new factory, and the eradication of an energy-sapping disease may sometimes do more to expand agricultural output than irrigation.

(f) Natural resources: One of the first needs of the less developed countries is to become aware of the approximate extent and form of their mineral wealth and of the ways in which it could best be exploited. Such surveys are often beyond their financial means, and might be financed by loans. These surveys, in turn, could lead to other worthwhile proposals for loans, as a catalyst to private enterprise or jointly with private enterprise, to tap these resources and to convert them into usable wealth.

4. Typical projects. Dulles, SFR, p.6

Fifth, a substantial part of the financing undertaken by the Fund would be devoted to basic public works such as transport, communication systems, power installations, harbors, irrigation and drainage projects -- the capital needed to create the economic environment in which private initiative can come into play. The Fund could also use its resources to support local development banks and private enterprises engaged in developing the countries we seek to help.

SUMMARY OF LOANS APPROVED JUNE 30, 1959
BY BORROWER AND SECTOR OF USE

		Loans Approved a/	Other Project Commitments	Total
Borrower				
Public.....	68	$696,486		
Private.....	26	78,170 b/	Undistributed	
Mixed	8	37,450		
Total.....	102	812,106	23,450	835,556
Sector of Use				
Public.....		527,212		
Private.....		284,894	Undistributed	
Total.....		812,106	23,450	835,556

a/ Include loan agreements signed, letters of advice issued, and loans approved on which letters of advice have not yet been issued.

b/ Includes loan guarantee of $4.5 million.

DLF Budget
7/15/59

Distribution of Loans approved by Borrower and by Sector of Use, 6/30/59

[Note: Excludes commitments to finance projects within country development programs.]

(thousands of dollars)

	Borrower			User	
	Public	Mixed	Private	Public Sector	Private Sector
LATIN AMERICA:					
Argentina - Banco Central	$24,750	--	--	$18,722	$ 6,028
Bolivia - Sugar Mill	--	--	$ 2,500	--	2,500
Bolivia - El Alto Airport	1,500	--	--	1,500	--
Brazil - A/P Resettlement	300	--	--	--	300
Brazil - C/C Resettlement	--	--	240	--	240
Chile - Airport Design	300	--	--	300	--
Costa Rica - SICA Resettlement	--	--	300	--	300
Ecuador - Highway	4,700	--	--	4,700	--
Guatemala - Rubber	5,000	--	--	--	5,000
Guatemala - Kenaf Bag	--	--	400	--	400
Haiti - Artibonite	4,300	--	--	4,300	--
Honduras - Highway	5,000	--	--	5,000	--
Nicaragua - Matagalpa	600	--	--	600	--
Paraguay - Asuncion W/W	1,000	--	--	1,000	--
Paraguay - Telecommunication	1,000	--	--	1,000	--
Paraguay - Brazil Road	2,500	--	--	2,500	--
Paraguay - IPC	--	--	2,600	--	2,600
Uruguay - UTE Telecommunications	8,800	--	--	8,800	--
Total, Latin America	59,750	--	6,040	48,422	17,368
AFRICA:					
Ethiopia - SAIDE Cotton Mill	--	500	--	--	500
Liberia - Sawmill	--	--	190	--	190
Liberia - Telecommunications	3,000	--	--	3,000	--
Libya - Tripoli Power	5,000	--	--	5,000	--
Nigeria - Apapa Warehouse	800	--	--	800	--
Nyasaland - Railroad	--	10,700	--	10,700	--
Somalia - Credito Somalo	2,000	--	--	--	2,000
Sudan - Textile	--	--	10,000	--	10,000
Tunisia - R.R.	2,400	--	--	2,400	--
Tunisia - Pulp Mill	--	6,250	--	--	6,250
Total, Africa	13,200	17,450	10,190	21,900	18,940

	Borrower			User	
	Public	Mixed	Private	Public Sector	Private Sector
EUROPE:					
Netherlands - Resettlement	$ 3,000	--	--	--	$ 3,000
Spain - Earthmoving Equipment	7,700	--	--	--	7,700
Spain - RENFE Track	14,900	--	--	14,900	--
Spain - GE Espanola	--	--	1,200	--	1,200
Yugoslavia - Locomotives	5,000	--	--	5,000	--
Yugoslavia - Kosovo Thermal	9,000	--	--	9,000	--
Yugoslavia - Fertilizer	22,500	--	--	22,500	--
Yugoslavia - Trebisnjica	15,000	--	--	15,000	--
Total, Europe	77,100	--	1,200	66,400	11,900
NEAR EAST:					
Greece - Fertilizer	12,000	--	--	12,000	--
Iran - Highway	25,000	--	--	25,000	--
Iran - Plan Organization Project	47,500	--	--	42,740	4,760
n - Development Bank	--	--	5,200	--	5,200
Israel - Ind. Inst.	--	5,000	--	--	5,000
Israel - Ind. Inst. (2nd)	--	5,000	--	--	5,000
Israle - Development	15,000	--	--	6,500	8,500
Lebanon - Power	--	--	500	--	500
Jordan - Power	--	--	1,200	--	1,200
Lebanon - Bank	--	5,000	--	--	5,000
Jordan - Phosphate Mining Co.	--	2,500	--	--	2,500
Syria - Worsted Mill	--	--	1,000	--	1,000
Turkey - Ind. Dev. Bank	--	--	10,000	--	10,000
Turkey - Power Project	7,000	--	--	7,000	--
Turkey - Mineral Survey	900	--	--	900	--
Turkey - Plastic	--	--	6,100	--	6,100
Turkey - Koruma Pesticides	--	--	2,800	--	2,800
Turkey - Zonzuldak	14,500	--	--	14,500	--
Total, Near East	121,900	17,500	26,800	108,640	57,560
SOUTH ASIA:					
Ceylon - Colombo R.R.	750	--	--	750	--
Ceylon - Highway	900	--	--	900	--
Ceylon - Irrigation	1,600	--	--	1,600	--
India - Railways (First)	40,000	--	--	--	40,000
India - Roads Transport, Cement, Jute	35,000	--	--	--	35,000
India - Steel	40,000	--	--	18,000	22,000
India - Second Steel	20,000	--	--	--	20,000

	Borrower			User	
	Public	Mixed	Private	Public Sector	Private Sector
SOUTH ASIA: Cont.					
India - Railways (second)	35,000	--	--	35,000	--
India - Public power	10,000	--	--	10,000	--
India - Private Capital Equip.	15,000	--	--	--	15,000
Pakistan - Secondary Trans. Grid	23,000	--	--	23,000	--
Pakistan - Karachi W/S	5,500	--	--	5,500	--
Pakistan - Waterways Marking	1,750	--	--	1,750	--
Pakistan - PICIC	--	--	4,200	--	4,200
Pakistan - Karachi Jet Strip	4,800	--	--	4,800	--
Pakistan - High Tension Grid	14,700	--	--	14,700	--
Pakistan - Karnafuli Dam	17,500	--	--	17,500	--
Pakistan - W.Pak. Gr. Water	15,200	--	--	15,200	--
Pakistan - Railways	9,100	--	--	9,100	--
Pakistan - Ports of Chittagon	2,000	--	--	2,000	--
Pakistan - Chalna Action	2,000	--	--	2,000	--
Pakistan - Sui Gas Trans., Ltd.	--	--	2,000	--	2,000
Total, South Asia	293,800	--	6,200	161,800	138,200
FAR EAST:					
Indonesia - Railways	3,000	--	--	3,000	--
Indonesia - Harbor Dev.	6,000	--	--	6,000	--
Korea - Soda Ash Plant	--	--	5,600	--	5,600
Korea - Cement	--	--	2,140	--	2,140
Korea - Reconstruction Bank	5,000	--	--	--	5,000
Korea - Telecommunications	3,500	--	--	3,500	--
Korea - Chung Ju	1,500	--	--	1,500	--
Malaya - N. Klang Straits	10,000	--	--	10,000	--
Malaya - Roads and Bridges	10,000	--	--	10,000	--
Philippines - Small Ind. Fund	5,000	--	--	--	5,000
Philippines - Bataan Pulp	--	--	5,300	--	5,300
Philippines - Roads & Bridges	18,750	--	--	18,750	--
Philippines - Mindinao Cement	--	--	3,700	--	3,700
Taiwan - Railway	3,200	--	--	3,200	--
Taiwan - Shihmen Dam	21,500	--	--	21,500	--
Taiwan - Asia Cement	--	--	2,750	--	2,750
Taiwan - Ingalls - Taiwan (loan plus guarantee)	--	--	6,500	--	6,500

Contribution of Loans Approved by Borrower and by Sector of Use 6/30/59 (Cont'd)
(thousands of dollars)

	Borrower			User	
	Public	Mixed	Private	Public Sector	Private Sector
FAR EAST:(Cont'd)					
Taiwan - Fishing Industry	686	--	--	--	686
Taiwan - Coke Oven	--	--	1,000	--	1,000
Taiwan - Aluminum	1,350	--	--	1,350	--
Taiwan - Small Industry Fund	--	2,500	--	--	2,500
Thailand - Meat Processing	--	--	750	--	750
Thailand - Dredge	1,750	--	--	1,750	--
Thailand - Bangkok Power	20,000	--	--	20,000	--
Vietnam - Saigon Water	19,500	--	--	19,500	--
Total, Far East	130,736	2,500	27,740	120,050	40,926
Total, Loans Approved	696,486	37,450	78,170	527,212	284,894

~~FAB R~~

SOFT LOANS VS. GRANTS

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

Suggested Reply:

1. Loans encourage a more business-like relationship between donor (lender) and recipient (borrower)

   -- Concept of payment of interest and repayment of principal, lacking in grants, makes this a business deal.

2. Loans result in better over-all relationship between those extending aid and those receiving it.

   -- Properly administered loans, whether soft or hard, tend to create a partnership relationship between the parties involved and lift relationships to a higher level than may be possible in case of grants.

   -- Grants too often associated with "dole" and superior-inferior relationship.

3. Loans encourage both borrower and lender to be frugal in using loan resources.

   -- Accountability concept works on both borrower and lender.

   -- Both parties interested in maximizing effective use and return of loan from both monetary and economic standpoint.

4. Loans encourage healthy economic policies on part of borrower.

   -- Concept of repayment requires borrower to pursue economic measures not inherent in grant operations.

   -- Result in a discipline not possible from other forms of assistance.

5. Loans support desire of borrower for increased self-reliance and dignity.

-- This an aspect of the "better-overall relationship" argument set out above.

-- To many underdeveloped countries loans signify an economic maturity often not associated with grants.

-- Signifies a trust in their ability to meet their obligations.

6. Loans, whether soft or hard, can be melded easily with other loan funds in joint operations.

-- In conjunction with IBRD projects, e.g., Honduras roads.

-- In conjunction with private investment projects, e.g., Ingalls-Taiwan project.

7. Loans promise monetary return to lender

-- Return lacking in grants.

-- Potential exists for use of local currencies received from soft loans.

DLF
2-25-59

~~TAB S~~

LEGISLATIVE HISTORY ON DLF DOLLAR REPAYMENTS

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

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

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

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

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

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

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

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

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

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

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

DLF Legislative History on
"Advance Country Allocations"

1947 - Dillon, SA, p. 154

If we wish to make the most business-like use of our aid, it is essential that we allocate it on the basis of individual projects that we find worthwhile, and not on the basis of country totals.

1957 - HFA, p. 1319

Mr. Fascell: Then the two major objectives of this new program are (1) removing the fiscal year limitation and (2) getting a larger amount of money to work with.

Mr. Dillon: And giving a feeling that those are the two major things and the other is giving a feeling of continuity. We feel that by estimating the fiscal year requirement we accomplish something that is most important; we get away totally from this business of advance allocations by countries. That has proved, I think, to be a very unsound and unsatisfactory method. I think all the studies that have been of this general subject agree that that is something that if we want to be business-like, we have to get away from. The old approach makes us subject to political pressures, and we think this new approach will help to end that.

1957 - Hollister, HA, p. 144

For all these reasons, the Development Loan Fund would not make advance overall annual allocations by country, even on an illustrative basis. Its financing would, instead, be geared to specific projects and programs, as has been that of the Export-Import Bank and the World Bank.

1958 - Dillon, HA, p. 322

[The DLF] would not make annual allocations of aid; on the contrary, it would provide financing as - and only as - soundly conceived projects and programs were forthcoming.

1958 - Dillon, HA, p. 323

In the operation the Fund so far we have carried out these changes. There are no annual aid allocations by country of the Fund's resources. To secure assistance, countries must present proposals that meet the criteria stated in the Act: (a) that financing is not available from other free world sources on reasonable terms; (b) that the proposal is economically and technically sound; and (c) that it will help to increase productivity or productivity capacity.

In shifting from past practices to these new methods, we have had to overcome certain major problems. "Going" projects have had to be continued, and both the less developed countries and our missions in these countries have had to be educated as to our new methods of doing business.

For reasons such as these, this fiscal year has been a period of transition. I expect in the coming fiscal year that we will have completed the change to new procedures and will be in a position to secure even greater benefits from the Fund's existence.

DLF Legislative History on
"Projects vs Programs"

1957 - Dillon, SFR, pp. 593 -594

It [The Fund] would finance specific projects and programs as they were examined and found sound. By "programs" I mean plans for economic development which might embrace broad sectors of the economy or which might be limited to a specific purpose -- for example, a nation's 5-year road construction plan.

1957 - Dillon, SFR, pp. 598-599

Our aim is to primarily finance projects, individual projects, but also some type of programs. There might, for example, be a railroad program running over a number of years, and we might not finance just one little piece of that, but contribute toward the financing of the whole program.

1958 - Dillon, HA, p. 322

[The DLF] would provide financing - and only as - soundly conceived projects and programs were forthcoming. It would act on these projects or programs individually, subjecting them to rigorous screening.

ADDENDUM: EXPLANATION OF COMMITMENTS IN ADVANCE OF PROJECT RECEIPT

Since preparation of the statement attached, the following changes have occurred:

1. Additional loans have been approved under the Philippines commitment, making a total of ~~$38,050,000~~ $32,750,000 for specific projects, leaving a balance of ~~$11,950,000~~ 17,250,000 in the commitment as of June 30

2. Projects have been approved against the entire $4 million commitment to Lebanon.

3. As of June 30, 1959, projects in the amount of $31.3 million had been approved against the Turkish commitment, leaving a balance of $6.2 million in the commitment. (The amount of $10,000,000 on page 2, relating to remainder of the Turkish commitment, should have been $16 million.)

4. Available capital of the DLF is now $850 million instead of $700 million, as $150 million in supplemental funds has been appropriated.

Within its $700 million of available capital, the Development Loan Fund made three loan commitments in advance of receipt of specific project applications. These commitments were, however, contingent on subsequent approval by the DLF of specific projects. The commitments were as follows:

PHILIPPINES

When the President of the Philippines visited the United States in the summer of 1958, a statement was issued by the President effectively commiting the DLF to lend to the Philippines $50 million for specific projects subject to the appropriation of sufficient funds by the Congress and the submission of satisfactory projects. A $75 million commitment of Export-Import Bank funds was made at the same time. Since that time, after some delay, the DLF has received a substantial number of applications from the Philippines and has approved $23,750,000 in specific projects and is continuing the review and appraisal of projects against the balance of the total commitment.

IRAN

During 1958, it was found to be in the interest of the United States to commit $40 million to the plan organization of Iran subject to the approval by the DLF of specific projects. After considerable negotiation and interchange, specific projects were submitted and agreement on projects to be financed was reached in June 1958 subject to the submission of detailed information. A detailed loan for the selected projects was concluded in January 1959.

LEBANON

It was also found to be in the interest of the United States to commit $4 million of DLF capital to Lebanon for projects in the private sector. Review of specific projects is continuing against the total commitment.

In addition, the DLF engaged in a number of joint operations with other institutions and governments. In these instances project applications had been submitted prior to commitment and analysis had been undertaken by DLF staff. The staff had reached preliminary conclusions on the projects, it was prepared to recommend to the Board for approval. However, because of the joint nature of the operations and the need to consider the financing plans and requirements of the other U. S. and international agencies, final selection of the projects followed the formal making of the commitment. These joint operations were as follows:

TURKEY

The DLF joined several member countries of the Organization for European Economic Cooperation and the Export-Import Bank in a multilateral transaction which was designed to place the development efforts of the Turkish economy on a more stable basis. The joint action resulted from an intensive study of the current economic problems in Turkey by the OEEC and involved reciprocal undertakings by the Turkish Government with regard to the operation of its internal economic affairs. When the DLF commitment of $37.5 million was

made, the DLF already had on hand a substantial number of applications from Turkey which were well in excess of the commitment figure. In fact, the DLF had a number of projects under intensive review before the decision was made to engage in a joint operation. As of March 31, 1959 the DLF had approved out of the projects which were on hand prior to issuance of the commitment and from projects subsequently received, a total of $21.5 million for specific projects, and review was continuing on additional projects against the $10 million balance remaining on the commitment.

INDIA

In a joint effort to meet urgent project requirements under the Second 5-Year Plan of India, the DLF issued concurrently with a $150 million commitment by the Export-Import Bank, a $75 million commitment to the Government of India early in 1958 contingent on the approval of specific projects. The DLF commitment followed by some months the presentation to the DLF of a list of projects well in excess of this amount and the DLF had decided on a preliminary basis on the projects it would finance. These decisions were later modified as a result of the joint operation. Agreement on the project content of the loan followed the commitment in a very short time.

When it became evident in mid-1958 that the Second 5-Year Plan of India contained substantial additional foreign exchange gaps in the financing of its project requirements, a meeting of potential lender nations was convened by the IBRD to examine the situation. After extensive study of India's project financing problems, the participants from the United Kingdom, Germany, Japan, and Canada, and the IBRD, agreed to lend $275 million to the Indian Government, and the United States agreed to lend $100 million through the Development Loan Fund as a part of the joint operation. When the aforementioned meeting was convened by the IBRD, the DLF had on hand project applications well in excess of the ultimate commitment and agreement on the specific projects to be financed, was virtually, although not entirely, completed when the commitment was publicly disclosed.

ARGENTINA

As a result of a study in late 1958 by the International Monetary Fund (IMF) of the balance of payments problems impeding the current operation and development of the Argentine economy, the DLF committed $24,750,000 of its funds for Argentine projects in the fields of power, transport, and heavy industry. Formal discussions were conducted over a period of time prior to issuance of the commitment in which the project requirements of Argentina were discussed extensively. This commitment was coupled with concurrent contributions from the IMF, several U. S. banks, the U. S. Treasury and the Export-Import Bank, described elsewhere in this transcript. The undertaking was associated with specific measures recommended by the IMF for the operation of the Argentine economy.

DLF LENDING IN THE PHILIPPINES

Following discussions between representatives of the Government of the Philippines and the U. S. Government last June when President Garcia visited this Country, agreement regarding credit to be made available to the Philippines, pursuant to President Garcia's request was reached. The U. S. commitment was made known in a joint statement issued from the White House on June 20, 1958, by President Eisenhower and President Garcia which summarized the results of the discussions which had previously taken place.

In that statement reference was made to the economic problems faced by the Philippines and the programs which the Philippine Government had developed to meet the problems. It was then stated that the Export-Import Bank would establish a new line of credit of $75 million for financing private and public development projects in the Philippines and that, subject to Congressional appropriation of funds, the DLF would examine specific projects submitted to it by the Philippines to determine whether they would merit DLF financing in an amount not to exceed $50 million .

Prior to the joint presidential statement there had been presented to the DLF and the Export-Import Bank, as well as other interested agencies of the U. S. Government, a large number of illustrative projects for which the Philippines hoped to obtain financing. Those were all in the field of public works. A statement of requirements, including a list of projects in the private area, was also made available by the Philippine representatives.

Since that time the DLF has received a number of Philippine proposals from both the private and public sectors for loans to support specific projects. In an effort to secure adequate information concerning the projects as a basis for sound loans, representatives of the DLF went to Manila and examined proposals there with Filipino Government officials and with private applicants. To date six (6) public works projects have been provided for in one loan to the Public Works and Communications Department in total amount of $18,750 million, a loan has been approved for the Central Bank in an amount of $5 million to be used to finance importation of equipment for small industries, and a third project has been approved for a private concern, the Bataan Pulp and Paper Corporation, in an amount of $5.3 million to build an integrated pulp and paper mill. Other projects which will utilize the full amount of $50,000,000, mentioned in the joint press release, are presently under intensive review.

DLF FINANCING IN IRAN

Plan Organization Development Projects

At the time of Secretary Dulles' visit to Iran in late January 1958, the Plan Organization estimated that unless loans could be secured from external sources it would fall short by approximately $85 million of meeting its planned development expenditures for Iranian Year 1337 (March 21, 1958 - March 20, 1959). This expected shortfall resulted in part from a diversion of about $28 million in expected oil revenues from the Plan Organization to the Iranian Treasury.

The Secretary indicated that it might not be unreasonable for the Plan Organization to expect assistance from the Development Loan Fund or the Export-Import Bank, or both, up to a total of $40 million provided justifiable development projects were submitted. He stressed the limited availability of funds and the fact that commitments for future years would not be made.

By letter dated May 5, 1958, the Managing Director of the Plan Organization applied to the Development Loan Fund for a credit of $40 million and attached to his application a list of projects, numbering 43, on which $106 million was expected to be expended during Iranian Year 1337. He indicated that he was applying simultaneously to the IBRD for financial assistance for 19 of these projects in the categories, ports and roads, on which nearly $48 million was expected to be expended in Iranian Year 1337. This left for DLF consideration 24 projects on which about $58 million was expected to be spent in Iranian Year 1337 and $219 million through 1962.

Subsequently, eight additional projects were submitted with estimated expenditures in the Iranian Year 1337 at approximately $25 million. In addition the DLF was requested to assist in financing some of the costs of the road program for which IBRD was to provide a considerable portion of the financing.

This proposal was submitted to the DLF Board of Directors on June 30, recommending a loan of up to $40 million to assist in financing a portion of the Iranian 7-Year Development Program; including Agricultural Machinery, Silos, Forestry Development, Airport Construction and Lighting, Highway Improvement, Municipal Development, and Railroad Improvement.

The recommendation was approved by the Board of Directors subject to the specific requirement that DLF financing was to be applied only where it was determined that projects were self-contained, and economically, technically and financially justified. Further the Board directed that the projects be, in each specific case, subject

to the approval of the Managing Director of the DLF. On further analysis it was found that in order for certain projects to meet the "self-contained" criteria it would be necessary to assure financing during the Iranian Year 1338 and later. This situation was brought to the attention of the Board of Directors and by Resolution dated December 23, the Board authorized an increase in the amount of loan from $40 million to $47.5 million.

Self-contained projects have been reviewed and approved by the Managing Director as follows:

Project Description	Amount Approved
Highway Improvement	$ 8,668,000
Railway Equipment	3,520,000
Municipal Development	9,300,000
Plant Pest Control	500,000
Telecommunications	890,000
Tehran Electrical System	3,700,000
Agricultural Machinery	4,760,000
Silo Mechanization	2,770,000
Railway Terminals	3,640,000
Total	$37,748,000

Analysis of projects covering the remaining $10,000,000 is still in process.

Disbursements against these approvals are expected to amount to approximately $15,000,000 as of the end of May.

May 22, 1959

DLF FINANCING IN LEBANON

Late in 1957 the Government of Lebanon was informed that the United States Government was not contemplating extension of further grant development assistance to Lebanon in FY 1958. At that time the attention of GOL was called to the availability of development loan financing for specific development projects. A series of discussions followed which generally highlighted the political unrest in the area and the urgent needs of Lebanon. As one result, the Government of Lebanon expressed their intention of drawing up a 6-year Development Program.

On April 9, the GOL presented to the U. S. Government a request for assistance in financing a list of 10 development projects for which they hoped to obtain $15 million from the DLF.

The Secretary of State, in a despatch of April 24, 1958, directed our Ambassador in Beirut to inform the Government of Lebanon that the Government of the United was prepared to give sympathetic consideration to loans from the Development Loan Fund, in amounts up to $12 million, to assist the Government of Lebanon in financing some of the projects mentioned in an Embassy despatch of April 9, 1958. The Secretary's message further stated that project sponsors filing applications would have to meet DLF criteria to obtain loans.

In view of the Secretary's commitment and of the developing political crisis in Lebanon, the Loan Committee was requested to earmark $12 million to Lebanon for project loans meeting DLF criteria, with the understanding that the Committee, in ninety days, would again review the situation in the light of interim developments and confirm or modify its action. This recommendation was approved by the DLF Board of Directors June 30, 1958.

During the summer of 1958 there was a civil uprising in Lebanon resulting in a change of Government. Discussions with the new Government in the fall of 1958 indicated that they were not familiar with the discussions which had taken place in April regarding DLF financing and the American Embassy was informed that the new cabinet had not been given any authority to contract debts on behalf of Lebanon. They did state that they would welcome the utilization of DLF financing in the private sector.

It was on the basis of these expressed views of the new Government that a decision was made to recommend to the DLF Board of Directors that $4,000,000 of the earmarked funds be held for

possible financing of the two current applications then being studied and for others which were known to be in process, and the balance to be released and made available for priority applications from other countries. This recommendation was approved by the Board of Directors on January 16, 1959.

The DLF is currently considering applications for development projects in Lebanon, which would require DLF financing considerably in excess of the committed $4,000,000.

May 22, 1959

DLF Financing in
Turkey

Turkey, in FY 1958, was faced with a grave and rapidly mounting economical crisis. The extent of this crisis was recognized, not only in Turkey, but also by its allies in the countris associated with it in the OEEC.

Internally, Turkey was faced with mounting inflation and acute shortages of essential commodities. The then existing exchange rate of 2.8 lira to the dollar was unrealistic in terms of international purchasing power of the Lira. Foreign currency reserves had dwindled to the vanishing point and Turkey was not only unable to import commodities essential for its economy, but also unable to service its foreign debt.

By August 4, 1958, a series of negotiations taking place over many months were completed, culminating in a coordinated program for the stablization for the Turkish economy, coupled with financial assistance from the European members of the OEEC, the EPU, the US and the IMF. This program was designed to enable the Turkish Government to carry out a program of economic reform. It included, on the Turkish side, effective deflation of the lira, drastic curtailment of the credit, a balanced central Government Budget and other measures designed to stabilize the price level and remove the financial roots of Turkish inflation. It was quite clear at the time that the program contemplated could not be successfully carried out without an influx of essential commodity imports into the Turkish economy and continuation of Turkish economic development at at least a minimum level based on a method of financing that would be non-inflationary.

In the circumstances and in line with its responsibilities toward the welfare of Turkey as a friendly ally, the US in particular agreed in part to provide $75 million in loans to finance individual development projects in Turkey. It was agreed that the Development Loan Fund and the Export-Import Bank would each undertake to finance development projects in Turkey amounting to $37.5 million.

At the time the DLF had been examining proposals from the Turkish Government and from the private sector in Turkey for the financing of projects, the value of which amounted to considerably more than $75 million. It thus appeared quite reasonable to expect that suitable projects totalling this amount would eventually prove to be worthy of consideration by these two organizations.

In order to obtain a clear idea of the development requirements of the Turkish economy and of the priorities that might be attached to various projects proposed, a joint Export-Import Bank--DLF mission went to Turkey in late August, 1958, for a brief visit. As a result of discussions conducted by this group with the Turkish Government and with private applicants in Turkey, lists of projects were arrived at

which appeared to be suitable for financing in terms of the needs of the Turkish economy, and would meet the requirements of these two institutions. The DLF has so far authorized loans amounting to $20.5 million for three projects under its $37.5 million commitment: Zonguldak (bituminous coal), an aerial mineral survey, and an integrated plant for the production of plastics and related chemicals.

It is anticipated that the balance of $16 million allocated for individual projects in Turkey by the DLF will be utilized within the next several months for additional projects in the public and private sector. A member of the DLF staff has recently returned from a visit in Turkey, the purpose of which was in part to obtain additional information required for the analysis of these projects.

DLF FINANCING IN INDIA

In fiscal year 1958, the DLF concluded two loans with India. One for $10 million, financed the importation of steel for the manufacture of railway cars in India. The other, provided $25 million for automotive components and $5 million each for the importation of equipment for the jute and cement industries. Procurement is now proceeding against these agreements. For some years various agencies of the United States Government, and the International Bank for Reconstruction and Development had undertaken a fairly continuous review of the progress and contents of that nation's Second Five-Year Plan. Thus, when the Government of India presented to the DLF in November, 1957 a proposal detailing a lengthy list of projects totalling $1.4 billion, the U.S. Government was able to rely on a substantial stock of knowledge concerning the elements of the Second Plan. On the basis of this knowledge, and the applications on hand, the U.S. selected for financing by the DLF specific programs totaling about $83 million. Somewhat later, it was determined that the requirements of the Indian Plan called for the provision of $225 million from U.S. sources, $150 million from the Export-Import Bank and $75 million from the DLF. Accordingly, the DLF plans were revised to accomodate this lower figure.

As indicated above, the bulk of the loans ($65 million out of $75 million), were in support of India's railway and road transport programs. In evaluating the transport proposals, the DLF was able to rely on extensive studies of India's transport problems and needs undertaken by the IBRD. It gave considerable weight to the IBRD conclusion that India's transportation constituted the nation's highest developmental priority. In evaluating the requirements for India's cement and jute industries, the DLF was able to rely on the substantial analysis completed by the ICA in connection with its earlier assistance to these industries.

The evaluation was further buttressed by a series of meetings in Washington with a technical mission from India. Later, a team of Export-Import and DLF experts visited India to examine further the detailed uses to which the planned financing would be put.

DLF FINANCING IN INDIA

In August of last year India was facing an exchange crisis of large proportions. Her reserves were decreasing each month and it appeared as if the trend would continue into the future with alarming proportions. To meet the situation and to relieve the pressure the International Bank for Reconstruction and Development called a meeting on August 25 of the creditor nations. Representatives of the Governments of India, Canada, Germany, Japan and England attended the meeting and discussed what assistance could be rendered to India. As a result these countri s agreed to extend credit up to $350 million in order to cover the increasing gap in India's balance of payments position. Of this amount the Government of the United States undertook to extend $100 million in loans.

Projects were presented to the DLF after having been engineered and carefully selected by the Indian Government as those of highest priority. They constituted a part of the "core plan" evolved by that Government after having reduced the original planning so as to include only the most essential undertakings. The DLF has signed five loan agreements with the Indian Government consisting of $40 million for steel for the public and private sectors, $35 million for railways, $10 million for public power requipment and $15 for capital equipment for private industries.

The loan for steel to be used in the Private Sector is to assist in the establishment, expansion and modernization of the tool machine industry, ball bearing and locomotive industries and fertilizer factories. The loan for steel in the Public Sector is being used for some 30 projects including twenty power plants, four water supply and irrigation schemes and four port improvement projects. The railway loan is assisting in financing an integrated plan for the improvement and expansion of the railways including 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 reconstrucing of a number of old marshalling yards and the construction of new ones, and the making of improvements. The fourth loan is for public power development and the proceeds are being used to finance the acquisition and importation of transformers, circuit breakers, penstock bead-gates, turbines, steel towers, etc. These will be used in some 14 of the "core projects" included in India's "Second Five Year Plan." These projects are an integral part of the endeavor of India to supply power to old and new enterprises in her effort to effect greater industrialization. An additional loan has been made to India designed particularly to assist the Private Sector in the metallurgical and mineral industries, and the chemical, cement, machinery manufacturing, textile and sugar industries.

DLF FINANCING IN ARGENTINA

Under the Peron Regime the economy of Argentina deteriorated as the result of the policies followed. To counteract the serious current economic position, the present government has laid the ground work for a basic stabilization program and in this connection requested the assistance of the International Monetary Fund (IMF) and later also that of U.S. private commercial banks, the U.S. Treasury, the Export-Import Bank and the Development Loan Fund.

With the assistance of the IMF a program has been developed including budgetary reforms, restrictions in credit, ultimate cessation of wage increases and an exchange program removing controls, establishing a unitary rate of exchange and allowing the peso to find its own level in response to basic supply and demand forces.

Realizing the need for economic rehabilitation to overcome in part the deterioration in the economy, the Government had previously budgeted for the calender year 1959 foreign exchange payments with respect to the import of capital goods which after the careful consideration of their experts were deemed essential for the forward progress of the economy. Under the stabilization program it proved to be impossible to do this within the agreed to budget without outside assistance. The Development Loan Fund was therefore requested to help in meeting a portion of these obligations and in particular those relative to the rehabilitation and expansion of the country's power producing capacity, its rail transport facilities and the development of its industries including steel.

Thus a loan of $24.75 million has been granted by the DLF to the Banco Central de la Republica Argentina, which is the Government bank the proceeds of which will be used to assist in the acquisition and import of materials and supplies for thirty-three distinct projects. These projects are included in the studied plan which has been worked out for supplying electric power and transmission lines to increase the industrial development of the country and to provide adequate transportation for passengers and cargo permitting goods to be transported to the larger cities and ports relieving the current congestion of passenger traffic. The items to be procured are power generators, transformers, switches, electro-mechanical installations, hydro-electric equipment, motorized railway cars, diesel and electric locomotives, street cars,fabricated and non-fabricated structural steel, etc.

DLF FINANCING IN ISRAEL

DLF Loan No. 5

1. On January 2, 1958, the Government of Israel, through its Economic Minister applied for a DLF loan in the amount of $25 million dollars. The loan was to finance imports which would generate local currencies for use in programs for industrial development, electric power expansion, and telephone expansion.

2. On being informed that DLF could not consider a loan as requested, because it felt the situation did not warrant the financing of local costs, the Israeli, on March 11, 1958, submitted a new application for a loan to finance the import of capital goods in an amount of $19,400,000. The loan was to assist an economic development program in the following areas of activity:

Electric power project
machinery, equipment and parts for electric power generation and distribution

Transportation project
road - railroad equipment and parts

Industrial development project
machinery, equipment, and parts for textile metal working, food, cement, tire and other industries

Agricultural development project
equipment, parts and steel for pipe manufacturing; agricultural equipment, and construction materials for farm buildings

Quarrying, mining and public works project
construction, mining and conveying equipment for mining and public works

3. The DLF disallowed items valued at $2.7 million from the list since they were not capital items and did not conform to DLF criteria. The approved list was cut back to $16.7 million.

4. The DLF Loan Committee approved a loan in an amount of $15 million for the purposes set forth in paragraph 2 above. Proceeds of the loan were to finance up to $15 million of the $16.7 list.

5. Prior to the execution of the loan agreement, the Israeli made a case to the effect that the economic development program would be impaired if DLF would not permit financing of goods ordered or contracted for prior to May 2, 1958. On June 23, 1958 DLF agreed that up to $3.77 million of goods ordered prior to May 2, 1958 could be financed under the loan. This exception was granted under authority of Section 2.03(b) of the Loan Agreement.

6. On June 25, 1958 a loan agreement was duly executed.

Netherlands Resettlement of Emigrants in Australia

~~TAB T~~

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

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

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

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

DECONTROLLED ~~DECLASSIFIED~~ ON 3/30/81
BY Cowell, SER/MO/CRM
AUTHORITY: ~~EO 12065 a~~ para ~~925~~, Uniform Security Regulations 958.2

DLF NOTE 1

May 20, 1959

COFFIN STATEMENT ON DLF

Attached for the reference of the DLF Liaison Officers is a statement delivered on the floor of the House of Representatives on April 30, 1959, by Congressman Coffin, of Maine, relating to the organization and operations of the Development Loan Fund. In his speech Mr. Coffin describes both the Washington and field review of an application prior to action on it by the DLF Board of Directors.

Joseph S. Toner
Secretary

Attachment

OBJECTIVES AND OPERATION OF THE DEVELOPMENT LOAN FUND OF THE MUTUAL SECURITY PROGRAM

The SPEAKER. Under previous order of the House, the gentleman from Maine [Mr. COFFIN] is recognized for 75 minutes.

(Mr. COFFIN asked and was given permission to revise and extend his remarks.)

THE DEVELOPMENT LOAN FUND—REPORT TO THE CONGRESSIONAL BOARD OF DIRECTORS

Mr. COFFIN. Mr. Speaker, not much over a year ago a corporate entity which we created—the Development Loan Fund—began its operation. As of March 31, 1959, it had made loan commitments of $697,906,000, out of a lending authority of $698,991,000. It had received loan applications of $2,955,603,000 and had on hand serious proposals under consideration of $1,427,590,000. In short, here is a financial institution carrying on a banking business in 37 countries, of vital importance to this Nation.

Yet, although we have come to use the initials DFL with familiarity, and although we have debated with vigor and some heat whether it should have a supplemental appropriation to carry on its activities until the end of this fiscal year, most of us have proceeded with some ignorance as to the details of its operation. We know that the purpose of the fund is to make loans for sound projects in countries needing intensive economic development, where repayment in dollars may at present be an impossibility. We know that the fund represents a refreshing change from the grant approach and establishes a lender-borrower relationship. We know that its approach is tied to the soundness of a project rather than an arbitrary allotment to a country.

But aside from these basic principles, whether we support or oppose the DLF, our knowledge of its operations is no greater than that of the old lady of Threadneedle Street. Mr. Speaker, the Development Loan Fund, or the young lady of I Street, deserves greater attention. She deserves this attention partly because she is our creation, partly because she is a sizable financial institution which merits our critical scrutiny, and partly because her activities are a vital part of free world economic pioneering.

Mr. Speaker, I would like to make a personal, informal, but I hope informative report on the DLF to its Congressional Board of Directors. As background for this report, in addition to participating in the hearings and debate on the fund since its creation in 1957, I have visited its offices for two lengthy conferences with its top loan officials, have studied every loan which has been made, in some instances asking for special additional data, have inspected some of the files, and have read as many of the reports of operation as I could find. I shall try to report to you as factually as possible what its organization is, how it operates, the kinds of projects it has backed, and what its record has been. Insofar as is possible, I shall try not to duplicate the general type of information presented in the pamphlets and statements available to all Members.

I should say, Mr. Speaker, that the so-called Red Book describing in great detail the operations of the Development Loan Fund is the only book of its kind under the mutual security program that has been declassified.

The Development Loan Fund book is the only one that is available outside the committee room and I am assured that if any Member of the House desires a copy, DLF will be glad to supply it.

1. ITS STAFF AND STRUCTURE

The first impressive fact about the DLF operation is its modest overhead. It is not a top-heavy organization. Its administrative expenses, up to March 31, 1959, were less than one-third of 1 percent of its capital or lending authority—and also less than one-third of 1 percent of its loan commitments. This is a substantially smaller percentage than obtains in either the Export-Import Bank or the International Finance Corporation.

Its staff at present is approximately 65 personnel. Of these, 32 are in the higher professional grades. This is to be compared with a staff of 593 in the World Bank, which is currently loaning at about the same rate as DLF.

The experience and professional background of the staff are impressive. Twenty-seven of the top thirty-two have had prior service in the Government. At least two-thirds of these have had extensive overseas service. Over one-fourth have had prior banking experience. I was impressed by the fact that, while possessing considerable experience, two-thirds of the top staff were in their thirties or forties. They evidence a keen sense of enthusiasm for and dedication to this new venture in overseas economic activity.

The staff occupies several floors of a small building on I Street. I walked through most of the offices. While the Managing Director and several of the top officials have fairly large offices facing on I Street, most of the other employees, including loan officers and lawyers, share office space with several others. Glass partitions are used to provide some privacy. In short, the offices are neither lush nor elegant, but rather crowded and geared to essentials.

The organization of DLF is simple. Apart from the Managing Director and his special assistants, the Secretary's office, and the office of General Counsel, there are two divisions. One, under the Deputy Managing Director for Finance and Development, develops financial policies and special programs such as promoting private investment and local development banks. The bulk of the routine work of DLF is done by the Loan Operations Division, through 10 loan officers, assisted by 2 engineers, and the services of ICA auditors and engineers, as well as outside engineers. Work in the field is done through ICA and Embassy personnel. Each loan officer is in charge of a certain area and occasionally makes on-the-spot visits. This, in an era of giantism in Government, is an example of a small organization doing a big job through the intelligent use of available resources.

The Fund will need to increase its personnel during the coming year up to about a hundred, for the simple reason that it will have reached the stage where it will be facing for the first time the task of administering, followup, and checking on the work being done and on repayments. This kind of post loan work, according to the experience of the World Bank, accounts for about 70 percent of the burden. Even after this increase, the Fund will remain a tiny office when compared with many a motor pool, military commissary, or other governmental grouping. And yet upon its effectiveness will rest a large share of our chances for success abroad in the years ahead.

2. LOAN PROCEDURES

Mr. Speaker, an intelligent appraisal of the Development Loan Fund cannot be made without a detailed understanding of its procedures for screening loan applications, acquiring all relevant information, executing loan agreements, and following up on each project as moneys are disbursed. To secure this background, I spent about 7 hours on 2 days in the DLF offices, studying each step, discussing actual cases, and reviewing the pertinent records.

Origin of the loan application: Applications reach DLF usually in one of two ways. They can be presented directly to the Washington office by a company or country ambassador. Or they can be presented to an ICA mission or embassy abroad. In the past there has been no specialization of function but in the future one person in the ICA Mission or the Embassy will serve as the DLF local representative.

There is, as I shall bring out, a philosophy at DLF against having a large number of forms. This, to me, is a refreshing revolution in bureaucracy. The philosophy is first evident in the absence of a special form for an application. When I asked why no form was used, I received the sensible answer that a form might indicate to the applicant in the underdeveloped country that getting the loan was just a matter of filling out a form.

An important point to note is that the applications are prepared by the prospective borrower—not by our Mission representative. We do not, contrary to the suspicions of some, try to drum up business. What our people in the field do try to do is to encourage a prospective borrower to get sound engineering help in preparing data to support an application.

They also make clear the standards governing consideration of applications. The four basic guidelines are, first, other sources of financing on reasonable terms must be explored and found not available; second, the project must be sound; third, it must be the kind of project which helps develop resources or productive capacity; fourth, it must not be the kind of project that would react adversely on the U.S. economy.

DLF policies, implementing these statutory guidelines, preclude loans to

BEST AVAILABLE

exporters to finance sales abroad, loans to finance imports for resale, working capital loans, and refinancing loans.

Finally, the field officer, if he forwards the application, also sends in a preliminary appraisal of the applicant. If the loan is presented to DLF by the applicant, the field officer is also asked for a preliminary appraisal.

Preliminary screening: One of the most misunderstood steps in the DLF procedures is the preliminary screening that is given all applications and inquiries. A Special Assistant to DLF's Managing Director scrutinizes every inquiry and application, applying such tests as the following:

(a) Is the proposal from or does it involve a project in an underdeveloped friendly nation?

(b) Would it appear to make a contribution to the economic growth of the nation?

(c) Does it tend to earn or save foreign exchange or increase per capita production of essential goods?

(d) What efforts have been made to obtain financing elsewhere?

(e) Adverse effect if any on U.S. economy?

(f) Attitude of the host government and priority?

(g) If in the public sector is financing of local costs available?

(h) If in the private sector is a contribution to capital in an amount approximately equal to the loan sought disclosed?

(i) Refunding, refinancing or working capital loans generally dismissed.

(j) Joint ventures between United States and foreign investors encouraged.

(k) Production of consumers' goods and service industries discouraged.

This screening has resulted in the final rejection of proposals such as those to finance luxury hotels in Jamaica, uncompleted office and apartment buildings in Bolivia, housing schemes in Mexico, a new airline in the United Kingdom, an oil pipe line in France, industrial plants in Sweden and Denmark, or projects in Japan.

From June 1958 to April 1959 some 250 inquiries and applications with a dollar amount of about $900 million were weeded out at this stage. Now the source of great misunderstanding in the Congress is this: when DLF reports that after having made loan commitments of $698 million—March 31, 1959—with backlog proposals under consideration of $1.4 billion, the frequent assumption is that in this backlog are included the "dogs," hare brain ideas, utterly fantastic dream castles. This is not the case. In the last 9 months almost a billion dollars of "chaff" have already been winnowed out from the "wheat". The backlog consists only of proposals which have survived the rigorous preliminary screening.

THE REVIEW PROCESS

First. Further information. After preliminary screening it often happens that not enough information is available to determine whether the application merits serious consideration. The applicant is notified, and the U.S. Operations Mission receives a copy of the letter. If the needed information is not forthcoming, the file is closed. If the information is developed the application starts through its regular processing.

Second. Export-Import Bank action: The first regular step in the post-screening process is to send a copy of the application to the Export-Import Bank, ICA, the U.S. operations mission in the area, and the U.S. Embassy if there is no U.S. operations mission in the country. Nothing further is done with the application until the Export-Import Bank states that it is not interested. If, however, the Export-Import Bank expresses an interest, the borrower is notified that the proposal has been turned over to it.

That this step is highly productive is proven by the record. As of mid-February, 49 applications in 28 countries totaling $282 million had been forwarded to the Export-Import Bank, and had not been returned to the Development Loan Fund. In 31 of these instances, nothing further was heard from the prospective borrower, even after DLF notified it that the Export-Import Bank was interested. Nine of the projects were currently under review by the Export-Import Bank. Three loans from the Export-Import Bank had been approved. Two were possibilities for later action. One was sent to the World Bank, one was a case where the Export-Import Bank notified the borrower it had no interest, and two were cases where the borrower failed to follow through.

Third. Loan officer processing: One of the 10 loan officers begins his work in earnest after the Export-Import Bank shows no interest in the application. He maintains a steady, but informal, relationship with his opposite number in the World Bank—International Bank for Reconstruction and Development—which is within walking distance.

When an application reaches this stage, which is called category B—active consideration—a loan committee is established for the project. Consisting of an engineer—either one of DLF's two engineers or an ICA engineer assigned to DLF on a reimbursable basis—and a DLF lawyer, under the leadership of the loan officer, this committee stays with the loan until it is repaid.

(a) Acquiring additional information: The committee looks into every phase—technological, economic, financial. Almost always it finds that it has insufficient information. It seeks to acquire this information from the borrower, from the U.S. operations mission in the field, from ICA Washington, from Export-Import Bank personnel, from the World Bank, and from our own departments such as Commerce and Agriculture.

(b) Other sources of financing: The loan officer must also consider other sources of financing. He must probe whether the project could be financed from private sources. He will therefore discuss the application with several U.S. financial institutions. If a borrower has a regular bank, that institution will often be approached. With the creation of a new Office of Private Enterprise in ICA, that office will often be approached. In my own investigation, I made a particular point of inquiring if private banks had been critical of DLF from the point of view of taking opportunities where they could have done the job. I found only one case where a private financial institution initially raised an objection. On further investigation it appeared that the terms of the proposed private loan were these: First, a loan at 10 percent interest; second, a 10 percent equity in the enterprise; and third, repayments in 13 months. The loan officer who is called on to judge whether other financing can be found on reasonable terms can hardly be objectively criticized for going ahead on the loan. Indeed the private corporation which made the offer has since admitted that DLF made a proper judgment in this particular case.

This entire process of surveying the loan proposal may take from a week to a year. The average time is several months. I had the opportunity of reviewing a number of files. The applications vary from sparse documents of a half dozen pages to completely documented projects containing volumes of economic and engineering reports. One of the latter involved a loan application for Malaya, involving a comprehensive port development at North Klang Straits. Here the engineers had done a most meticulous job. In other cases, the engineering must be done at the request of the loan officer. We do not do this engineering. The borrower must do it on his own or with the help of his government. Sometimes a government has a contractual relationship with an engineering firm which is in a position to help loan applicants.

(c) Chronology of a loan: In order to show the extent of explorations made during the active review stage of a loan application, I am inserting at this point the résumé of an actual file, deleting only the name of the country.

DLF PROJECT REVIEW PROCESS—CASE STUDY: WATER DEVELOPMENT PROJECT

Pre-1958: Extensive surveying and technical assistance for 4 years on ground water needs by ICA; utilized services of U.S. Geological Survey team.

1957, December 27: Local government prepares preliminary loan project application, sends to DLF in January 1958.

1958, February 12: DLF requests USOM comment on: power sources, power distribution, costs.

February 18, 20, 28, March 19: USOM submits brief justification for assigning highest priority this project; replies February 12 DLF request; promises longer report.

April 23: With further information now submitted by borrower, DLF calls for formal engineering apraisal of application by ICA engineers.

May 9: USOM forwards its long report on project.

May 12: Application amended by applicant from $11.7 to $15.2 million.

May 23: DLF forwards U.S. Geological Survey (USGS) report to the ICA engineers appraising project and asks for eary response.

May 27: ICA indicates to DLF cannot approve project as would contribute to production of cotton which is in world surplus.

June 3: DLF cables USOM for further breakdown on application for use in Staff Screening Committee.

June 13: ICA engineers provide DLF with appraisal recommending approval only if

BEST AVAILABLE

suitable engineering plan developed, power supply assured.

June 17: DLF presents project to DLF Board (Loan Committee) for approval, together with analysis of cotton problem, indicating that foodstuffs and miscellaneous items comprise more than 80 percent of present production in area affected and that, in view current world market situation for cotton and demand for additional food grains for domestic consumption, it would be unrealistic to expect any substantial increase in production of cotton; the Board defers action pending USGS technicians report.

July 11: Board hears U.S. Geological Survey technicians report on project; defers action until can be considered together with High Tension Grid project.

August 8: Board approves loan subject to: (1) availability of funds from Congress, (2) consideration of High Tension Grid project.

August 25: Project submitted to National Advisory Council on International Monetary and Financial Problems.

September 8: NAC registers "no objection."

September 10, October 15: Correspondence with local government terminating with issuance of letter of advice.

October 13: DLF requests USOM ask local government nominate consulting engineer.

October 14, 31: DLF transmits to country's Embassy draft "terms of reference" for engineer; transmitted to USOM October 31.

November 21: ICA indicates high priority for water project per DLF request of October 9.

December: Draft loan agreement transmitted to DLF through USOM to local government.

February 18: Loan agreement signed at DLF.

January-February: Director of local government water and power authority arrives and has series of discussions concerning engineering problems, method of obtaining disbursement of DLF funds, terms of reference of engineering consultant, consultant he wants to consider employing, and other aspects of carrying out the project.

Next immediate step—formal DLF approval of engineering consultants; issuance of letter instructing borrower in the detailed actions necessary and procedures to be followed in obtaining disbursement of DLF funds.

(d) *Adverse impact on U.S. economy*: One of the issues gone into by the Loan Committee is the possible adverse impact on the economy. Many applications obviously raise no problem. Projects involving food and some manufacturing enterprises raise the question. That the inquiry into this issue is a real one is proven by the record. One project was turned down because it posed the possibility of export of a citrus fruit product to the U.S. market. Another proposal, including development of lead and zinc mining facilities, was modified to exclude the lead and zinc part of the proposal. On the other hand, a shipbuilding facility on Taiwan was approved only after the American Shipbuilders Council gave it a green light. A textile mill in Sudan was approved only after it was ascertained that the product would be sold locally, in a market where U.S. products are not and could not be sold. A Turkish coal mine was approved only after it was found that the product would be used in Turkey which was not an importer of U.S. coal.

I might add that I am as sensitive on this point of possible adverse effect on our economy as anyone in Congress. It was at my initiative that this loan criterion was written into the Mutual Security Act. I come from a textile area which has been hard hit by technological developments, development of mills in the South, and foreign competition. Last fall when I learned about the negotiations for a textile mill loan in the Sudan, I wrote the Secretary of State for details. The answer convinced me that DLF had very thoroughly analyzed the impact of the proposed plant on our economy, and that it was not adverse. I had to agree with the analysis and the conclusion.

After all these explorations are concluded and the needed information accumulated, the loan committee prepares a paper on the project under review.

Fourth. Internal staff review: The paper is then thrown open for discussion at a meeting of top staff people in DLF. The soundness of the project is tested from every viewpoint before the paper is presented to personnel of other agencies.

Fifth. Interagency staff review: The paper is then presented to staff members from ICA, the Export-Import Bank, Treasury, the State Department, and the Deputy Managing Director of the DLF. At this meeting questions on policy are raised and the decision may be changed. While the points of view of the other departments are considered, DLF reserves the right to make the final decision at this level.

After this presentation, the paper is redone for the Board of Directors of the Fund.

Sixth. Board review: The Board consists of the Under Secretary of State for Economic Affairs, Mr. Dillon, the Director of ICA, the Chairman of the Board of the Export-Import Bank, the DLF Managing Director, and the U.S. Executive Director of the World Bank. Each of these individuals must, by the bylaws, come in person. No proxies are recognized. The loan officer makes the presentation.

The Board may change the recommendation, or reject it, approve it, remand it for further analysis or information, or delay its implementation. The Board records its action in a formal resolution, incorporating the basic terms of the loan, if one is approved.

As of recently, the Board had acted on 105 applications. It had approved 78 loans and had either rejected or held in abeyance 27. It can be seen that review at this level, even after intensive loan committee processing, is not perfunctory.

Seventh. Review by National Advisory Council: Even if a loan application has survived all tests thus far, it must still be brought before the National Advisory Council on International Monetary and Financial Problems. This consists of representatives of Treasury, State, the Export-Import Bank, the Federal Reserve, Commerce, and others who may be interested, such as Agriculture, Bureau of the Budget, and Interior. Although this group's opinion is advisory only, such issues as possible adverse impact on our economy are gone into from different points of view.

COMMITTING THE LOAN

After these 11 steps have been taken, assuming favorable action at all levels, the loan commitment is made. It takes the form of a letter of advice to the borrower which performs two functions: It sets forth the basic terms of the loan, including principal amount, purpose, interest terms, terms of repayment of principal, the amount of paid-in capital or local contribution required, and reference to the detailed terms of the forthcoming loan agreement. It also arranges a date for public announcement of the loan.

At this point the amount is recorded as a DLF commitment. When an offer is made the DLF follows the practice of any private bank in considering the funds committed and no longer available for further lending. Not only would it be, from a practical viewpoint, impracticable to consider it otherwise, but this practice is in accord with the procedure of such Federal lending institutions as the Export-Import Bank, the Housing and Home Financy Agency—in its urban renewal and college housing programs—Public Facility Loans, the Public Works Planning Advance Program, and the Federal Housing Administration.

THE LOAN AGREEMENT

As soon as staff capacity allows, the final loan agreement is dispatched to the borrower. At first a period of several months elapsed. The gap is now reduced to several weeks. It is DLF's intention in the near future to have the loan agreement sent along with the letter of advice, which would serve chiefly as a letter of transmittal.

There is no automatic boilerplate loan agreement. But with increasing experience DLF has developed many useful provisions which are now included in most agreements. I have inspected the type of agreement frequently used. As a lawyer I have been impressed by two facts: The completeness of the document, and the lack of reference to external regulations or other documents. Reading the agreement is a far cry from reading a section of the Internal Revenue Code.

The agreement begins with the amount—which allows DLF to use local currencies instead of dollars where they are available—the purpose, and the use of the loan. The terms of repayment are carefully spelled out, including necessary technical provisions as to rate of exchange. These provisions are favorable to the United States in that the rate on invisible transactions such as dividend transfers where such a rate exists, is the rate required on local currency repayment. Another article deals with the mechanics of handling promissory notes, their terms, form, transfer, and so forth. The procedure of advancing funds is covered by provisions for letters of commitment and other forms of disbursement. There are stringent requirements for legal opinions and cut-off dates for performance of such conditions precedent. An important article concerns rules governing procurement, with requirements of reasonable prices, competitive bidding, notice to the ICA office of Small Business, confinement to free world sources, and incorporation of the 50-percent American shipping provision.

BEST AVAILABLE

il 30

dsio dove... and As of M 0, although DLF
satisfy aw- had comm t $644,000 of its

have a direct

s - im-
n sys-
I orea,
ncl m , de-
by
Ir

ex-
zer;
als

ng,
re-
Bo-
lo-
wt

ncrease.
lc
wan, Arg
Brazil.

rigation:
n, Vietnam

s tha

of small, indigenous
loan benefiting pri-

and t
forwa
evice
dens.
DFL is to

I
ehr

n the
record
n tax
sisten
abel.
is me to
I deem
ndence. Let me sum-
y.

BEST AVAILABLE

First. The staff is well trained, competent, experienced, and remarkably small in numbers.

Second. DLF's procedures avoid the extremes of redtape while adequately providing for sound loans sensibly administered from the viewpoints of both lender and borrower.

Third. Its loans to date have been carefully selected to promote the purposes of the legislation.

Fourth. The purpose of the DLF has been made more important, not less, by the events of the past 2 years. The Soviet cannot compete in the field of sound, long range, businesslike planning of the kind which takes place when borrower and lender sit down to work out a problem. This relationship makes it possible for us to insist upon sound engineering and planning before a loan is made, without appearing to be patronizing or overweening. In the course of working out the plans for the loan, as well as following up in its implementation, there are developed an interest in the managerial skills which are most needed by an underdeveloped country. The loan process itself is a powerful incentive to the creation and expansion of trained private and governmental executives. Another inevitable result of the process is a closer tie with the borrower, based on both technology and the relationships of inspection, reporting, and payment created by the loan.

Fifth. The constant objective of the loan program is adherence to those philosophies and procedures that will bring the borrowing country to the point where it can, with a minimum of outside overseeing, execute its own projects and assume responsibility for self-development. This reflects a sharp change from the more lenient and paternalistic attitude of a grants-in-aid program which serves a different purpose and has a quite different objective. Because of the nature of DLF's objective, its progress should be measured in terms of accomplishment and not, as is often the case, in terms of the rate of disbursement.

Sixth. One basic psychological advantage of DLF is that it proceeds on a project, rather than a country basis. It will only transfer its funds for specific identifiable activities that contribute directly to increased productive growth. Even in those cases when urgent economic requirements and political necessity required some broad commitments, those commitments were contingent on approval of specific projects. This focus on projects tends to take the operation out of the context of simply being an anti-Communist, cold war weapon. The paradox is that since this is so in the minds of recipients, it is all the more effective.

Seventh. The vital function served by the DLF, which distinguishes it from all other parts of the mutual security program, is best described by an analogy. Such parts of the program as military assistance, defense support, and special assistance are like the minimum amount of calories a person must take to subsist. They are a survival diet. But if a person is not merely to exist but to grow, he must have an added amount of calories. This added growth intake is what is supplied by DLF. The only ultimate chance of ending the necessity of providing the survival diet, in addition to the cessation of the Sino-Soviet military threat, is the long-range growth effect of the DLF calorie contribution. To confine our efforts to the survival diet would be both shortsighted and wasteful.

Eighth. The major roadblock to increased effectiveness of DLF is the lack of certainty as to its continued operation. No other banking institution would endeavor to operate on a year-to-year basis, at unknowable and fluctuating levels. It is false economy to project short-term authorization and funding procedures to the banking and loan field, desirable as they are for the operation of many Government activities.

Apart from technical cooperation—and a necessary complement to it—the Development Loan Fund can become our most successful single long-range foreign policy if we have both the courage and the sense to take off the wraps and allow it to do the job which 2 years' experience have proven it can do.

Mr. MONAGAN. Mr. Speaker, will the gentleman yield?

Mr. COFFIN. I am glad to yield to my colleague.

Mr. MONAGAN. I compliment the gentleman for his explanation of the activities of this agency. Certainly, in any questions that I may have, I do not suggest that I am opposed to this form of activity because I think it is most constructive and provides a better form for doing what we want in the world today than some of the direct grant programs that we have had in the past and have at the present time. But, I would like to say this. In my district, there is the Farrel-Birmingham Manufacturing Co. in Ansonia, Conn. This is a manufacturing organization which makes machinery. I recently had communication with this company concerning the Development Loan Fund, and it seems very appropriate to mention this at this time for any comments that the gentleman may wish to make. But, in the annual report of this company, the president says that one of the major disappointments was the loss of a sugar mill for Bolivia through German competition and that this mill is being paid for by U.S. Government funds under the Development Loan Fund. Incidentally, the value of this mill is approximately $500,000. This letter is written by Mr. Franklin Farrel III. He goes on to say: "It was my understanding when the law was passed it was with the thought that underdeveloped countries could be helped." But, he feels that the condition has changed and also he thinks it is ridiculous, as he says on the one hand, to support programs such as this to permit the purchase of equipment outside the country and then to talk about large programs for distressed areas because of unemployment.

I wonder if the gentleman would be willing to comment on this observation made by Mr. Farrel.

Mr. COFFIN. I would be happy to do so. First of all, I certainly can understand and appreciate his concern. I think the decision made by the Fund in this case is probably the only decision which it could make under the law in the absence of a Presidential finding. The gentleman cited a company whose bid for this mill was the highest among the three. I understand that the borrower and the purchaser who finally bought the equipment in West Germany would have preferred to use a U.S. source, if there had been even a 5 or 10 percent differential. But, as the bids finally arrived, the highest bid was 20 percent higher than the next lowest bid. Now, half or over half of the money spent in these loans is being spent for products made in this country, in the United States, such as caterpillar tractors and other machinery for this mill. But it was this $500,000 item that finally did not go to the United States. Now, the choice is ours to make. We can say, "Well, we are going to protect our own." But, if we protect our own, it means that the cost of any program is going to be increased and the costs go up 20 percent. I think, on the loan fund, you will find by and large most of the purchases have been made, or a very sizable proportion have been made, in the United States. This does not make your constituent at all happy; but, as a matter of basic policy, if we had a preference clause in there, it would limit the ability of our dollars to do the job overseas that we think needs to be done.

Mr. MONAGAN. Even though there may not be a preference clause in the legislation, is there in fact any rule whereby some preference is given to American vendors?

Mr. COFFIN. Let me say it is the procedure in the Loan Fund profit that the ICA Office of Small Business must receive notice from the borrower whenever he lets out bids for equipment. ICA must give a list of all the things and services being contracted for.

It is my hope that we shall improve our methods of notifying the business community so that our people will know ahead of time where the parts are to be purchased in this overseas business. I think we have an advantage in terms of quality of service which the borrower in this instance recognized and would have bought even at a slightly higher price because of the satisfaction he had before from another company.

Mr. MONAGAN. As the gentleman says, we have had experience with this program in other sections of the country, but naturally enough the impact is strong in this particular instance. I think that the reaction of the gentleman is understandable, in view of the size of the contract and the portion of the annual business that this would represent. It is that position I am interested in, in presenting here today some interest in having this agency expand, because I think it is a growing problem as this program expands.

Mr. COFFIN. I would like to say to the gentleman I would hope that as we develop a steady point of view toward Development Loan Fund operations, we can maintain a continuing level of sound projects. If we do this and develop our

BEST AVAILABLE

communications in the business community, then I would hope and think that we would have frequent opportunities to participate.

Mr. MONAGAN. Mr. Speaker, I ask unanimous consent to include an editorial from the Ansonia Evening Sentinel.

The SPEAKER pro tempore. Is there objection?

There was no objection.

A JOB FOR THE LAWMAKERS

We recommend to readers of the Sentinel thoughtful perusal of the remarks Franklin Farrel III, president of Farrel-Birmingham Co., Inc., made to the annual meeting of the directors today, and then ask themselves whether or not in certain aspects of our foreign aid program we have failed to take into consoideration circumstances as they have been altered since some of the measures were written into law.

"One of the major disappointments," Mr. Farrel said, "was the loss of a sugar mill for Bolivia to German competition. The mill was paid for by U.S. Government funds under the Development Loan Fund. It is my understanding that when the law was passed it was with the thought that underdeveloped countries could be helped not only by this equipment that was ultimately being installed but also by giving work in making the equipment to countries that were just getting back on their feet. It seems to us that this condition has changed and that we as a country should take another look at some of the programs such as this."

Mr. Farrel went on to say that his company's bid had been very close to actual cost, but it was well under other domestic bidders' prices, but nevertheless too high to compete with the German price.

"It seems to me that it is high time for the American public to take a good look at what it expects in the future. It seems ridiculous on the one hand to support such programs as the Development Loan Fund and permit the purchase of equipment out of the country and then talk about passing multimillion-dollar programs for distressed areas in this country.

"The least we could do is to take advantage of what we are doing under one program to help ourselves."

Mr. Farrel made it clear his comments were intended in no way as criticism of the administrators of the Fund for, he pointed out, by the way the law is written they are forced to act in certain ways.

Our United States Senators and Congressmen owe it to the American Nation to undertake a careful reappraisal of such programs in the light of altered conditions. To do this is not to scuttle the foreign aid program but rather to amend it in intelligent recognition of the economic changes in the situation certain phases of it were designed to fit.

It seems plain that in the case of the Devlopment Loan Fund, Congress has failed to keep abreast of the times. An early reappraisal of such aspects of the foreign aid program is certainly in order, to give the American people a clear idea of where the laws enacted under other conditions are leading us under today's conditions.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. COFFIN. I yield.

Mr. GROSS. I regret that I did not hear all of the gentleman's remarks. I understand you are talking about the Development Loan Fund.

I call attention to a loan to Yugoslavia for the purchase of some 16 diesel locomotives and other equipment running into a good many million dollars. Are they going to purchase those locomotives here?

Mr. COFFIN. It is my understanding, based on the testimony in the hearings in the other body, that they will be purchased in this country.

Mr. GROSS. In reading a list of the loans that have been made or are proposed to be made under the Development Loan Fund, I was surprised to find there was a loan to Sudan, in which it was stated that the product they got in competition, the product derived from the loan, but there is no such statement with respect to the loan to Yugoslavia for the purchase of diesel locomotives and other railroad equipment.

Mr. COFFIN. The loan would enable them to purchase diesel locomotives to help rehabilitate their transportation system. There is no production of an exportable commodity involved.

Mr. GROSS. Has the gentleman mentioned a loan to Israeli, that has been made to provide that the money be loaned to Israeli that they may in turn loan it to their people?

Mr. COFFIN. It is the only way, or I will say the best way, that these loans can go to small businessmen. Where you have loans under $100,000, rather than making every one come here and go through all the redtape, there are in several countries small loan organizations. They may be agencies of the government. They usually are.

They make the final loans to fishermen and small business of many kinds in Israel, the Philippines, and some other countries. I think this is one of the best parts of the program.

Mr. GROSS. The gentleman thinks this policy of lending money to a country and they in turn lending it without further knowledge on our part is a good thing? We do not know how much money is lent, what rate of interest will be charged, or anything. Is the gentleman saying that is good policy?

Mr. COFFIN. I will say to the gentleman that we control the repayment of the principal, the covenants, the termination, the default clauses; those are in the original agreement with the principal borrower. In a sense we have got to trust its judgment because through it we will get the money back.

Mr. GROSS. But that has got to be from lending money to a country. Its recommendation will be regarded the real guarantee of repayment.

Mr. COFFIN. I will say to the gentleman that the purposes of the subloans must be in conformity with the purposes of the major loan, and they have got to be in conformity with the purposes of the act. They cannot use them to train chorus girls in dancing in so-called underdeveloped countries.

Mr. GROSS. I wonder, if the gentleman will yield further for an observation and a question, whether if such loans are to be made you would turn them over to any government and say to the government, "You go ahead and lend it to your people." The point of my question is, how are you going to conduct the operation of that sort of loan? How large an army of investigators would we need?

Mr. COFFIN. The gentleman realizes that we have not disbursed great moneys up to this point. It takes a long time to execute a loan and then the money goes out at a slow rate. But I will say that there is a system which is being developed, and I think it is an admirable system, for following up these loans to save the use of personnel, and specifically it is this: When the loan agreement which we have described is signed then there is an implementation letter and that letter tells the borrower what he has got to do, and it incorporates time limits, that is, target dates, for reporting. It is very specific and should save a lot of shoe leather in finding out just how this loan is being used, and the progress of work under the loan. Actually, it should save a great deal of bird dogging and other reporting in keeping track of them.

Mr. GROSS. If the gentleman will yield further, do I understand that the gentleman feels it is a good thing that we do buy equipment in other countries under certain conditions? I believe the gentleman said a moment ago in response to another question that we would save money by buying in foreign countries. Is that correct?

Mr. COFFIN. No; I said the basic policy decision is a matter that has received very careful consideration.

Mr. GROSS. How does the gentleman feel about the proposition of whether we should buy products in foreign countries or should not buy products in foreign countries? How does the gentleman feel about that?

Mr. COFFIN. I would like to continue as we are doing now, buying most of the things in this country, but buying some things in other countries that will make the project less expensive to the American taxpayer.

Mr. GROSS. I will say to the gentleman that we are now, in the committee of which I am a member, we are now holding hearings on a bill that would pay direct subsidies from the U.S. Treasury to the New England fishing industry that is flat on its back, according to all witnesses testifying.

Mr. COFFIN. Flat as a flounder.

Mr. GROSS. Yes, flat as a flounder, or flat as a groundfish, whatever they are. The New England fishing industry is on its back because of imports of foreign fish. That is what every witness has told us. The only alternative to this situation, these witnesses tell us, is to grant the right to purchase in foreign countries, to buy fishing vessels manufactured in Japan, produced or constructed in Japan or some other country, or a subsidy from the U.S. Treasury. That is getting around to the same thing the gentleman is talking about here. What is the committee going to do? Are we going to amend the Shipping Act?

Mr. COFFIN. It is not getting around to the same thing I am talking about. I appreciate the gentleman's point of view but I am talking about the Development Loan Fund, which is an instrument of policy to help us in so many nations of the world achieve not only stability but a growth rate that will eventually make these countries stable politically and will eventually make them greater partners to our mutual profit in the long run. It is a long-range proposition.

BEST AVAILABLE

Mr. GROSS. I will say to the gentleman that when either the mutual security bill, the foreign give-away bill, or the Development Loan Fund bill comes to the floor of the House I shall be ready with an amendment to take some of the money from that to give your New England fishing people who are in extreme difficulty because of the extension of the Trade Agreements Act, the Reciprocal Trade Agreements Act, which is reciprocal on a one-way street only. I will be here with an amendment to give you some money out of that bill.

Mr. COFFIN. I appreciate the gentleman's concern over a real problem and I always look forward to his amendments with relish.

Mr. CARNAHAN. Mr. Speaker, will the gentleman yield?

Mr. COFFIN. I yield to the gentleman from Missouri.

Mr. CARNAHAN. I want to compliment the gentleman for the informative, constructive statement he is making. I wanted to ask the gentleman: Loans are made to private industry as well as to governments, is that correct?

Mr. COFFIN. Yes. I may say to the gentleman that loans are made to private industry in several ways. The statistics are, as of March 31, that 23 of the 78 loans have been made either to a private borrower or to a combination of public and private interests for a total of about $92 million. In addition to th[illegible] we have local development banks in [illegible]eral countries. We have 7 or 8 of them and the money is made available by these banks to small industries in a particular country.

Mr. CARNAHAN. Just one further short question. Loans are also made from the Development Loan Fund in connection with applications for loans from the Export-Import Bank and the World Bank?

Mr. COFFIN. The Development Loan Fund has joined on a number of occasions with the Export-Import Bank and in some cases with the World Bank.

Mr. COHELAN. Mr. Speaker, will the gentleman yield?

Mr. COFFIN. I yield to the gentleman from California.

Mr. COHELAN. First of all, I would like to compliment the gentleman for a very informative discussion on this very vital topic. I hope that the information forthcoming from the discussion will help guide us in our work. I personally hope that it leads to a reconsideration and a further nourishment of the Development Loan Fund. I was particularly interested in the gentleman's colloquy with the gentleman from Iowa. I am wondering if the gentleman would have any information about the amount of these subsidies to the Government of Japan in connection with occupation and the general governmental supports that have been given to that Government in recent years as op[illegible]d to some of the trade problems that would permit them to finance and support their own government economically.

Mr. COFFIN. I would like to say that we do not have any loans in Japan. It is not an underdeveloped country. The figures on previous aid and trade I do not have at my fingertips.

Mr. COHELAN. I hope the gentleman will forgive me. As I pointed out, my remarks are associated with the discussion that started between the gentleman and the gentleman from Iowa. Is it not true that in order to sell we have got to be able to put other countries in a position to buy?

That means that they have to have a balance of payments that will permit them to buy from us; is that not correct?

Mr. COFFIN. I would say that I know of no economist who would deny the truth of that principle.

Mr. COHELAN. You would agree, then, with a program whose object it would be to encourage a velocity of circulation of trade between the countries of the world, particularly in this time when we are trying so hard to protect the free world?

Mr. COFFIN. I think that would be a laudable objective.

Mr. COHELAN. I thank the gentleman.

Mr. JOHNSON of Colorado. Mr. Speaker, will the gentleman yield?

Mr. COFFIN. I yield to the gentleman from Colorado.

Mr. JOHNSON of Colorado. The point has been made before, I have no doubt, on this floor, and will be made again, that the United States has the greatest volume of trade per capita with the richest nations. Would you agree with that general observation?

Mr. COFFIN. That is certainly true.

Mr. JOHNSON of Colorado. The obverse or reverse of that position was stated by a good friend of mine very simply, that you cannot do business with paupers. Therefore, anything we can do to raise the standard of living, the level of income of persons overseas or in other countries, ultimately will increase their ability to buy from us; would you not agree?

Mr. COFFIN. I would agree.

Mr. JOHNSON of Colorado. Therefore, essentially what I gather you are asking us to do is to take those steps which would increase their ability to buy from us and therefore make it possible for Americans to enjoy a higher standard of living, even as people overseas would have an opportunity.

Mr. COFFIN. I think that is our long-range objective.

Mr. COHELAN. Mr. Speaker, will the gentleman yield?

Mr. COFFIN. I yield to the gentleman.

Mr. COHELAN. I wonder if the gentleman would comment on the areas where we are paid in foreign currencies where we agree to accept foreign exchange. Do I understand that through the Fund we make this type of agreement?

Mr. COFFIN. Yes; that is the usual type.

Mr. COHELAN. I am wondering to what extent there have been any studies made in connection with what we do with this money after we get it.

Mr. COFFIN. Yes, there have been studies made and at the present point I think the chief focus of the studies is the extent of the accumulation and where the accumulation is. Last year the ICA had a study made of currency accumulations throughout the world. I think several committees of the Congress are making this study. I can say in all candor that I think we have not made as adequate a study as we shall have to of the use to which these currencies shall be put without imposing an inflationary thrust on local economies or without engendering local distrust and suspicion because of the growing accumulation. I think this is a problem we can lick. And I will say to the gentleman that the Development Loan Fund staff has a person working on just this problem.

Mr. COHELAN. I am delighted to hear that, and I thank the gentleman for this information, because this has been a concern of mine. I am delighted to hear that we are examining that area of the problem.

Mr. COFFIN. My final feeling on this point is this. When people come to me and say, We cannot do this because we are just piling up these local currencies, and we would not get them back and we may cause some resentment, I have them look at the alternative. I say that if you have a wound and if you put iodine on it, it may smart. But it does the trick. The alternative is infection. And here, if we do not proceed with this type of program with problems that have to be licked, and I think they can be—if we do not, then the alternative is, I think, rather disastrous.

Mr. COHELAN. May I comment further with the gentleman's permission? My major concern in regard to this problem without any technical information, is with the possible impact and imbalance it may create in connection with our foreign policy and in connection with the effect on the political life of the particular country. It seems to me that we have seen some warning signs in one or two countries where forces that are opposed to a development of democratic forces are using this in their propaganda against our country.

Mr. COFFIN. I think the gentleman is right. It is a problem, but I think we can handle it with a great deal of tact. I think ultimately it may be very useful to us.

Mr. COHELAN. I thank the gentleman.

Mr. LEVERING. Mr. Speaker, will the gentleman yield?

Mr. COFFIN. I yield to the gentleman.

Mr. LEVERING. Mr. Speaker, I rise to compliment the distinguished gentleman from Maine for the very valuable discussion which he is leading today on this very important subject. Personally, Mr. Speaker, while I am on my feet, I want to take this opportunity to call the attention of my colleagues to the brilliant address which the distinguished gentleman from Maine made in my congressional district in Asland, Ohio, on Saturday last. I say I compliment the gentleman on this discussion today. I compliment the gentleman on his discussion today. I believe the loan approach should more and more character-

BEST AVAILABLE

ize our foreign [illegible] perhaps this subject has already been covered, but I wonder if the gentleman from Maine would make some observations on how this type of program is received by our friends abroad as compared with the more-or-less giveaway program we have been carrying on.

Mr. COFFIN. I thank the gentleman for his remarks. I will say briefly that this is accepted very well. The people would rather be on a borrower-lender basis. When the Development Loan Fund people sit down with a recipient or a borrower and say, "In order for this loan to be approved you have to come up with certain plans, it has to be sound," he accepts this because he expects it in a banking context. If we gave them money and also said, "You have to have your project constructed in such and such a way," they would say, "This is capitalistic imperialism." So it changes the whole framework of our dealings with these people. It also makes it possible for us to follow up on the project without being considered interlopers. I think this is a very subtle but very vital point in the whole program.

Mr. IRWIN. Mr. Speaker, will the gentleman yield?

Mr. COFFIN. I yield.

Mr. IRWIN. I have not risen until now to address my remarks to the gentleman because I have sat and learned more than any time since I have been in Congress. You have spoken of a subject which I agree will become more and more and more important in the years to come. Your exposition has been brilliant.

As the gentleman knows, I was born and raised in Argentina. That is not necessarily an undeveloped country, but the value of this type of program down there where the Communist threat is not important but certainly latent and dangerous, is tremendous. I think a careful exposition of the method of operation, an exposition of this includes many traditional American concepts, concepts of free enterprise, have been invaluable.

I know the people in my district in Connecticut are deeply indebted to you, and the people of Maine who sent you here.

Mr. COFFIN. I thank the gentleman.

Mr. BURDICK. Mr. Speaker, will the gentleman yield?

Mr. COFFIN. I yield.

Mr. BURDICK. I would like to commend the distinguished gentleman from Maine for his able remarks this afternoon. As I understand, an application for a loan can only be made after it has been turned down by the Export-Import Bank and by the World Bank before he would be eligible here.

Mr. COFFIN. That is so.

Mr. BURDICK. I understand the loans are made to governments as well as to individuals and corporations?

Mr. COFFIN. That is correct.

Mr. BURDICK. And that the consideration may be paid in hard money or local currency?

Mr. COFFIN. It varies from case to case. Sometimes both in one loan.

Mr. BURDICK. My question is [illegible] Are these local applicants—are they local as to the country or are they of a foreign nature?

Mr. COFFIN. Both. Many times they are indigenous people. The textile mill in Sudan, that loan is to a private individual who was an inhabitant of Greece, an anti-Communist; then left and went to New York and was successful in business, and he started this operation in the Sudan, bringing in technicians. You would not find in Sudan enough experienced people to guarantee a successful operation. I do not know the breakdown of how many are indigenous or how many are from the outside.

Mr. BURDICK. But there is nothing in the act that prevents a loan to a nonresident of a particular country?

Mr. COFFIN. No.

Mr. BURDICK. And there would be nothing in any repayment?

Mr. COFFIN. There is a requirement in the particular agreement.

Mr. BURDICK. But nothing in the act?

Mr. COFFIN. No. The act states that one of the four criteria is that this is a sound project and will contribute to the economic development of the country. But nothing referring to what particular currency it shall be repaid in, except this: If credit from a normal source is not available on reasonable terms, this means in many instances that they cannot get dollars.

Mr. BURDICK. Do you know to what extent loans were made to foreigners of a particular country?

Mr. COFFIN. In the Red Book that information is public on a case-by-case basis; whether it is private. But the borrower, as in the case referred to—a contract for a sugar mill in Bolivia—was a private company, local to Bolivia. But there will be others that will be U.S. citizens. There is one large Latin American loan to a U.S. citizen. I think I sense what is in the gentleman's mind. Would you agree with me we would like to stimulate local people going into business in their own country?

Mr. BURDICK. I agree fully.

Mr. COFFIN. And I agree with the gentleman. But I do not think we can do it all at once. There are many instances where you have got to have Americans go into that country and begin to show that the industrial project can be created and run successfully. So it is a matter of partnership. Not only to favor the policy of helping our U.S. businessmen but to see that projects are administered most successfully.

Here we have gone full cycle. We had an earlier colloquy on the question of directing all business to U.S. citizens. This tends to show that there is also something to be said for dealing with local nationals in the country of disbursement.

Mr. BURDICK. Again I would like to thank the gentleman.

Mr. CONTE. Mr. Speaker, will the gentleman yield?

Mr. COFFIN. I yield to the gentleman from Massachusetts.

Mr. CONTE. I, too, would like to compliment the distinguished gentleman from Maine, and I would like to join with him in his remarks on this complex, vexing subject matter before the Congress. His speech is most informative and instructive, one the preparation of which has taken a great deal of time. He certainly is to be congratulated.

Mr. COFFIN. I thank the gentleman.

Mr. HALPERN. Mr. Speaker, will the gentleman yield?

Mr. COFFIN. I am happy to yield to the gentleman from New York.

Mr. HALPERN. I have been a consistent advocate of the Development Loan Fund, and I want to congratulate the gentleman from Maine for his intelligent, enlightened, informative presentation here today. I want to thank him most profoundly for focusing my own thoughts on the subject and for enriching the Nation through this forum by giving this very valuable information. My compliments to you.

Mr. COFFIN. I am very grateful to the gentleman.

Mr. Speaker, I yield back the balance of my time.

BEST AVAILABLE

DEVELOPMENT LOAN FUND
WASHINGTON 25, D. C.

June 4, 1959

Mr. George H. Staples
Associate Director
Civil Accounting & Auditing Div.
U. S. General Accounting Office
Washington, D. C.

Dear Mr. Staples:

Thank you for forwarding draft copies for our comment of the General Accounting Office report on the Fiscal Year 1958 activities of the Development Loan Fund. We have reviewed the report and our comments are attached.

At the outset, however, I should like to compliment your office on the competence and courtesy shown by your staff during the course of our first audit. I am confident that the attitude and approach that have characterized this audit will continue as a pattern of future relationships.

Out comments are contained in two attachments. The first deals with the section in the report titled, "Findings and Recommendations," and the second deals with "Synopsis of Functions and Operations of the Development Loan Fund." I hope these comments will be of some assistance in drafting the final report.

Sincerely yours,

Dempster McIntosh
Managing Director

Attachments

ATTACHMENT I

Comments by The Managing Director, Development Loan Fund
On "Findings and Recommendations."
Draft GAO Audit Report

A. Need for further centralization and coordination of development assistance and loan activities.

1. The report recommends that the Executive Branch "further clarify and define the criteria governing the use of the several categories of Mutual Security funds, coordinate the administration of loans, and improve the annual presentations to the Congress so as to clearly disclose all economic development aid financed under the Mutual Security Program." (Page 4 and pp. 19-21)

2. The responsibility for coordinating and relating the various elements of the Mutual Security Program is, of course, not mine. That authority rests in the Department of State. It has, however, concurred in section "A" of this attachment.

3. The report argues in the discussion beginning on page 19 that economic development aid is being provided through several functional titles of the Mutual Security Act including not only the DLF but also Defense Support and Special Assistance, despite assurances to the Congress by the Executive Branch that the purpose of the DLF was to concentrate most if not all economic development aid in the DLF. We believe that no such inconsistency exists. In this connection, the following should be noted:

(a) In the course of the presentation of the Mutual Security Program for FY 1958, when the DLF was first proposed, the Executive Branch advised the Congress that bilateral development financing under the Mutual Security Program would thereafter be provided principally through the DLF. The Congress was also advised that when there was a development financing requirement that could not qualify for a DLF loan, and when it was important to U.S. objectives that the requirement be met, financing would be sought under Special Assistance. In the World-Wide Summary Statements volume of the MSP presentation documents for FY 1958 (page 37), it is stated that "in any case where aid for development progress must, in order to be effective, be extended on a grant basis, such aid could be provided as Special Assistance rather than be financed out of the Fund." Subsequent annual MSP presentations to the Congress have consistently proposed the same course of action.

(b) The evidence on which the draft report seems to rely in concluding that development aid continues to be provided under DS is apparently that capital projects are still handled within that category. This line of reasoning fails to take into account the basis on which the various elements of the Mutual Security Program were established. The basis for the distinction between these categories (DLF, DS, SA) is, as has been emphasized to and by the Congress, one of purpose, not of the types of aid provided (project or non-project, commodities or services, etc.). The purpose of Defense Support is to secure a

desired contribution to the common defense. This purpose is fostered by means of annual aid programs to specified countries.

As stated in the FY 1958 presentation to the Congress (World-Wide Summary Statements, page 32), the nature of a country defense support program is determined by the needs of the country in question. "The test should be this: What are the specific kinds and amounts of resources which are most likely to accomplish the economic and political results which the aid is intended to serve and upon which the attainment of the military objective depends? In one case the entire program may properly be in the form of non-project aid, while, in another, it will be better if the program represents either some combination of both non-project and project assistance or consists solely of project aid. It may include capital goods, as well as, or to the exclusion of, consumables, and vice versa." (underlining supplied). /See illustrative country programs in Fiscal Years 1958, 1959 and 1960 Congressional Presentation volumes/

The essential point to be noted here is that the fact that aid in a particular case is directed to a project does not necessarily mean that the basic U.S. purpose in giving the aid is the furtherance of long-range economic development rather than the promotion of political or economic stability (the purpose of Special Assistance) or the securing of some specific contribution to the common defense (the central purpose of DS). Thus, the distinction between the existing categories of aid is clear when viewed in their own terms, namely their differences of purpose.

4. The draft report concludes that for the various funds within the Mutual Security Program there are no firm criteria for the use of loans in contrast to grants. The criteria governing the terms of assistance are these: All DLF assistance is, by definition, extended on a loan basis. With respect to other categories of assistance, including Defense Support and Special Assistance, they are extended in accordance with Section 505(a) of the Mutual Security Act, which provides that the terms of assistance shall be those "determined to be best suited to the purposes of this Act and shall emphasize loans rather than grants wherever possible." In accordance with this provision, Defense Support and Special Assistance have been provided on a loan basis where U.S. aims can be achieved under this condition.

It should be noted in this connection that loans under Defense Support and Special Assistance are entered against overall country programs and follow a determination in the course of the normal program approval process as to the level and composition of the required program. DLF loans are, of course, extended only in connection with specific activities to be financed.

5. The report also states that, "to date, a clear delineation between defense support and economic assistance has not been worked out." Actually, defense support is a form of economic assistance. Congress made this point clear when in 1958 it reorganized the Mutual Security Act so that Chapter I was titled (and covered) "Military Assistance," and Chapter II was headed (and covered) "Economic Assistance"; and by (consciously) placing Defense Support under Chapter II. In proposing this reorganization the House Foreign Affairs Committee stated: "Under this new arrangement Defense Support is moved from the provisions dealing with military assistance into the provisions dealing with economic assistance. This is to make clear that Defense Support is economic assistance intended to support the military effort of certain countries receiving military assistance. These changes in arrangement do not have any substantive effect." (Mutual Security Act of 1958, House Report No. 1696, page 15.)

6. The report suggests that better coordination of MSP loan administration is called for. Actually a number of effective coordinating mechanisms already exist. It should be noted that before acting on a loan application, the DLF secures the assistance and advice of ICA missions and Embassies in the field; that the DLF Board of Directors provides a mechanism for interagency coordination through its own review of each loan proposal and through the pre-screening performed by representatives of each Director; that the Secretary of State has specific authority for, and arrangements for, coordinating all assistance under the MSAct; and that, under the Mutual Security Act and Executive Order 10575 that NAC is consulted with respect to policies relating to all loan assistance under the MSAct and is consulted with respect to each DLF and ICA loan.

7. The report also recommends that the separate volume presented on the DLF in connection with the FY 1960 Presentation to the Congress should be integrated with other volumes in the future. It argues that the present arrangement does not "afford a clear picture of the magnitude of economic assistance to individual countries or by individual projects" and that "this condition results from the fact that the past and projected uses of the DLF are not included in the regional and country presentations."

It is assumed that the report did not intend to recommend that the DLF project its future uses, since the report argues elsewhere against advance allocations. Its suggestions, therefore, for integrating the presentation would apply, if this assumption is correct, to past activity alone. In this connection, it should be noted that each country presentation in the non-DLF volumes notes the amount and type of DLF loans made to the particular country in the section of the text which deals with the country's economic situation.

The question of whether the DLF presentation should be in a separate volume was a matter which received considerable attention in the preparation of this year's submission. Our decision to proceed on the present basis rested in part on our understanding that many members of the Congress preferred, insofar as possible, to evaluate each of the individual Mutual Security programs as an integrated piece in both the authorization and appropriations processes. It was felt that a separate DLF volume would be useful in this connection. Furthermore, the DLF presentation could not be placed on a basis strictly comparable with the other economic assistance programs for the reason, among others, that it does not project future programs. In addition, the DLF presentation was the only presentation that could be completely unclassified. To have integrated the DLF into the other volumes would have meant that information on the DLF would not be as freely available to the Congress as it is now.

B. DLF funds should be obligated only for specific and carefully planned activities.

1. The draft report recommends that "future loans be related to specific economic development activities which can be carefully examined and evaluated as to their soundness and desirability prior to the execution of the loan agreements." The conclusion that the three loans cited in the report were not for "specific economic activities" and were not so related, examined and evaluated fails, we believe, to reflect the actual facts. Before commenting on these loans, however, some general observations should be made about this section of the report.

2. The first is, as the report indicates in the first paragraph on page 22, that the purpose of the DLF, as frequently outlined in Executive Branch testimony, is to finance projects and programs. As indicated by the then Deputy Under Secretary for Economic Affairs before the Senate Foreign Relations Committee in 1957, "our idea is to primarily finance projects, individual projects, but also some type of programs. There might, for example, be a railroad program running over a number of years, and we might not finance just one little piece of that, but contribute toward the financing of the whole program." And again, before the same Committee, he said, "It (the DLF) would finance specific projects and programs as they were examined and found sound. By 'programs' I mean plans for economic development which might embrace broad sectors of the economy or which might be limited to a specific purpose - for example, a nation's 5 year road construction plan."

Despite this clear legislative history, the report implies that the DLF was remiss in financing programs in several instances. We believe that the report is inconsistent in this respect since it acknowledges elsewhere that the DLF has authority to finance either programs or projects.

Nevertheless, as the above remarks by Secretary Dillon suggests, the DLF prefers to finance projects. Wherever the financing of projects is an appropriate means for supporting economic development, the DLF employs that device.

3. The report concludes that, "these loans appear to be for the principal purpose of furnishing foreign exchange for the borrowing country's import program, and not for specific projects or programs susceptible to proper evaluation as to soundness and long-range benefits." Certainly it is one thing to provide general support for a country's overall import program, and another to finance the importation of capital equipment needed for economic development. We believe that the DLF loans to which the draft report has reference are each financing a sound selection of capital imports that will contribute effectively to economic growth.

4. While the foregoing comment in the draft report does not make evident the standards which it applied in concluding that the subject loans were not "susceptible to proper evaluation", the tone of the section suggests that the authors were looking in each case for the detailed kinds of engineering, cost and technical information ordinarily available in connection with capital projects, such as a factory, a road, a dam, etc. Since the DLF finances a wide range of activities, from small projects limited in scope to broad programs, the nature of its review must be adaptable to a wide variety of circumstances. In the case of a factory, plant designs and detailed cost estimates are normally required, among other things. In the case of a project to import steel for fabrication into railway cars, evaluation of the recipient country's overall development program and its railway development program as a whole would constitute the appropriate type of review. We believe that our review has been appropriately adapted to the requirements in each case.

5. We believe that the loan to Israel referred to in the draft report represents the obligation of funds for specific uses which were appropriately evaluated to determine whether they would make a sound and effective contribution to the economic growth of Israel.

The loan will finance the importation of capital equipment for five selected economic sectors. These items are of the type which will increase Israel's productive capacity and contribute thereby to its long-range economic development. The classes of items to be financed were arrived at after a protracted process of negotiation. The original application of the Government of Israel was replaced in the course of the negotiation with a completely revised proposal after it became apparent that the DLF purposes and authority would not permit financing of the original proposal. The DLF was unwilling to finance the local costs of development activities, as proposed in the first application, particularly in a way which would have added to Israel's foreign exchange reserves and created the possibility that such reserves might be used for purposes other than economic development. The actual loan agreement also excludes

financing for several classes of items in the nature of maintenance and operating supplies rather than equipment, which were found to be ineligible in the second application.

It should also be noted, in connection with the statement at the end of the first paragraph on page 23, that the loan agreement authorized financing of only those purchase orders made on or after the date on which the loan commitment, in the form of a letter of advice, was issued, except as may be authorized by the Managing Director. Finally, the DLF informed Israel that this loan, while consistent with its authority, was not the most desirable method of proceeding and was justified only by the transition, marked by this loan, from grant to loan assistance and away from advance annual country allocations of developmental aid. The Government of Israel was also informed that consideration would be given only to project proposals in the future. Dealings have since proceeded on this basis.

6. The loans to India mentioned in the draft report also reflect a protracted process of negotiation and evaluation. For some years, various agencies of the United States Government and the International Bank for Reconstruction and Development have undertaken a fairly continuous review of the progress and contents of that nation's Second Five-Year Plan. Thus, when the Government of India presented to the DLF in November, 1957, a proposal detailing a lengthy list of projects, the U.S. Government was able to rely on a substantial stock of knowledge concerning the elements of the Second Plan. On the basis of this knowledge, and the applications on hand, the DLF tentatively selected for financing specific programs totalling about $83 million. On the basis of government-wide discussions, it was later agreed that the requirements of the Indian Plan called for the provision of $225 million from U.S. sources, $150 million from the Export-Import Bank and $75 million from the DLF. Accordingly, the DLF plans were revised downward and further discussions were held with the Export-Import Bank to establish a coordinated approach to the project composition of each institution's loans.

Then, joint discussions were held in Washington with a team of Indian experts. Since the Government of India was then in the process of scaling down the entire Second Plan, the discussions served to eliminate many low-priority projects from consideration and to focus consideration on projects in the "core" of the Plan. On the basis of these lengthy discussions agreement was reached on the specific projects which would receive DLF financing and those which would be financed by the Export-Import Bank. Later, a team of Ex-Im and DLF experts visited India to examine further the detailed uses to which the planned financing would be put.

The bulk of the loans ($65 million out of $75 million) were in support of India's railway and road transport programs. In evaluating the transport proposals, the DLF was able to rely on extensive studies of India's transport problems and needs undertaken by the IBRD. It gave considerable weight to the IBRD conclusion that India's transportation

constituted the nation's highest developmental priority. In evaluating the requirements for India's cement and jute industries, for which a total of $10 million was loaned, the DLF was able to rely on the substantial analysis completed by the ICA in connection with its earlier assistance to these industries.

All items financed under the two Indian agreements will be used for capital equipment which will contribute to India's productive capacities and, thereby, to its long-range economic development.

C. Obstacles to creation of a self-sustaining fund.

The draft report asserts that it was originally anticipated that the DLF would become a self-sustaining fund, but that it now appears that this expectation will be disappointed (page 5 and page 26-7). The report bases this observation on the fact that DLF loan agreements "contain the specific restriction that foreign currency repayments received by the DLF shall not be used to finance exports from the borrowing country unless the latter has agreed in advance to such use."

The Executive Branch made clear to the Congress that it was a purpose of the DLF to supplement and not to compete with existing sources of financing. For many countries and activities, it was explained, conventional financing is unavailable in sufficient amounts because of an inability among other reasons, to service debt in hard currencies. Therefore, it was indicated that the bulk of DLF loans would be repayable in local currencies.

It was further indicated that the DLF would use such currencies to finance local U. S. uses and relending in the borrowing countries and would buy resources for removal from the borrowing countries only when development has progressed to the point where such removal is possible. To withdraw resources prematurely would not only impede the development of these countries, but it would also postpone the time when they could resort increasingly to conventional hard-currency financing sources. As Secretary Dulles said in 1958 (House Appropriations Hearings, p.132), it is a purpose of the DLF to enable the less developed countries as rapidly as possible to advance to the point where they can obtain sufficient credit from these conventional sources.

Furthermore, on several occasions in 1958, Secretary Dillon made clear to the Congressional committees considering the establishment of the DLF that agreement would be required to use "soft" foreign currencies for the withdrawal of resources from a country. For example, in hearings before the House Appropriations Committee in that year, on pages 827 and 828 of the printed record, he said, "...in local currency loans, if they are going to be made, we do foresee that we would not use those funds for foreign exchange purposes without the consent, or the agreement of the country concerned." The same point was made on page 167 of the Senate Appropriations Committee hearings and on pages 6-61617 of the Senate Foreign Relations Committee hearings. It is clear that, without assurance of such agreement,

DLF loans would be tantamount to, and would appear to existing financing institutions as, "hard" loans, potentially impairing thereby a country's capacity at some later date to obtain financing from such institutions as Ex-Im Bank and IBRD.

D. Organizational arrangements should be formally approved

We are in agreement with the recommendation. You will be interested to know that such action has already been taken with regard to one major segment of the DLF. A statement of functions for the office of the Deputy Managing Director for Finance and Development was issued on April 7, 1959 by the Managing Director.

E. Lending policies and guidelines should be officially established

The report recommends that basic lending criteria and policies be fixed by the Board of Directors, that these and other guidelines deemed of official importance for Board consideration be decided by majority vote as required by law, and all such proceedings be recorded in official minutes of Board meetings. The report finds that guidelines contained in a pamphlet issued by the DLF which amplified statutory criteria for loan consideration have not been officially adopted by the Board of Directors; and that other standards and criteria have been applied by DLF staff in the case of specific countries and projects.

Prior to the formal establishment of the Development Loan Fund an interagency committee spent considerable time in an effort to state those particular policies and criteria which should apply to DLF lending. At length, it became evident that few policies could be stated, in the absence of operative experience, other than those already specified in the enabling legislation. When the original DLF Loan Committee began operations, it concluded that policies could best be established on a case-by-case basis, by means of decisions on individual loan proposals. Since that time, the Loan Committee and its corporate successor, the Board of Directors, have outlined emerging policy largely through their rejection, approval, modification and discussion of individual loan proposals. On occasion the Board (or Loan Committee, prior to FY 1959) has felt that approval of a policy statement was warranted. For example, there is recorded in the minutes a decision to approve no loans for additional production of a commodity that is already, on a world-wide basis, in surplus supply. Another decision indicates the level of equity participation required of private borrowers.

As further experience is gained, it will be possible to further codify those emerging policies which have a continuing applicability. Under these circumstances, you may be assured that the DLF will continue to reflect such guidelines as a part of its official proceedings.

In the case of the DLF pamphlet, the Board of Directors has given endorsement and approval. Each member reviewed and approved the draft prior to its issuance.

F. Loan terms not consistent with good financial practice.

1. The draft report contends that loan funds advanced under the revolving fund technique result in additional interest costs to the U. S. Treasury. Actually, since interest due DLF begins to accrue from the time DLF disburses under a loan, regardless of the technique employed in disbursing funds, there is no loss of interest merely because funds may be disbursed earlier under the "advance" than the "letter of commitment" technique.

In connection with this finding, two observations seem appropriate: First, the sooner disbursement is made under a loan, the earlier interest repayments begin. Thus, while the cost of money to the U. S. Government is accelerated by the revolving fund technique, so is repayment. Second, against the cost of money to the U. S. one should offset the interest earnings which begin to accrue against the loan when money is advanced. The cost of money to the U. S. was between $3\frac{1}{2}$ percent and 4 percent at the time the loan was concluded, and interest on the subject loan was at the rate of 5 percent.

2. The report also criticizes the extension of a railroad loan to India at a $3\frac{1}{2}$ percent interest rate, on the ground that this rate does not appear consistent with the standard interest rate formula. I think you will agree that although this railway system earns revenue, railroads as such are basic economic infra-structure for any country and can therefore also be considered activities of an "overhead" nature. Recognizing that railroads do not fall neatly either into the "overhead" or "profit-making" categories, the DLF staff sought an interpretation from the body which had established the basic formula, the DLF Board of Directors. The Board ruled that railroads were intended to receive loans at the rate applicable to overhead activities. Thus, the India railway loan did not constitute an exception. The authority which established the basic interest rate formula, indicated its intent in this railway loan determination. I should also note that the NAC, which had a part in establishing the basic interest rate policy, offered no objection to this particular interpretation.

3. The report is also fearful that, because one of the earlier DLF loans involved the use of its dollar capital to finance local costs, the technique might become an accepted practice. It should be noted that the Congress was clearly advised at the outset that the DLF would in some cases use its dollar funds to finance the local costs of development, although the bulk of such funds would meet foreign exchange needs. It has also become apparent, in some cases, that this was an appropriate form of support for certain operations of the IBRD.

Nevertheless, the vast majority of the DLF loans approved through April 30, 1959 will finance foreign exchange costs alone.

The report also says that the Congress was informed that the DLF, if called upon to finance local currency costs, would do so by financing commodity imports for resale. Actually, as we read the record, it indicates that this method was cited as one way of meeting local costs. There was no indication that the commodity import technique would be the only one employed. In the Honduran case, it was concluded that no economic purpose would be served by insisting on local currency generation through the financing of imports, since the lempira is fully convertible and Honduras has no restrictions on imports and exports. Moreover, to have established the import controls needed to generate local currency by this means would have had the undesirable effect of introducing controls where none now exist.

G. Improper earmarking of loan funds prior to receipt and evaluation of applications.

The draft report has reference to the earmarking of funds for projects in Lebanon. The facts are these:

Late in 1957 the Government of Lebanon was informed that the United States Government was not contemplating extension of further grant development assistance to Lebanon in FY 1958. At that time the attention of GOL was called to the availability of development loan financing for specific development projects. A series of discussions followed which generally highlighted the political unrest in the area and the urgent needs of Lebanon.

On April 9, the GOL presented to the U. S. Government a request for assistance in financing a list of ten development projects for which they hoped to obtain $15 million from the DLF.

The Secretary of State, in a despatch of April 24, 1958, directed our Ambassador in Beirut to inform the Government of Lebanon that the Government of the United States was prepared to give sympathetic consideration to loans from the Development Loan Fund, in amounts up to $12 million, to assist the Government of Lebanon in financing some of the projects mentioned. The Secretary's message further stated that project sponsors filing applications would have to meet DLF criteria to obtain loans. It was at this time that a political crisis was developing in Lebanon.

The Loan Committee was requested accordingly to earmark $12 million to Lebanon for project loans meeting DLF criteria, with the understanding that the Committee, in ninety days, would again review the situation in the light of interim developments and confirm or modify its action. This recommendation was approved by the DLF Board of Directors on June 30, 1958.

Thus, the facts reveal that the DLF in this instance acted in response to the foreign policy guidance of the Secretary of State, to which it is subject by statute; that the transaction marked a transition from an earlier annual allocation form of grant assistance; and that the conditions attached to the commitment vested in the DLF the authority to make funds available only for projects that meet its normal criteria.

ATTACHMENT II

Comments By The Managing Director, Development Loan Fund
On "Synopsis of Functions and Operations."
Draft GAO Audit Report.

1. Page 12. The first paragraph indicates that the present Board of Directors is composed of the three officials which formerly comprised the Loan Committee. Actually, the Deputy Under Secretary of State for Economic Affairs was a member of the Loan Committee. The Under Secretary of State for Economic Affairs is now a member of the Board.

2. Page 14. In connection with the discussion of functions of Loan Operations, we should like to note that our review of loan applications includes more than "...the international and economic conditions of foreign government applicants." Our loan officers are responsible for analyses of applications from foreign private businesses as well as foreign governments. Such analyses also include the borrower's financial condition and ability to repay, the potential profit-earning capability of the project, and the availability of other sources of financing. Review by the Technical Department includes analyses of cost estimates, technical feasibility, availability of raw materials, construction plans, management capability, operating costs, and plant and equipment utilization. Loan implementation functions -- which are no longer embodied in a separate unit, but are merged with other responsibilities of DLF loan officers and engineers -- include development of methods for loan administration, arranging for reporting on compliance with the loan agreement, the physical progress of the project, and the current financial condition of the borrower; approval of borrower disbursement plans; and maintenance of contact with the borrower during construction and repayment phases to assure effective completion of the work.

3. Page 15. It is stated in the second paragraph that proposed increases in DLF staff for fiscal year 1960 result from the larger volume of loan applications. The primary reason for additional staff requirements is rather, the increased workload of loan implementation activities.

Clearances:
H.Perry, DLF
J.O.Bell, STATE:W/MSC

APPENDIX C THE DEVELOPMENT LOAN FUND

(Report by the Development Loan Fund)

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

1. *Resources*

Since its initial establishment, the Development Loan Fund has been provided by the Congress with lending resources of $700 million. As of March 31, 1959, loans and commitments totalled $697,906,000.

2. *Policies Take Into Account "Adverse Effects"*

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

3. *Procedure for Determining Impact on U. S. Economy*

In the implementation of this latter statutory requirement, the DLF examines the possible adverse impact on the U. S. economy of the proposals placed before it. In this connection, it considers the anticipated output involved, the equipment to be procured under the loan and the method by which the loan is to be financed.

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

4. *Procurement*

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

of potential U. S. suppliers so as to ensure maximum opportunity for American suppliers to participate.

5. *Financing Operation*

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

6. *Fields of DLF Activity*

The following table indicates the functional fields or categories of project loans and commitments undertaken by the DLF through March 31, 1959:

Functional Categories	Amount ($ thousand)
1. Food and Agriculture including irrigation	44,406
2. Mining	18,400
3. Water Resources	— 0 —
4. Transportation and Communications	242,580
5. Power (including hydroelectric)	109,750
6. Industry	197,620
7. Education	— 0 —
8. Health and Sanitation (including water supply and sewage)	26,600
9. Community Development	12,300
10. Undistributed	46,250
Total	697,906

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

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

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

The industrial category, in which $197,620,000 of loans have been made, includes loans to development banks or similar institutions in such countries as Turkey, Pakistan, Israel, and Taiwan to stimulate the growth of private enterprise. Direct loans to enterprises include such activities as a sugar mill in Bolivia, fertilizer plants in Greece and Yugoslavia, cement plants in Korea and Taiwan, a pulp factory in Tunisia, a plastics plant in Turkey and assistance to various industrial establishments in India.

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

The Sudan Textile Mill project involves a loan of up to $10 million to a private American firm for a textile mill in Sudan. The DLF, in examining the project, made a careful ex-

amination of whether it might lead to the loss of a U. S. market or create additional competition for U. S. business. It was found that this loan (a) would not reduce textile imports from the United States since such trade with Sudan is now negligible or non-existent; (b) would not impair a potential market for U. S. cotton textiles, imports of which are barred by dollar exchange shortages; and (c) the new mill will supply only the domestic market and not lead to Sudanese exports. Only after a determination of these findings and full consideration by the DLF Board, was the loan made.

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

7. *Conclusion*

The DLF, in the course of making approximately $700 million of project loans and commitments, has developed procedures for taking into account the statutory requirements on the adverse effect on the U. S. economy of its transactions. These procedures provide a means for assessing the project both from the standpoint of its economic benefits for the economy of the borrower's country and the possible impact upon the U. S. economy. Such an assessment makes possible a balanced determination, taking into account both the United States and the borrower's interest, as to the future disposition of the loan request. The possibility of an "adverse effects" impact is thereby minimized.

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

DEVELOPMENT LOAN FUND
WASHINGTON 25, D. C.

UNCLASSIFIED

~~CONFIDENTIAL~~
MATERIAL INCLUDED

August 7, 1959

(Classification Indicated on Each Page)

STATUS REPORT

Attached for your information and reference is a report on the status of proposals before the Development Loan Fund as of July 31, 1959.

The total dollar volume of applications received through July 31, 1959 is $3,369,343,000. Loan authorizations and commitments have been made in an amount of $835,556,000. Disbursements under approved loan agreements as of July 31 total $84,964,000.* Proposals totaling $1,149,661,000 are no longer under consideration for various reasons. After accounting for loan authorizations and commitments and proposals no longer under consideration, a total of $1,384,126,000 worth of proposals remains under consideration and on hand.

Joseph S. Toner
Secretary

Index:

Table A: Summary Status of Commitments and Loan Proposals as of July 31, 1959 1
Table B: Detail of Cumulative Commitments and Summary of Other Proposals as of July 31, 1959 2
Explanation of Loan and Application Categories 7
Proposals Under Consideration and On Hand, by Region and Country:

Africa 9
Europe 11
Far East 14
Latin America 18
Near East 20
South Asia 23

Proposals No Longer Under Consideration 25

* Preliminary figure

~~CONFIDENTIAL MATERIAL INCLUDED~~

Smucker 3/31/81 PPCPB

TABLE A: SUMMARY STATUS OF COMMITMENTS AND LOAN PROPOSALS AS OF JULY 31, 1959
(in thousands)

STATUS OF AVAILABLE FUNDS	Current Status 7/31/59 (Cumulative)	Status as of 6/30/59 (FY-58-59 Activity)	Current Status Compared with 6/30/59 (59-60 Activity)
Appropriated Funds.....	$ 888,615	$ 848,750[a]	$ +39,865[b]
Charges Against Lending Authority (Loan and Guarantee Authorizations):			
a. Commitments:			
Loan and guarantee agreements signed (Obligations).....	651,356	623,306	+28,050
Loan agreements not yet signed:..	172,300	136,750	+35.550
Letters of advice issued.....	(154,150)	(113,300)	(+40,850)
Other project commitments[c].....	(18,150)	(23,450)	(-5,300)
b. Uncommitted authorizations (letters of advice pending).....	11,900	75,500	-63,600
Total charges against lending authority.....	835,556	835,556	-0-
Balance Available for Loans.....	53,059	13,194	
STATUS OF LOAN PROPOSALS			
Total Loan Proposals Received:.....	3,369,343	3,290,953	+78,390
Deduct:			
Charges Against Lending Authority.....	-835,556	-835,556	-0-
Proposals No Longer Under Consideration.....	-1,149,661	-940,767	+208,894
Net Proposals Under Consideration and on Hand.....	1,384,126[d]	1,514,630	-130,504
LOAN DISBURSEMENTS.....	84,964	67,064	17,900[e]

/ Includes FY 1958 appropriation of $300,000,000 and FY 1959 appropriations of $548,750,000 (excluding FY 1959 administrative expenses).

b/ Made available under continuing resolution for the month of July. Excludes administrative expenses.

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

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

e/ Preliminary figure.

UNCLASSIFIED

CLASSIFIED MATERIAL
INCLUDED
(Items Asterisked *
~~OFFICIAL USE ONLY~~)

TABLE B: DETAIL OF CHARGES AGAINST LENDING AUTHORITY, AND SUMMARY OF OTHER PROPOSALS AS OF JULY 31, 1959

1. CHARGES AGAINST LENDING AUTHORITY:

a. COMMITMENTS:

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

Loan Agreements by Region

		Amount (thousands)	Borrower	Category
AFRICA:				
Liberia	Sawmill #27 (12/16/58).....	$ 190	Private	6
Liberia	Telecommunications #43 (1/30/59).....	3,000	Public	4
Libya	Tripoli Power #24 (6/25/59).....	5,000	Public	5
Somalia	Credito Somalo #35 (3/31/59).....	2,000	Public	1
Sudan	Cotton Textile Mill #37 (5/21/59)....	10,000	Private	6
Tunisia	Pulp Factory #36 (5/13/59).....	6,250	Mixed	6
Tunisia	National Railways #33 (5/27/59).....	2,400	Public	4
	Subtotal	(28,840)		
EUROPE:				
Netherlands	Resettlement of Emigrants #28 (1/21/59)	3,000	Public	9
Spain	Irrigation #50 (6/5/59).....	7,700	Public	1
Spain	RENFE #51 (6/5/59).....	14,900	Public	4
Yugoslavia	Pancevo Fertilizer Plant #31 (1/8/59)	22,500	Public	6
Yugoslavia	Diesel Locomotives #65 (6/12/59).....	5,000	Public	4
	Subtotal	(53,100)		
FAR EAST:				
Indonesia	Railway Development #42 (6/26/59)....	3,000	Public	4
Indonesia	Harbor Development #80 (6/26/59).....	6,000	Public	4
Korea	Chung Ju Hydro (Design) #61 (5/26/59)	1,500	Public	5
Korea	Domestic Telecommunications #32 (4/8/59)	3,500	Public	4
Korea	Tong Yang Cement Plant #22 (1/20/59).	2,140	Private	6
Malaya	N.Klang Straits Proj. #46 (3/18/59)..	10,000	Public	4
Malaya	Roads and Bridges #54 (3/18/59).....	10,000	Public	4
Philippines	Small Industry Fund #59 (5/6/59).....	5,000	Public	6
Philippines	Roads, Bridges & Rehab of Equipment #67 (6/29/59).....	18,750	Public	4,6
Philippines	Bataan Pulp & Paper Mill #81 (7/10/59)	5,300	Private	6
Taiwan	Asia Cement Corp., #7 (7/25/58).....	2,750	Private	6
Taiwan	Shihmen Dam #17 (11/10/58).....	21,500	Public	1,3,5,8

Decontrolled 3/31/81
Smucker, PPCPB
Auth PAR 5.8.2 Unit Sec Reg

TABLE B: DETAIL OF CHARGES AGAINST LENDING AUTHORITY, AND SUMMARY OF OTHER PROPOSALS AS OF JULY 31, 1959 (Cont'd)

Loan Agreements by Region (Cont'd)

		Amount (Thousands)	Borrower	Category
FAR EAST: (cont'd)				
Taiwan	Railway Adm. #18 (11/12/58).....	$ 3,200	Public	4
Taiwan	Fishing Ind. - Land Bank #26 (3/18/59)	686	Public	1
Taiwan	Ingalls-Taiwan Shipbldg. #48 (1/22/59)	2,000	Private	6
Taiwan	By-Product Coke Oven #49 (2/19/59)...	1,000	Private	6
Taiwan	Taiwan Aluminum Corp. #55 (6/25/59)..	1,350	Public	6
Thailand	Bangkok Power #19 (3/6/59).....	20,000	Public	5
Thailand	Dredge #30 (4/10/59).....	1,750	Public	4
Thailand	Meat Processing Plant #77 (7/16/59)..	750	Public	6
	Subtotal.....	(120,176)		
LATIN AMERICA:				
Argentina	Banco Central #60 (3/18/59).....	24,750	Public	4,5,6
Bolivia	La Belgica Sugar Mill #39 (2/5/59)...	2,500	Private	6
Brazil	Carembei/Castro.Resett. #45 (3/4/59).	240	Private	1
Chile	Airport Design #57 (5/20/59).....	300	Public	4
Costa Rica	SICA Resettlement #38 (1/13/59).....	300	Private	1
Ecuador	Pan Am Highway #44 (3/23/59).....	4,700	Public	4
Guatemala	Kenaf Bag Factory #73 (6/3/59).....	400	Private	6
Haiti	Artibonite Development #58 (5/28/59).	4,300	Public	1
Honduras	Highway Development #1 (5/16/58).....	5,000	Public	4
Nicaragua	Matagalpa Utilities #64 (5/7/59).....	600	Public	8
Paraguay	Asuncion Waterworks #10 (9/5/58).....	1,000	Public	8
Paraguay	Road to Brazil #14 (10/29/58).....	2,500	Public	4
Paraguay	Int'l Prod. Corp. #16 (11/6/58).....	2,600	Private	1,6
	Subtotal.....	(49,190)		
NEAR EAST:				
Greece	Fertilizer Plant #41 (1/28/59).....	12,000	Public	6
Iran	Plan Org. Project #34 (1/7/59).....	47,500	Public	1,4,5,6,8
Israel	Development Loan #5 (6/25/58).....	15,000	Public	1,2,4,5,6
Israel	Industrial Development Bank of Israel #66 (5/12/59).....	5,000	Private	6
Jordan	Electric Power #56 (6/5/59).....	1,200	Private	5
Turkey	Ind. Dev. Bank #11 (9/12/58).....	10,000	Private	6
Turkey	Aerial Mineral Survey #53 (4/30/59)..	900	Public	2
Turkey	Zonguldak Coal #70 (4/30/59).....	14,500	Public	2
	Subtotal.....	(106,100)		

CLASSIFIED MATERIAL
INCLUDED
(Items Asterisked *
[redacted])

TABLE B: DETAIL OF CHARGES AGAINST LENDING AUTHORITY, AND SUMMARY OF OTHER PROPOSALS AS OF JULY 31, 1959 (Cont'd)

Loan Agreements by Region (Cont'd)

		Amount (thousands)	Borrower	Category
SOUTH ASIA:				
Ceylon	Irrig. and Land Dev. #4 (6/24/58).....	$ 1,600	Public	1
Ceylon	Highway Development #8 (7/28/58).....	900	Public	4
Ceylon	Colombo Area RR #9 (9/3/58).....	750	Public	4
India	Railways #2 (6/23/58).....	40,000	Public	4
India	Roads, Cement, Refractories, Jute #3. (6/23/58)...	35,000	Public	4,6
India	Second Railways #12 (12/24/58).....	35,000	Public	4
India	Steel for Pub. Dev. #13A (12/24/58)	18,000	Public	6
India	Steel for Priv. Dev. #13B (12/24/58)..	22,000	Public	6
India	Public Power Dev. #21 (12/24/58).....	10,000	Public	5
India	Capital Equip.-Private Dev. #40 (12/24/58)	15,000	Public	6
India	Steel-Private Sector (2nd Loan)#78 (7/27/59)...	20,000	Public	6
Pakistan	Karachi Water & Sew. #6 (6/30/58).....	5,500	Public	8
Pakistan	Pak. Ind. Credit Corp. #15 (12/4/58)..	4,200	Private	6
Pakistan	Railways #20 (2/18/59).....	9,100	Public	4
Pakistan	Karnafuli Dam #23 (2/18/59).....	17,500	Public	5
Pakistan	W. Pak. Ground Water #25 (2/18/59)....	15,200	Public	1
Pakistan	High Tension Grid #29 (2/18/59).....	14,700	Public	5
Pakistan	Port of Chittagong #68 (7/10/59).....	2,000	Public	4
Pakistan	W. Pak. Secondary Trans. #79 (6/29/59)	23,000	Public	5
	Subtotal.....	(289,450)		
	Subtotal, Loan Agreements.....	646,856		
	Guarantee Agreements			
Taiwan	Ingalls-Taiwan Shipbuilding (12/18/58).	4,500	Private	6
	Subtotal, Loan and Guarantee Agreements (Obligations).....	651,356		

TABLE B: DETAIL OF CHARGES AGAINST LENDING AUTHORITY, AND SUMMARY OF OTHER PROPOSALS AS OF JULY 31, 1959 (Cont'd)

(2) Loan Agreements Not Yet Signed:

(a) Letters of Advice Issued:

LOAN AGREEMENTS FORWARDED TO BORROWER:		Amount (thousands)	Borrower	Category
Bolivia	El Alto Airport #82.....	$1,500	Public	4
Brazil	Anhumas/Pedrinhas Resettlement #52.....	300	Public	1
Ethiopia	SAIDE Cotton Textile Mill #88.....	500	Private	6
Guatemala	Rubber Production #63	5,000	Public	1
Jordan	Phosphate Mines #76.....	2,500	Mixed	2
Nigeria	Apapa Warehouse #75.....	800	Public	6
Pakistan	Sui Gas Transmission #74.....	2,000	Private	6
Pakistan	Marking & Charting of Navigable Waterways of E. Pakistan #83.....	1,750	Public	4
Taiwan	Small Industry Fund #47.....	2,500	Mixed	6
Turkey	Vinylex Plastics, Ltd. #71.....	6,100	Private	6
Uruguay	UTE Telephone #72.....	8,800	Public	4
etnam	Saigon Cholon Water #62.....	19,500	Public	8
ugoslavia	Kosovo Thermal Electric Power #84.....	9,000	Public	5
	Subtotal.....	(60,250)		
LOAN AGREEMENTS NOT YET TO BORROWER				
Iran	Industrial Development Bank.....	5,200	Mixed	6
Iran	Highway Construction (Avej-Andimeshk Link)	25,000	Public	4
Israel	Industrial Development Bank of Israel (2d)	5,000	Private	6
Korea	Korea Reconstruction Bank.....	5,000	Public	6
Korea	Oriental Chemical Industrial Co., Ltd..	5,600	Private	6
Lebanon	El-Bared Power Plant Project.....	500	Private	5
Lebanon	Agri., Industrial & Real Estate Bank...	5,000	Mixed	6
Pakistan	Port of Chalna Anchorage.....	2,000	Public	4
Pakistan	Karachi Commercial Jet Strip.....	4,800	Public	4
Paraguay	Telecommunications.....	1,000	Public	4
Philippines	Bago Pulp & Paper Mill.....	5,300	Private	6
Philippines	Mindanao Portland Cement Corporation...	3,700	Private	6
Syria	Worsted Textile Plant.....	1,000	Private	6
Turkey	Electric Power Distribution.....	7,000	Public	5
Turkey	Koruma Chlor-Alkali & Pesticides Mfg...	2,800	Private	6
Yugoslavia	Tresbisnjica Hydroelectric, Stage 1....	15,000	Public	5
	Subtotal.....	(93,900)		
	Subtotal, Letters of Advice Issued.....	154,150		

CLASSIFIED MATERIAL
INCLUDED
(Items Asterisked *
~~OFFICIAL USE ONLY~~)

TABLE B: DETAIL OF CHARGES AGAINST LENDING AUTHORITY, AND SUMMARY OF OTHER PROPOSALS AS OF JULY 31, 1959 (Cont'd)

		Amount (thousands)	Borrower	Category
	(b) Other Project Commitments			
Philippines	Development Projects (balance of $50.0 million Commitment).....	$11,950*		
Turkey	Development Projects (balance of $37.5 million Commitment).....	6,200*		
	Subtotal, Other Project Commitments.....	18,150		
	Subtotal, Loan Agreements Not Yet Signed	172,300		
b.	UNCOMMITTED AUTHORIZATIONS (Letters of Advice Pending):			
Nyasaland	Nyasaland and Trans-Zambesia Railways	10,700	Private	4*
Spain	General Electrica Espanola.....	1,200	Private	6*
	Subtotal, Uncommitted Authorizations.....	11,900		
TOTAL CHARGES AGAINST LENDING AUTHORITY.....				$835,556
2.	PROPOSALS UNDER CONSIDERATION AND ON HAND:			
Africa.....		107,773		
Europe.....		232,757		
Far East.....		247,887		
Latin America.....		74,156		
Near East.....		353,653		
South Asia.....		367,900		1,384,126
3.	PROPOSALS NO LONGER UNDER CONSIDERATION:			
Inappropriate for DLF Financing.....		306,832		
Insufficient Information or Withdrawn by Borrower.		395,864		
Being Considered by Other Lending Institutions....		446,965		1,149,661
GRAND TOTAL, PROPOSALS RECEIVED.....				3,369,343

EXPLANATION OF LOAN AND APPLICATION CATEGORIES

Loan Status - Proposals under consideration and on hand have been listed on the basis of their review status. Status definitions and total volume of proposals in each group are given below:

		(Amount in Thousands)
Status A	Definitely scheduled for action by the Board of Directors ..	$ 68,277*
Status B	Not yet ready for Board of Directors' action. These are under active and intensive technical review, with information being sought on an organized basis.....	355,550*
Status C	Projects of lesser priority, not yet ready for intensive consideration and technical review. Preliminary comments are being sought from Missions, but information is not yet being developed on a systematic basis.....	909,339
Status N	New proposals received which have not yet been given a status classification.....	50,960
	Total Proposals Under Consideration and on Hand.....	1,384,126*

Loan Type - This listing indicates whether the applicant or borrower is a public, a private, or a mixed organization or concern with both public and private participation.

Loan Functional Categories - Loan commitments and proposals under consideration and on hand have their appropriate functional category listed in this report. Definitions for each category and the dollar volume of loan commitments or proposals falling in each are given on the following page.

---

* Excludes Status A and B proposals in an amount equal to the balance of $18,150,000 in project commitments for the Philippines and Turkey; Status A proposal amounts under these commitments total $5,500,000 and Status B proposal amounts total $12,650,000.

(Amount in Thousands)

	Functional Categories	Loan Authorizations and Commitments*	Proposals Under Consideration and on Hand	Total
1.	Food and Agriculture, including irrigation	$ 61,806	$ 73,832	$ 135,638
2.	Mining	18,400	9,353	27,753
3.	Water Resources	2,640	59,706	62,346
4.	Transportation and Communications	289,831	437,267	727,098
5.	Power	156,460	242,702	399,162
6.	Industry	256,470	506,193	772,663
7.	Education	-o-	-o-	-o-
8.	Health and Sanitation (including water supply and sewerage)	28,799	41,673	70,472
9.	Community Development, Social Welfare, and Housing	3,000	11,400	14,400
10.	Miscellaneous	-o-	2,000	2,000
	Totals	$ 817,406	$1,384,126	$2,211,532

Summary by Status, Africa

Status	Amount in Thousands
A	$12,934
B	36,165
C	58,674
Total, Africa	107,773

COUNTRY	PROPOSAL AND SERIAL NO	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
ETHIOPIA	Refrigerator Ship, 431	A	300	Private	4
	Development Bank, 456	B	2,000	Public	1,6
	Ethiopia (Total)		2,300		
G A	Refrigeration and Air Conditioning Equipment, 457	C	100	Private	6
LIBERIA	Agri. & Ind. Cr. Corp., 105	B	1,000	Public	1,6
	Hydroelectric Project, 106	C	15,000	Public	5
	Liberia (Total)		16,000		
LIBYA	National Agricultural Bank, 69	B	2,800	Public	1
MOROCCO	Triffa Irrigation, 416	A	6,000	Public	1
	Societe Nassige Textile Plant, 528	B	365	Private	6
	Urban Electric and Water Supply, T 550	C	3,600	Public	5,8
	Morocco (Total)		9,965		
NIGERIA	Bornu Railway Extension, 18	C	5,600	Public	4
	Victoria-Bamenda Trunk Road, 271	C	2,380	Public	4
	Nigeria (Total)		7,980		

AFRICA

COUNTRY	PROPOSAL AND SERIAL NO	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
N. RHODESIA	Kapalala Forestry Project, 37	C	454	Public	6
	Housing Construction, 35	C	8,400	Public	9
	N. Rhodesia (Total)		8,854		
NYASALAND	Blantyre-Limbe Water Supply, 274	C	6,580	Public	8
S. RHODESIA	Native Development Fund, 34	C	3,360	Public	1
	Urban African Housing Scheme, 36	C	2,800	Public	9
	Kariba Lake Project, 405	C	8,400	Public	5
	S. Rhodesia (Total)		14,560		
SUDAN	Port Sudan Flour Mill, 404	C	2,000	Private	6
TANGANYIKA	Morogoro/Korogwe Road, 205	A	1,400	Public	4
	Mwanza/Musoma Trunk Road, 204	A	834	Public	4
	Tanganyika (Total)		2,234		
TUNISIA	SNST Sugar Beet Plant, 346	A	3,300	Private	6
	L'Oued Nebana River Dam, 330	B	30,000	Public	3
	Tunisia (Total)		33,300		
UGANDA	Minor Road Improvements Program, 148	A	1,100	Public	4

Summary by Status, Europe

Status	Amount in Thousands
A	$ 4,437
B	13,000
C	189,820
N	25,500
Total, Europe....	232,757

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
SPAIN	Union Electrica Madrilena, 84	A	4,437	Private	5
	Cellulose and Boxboard Plant, 102	B	3,000	Private	6
	RENFE - Locomotives, 9	C	9,500	Public	4
	Electric Furnace and Machine Tools, 58	C	2,500	Private	6
	Puenta Bibey Power Station, 59	C	9,700	Private	5
	Valencia City Railway System, 60	C	907	Private	4
	Spinning & Dyeing Equipment, 62	C	714	Private	6
	Floating Drydock, Ship Const., 63	C	1,235	Private	4
	Hidroelectrica De Cataluna, 83	C	1,616	Private	5
	Hidroelectrica Moncabril, 85	C	1,084	Mixed	5
	Altos Hornos Electrolytic Tinning Line, 87	C	3,899	Private	6
	Altos Hornos Cold Rolling Mill Equipment, 88	C	1,449	Private	6
	Altos Hornos Third Cold Rolling Mill, 89	C	1,333	Private	6
	Altos Hornos Rod Mill & Hot Strip Mill, 90	C	23,425	Private	6
	Ensidesa Refactory Materials, 91	C	350	Public	6
	Santa Barbara Steel Plant Equip., 92	C	5,038	Private	6
	Cement Factory Exp. Sevilla, 93	C	300	Private	6
	Goliat Cement Plant, 94	C	544	Private	6
	Uranium Mining Equipment, 96	C	2,344	Public	2
	Nespral & Cia Coal, 97	C	287	Private	2
	Portland Valderrivas Cement Plant,98	C	1,171	Private	6
	Vasco-Leonesa Cement Plant, 99	C	1,400	Private	6
	Cementos del Noroeste Plant, 100	C	1,500	Private	6
	Portland Iberia Cement Plant, 101	C	1,031	Private	6
	Concrete Bldg. Mat'ls-Hogar, 109	C	370	Private	6
	Cellulose Plant - Pontevedra, 110	C	1,350	Mixed	6
	Tuna Clipper Ships, 111	C	670	Private	1

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
SPAIN (Cont'd)					
	Flour Mill Equipment, 112	C	185	Private	6
	Cellulose Plant - Huelva, 115	C	1,031	Mixed	6
	Carbones de Berga Coal, 136	C	160	Private	2
	Vasco-Leonesa Coal, 137	C	118	Private	2
	Emprese Nac. Siderurgica Coal, 138	C	190	Public	2
	Abrasives Production, 141	C	145	Private	6
	Ponferrada Steel Plant, 142	C	14,000	Private	6
	Agr. Tractors, 145	C	17,612	Public	1
	Firestone Hispania, 146	C	590	Private	6
	Irrigation (Monegros), 160	C	2,655	Private	1
	Cementos Hontoria Plant, 192	C	881	Private	6
	Iron Mining and Ore Reduction, 194	C	1,500	Private	2
	Nivelcampo (Irrigation), 359	C	200	Private	1
	Dionisio Martin Sanz-Irrigation, 360	C	158	Private	1
	Const. Ibero Amer. (Irrigation Equip) 361	C	1,124	Private	1
	COCSA (Fodder Factories), 362	C	300	Private	6
	Comision del Plan Granada (dairy stock improvement;agr. products plant)363	C	2,765	Mixed	1,6
		(A	4,437		
		(B	3,000		
		(C	117,331		
	Spain (Total)		124,768		
YUGOSLAVIA	Trebisnjica Power Transmission Lines, 301-A	B	10,000	Public	5
	Fertilizer Factory at Sisak, 221-A	C	10,000	Public	6
	Fodder Factory, 224	C	1,500	Public	6
	Wood Distillation Plants, 231A	C	1,054	Public	6
	Ivangrad Pulp and Paper Mill,233A	C	7,550	Public	6
	Magnohrom Basic Refractories Factory, 235	C	1,300	Public	6
	Eight Oil Drilling Rigs, 295	C	3,000	Public	2

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
YUGOSLAVIA	(Cont'd)				
	Particleboard Plants, 299	C	2,400	Public	6
	Drvar Fiber & Chemicals Plant, 300	C	5,685	Public	6
	Trebisnjica Hydroelectric Power Station, Stage 2, 301-B	C	10,000	Public	5
	Skopje Fibres & Chemicals Factory, 542	C	20,000	Public	6
	Diesel Locomotives	C	10,000	Public	4
	Furniture Factory, 543	N	700	Public	6
	Elektrobosna Electrochemical Products Factory, 544	N	1,000	Public	6
	Dalmacia Carbide & Cynamid Fact., 545	N	700	Public	6
	Hrastnik Chemical Plant, 546	N	600	Public	6
	Kidricevo Aluminum Plant, 547	N	2,500	Public	6
	Sisak Iron Works, 548	N	4,500	Public	6
	Zagreb Plastics & Chemicals Factory, 549	N	13,500	Public	6
	Kosovo Power Plant, 2nd Stage	N	2,000	Public	5
		(B	10,000		
		(C	72,489		
		(N	25,500		
	Yugoslavia (Total)		107,989		

Summary of Status, Far East

Status	Amount in Thousands
A	$ 5,456
B	104,067a/
C	115,364
N	23,000
Total, Far East	247,887

a/Excludes $11,950,000 of Status B projects covered by balance of Philippines project commitment.

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
INDONESIA	Indonesian Service Co., 433	A	1,995	Private	6
	Semarang Thermal Power Plant, 536	B	11,000	Public	5
	Indonesian Development Bank, 511	C	10,000	Private	6
	Indonesian Shipping, 541	N	20,000	Public	4
	Indonesia (Total)		42,995		
KOREA	Tec Pan Plant, 190	A	2,461	Private	6
	Daihan Iron Mine Development, 288	A	1,000	Public	2
	Salt Refining Plant, 28	B	2,370	Private	6
	PVC Plant - Puk San Co., 131	B	1,800	Private	6
	Chung-Ju Hydro Power Plant, 291	B	40,000	Public	5
	Second Han River Hwy. Br., 429	B	8,000	Public	4
	Nylon Plant, 29	C	2,187	Private	6
	Pig Iron Plant, 130	C	3,000	Public	6
	Rayon Yarn Plant, 133	C	9,600	Private	6
	Ships for Fishing Industry, 475	C	1,700	Private	1
	Thorium Extraction Plant, 499	C	752	Private	6
		(A	3,461		
		(B	52,170		
		(C	17,239		
	Korea (Total)		72,870		

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
MALAYA	Kuala Lumpur Airport, 400	B	3,300	Public	4
	Central Electricity Board, 380	C	3,280	Public	5
	Malaya (Total)		6,580		
PHILIPPINES	Waterworks Projects, 399	B	6,900	Public	8
	Nitrogen Fertilizer Project, 438	B	14,500	Private	6
	Dredging Fleet, 526	B	8,800	Public	4
	Manila S. Road, 391	C	3,610	Public	4
	Manila Water & Sewerage, 392	C	17,053	Public	8
	Flood Control & Drainage Projects,397	C	3,889	Public	3
	Cotabato River Control, 398	C	3,090	Public	3
	Asbestos Cement Pipe, 403	C	727	Private	3
	Gonzalo Puyat Flour Mill, 444	C	1,119	Private	6
	Liberty Flour Mill, 447	C	1,180	Private	6
	Central Philippines Flour Mill, 449	C	1,202	Private	6
	Gonzalo Puyat Lumber, 450	C	450	Private	6
	Flexo Industrial Packing, 452	C	207	Private	6
	Inter-Island Ships, 458	C	5,250	Private	4
	Taggat Pulp & Paper Mill, 461	C	4,560	Private	6
	General Milling Flour Mill, 462	C	1,250	Private	6
	Crown Leather Tanning, 463	C	385	Private	6
	Palawa Cassava Starch Mill, 465	C	349	Private	6
	Ceramic Plant, 505	C	1,300	Private	6

Adjustment of Totals as a Result of Project Commitment

	Gross Total Above Projects	Offset Due To Project Commitment	Net
(B	30,200	-11,950	18,250
(C	45,621	-0-	45,621
Philippines (Totals)	75,821	-11,950	63,871

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
TAIWAN	Construction Lignoplast Factory, 1	B	300	Private	6
	Fiberboard Plant, 3	B	1,200	Private	6
	Mfg. Paper Yarn & Coated Paper, 4	B	400	Private	6
	Lin Shan Hao Plywood, 68	B	220	Private	6
	Urea & Phenolic Resin Plant, 208	B	300	Private	6
	Microwave System, 252	B	1,800	Public	4
	Caustic Soda Expansion, 302	B	197	Public	6
	Yung-Shu Hydroelectric, 323	B	330	Public	5
	Hsinchu Window Glass Works, 328	B	600	Private	6
	Yue Loong Engineering Co., 2	C	2,095	Private	6
	Chu Mou Shipyard Facilities, 5	C	300	Private	4
	Lightweight Concrete Mfg., 162	C	525	Private	6
	Taiwan Machinery Mfg. Corp., 195	C	800	Private	6
	Bagasse Pulp Mill, 213	C	1,400	Private	6
	Shi-Lung Glassware, 216	C	365	Private	6
	Boat Building & Repair, 251	C	300	Private	4
	Iron & Steel Mfg. Plant, 255	C	4,000	Private	6
	Fei Liu Cellulose Acetate Plant, 256	C	6,000	Private	6
	Paper Mill, 258	C	220	Private	6
	Taipei Oxygen Mfg., Co., 259	C	510	Private	6
	Formosa Plastics PVC Exp., 286	C	400	Private	6
	Copper & Pyrite Development, 322	C	275	Public	2
	Phosphate Fertilizer Production, 324	C	800	Public	6
	China Wire & Cable Corp., 325	C	440	Private	6
	Tang Eng Power Tiller Plant, 326	C	760	Private	6
	Expansion of Tannery, 327	C	350	Private	6
	Kaohsiung Methanol-Formaldehyde Plant, 329	C	500	Private	6
	Fung Yuan Jute Mill, 373	C	294	Private	6
	Hsinchu Textile Mill, 378	C	296	Private	6
	Railway Locomotives, 500	C	5,820	Public	4
	Tungmen Power & Irrigation	C	1,300	Public	1,5
	Taipei Regional Water Supply, 519	C	3,960	Public	8
	Kaohsiung Cement Plant Expansion, 540	N	3,000	Private	6
		(B	5,347		
		(C	31,710		
		(N	3,000		
	Taiwan (Total)		40,057		

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
THAILAND	Chengvethana Refrigeration Plant, 318	C	500	Private	6
	Textile Mill, 485	C	450	Private	6
	Rubber Works, 488	C	375	Private	6
	Dhonburi Enamel, 494	C	189	Private	6
	Thailand (Total)		1,514		
VIETNAM	Bus System, Saigon-Cholon, 53	B	2,000	Public	4
	Electric Power Development Saigon, 311	B	12,000	Public	5
	Vietnam Railway System, 52	C	6,000	Public	4
	Vietnam (Total)		20,000		

Summary by Status, Latin America

Status	Amount in Thousands
A	$12,700
B	22,922
C	36,074
N	2,460
Total, Latin America	74,156

COUNTRY	PROPOSAL & SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
BOLIVIA	San Aurelia Sugar Mill, 413	C	500	Private	6
CHILE	Pudahuel Airport, 319	B	6,990	Public	4
	Port of Corral, 320	B	4,462	Public	4
	Chilean Investment and Loan Co. (CIDSA), 287	C	2,000	Private	6
	Port of Arica, 320	C	9,687	Public	4
		(B	11,452		
		(C	11,687		
	Chile (Total)		23,139		
COSTA RICA	Cement Plant and Paper Mill, 474	C	2,000	Private	6
	Terraba Agricultural Development and Sawmill, 525	C	2,500	Private	1
	Costa Rica (Total)		4,500		
ECUADOR	Highway, 537A	B	5,200	Public	4
	Railway and Highway Bridge at Guayaquil, 310	C	3,300	Public	4
	Ecuador (Total)		8,500		
HAITI	Central Sucriere Sugar Mill, 423	A	3,000	Private	1,6
	Highway Construction Project #1, 432	A	5,600	Public	4

COUNTRY	PROPOSAL & SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
HAITI (Cont.)					
	Hwy. Construction Project #2 & 3, 432	B	6,100	Public	4
	International Airport, 533	C	3,000	Public	4
	Sisal Plantation Expansion, 529	C	237	Private	1
	Wharf	C	4,850	Public	4
	Lester Sugar Mill, 539	N	2,460	Private	6
		(A	8,600		
		(B	6,100		
		(C	8,087		
		(N	2,460		
	Haiti (Total)		25,247		
NICARAGUA	Tuma Hydroelectric, 520	C	2,500	Public	5
	Rivas Irrigation, 521	C	1,200	Public	1
	North Atlantic Forestry, 522	C	300	Public	1
	Nicaragua (Total)		4,000		
PARAGUAY	Society of Brothers Project, 418	B	170	Private	6
	Asphalting Road, 482	C	2,000	Public	4
	Paraguay (Total)		2,170		
PERU	Pucallpa/Aguaytia Road, 523	A	4,100	Public	4
URUGUAY	Livestock Rehabilitation Program	C	2,000	Public	1

Summary by Status, Near East

Status	Amount in Thousands
A	$ 250 a/
B	148,430 a/
C	204,973
Total, Near East...	353,653

a/ Excludes $6,200,000 in Status A and B projects covered by balance of project commitment for Turkey: $5,500,000 in Status A and $700,000 in Status B.

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
GREECE	Athens-Thessaloniki Highway, 122	B	30,000	Public	4
	Acheloos River Hydroelectric, 124	B	24,500	Public	5
	Greece (Total)		54,500		
IRAN	Iran-Turkey Railroad, 349 (see 417 under Turkey)	B	35,000	Public	4
	Highway Construction Program	C	88,000	Public	4
	Iran (Total)		123,000		
ISRAEL	Lubricating Oil Refinery Facilities, 408	C	7,300	Private	6
	Portland Cement Plant, 410	C	1,500	Private	6
	Gat Sugar Ltd.	C	5,000	Private	6
	Israel (Total)		13,800		
JORDAN	Marble Quarry, 39	B	279	Private	2
	Jordan Tobacco & Cigarette Co., 32	C	453	Private	6
	Arab Land Bank, 78	C	1,000	Private	1,2,4,6,9
	Jordan (Total)		1,732		
LEBANON	Stone Quarrying and Processing, 492	A	250	Private	6
	SWIC-Vertical Textile Mill, 483	B	200	Private	6
	Plant Expansion, SIDEM, 491	B	500	Private	6

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
LEBANON (Cont'd)					
	Stone Processing and Cold Storage, 493	C	150	Private	6
	Jute Plant Expansion, 509	C	275	Private	6
		(A	250		
		(B	700		
		(C	425		
	Lebanon (Total)		1,375		
TURKEY	Asbestos Cement Pipe Factory, 388	A	1,000	Mixed	6
	Federal Truck Mfg., 434	A	3,000	Mixed	6
	Sulphuric Acid Tankers, 527	A	1,500	Public	4
	Jute Processing Factory, 244	B	4,200	Mixed	6
	THY Aircraft, 281	B	4,000	Mixed	4
	Turkey-Iran Railroad Link 417 (see 349 under Iran)	B	48,700	Public	4
	Farm Machinery Components Mfg., 435	B	1,751	Mixed	6
	Kutahya Steam Power Plant, 151A	C	26,700	Public	5
	Cotton Textile Factory, 153	C	3,337	Private	6
	Syehan-Berdan Rivers Irrig. & Drainage Project, 155	C	1,296	Private	1
	Turkish Viscose Project, 158	C	17,725	Private	6
	Cement Factory, 159	C	3,945	Private	6
	Steel Rolling Mill, 193	C	1,445	Private	6
	Pulp & Paper Mill (Parsons & Whittemore,) 197	C	12,940	Private	6
	Carbide Plant at Tuzla, 200	C	1,500	Private	6
	Soda Ash & Caustic Soda Plants, 202	C	3,440	Private	6
	Pamukbank Chlorine-Caustic Soda Plant, 275	C	4,100	Private	6
	Land Development Project, 277	C	4,918	Private	1
	Porcelain Factory, 278	C	2,195	Mixed	6
	PIRAMIT Textile Paper Program, 282	C	7,722	Private	6
	Mermerciler Textile Plant, 321	C	1,632	Private	6
	Ismir Steel Industry Plant, 343	C	1,800	Private	6

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
TURKEY (Cont'd)					
	Textile Dyestuff Factory, 371	C	2,500	Mixed	6
	Establishment of Ceramic Plant, 372	C	2,500	Mixed	6
	Klor-Alkali Sanayii, 479	C	1,600	Private	6

Adjustment of Totals as a Result of Project Commitment

	Gross Total Above Projects	Offset Due to Project Commitment	Net
(A	$ 5,500	$-5,500	-0-
(B	58,651	- 700	57,951
(C	101,295	-0-	101,295
Turkey (Total)	165,446	-6,200	159,246

Summary by Status, South Asia

Status	Amount in Thousands
A	$ 32,500
B	30,966
C	304,434
Total, South Asia....	367,900

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
AFGHANISTAN	Aircraft, Spare Parts & Equip.,531	C	2,800	Private	4
CEYLON	Cement Plant Expansion, 12	A	4,500	Public	6
	Airport Development, 15	C	2,500	Public	4
	Salvinia Control, 16	C	1,116	Public	1
	Ceylon (Total)		8,116		
INDIA	Railways, 535	A	20,000	Public	4
	Power Projects, 538	B	20,000	Public	5
	Road Transport	C	20,000	Private	4
	Industrial Finance Corporation	C	10,000	Private	6
	Engineering Industries	C	90,000	Private	6
	Power Transmission	C	20,000	Public	5
	Tungabhadra-Nellore Hydroelectric	C	8,000	Public	5
	Kirakud Multipurpose Dam	C	7,000	Public	3
	Rihand Multipurpose Dam	C	15,000	Public	3
	Dev. Chemical Industries	C	5,000	Private	6
	Dumex Pharmaceutical Plant, 309	C	5,345	Private	6
	Orient Paper Mills, 364	C	8,400	Private	6
	Component Parts, Bus & Truck	C	25,000	Public	6
		(A	20,000		
		(B	20,000		
		(C	213,745		
	India (Total)		253,745		
NEPAL	Industrial Credit Corporation, 19	C	1,300	Private	6

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)	TYPE	CATEGORY
PAKISTAN	Pakistan Industrial Credit Corp. 2nd, 514	A	8,000	Private	4
	Inland Water Transport:Radio Navigation, 167	B	462	Public	4
	Multan-Lahore Gas Pipeline, 178	B	10,504	Public	6
	Hyderabad Thermal Grid, 164	C	4,600	Public	5
	Inland Water Transport; Rehabilitation Dredges, 168	C	800	Public	4
	Gas Pipeline Sylhet-Ghorosal, 170	C	11,554	Public	6
	Ghulam Mohammed Barrage Land Development, 171	C	400	Public	1
	Upper Sind (Guddu) Barrage, 173	C	9,600	Public	1
	Inland Grain Storage at Lyallpur & Landhi, 177	C	2,630	Public	1
	Natural Gas Power Station Sukkur, 179	C	5,105	Public	5
	Rehabilitation of Railroad, 183	C	13,000	Public	4
	Ganges Kobadek (Irrigation) 184	C	4,524	Public	1
	Broadcasting Development, 185	C	1,870	Public	4
	Dacca & Chittagong Water Supply, 187	C	2,600	Public	8
	Municipal Water Supply, 188	C	2,780	Public	8
	Inland Water Transport: Dev. Inland Water Transport, 230	C	1,000	Public	4
	Grain Storage, 236	C	2,500	Public	1
	Exp. Carrier-on-Cable Links, 332	C	4,145	Public	4
	Expansion Telephone System, 333	C	3,362	Public	4
	Pakbay Barges and Tugs, 340	C	1,000	Private	4
	Hilton Hotel, Karachi, 341	C	2,000	Private	10
	Joint Steamer Companies, 342	C	4,400	Private	4
	Small Industries Corp., 358	C	2,000	Public	6
	Vessels for Inland Water Transp., 489	C	1,688	Private	4
	Rehabilitation of E. Pak. Dredgers,504	C	1,415	Public	4
		(A	8,000		
		(B	10,966		
		(C	82,973		
	Pakistan (Total)		101,939		

PROPOSALS NO LONGER UNDER CONSIDERATION

Inappropriate for DLF Financing:

(AREA)	(COUNTRY)	(PROPOSAL)	(AMOUNT-THOUSANDS)
AFRICA	Ethiopia	Coffee Processing	$350
	Ethiopia	Tawfeque Coffee, 336	312
	Ethiopia	Acquista Orchard, 337	400
	Ethiopia	Ennenomer Banana Plantation, 338	100
	Ethiopia	Ahmed Coffee, 351	156
	Ethiopia	Hailemarian Coffee, 352	100
	Ethiopia	Muletta Coffee, 353	200
	Ethiopia	Teklemarian Coffee, 355	180
	Kenya	Road Construction, 249	3,360
	Libya	Cyrenaican Livestock Corp.	2,800
	Morocco	Orange Packing and Concentrating Plant	212
	Uganda	African Housing, 149	1,700
			(9,870)
EUR	Spain	Fausto Martin Sanz (Milk)	210
	Spain	Textile Plant, 61	150
	Spain	Oil Tanker Construction, 113	1,600
	Spain	Bakery Equipment, 114	220
	Spain	Merchant Ship Construction, 139	2,500
	Spain	Sherwin-Williams Espanola, 143	300
	Spain	Electric Switch Plant Expansion, 508	297
			(5,277)
FE	Indonesia	Vessels and Allied Equipment, 17	5,000
	Malaya	Teaching Hospital, 65	8,170
	Philippines	Long Distance Telephone Company	4,000
	Philippines	Manila Times Newspaper	509
	Taiwan	Transportation and Tourism	250
	Taiwan	Juo Hua Cinema Co.	300
	Taiwan	China Artificial Fibre Co., 257	1,800
	Taiwan	Teh Yuan Oil Mill, 261	210
	Taiwan	Dah Teh Oil Mill, 262	500
	Taiwan	Taiwan Oil Mill, 263	210
	Taiwan	Nau Hwa Chemical, 264	500
	Taiwan	Yuan Chuan Oil Mill, 265	230
	Taiwan	Chin Tai Oil Mill, 266	175
	Taiwan	Tuo-Yuan Oil Mill, 267	220
	Taiwan	Dah Ching Oil Mill, 303	160
	Taiwan	Hsin Chu Oil Plant, 348	239
	Taiwan	Tai Chen Oil Mill, 379	210
	Thailand	SR Tapioca, 8	1,000
	Thailand	Housing Construction, 33	2,143
	Thailand	Thai Fabrics Co. Silk, 331	150
	Thailand	Prometya Lakashana Shrimp Co., 335	138
	Thailand	Bangkok Hotel, 476	1,750
			(27,864)

PROPOSALS NO LONGER UNDER CONSIDERATION (cont'd)

(AREA)	(COUNTRY)	(PROPOSALS)	(AMOUNT-THOUSANDS)
LA	Argentina	Pharmaceutical Plant, 344	1,422
	Bolivia	Comibol	6,000
	Bolivia	Corani Hydroelectric Project	900
	Brazil	Holambra Resettlement, 237	800
	Chile	ENDESA - Power Development	5,000
	Chile	Anglo-Lautaro Nitrate Corp.	5,000
	Chile	CAP - Steel Mill	5,000
	Colombia	Porcelain Fixtures Plant, 293	120
	Ecuador	Canal, 537B	3,900
	Guatemala	Resettlement, 419	7,500
	Guatemala	Housing, 420	12,000
	Haiti	University of Haiti, Construction	2,000
	Honduras	Feeder Roads	1,000
	Honduras	Western Road Extension	4,000
	Honduras	Dade Petroleum, Inc.	300
	Honduras	Banking Consortium	5,000
	Honduras	Agricultural Credit Corp.	2,000
	Honduras	Martinez Sawmill, 201	200
	Honduras	Banco de la Propriedad	5,000
	Jamaica	Marrakech Hotel, 257	650
	Nicaragua	School Construction	10,000
	Paraguay	Cafeterras, Inc. Resettlement, 7	1,000
	Paraguay	Electric Power Expansion	1,000
	Paraguay	Vallemi Cement Plant, 46	500
	Paraguay	Consortium Asuncion	2,000
	Peru	Low Cost Public Housing, 501	10,000
	Peru	Nat'l Integrated Health Program, 502	30,000
	Peru	School Construction, 503	24,000
	Peru	Charcani IV Hydroelectric Project	450
			(146,742)
NE	Lebanon	Container Plant Expansion, 406	137
	Turkey	Exporter Credit	13,000
	Turkey	Expansion of Oil Fields	7,500
	Turkey	Calcium Carbide Plant	550
	Turkey	Diesel Engine Machinery	177
	Turkey	Battery Manufacture	1,030
	Turkey	Glass Container Products	500
	Turkey	Textile Plant Integration	700
	Turkey	Box and Packing Factory	200
	Turkey	Screw and Bolt Plant	120
	Turkey	Casting Fittings Plant	164
	Turkey	Accumulator Mfg. Plant	151
	Turkey	Wire Production	200
	Turkey	Woolen Fabric Plant	354

PROPOSALS NO LONGER UNDER CONSIDERATION (Cont'd)

(AREA)	(COUNTRY)	(PROPOSAL)	(AMOUNT-THOUSANDS)
NE (cont'd)	Turkey	Vegetable Oil Production	270
	Turkey	Canning and Packing	295
	Turkey	Fibreboard and Chipboard Plant	5,150
	Turkey	Expansion of Batman Refinery	1,900
	Turkey	Kucuk Cekmece Glass Soda Factory	5,000
	Turkey	Nitrogen Products Administration	150
	Turkey	Maritime Bank	12,000
	Turkey	Forestry Administration	9,530
	Turkey	Agricultural Equipment Agency (3 projects)	1,370
	Turkey	Soil Products Office	1,176
	Turkey	Rubber Products Factory, 77	518
	Turkey	Brass Die Casting Plant, 80	150
	Turkey	Kemal Pelit Plywood, 116	524
	Turkey	Kutahya-Seyitomer Railroad, 150	1,394
	Turkey	Garanti Insaat Construction, 151	500
	Turkey	Canning Factory, 152	824
	Turkey	Cattle & Poultry Farming, 154	377
	Turkey	Cotton Spinning & Weaving, 156	750
	Turkey	Rubber Reclaiming, 157	289
	Turkey	Carbide Plant, 198	282
	Turkey	Tire Mfg. (Motorlu), 210	850
	Turkey	Steel Products Factory Expansion, 212	400
	Turkey	Yakal Boracite Plant, 228	1,000
	Turkey	Tankers and Cargo Vessels, 235	12,500
	Turkey	Cihan Co. Box Machinery, 245	500
	Turkey	Mercury Mine, 276	500
	Turkey	Adana Land Reclamation, 279	125
	Turkey	Guney Sanayi Textile Plant, 316	400
	Turkey	Boron Minerals Projects, 366	3,500
	Turkey	Monopoles Adm., 367	150
	Turkey	Expansion of Shoe Factory, 368	3,900
	Turkey	Tire Factory, 370	7,000
	Turkey	State Mechanical & Chem. Ind., 375	2,700
	Turkey	Extension of Tuncbilek Power Plant, 376	4,200
	Turkey	Tungsten Deposit Project, 377	2,000
			(106,957)
SA	India	Aluminum Corporation	1,000
	India	Earth Moving Equipment, 241	100
	India	B.K. and K.N. Khanna	2,092
	India	Private Enterprise, Inc., 127	500
	Pakistan	Village WaterSupply, 189	5,170
	Pakistan	Taunsa Irrigation Canal, 182	1,260
			(10,122)
			306,832

PROPOSALS NO LONGER UNDER CONSIDERATION (Cont'd)

Insufficient Information, or Withdrawn by Borrower:

(AREA)	(COUNTRY)	(PROPOSAL)	(AMOUNT-THOUSANDS)
AF	Ethiopia	Fiber Bag Co., 248	$500
	Morocco	Compagnie Marroqui d'Las Minas D'Afra, 347	250
	Nigeria	Mardiguri Extension	1,400
	Tanganyika	Mbarali River Irrigation, 203	896
	Uganda	Major Road Improvements Program, 147	5,000
			(8,046)
EUR	Iceland	Aircraft Purchase	950
	Yugoslavia	Tractors, 220	15,400
	Yugoslavia	Lukavac Nitrogen Fertilizer Factory, 221B	10,000
	Yugoslavia	Sugar Beet Plants, 222	12,200
	Yugoslavia	Soybean Processing Factory, 223	800
	Yugoslavia	Rail Car Trains, 226	6,300
	Yugoslavia	Belgrade Airport ATC Equipment, 227	500
	Yugoslavia	Telecommunications, 228	2,450
	Yugoslavia	Expansion of Cellulose & Paper Factory, 234	3,800
	Yugoslavia	Plywood Factories, 297	3,000
	Yugoslavia	Lesonite Fiberboard Factory, 298	1,160
			(56,560)
FE	Korea	PVC Plant, 356	1,960
	Korea	Fertilizer Plant	30,000
	Malaya	Low Cost Housing, 401	1,670
	Malaya	Marshalling Yard, 486	375
	Malaya	Drainage and Irrigation Projects, 383	5,023
	Malaya	Rail Extension, 487	1,750
	Malaya	Land Development, 382	8,286
	Philippines	Cebu Cement Plant, 446	2,860
	Taiwan	Chia Hsin Cement Corp.	1,800
	Thailand	Bangkok-Thonburi Water Supply	8,000
	Thailand	Bangkok-Nakorn-Pathum Highway	5,500
	Thailand	River Siltation Survey, 45	1,300
	Vietnam	Cement Factory, 56	5,830
	Vietnam	Rural Water Supply Development	8,600
	Indonesia	Indonesian Shipping, KPC, 497	15,117
	Taiwan	Power Substation Transmission & Distribution 161	3,700
			(101,771)
LA	Argentina	Estancia Chica Resettlement	343
	Argentina	Valle Azul Resettlement	919
	Argentina	La Palmero Resettlement	343

PROPOSALS NO LONGER UNDER CONSIDERATION (cont'd)

Insufficient Information, or Withdrawn by Borrower (cont'd)

(AREA)	(COUNTRY)	(PROPOSAL)	(AMOUNT-THOUSANDS)
LA (cont'd)	Bolivia	Canning and Bottling Plant	$1,100
	Chile	Feeder Road Project	5,000
	Cuba	Kenaf Fibre	400
	Ecuador	Road Maintenance	2,500
	Haiti	Pineapple Products	100
	Honduras	Banco de Fomento, 214	2,000
	Honduras	Agricultural Development	2,202
	Paraguay	Resettlement Project	1,000
	Uruguay	Rocha Land Development	37,500
	Uruguay	Land Reclam. & Port Ext.	40,600
	Uruguay	Drydock	7,200
	Uruguay	Pier and Equipment	13,300
	Uruguay	Development of Port Facilities	11,500
			(126,007)
NE	Greece	Ptolemais Thermoelectric, 123	11,500
	Turkey	Am. Industries Group Project, 38	42,000
	Turkey	Ankara Gunes-Transp. Veh., 380	668
	Turkey	Trans-Turk Glass and Soda Ash Plant, 108	5,000
			(59,168)
SA	Ceylon	Colombo Telephone System, 107	7,345
	Pakistan	E. Pak. Road Development, 174	2,130
	Pakistan	Civil Air Transportation, 134	8,450
	Pakistan	Teetsa Barrage, 172	3,500
	Pakistan	Karachi-Kalat, Quetta Road, 175	2,553
	Pakistan	Malir Extension Scheme, 176	534
	Pakistan	Pool of Public Works Equip. for Irrig., 180	3,000
	Pakistan	Cargo and Passenger Ships, 181	12,600
	Pakistan	Karachi Hotel, 334	4,000
			(44,312)
			395,864

PROPOSALS NO LONGER UNDER CONSIDERATION (Cont'd)

Being Considered by Other Lending Institutions:

(AREA)	(COUNTRY)	(PROPOSALS)	(AMOUNT-THOUSANDS)
AF	Ethiopia	Dum Palm Industry	$160
	Liberia	Monrovia Thermal, 498	4,000
	Liberia	Development Bank	1,000
	Nigeria	Diesel Locomotives, 270	980
	Nigeria	Electricity Development, 272	2,800
	Nigeria	Electricity Corporation of Nigeria	5,000
	N. Rhodesia	Chingola Sewerage Scheme, 70	661
	N. Rhodesia	Mufulira Water Scheme, 71	1,368
	N. Rhodesia	Ndola Sewerage Scheme, 72	2,362
	N. Rhodesia	Broken Hill Hydroelectric, 73	2,800
	N. Rhodesia	Luanshya Water Scheme, 74	1,558
	S. Rhodesia	Gwanda Electricity, 240	2,800
	Tunisia	Cotusal Salt Prod., 120	381
			(25,870)
EUR	Spain	Guardo Thermal Plant, 81	9,714
	Spain	Aldeadavila Electric Plant, 82	1,590
	Spain	Mieres Thermal Plant, 86	7,500
	Spain	Hydroelectrica Espanola, 95	33,600
	Spain	Fertilizer Plant, 140	7,620
	Spain	Manufacture of High Quality Steels, 512	4,781
			(64,805)
FE	Burma	Nylon Plant, 76	1,106
	Indonesia	Kalimantan Canal, 119	2,500
	Indonesia	Power Transmission-Sulawesi, 254	2,000
	Indonesia	Hotel Indonesia, 386	5,500
	Philippines	Mindanao Bus Co., 79	300
	Philippines	Sibuguey Iron Mines, 439	1,500
	Philippines	Hemp and Cigarette Paper, 441	2,500
	Philippines	Yupangco Textile Mill, 443	1,387
	Philippines	Knitting and Weaving, 445	1,858
	Philippines	General Textile Mill, 448	3,202
	Philippines	Universal Textile, 451	3,286
	Philippines	Atlas Cement Plant, 453	4,400
	Philippines	Universal Denim Plant, 454	1,908
	Philippines	Integrated Textile Mill, 459	850
	Philippines	Taggat Sawmill, 460	750
	Philippines	General Explosives, 464	1,401
	Philippines	Crown Weaving Mill, 466	572
	Philippines	Orval Chemical Expl. Mfg., 467	1,135
	Philippines	Darigold Milk Machinery, 469	448

PROPOSALS NO LONGER UNDER CONSIDERATION (cont'd)

Being Considered by Other Lending Institutions (Cont'd)

(AREA)	(COUNTRY)	(PROPOSAL)	(AMOUNT-THOUSANDS)
FE (cont'd)	Philippines	Riverside Textile Mill, 470	$2,396
	Philippines	Philip Mfg. Corp., Textile Mill, 471	845
	Philippines	Philippine Thread Mill, 472	2,371
	Philippines	Litton Textile Plant, 495	5,500
	Philippines	Synthetic Textile Plant, 496	1,730
	Philippines	Rayon Plant, 530	3,800
	Philippines	Integrated Steel Plant	44,000
	Thailand	Bangkok Thermal, 40	16,000
	Thailand	Oxygen and Acetylene Plant, 524	242
	Thailand	Dry Battery Factory, 532	200
	Vietnam	Glass Factory, 55	1,457
	Malaya	Ulu Rompin Mines, 513	17,500
			(132,644)
LA	Brazil	Woodpulp Mill, 316	4,000
	Brazil	Pulp and Paper Mill, 515	8,000
	British Guiana	Flood Control, Drainage, Irrig. & Roads, 211	34,000
	Colombia	Fertilizer Plant, 424	7,500
	Colombia	Casa Toro, S. A.	1,000
	Costa Rica	Rural Credit Boards, 436	5,000
	Ecuador	New Port for Guayaquil	15,000
	Ecuador	Slaughterhouse, 247	1,750
	Ecuador	National Development Bank, 234	2,000
	Guatemala	Credit for Industrial Development	5,000
	Honduras	Hydroelectrification	350
	Honduras	Cottonseed Oil Plant, 135	729
	Honduras	Plywood Factory	200
	Nicaragua	Water Distribution Systems, 425	2,500
	Nicaragua	Cattle Improvement, 365	1,000
	Panama	Telecommunications, 369	3,500
	Paraguay	Manufactura de Pilar, S.A.	1,744
	Peru	Modernization of River Vessels, 516	100
	Uruguay	Dolomite Mine, 414	375
			(93,748)
NE	Egypt (UAR)	Canning and Freezing Plant, 518	300
	Iran	Persian Gulf Ports, S. A., 207	1,740
	Iran	Municipal Development, 534	66,000
	Iraq & Portugal	Paper Mills	9,000
	Israel	Moller Textiles, 126	1,500
	Israel	Tara Dairy, 387	120

PROPOSALS NO LONGER UNDER CONSIDERATION (cont'd)

Being Considered by Other Lending Institutions (Cont'd)

(AREA)	(COUNTRY)	(PROPOSAL)	(AMOUNT-THOUSANDS)
NE (cont'd)	Lebanon	Fruit and Vegetable Canning	$300
	Lebanon	Textile Machinery, 163	3,800
	Turkey	Ergani Copper Works, 215	7,500
	Turkey	Tire Mfg. (Koc Burla Goodrich), 209	3,000
	Turkey	Iron and Steel Products Adm., 374	22,000
	Turkey	Western and Seyitomer Lignite, 48	12,355
			(127,615)
SA	Ceylon	Glassware Factory, 217	150
	Pakistan	Fertilizer Factory, Daudkhel	250
	Pakistan	Batala Engr. Co., 20-22	1,883
			(2,283)
			446,965
	TOTAL PROPOSALS NO LONGER UNDER CONSIDERATION		1,149,661

Action: Cabot
copies: Zerick
Perry
Toner
Menapace
Hilyard

United States Senate

COMMITTEE ON
AGRICULTURE AND FORESTRY

July 24, 1959

Honorable C. Douglas Dillon
Acting Secretary of State
Department of State
Washington, D. C.

My dear Mr. Secretary:

For the past few months, my staff has been assembling data gathered from the justifications your office has furnished the Senate Appropriations Committee in support of the Budget Estimate for Mutual Security for Fiscal Year 1960.

Though the aforementioned justifications contain much of the information that I feel will be necessary for the forthcoming hearings, I still need some additional facts and figures which were not included therein.

At your earliest opportunity, or in any event before the commencement of the Senate Appropriations Committee hearings, which are scheduled to begin on Wednesday, August 5, 1959, I would like you to supply me with the data listed below:

1. A detailed listing by country, project, and amount, of all project assistance to be financed out of the Defense Support Appropriation for fiscal year 1960 which should also include the following:

   a. date project started
   b. cost estimate when project was initiated
   c. current cost estimate
   d. estimated date of completion
   e. future financing requirements

2. A detailed listing by country, project, and amount, of all project assistance to be financed out of the Special Assistance Appropriation for fiscal year 1960, which should also show the same data as requested in (a) through (e) above.

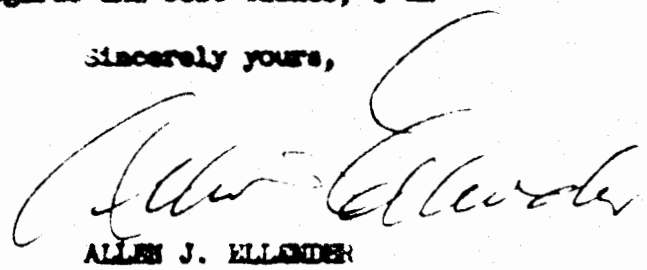
BEST AVAILABLE

3. A current listing by country, project, and amount, of loan commitments, obligations and expenditures, by the Development Loan Fund.

4. A current listing by country, project, and amount, of the loan applications on hand by the Development Loan Fund.

With kindest regards and best wishes, I am

Sincerely yours,



ALLEN J. ELLENDER
U. S. Senator

AJE:Afa

cc: Honorable James W. Riddleberger
Director
International Cooperation Administration
Washington, D. C.

Honorable John E. Murphy
Assistant Deputy Director, Controller
International Cooperation Administration
Washington, D. C.

Honorable Dempster McIntosh
Manager, Development Loan Fund
International Cooperation Administration
Washington, D. C.

BEST AVAILABLE

BACKGROUND AND CURRENT STATUS OF SHIHMEN DAM PROJECT

The Shihmen Dam in Taiwan is a major construction project of significant economic and political importance to the Island and to the Chinese Government, and in which the United States has a large financial stake as a result of ICA grants in aid and a DLF loan. The cost estimates have been in process of review and development by Tippets-Abbott-McCarthy and Stratton (TAMS) for some time. A current joint estimate made by TAMS and Morrison-Knudsen International pursuant to the provisions in their contract indicate a higher cost than was previously estimated by the Shihmen Development Commission. In the light of the revised higher estimate the ICA Mission Director in Taipei has expressed reservations as to the desirability of continuing the project (TOICA 101 - Tab A). In the light of his comments appropriate administrative action has been taken to limit current expenditures pending further study of costs and benefits.

Background

The Shihmen project has been under consideration by the Taiwanese and local government for over 30 years. Several studies were undertaken by the Japanese during their occupation of the Island and periodically plans were developed and proposed. Since World War II the Chinese have concentrated on the project with the enthusiastic support of the local inhabitants in a final effort to bring the undertaking to a successful conclusion. The final round of surveys were begun about 1953 by the Chinese Government assisted by the U. S. Bureau of Reclamation. A Preliminary Planning Report was completed in 1954 and a definite plan report became available in 1955 which served as the basis for ICA approval of the project. The U.S. engineering firm of TAMS was engaged as consulting and design engineers and began their work in 1957. In November, 1958 prior to the completion of the design engineering being carried out by TAMS, Morrison-Knudsen International were engaged to perform advisory services on construction. Since that time the two firms have been collaborating as required by their contracts in the completion of cost estimates and have reached a conclusion showing costs quite a little in excess of the 1958 estimate mentioned below.

Meanwhile, the Chinese had initiated work at the dam site and on facilities related to the project with local funds made available from various sources and with grant in aid funds made available by ICA beginning in 1956. ICA made available a total of US$7.7 million in 1956 and 1957.

Early in 1958 the SDC applied to the Development Loan Fund for US$21.5 million to complete the project. This request was based on the estimates made by the Commission and TAMS. Those estimates envisioned a total requirement of US$29.2 million and NT$1,072,000,000 (equivalent of US$43.3 million). Those figures were not regarded as final by DLF

at the time the application was reviewed inasmuch as the TAMS study had not been completed but it was considered that the final estimate would be near the above amounts.

The project involves the construction of a multipurpose dam near Taipei in Northern Taiwan which will provide electric power, irrigation and water supply for the area and facilitate flood control. It will include facilities for eventual installation of three 40,000 KW generators, two of which it is planned to install now to provide peaking power of 80,000 KW and firm power of 40,000 KW. It will provide irrigation for over 57,000 hectares of land and water supply for 340,000 people. The flood control benefits to the area including the capital city of Taiwan will be significant.

The DLF loan was approved at the end of June, 1958 and funds have been made available for continuation of the project as indicated in Tab B.

Cost Estimates and Benefit/Cost Studies

The 1958 cost estimate and the most recent revised estimates may be compared as follows:

		Local Currency Funds* (in NT$ Millions)		
	US$ Cost	Counterpart Funds	Chinese Resources	Total
1958	29.2	304	768	1072
1959	34.0	(under negotiation)		1470
Increase	4.8			398

- - - - - - - -

*Because of a difference in exchange rates between 1958 and 1959 due to a devaluation, local currency data are expressed in New Taiwan dollars (NT$) rather than US$ equivalents. The current rate of exchange is NT$36.38 to US$1.

The reasons for the recent increase are not yet known in detail but a preliminary analysis is shown in Tab C.

These new costs have necessitated a re-assessment of the benefit-cost ratio. This ratio is a measure of the economics of projects of this type and a concept with which the Congress is familiar because it is used in appraising similar U.S. projects. This ratio, based on the 1958 cost estimates, was 1.45 to 1.00 and was thus favorable to the project. The new cost estimates have led the ICA Mission in Taipei to express doubt whether the resulting new benefit-cost ratio would be such

as to justify continuing the project. However, ICA/Washington is of the opinion that the benefit-cost ratio will remain favorable even with the increased cost estimates. Final judgement by ICA/Washington must be reserved until the full updated benefit-cost study has been received from Taipei as requested. (See Joint State ICA DLF Message 77, at Tab D.)

In the benefit-cost studies developed to date many tangible benefits have not been taken into account. This is recognized and some of these benefits are discussed here. Consideration should be given to appreciation of land values which may prove to be greater than the entire cost of the project. Improvements stemming from this project will also favorably affect the adjacent urban economy and enhance the tax receipts of the government. The more intensive farming in the area of the project will materially augment farm employment, which in turn will create a greater demand for city services and increased employment of the adjacent population.

Increased rice production has been emphasized but there has not been sufficient appraisal of many other agricultural benefits which will accrue to Taiwan as a result of the Shihmen Project. There will be increases in production of sweet potatoes, soybeans, rapeseed, wheat, vegetables and tea. Then too, increased production of sweet potatoes and grain would result in increased production of hogs and poultry. Increased production of feathers will augment present exports now totalling annually US$1,200,000. With a stabilized supply of water for the small farm reservoirs thousands of tons of fish would be produced for home consumption. Fiber will be produced for handicraft. Small industries will develop and employment will increase. All of these things are common in the Taiwanese economy and none should be excluded from a study of benefits to be derived from a project of this type.

Political and Economic Considerations

It should be noted that the Shihmen Dam has been criticized by Senator Ellender on the grounds that the United States would end by paying for the entire project. While this obviously could not be the case, due weight must be given to the adverse domestic political implications of sustaining a loss of several million dollars.

At the same time, the political consequences vis-a-vis the Chinese of abandoning this major and much publicized project must also be considered. Vice Premier Chen Cheng has from the outset demonstrated a strong personal interest in the project.

The Chinese Government has an implied commitment to the people of the area dating back to 1954 to carry out the Shihmen project. It is of paramount importance in maintaining good relations with the Taiwanese that this commitment be fulfilled. If the Chinese Government should suspend construction it would cause the local people to lose confidence in the government and have serious effect upon the prestige of Free China throughout the Far East.

It is estimated that with the population increasing at 3.5 percent a year, Taiwan will require 50,000 MT additional rice each year to keep up with food requirements. The scarcity of land makes it mandatory that the Chinese Government develop every possible means of increasing production if it is to maintain the present standard of living and prevent social unrest on Taiwan. Shihmen Dam will make an effective contribution to this area.

Attachments:
Tab A - TOICA 101 - July 28, 1959
Tab B - Shihmen Project - Financial Status
Tab C - Comments on Revised Cost Estimates
Tab D - Deptel 77, July 31, 1959

INCOMING CABLEGRAM **INTERNATIONAL COOPERATION ADMINISTRATION**

SECURITY CLASSIFICATION
~~CONFIDENTIAL~~

--2- TOICA 101, JULY 28, 5 P.M. FROM TAIPEI

(INTEREST RATES). CURRENTLY THE GRC IS EXPERIENCING DIFFICULTY IN SELLING SHORT-TERM, TAX-EXEMPT BONDS BEARING 18 PERCENT INTEREST. BANKS ARE PAYING 22 PERCENT PER ANNUM FOR THREE-YEAR TIME DEPOSITS. COMMERCIAL BANK CREDIT, WHEN AVAILABLE, COSTS ABOUT 24 PERCENT. PRIVATE LENDING BRINGS RATE FROM 30 TO 45 PERCENT. CENTRAL BANK CREDIT TO GOVERNMENT CORPORATIONS AND AID COUNTERPART LOANS BEAR 12 PERCENT. HENCE IT MUST BE RECOGNIZED THAT EVEN A 12 PERCENT RATE CONTAINS AN ELEMENT OF SUBSIDY.

(POWER GENERATION). SHIMEN WILL HAVE 80,000 KW INSTALLED GENERATING CAPACITY BUT THIS WILL IN ALL PROBABILITY PRODUCE LESS THAN NORMAL PEAKING POWER BECAUSE IN THE MANAGEMENT OF THE RESERVOIR MAXIMUM IRRIGATION BENEFITS WILL HAVE PRIORITY OVER POWER GENERATION. AS REPORTED IN TOICA 95 A NEW STUDY OF THAT ASPECT OF THE PROBLEM IS NOW UNDERWAY.

(INCREASED AGRICULTURAL PRODUCTION). SDC ANTICIPATES ADDITIONAL 70,000 TONS RICE ANNUALLY. THIS, HOWEVER, WILL NOT BE NET GAIN RESULTING FROM IRRIGATION SINCE IT WILL REQUIRE FERTILIZER, EQUIPMENT AND LABOR. IT WILL ALSO TO SOME EXTENT BE REPLACING DRY SEASON CROPS NOW BEING GROWN.

WILL FORWARD RESULTS STUDY OF POWER BENEFITS AS SOON AS POSSIBLE. WITH THIS AND THE ABOVE ANALYSIS WE FEEL WASHINGTON IS IN BEST POSITION TO MAKE DEFINITIVE COST BENEFIT STUDY.

IN ADDITION TO STRICTLY ECONOMIC CONSIDERATIONS THERE ARE OF COURSE THE POLITICAL FACTORS. SHOULD IT BE DETERMINED THAT THE PROJECT CAN NO LONGER BE JUSTIFIED ON ECONOMIC GROUNDS, THEN THE POLITICAL COMPLICATIONS VIS A VIS THE GRC IF THE PROJECT IS ABANDONED MUST BE WEIGHED AGAINST THE POLITICAL COMPLICATIONS VIS A VIS THE US CONGRESS WHICH COULD RESULT FROM CREATING AN EXPENSIVE COMPLEX WHICH COULD NOT SUPPORT ITSELF.

HARALDSON

(#) OMISSION. CORRECTION TO FOLLOW.

NO: 00-22

SECURITY CLASSIFICATION
~~CONFIDENTIAL~~

UNLESS "UNCLASSIFIED" REPRODUCTION FROM THIS COPY PROHIBITED

UNCLASSIFIED

INCOMING CABLEGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

SECURITY CLASSIFICATION
~~CONFIDENTIAL~~

SS
FE
SC

CONTROL: 18681
REC'D: JULY 28, 1959
7:06 AM

Info - Phillips

FROM: TAIPEI

NO.: TOICA 101, JULY 28, 5 P.M.

DISTRIBUTION
ACTION
INFO.

TO MOYER FROM HARALDSON

REFERENCE: TOICA 95, ICATO 91.

SUBJECT: SHIHMEN DAM.

DECLASSIFIED ON 3/31/81
BY SANDERS, DPC PB
AUTHORITY: EO 12065 & para 923, Uniform Security Regulations

SERIOUSLY DOUBT THAT ANY EVALUATION OF NEW COST ESTIMATES SHIHMEN DAM BY EMBASSY AND MISSION CAN CONTRIBUTE TO SOLUTION OF PROBLEM. TAMS AND MK, TWO COMPETENT FIRMS, AFTER MONTHS OF CAREFUL STUDY PRODUCED AN ESTIMATE OF 36 MILLION US AND APPROXIMATELY 1.6 BILLION NT. THIS WAS CONCURRED IN BY SDC ENGINEERS AND THE COMMISSION. BECAUSE OF THE CRITICAL ISSUE RAISED BY THIS NEW ESTIMATE, TAMS AND MK WERE INSTRUCTED TO REVIEW MATTER AND CUT TO ABSOLUTE MINIMUM. THIS THEY HAVE DONE. THE REVISED ESTIMATE IS 33 MILLION US AND 1470 MILLION NT. PERHAPS IF FURTHER PRESSURE WERE APPLIED A STILL LOWER FIGURE COULD BE PRODUCED, BUT THIS WOULD SEEM TO BE A DANGEROUS COURSE. WHAT IS WANTED IS NOT NECESSARILY A LOW ESTIMATE BUT A REALISTIC ONE. IN THIS CONNECTION, ITS IMPORTANT TO BEAR IN MIND THAT THE FIRST JOINT ESTIMATE WAS ITSELF A COMPROMISE, MK FEELING THE FIGURES SHOULD BE EVEN HIGHER AND TAMS AND SDC WANTING IT TO BE LOWER.

OTHER AGENCY

BOTH TAMS AND MK HAVE UNDERSTANDABLY RESISTED GETTING INVOLVED IN ANY COST BENEFIT ANALYSIS. WE FEEL THIS UNIMPORTANT SINCE THEY HAVE NO INDEPENDENT JUDGEMENT OF THE BENEFITS. THE PROBLEM (#) REVOLVES AROUND THE PRICE TAG WHICH IS PUT ON THE ELEMENTS OF BENEFITS AND COSTS. BY JUGGLING FIGURES ANY DESIRED RATION CAN BE DEVELOPED. THE CRITICAL FACTORS ARE INTEREST RATES, POWER GENERATION AND INCREASED AGRICULTURAL PRODUCTION.

SECURITY CLASSIFICATION
~~CONFIDENTIAL~~

ICA-5-36 (6 58)

UNLESS "UNCLASSIFIED" REPRODUCTION FROM THIS COPY PROHIBITED

INCOMING CABLEGRAM INTERNATIONAL COOPERATION ADMINISTRATION

UNCLASSIFIED

SHIHMEN PROJECT - FINANCIAL STATUS

Defense Support

U.S. Commitment to June 30, 1959

PPA 84-99-258 FY 1956 (Loan) 1/	$	3,977,559
84-99-258 FY 1957 (Loan) 1/		3,700,000
Total Committed	$	7,677,559
As of July 31, 1959 all of ICA dollar funds have been obligated and amount actually disbursed totals:	$	5,850,000
Unexpended July 31, 1959	$	1,827,559

(DS funds are loaned at 6% for 20 years, payable 40 semi-annual payments)

Development Loan Fund

Loan 3½% repayable in 70 semi-annual installments (About one-half of $21.5 million loan has been sub-obligated)	$	21,500,000.00
Amount disbursed as of July 31, 1959	$	618,337.38
Unexpended as of July 31, 1959	$	20,881,662.62

Chinese Government Funds Required

Chinese Government funds committed

Land reform, customs, taxes and water resources	NT$768,000,000	
Counterpart funds borrowed	304,000,000	
		1,072,000,000.00
Disbursements to July 31, 1959		400,000,000.00
Unexpended local currency requirements, July 31, 1959		NT$ 672,000,000.00

1/ Excludes participants and other technicans for which expenditures are not recoverable.

8/12/59

SHIHMEN DAM - COMMENTS ON REVISED COST ESTIMATES

The present estimate of construction costs for Shihmen Dam is US$ 34,000,000 and NT$1,470,000,000 which is an increase of U.S.$4,800,000 and NT$398,000,000 over the estimate submitted by the Shihmen Development Commission in February 1958.

The major differences between the two estimates are attributed to the following:

1. Increase in the Reservoir costs, primarily due to the inclusion of the abutment drainage system and additional grouting of the foundation to prevent seepage through the right abutment ridge. Some additional costs have been due to a necessary revision of the plans for relocation of villages and roads to place them outside of the reservoir,

2. To assure protection for construction during the wet season and avoid delay in construction of the main dam, it is necessary to increase the height of the cofferdams and to provide a second diversion tunnel to carry the excess waterflow,

3. Increase in the costs of the main dam, primarily due to an increase in excavation of unsuitable rock and earth in the dam foundation and the left and right abutments. Such excavation was a direct result of developed geological knowledge applied in the design. Additional plant, materials, and equipment are needed to place concrete in the excavated voids.

4. A portion of the NT$ increase was necessary to assuredly cover rising material and labor costs which are expected to be about 10%,

5. The basic design for the afterbay weir has been greatly revised from the scheme used in 1958, all of which was due to more detailed geological knowledge of the foundation conditions. The construction of the present design will require the placement of additional concrete.

The total increase in the US dollar cost is 16.4% and the increase in the NT dollar cost is 37.1%.

Increase in unit costs resulting from the above factors account for approximately 70% of U.S. dollar increase and 24% of the NTdollar increase. Design changes account for approximately 17% of the US dollar increase and 11% of NT dollar increase. Quantity increases account for a nominal amount of the U.S. dollar increase and about 4% of the NT dollar increase. Other requirements not anticipated in previous estimates account for about 13% of the U.S. dollar increase and 12% of the NT dollar increase. Approximately 48% of the NT dollar increase is accounted for by an increase in commodity taxes which, however, are returned to the project.

UNCLASSIFIED

OUTGOING TELEGRAM

INDICATE: ☐ COLLECT ☐ CHARGE TO

Department of State

17795

~~CONFIDENTIAL~~

D.L.F. RECORD COPY

Shihmen Dam - DLF Loan #17.

SENT TO: Amembassy TAIPEI 77

43 Origin
FE Info
SS
L
INR
H
UMSC
E
IRC
DCL
ICA
CIA
RMR

Your TOICA 101

JOINT STATE ICA DLF MESSAGE

1. Appreciate complexity of problems posed by revised cost estimate for Shihmen and consequences they entail for benefit cost ratio. Magnitude of decision, which can only be made here, demands information comparable in scope submitted when DLF loan was sought in order to permit full and sober consideration this matter.

2. Benefit cost ratio of power element alone considered inseparable from complete benefit cost analysis. Acceptable information concerning any one of the project purposes can only be obtained by up-dating study entitled QUOTE Revised Study on Benefit and Cost of Development Shihmen Multipurpose Dam Project UNQUOTE dated March 1958 as prepared by SDC to cover all elements of multipurpose project. Study should follow format and contain analyses essentially same as those used in March 1958 study. You requested discuss foregoing with appropriate CUSA, SDC officials.

3. Further action here toward resuming full implementation awaiting above study.

DECLASSIFIED ON [illegible]
BY Smucker, [illegible]
AUTHORITY: EO 12065 & para 923, Uniform Security Regulations

Drafted by: FE:CA:NKPratt:sp 7/31/59
ICA:[illegible]Kirby

Telegraphic transmission and classification approved by: CA - LaRue R. Lutkins

Clearances:
ICA - IED NEThompson (draft)
O/IND CWallen (draft)
[illegible]
CHINA LBHughes (draft)
O/IND JLightfoot (draft)
ICA - O/FE [illegible]Whitman
State - FE Mr. Palmer [illegible]
U/MSC [illegible]rechtling
[illegible]-DLF RMoorman (draft)

CONFIDENTIAL

[illegible] Mr. Schunkler

UNCLASSIFIED REPRODUCTION FROM THIS COPY IS PROHIBITED.

BEST AVAILABLE

UNCLASSIFIED

CONFIDENTIAL

4. Before undertaking additional studies of alternative arch or earth dam request Washington be informed.

5. Comments also desired on effect, if any, of Nov. 1958 devaluation on benefit cost ratio. If benefits, calculated in NT$ remain constant it would appear that devaluation could have affected ratio adversely even without recent increases in cost estimates. Using 1958 estimates submitted DLF loan application, U.S. dollar component when revalued would raise total direct construction cost of project expressed in NT$ from NT$1,795 million to about NT$2,130 million.

6. Question re cost estimates: Is NT$318 million import duty and tax counted as net expense or refunded by GRC to reduce total cost.

7. Also need schedule actual and estimated local currency contributions to Shihmen project by fiscal year broken down according to GRC and MSP sources, as requested ICATO 83.

8. Your analysis Chinese reaction to possible adverse U.S. decision continuation this project desired.

DILLON

BEST AVAILABLE

SUMMARY OF DLF COMMITMENTS, OBLIGATIONS AND DISBURSEMENTS
AS OF JUNE 30, 1959

Country and Project	Total Commitments Against Lending Authority-- By Country	Obligations-- By Project a/	Other Commitments Against Lending Authority-- By Project b/	Disbursements
AFRICA	(in thousands of dollars)			(by dollars)
Ethiopia	500			
Cotton Textile Mill (SAIDE)		--	500	--
Liberia	3,190			
Sawmill Expansion		190	--	--
Telecommunications Improvements		3,000	--	50,000.00
Libya	5,000			
Tripoli Electric Power		5,000	--	--
Nigeria	800			
Apapa Warehouse		--	800	--
Nyasaland	10,700			
Nyasaland and Trans-Zambesia Railways		--	10,700	--
Somalia	2,000			
Credito Somalo		2,000	--	--
Sudan	10,000			
Cotton Textile Mill		10,000	--	--
Tunisia	8,650			
National Railroad (rolling stock)		2,400	--	--
Esparto Pulp Factory		6,250	--	--
TOTALS, AFRICA	40,840	28,840	12,000	50,000.00

UNCLASSIFIED

Smucka 3/31/81 PPC PB

Country and Project	Total Commitments Against Lending Authority-- By Country	Obligations-- By Project a/	Other Commitments Against Lending Authority-- By Project b/	Disbursements
EUROPE	(in thousands of dollars)			(in dollars)
Netherlands	3,000			
Resettlement of Emigrants in Australia		3,000	--	--
Spain	23,800			
Irrigation (earthmoving equipment)		7,700	--	--
General Electrica Espanola		--	1,200	--
RENFE - Railway Track Rehabilitation		14,900	--	--
Yugoslavia	51,500			
Nitrogen Fertilizer Plant		22,500	--	561,405.58
Diesel Locomotives		5,000	--	--
Kosovo Thermal Electric Power		--	9,000	--
Tresbisnjica Hydroelectric, Stage 1		--	15,000	--
TOTALS, EUROPE	78,300	53,100	25,200	561,405.58
FAR EAST				
Indonesia	9,000			
Railway Rehabilitation		3,000	--	--
Harbor Rehabilitation		6,000	--	--
Korea	17,740			
Tong Yang Cement Plant		2,140	--	643,870.03
Chung Ju Power - Design Engr.		1,500	--	--
Telecommunications Improvement		3,500	--	--
Korea Reconstruction Bank			5,000	--
Oriental Chemical Industry Co.		--	5,600	--
Malaya	20,000			
N. Klang Straits - Port Development		10,000	--	--
Road and Bridge Construction		10,000	--	--

CONFIDENTIAL

Country and Project	Total Commitments Against Lending Authority-- By Country	Obligations-- By Project a/	Other Commitments Against Lending Authority-- By Project b/	Disbursements
	(in thousands of dollars)			(in dollars)
FAR EAST (cont'd)				
Philippines	50,000			
Small Industry Loan Fund		5,000	--	--
Roads, Bridges & Rehabilitation of Public Works Equipment		18,750	--	--
Bataan Pulp and Paper Mill		--	5,300	--
Mindanao Portland Cement Corp.		--	3,700	--
Development projects pending		--	17,250	--
Taiwan	39,486			
Railway Modernization		3,200	--	--
Shihmen Multipurpose Dam		21,500	--	316,346.04
Improvement of Fishing Industry Eqpt		686	--	--
Cement Plant		2,750	--	564,068.31
Ingalls-Taiwan Shipbuilding c/		6,500	--	--
By-Product Coke Oven		1,000	--	988,500.00
Aluminum Corporation		1,350	--	--
Small Industry Fund		--	2,500	--
Thailand	22,500			
Bangkok Power Distribution		20,000	--	--
Meat Processing Plant		--	750	--
Channel Dredge		1,750	--	--
Vietnam	19,500			
Saigon-Cholon Water Distr. System		--	19,500	--
TOTALS, FAR EAST	178,226	118,626	59,600	2,512,784.38

CONFIDENTIAL

Country and Project	Total Commitments Against Lending Authority-- By Country	Obligations-- By Project a/	Other Commitments Against Lending Authority-- By Project b/	Disbursements
	(in thousands of dollars)			(by dollars)
LATIN AMERICA				
Argentina	24,750			
Transportation, Power, Industry		24,750	--	--
Bolivia	4,000			
Sugar Mill		2,500	--	763,917.89
El Alto Airport		--	1,500	--
Brazil	540			
Rural Resettlement - Carembei/ Castrolanda		240	--	117,762.10
Rural Resettlement - Anhumas/ Pedrinhas		--	300	--
Chile	300			
Airport Design Engineering		300	--	--
Costa Rica	300			
Resettlement		300	--	128,591.04
Ecuador	4,700			
Pan American Highway		4,700	--	--
Guatemala	5,400			
Rubber Production		--	5,000	--
Kenaf Bag Factory		400	--	--
Haiti	4,300			
Artibonite Valley Development		4,300	--	--
Honduras	5,000			
Highway Development		5,000	--	39,719.92
Nicaragua	600			
Public Utilities - Matagalpa		600	--	--

[redacted]

CONFIDENTIAL

Country and Project	Total Commitments Against Lending Authority-- By Country	Obligations-- By Project a/	Other Commitments Against Lending Authority-- By Project b/	Disbursements
LATIN AMERICA (cont'd)	(in thousands of dollars)			(by dollars)
Paraguay	7,100			
Waterworks - Asuncion		1,000	--	1,000,000.00
Road to Brazil		2,500	--	--
International Products Corporation (ranching, meat packing, quebracho)		2,600	--	1,023,561.70
Telecommunications		--	1,000	--
Uruguay	8,800			
UTE Telephone Expansion		--	8,800	--
TOTALS, LATIN AMERICA	65,790	49,190	16,600	3,073,552.65
NEAR EAST				
Greece	12,000			
Nitrogen Fertilizer Plant		12,000	--	--
Iran	77,700			
Plan Organization Projects		47,500	--	24,313,130.17
Industrial Development Bank		--	5,200	--
Highway Construction (Avej-Andimeshk Link)		--	25,000	--
Israel	25,000			
Development Loan (power, railways agricultural & industrial dev.)		15,000	--	12,284,565.11
Industrial Institution (dev. bank)		5,000	5,000	--
Jordan	3,700			
Electric Power		1,200	--	--
Phosphate Mines		--	2,500	--
Lebanon	5,500			
El-Barel Power Plant Project		--	500	--
Agric., Industrial and Real Estate Bank		--	5,000	--

[redacted]

Country and Project	Total Commitments Against Lending Authority-- By Country	Obligations-- By Project a/	Other Commitments Against Lending Authority-- By Project b/	Disbursements
NEAR EAST (cont'd)	(in thousands of dollars)			(by dollars)
Syria	1,000	--	1,000	--
Turkey	47,500			
Industrial Development Bank		10,000	--	--
Aerial Mineral Survey		900	--	--
Zonguldak Coal Development		14,500	--	--
Plastics & Related Chemicals Plant		--	6,100	--
Electric Power Distribution		--	7,000	--
Koruma Chlor-Alkali & Pesticides Mfg		--	2,800	--
Development projects pending		--	6,200	--
TOTALS, NEAR EAST	172,400	106,100	66,300	36,597,695.28
SOUTH ASIA				
Ceylon	3,250			
Colombo Railroad (motor coaches)		750	--	--
Highway Development Equipment		900	--	--
Irrigation and Land Development		1,600	--	546,253.76
India	195,000			
Railways (steel for locomotives and rolling stock)		40,000	--	2,147,030.90
Road Transport Equipment, Cement & Jute Industry Machinery		35,000	--	3,618,329.97
Steel for Public Projects		18,000	--	--
Steel for Private Projects		22,000	20,000	--
Equipment for Railway Development		35,000	--	15,113,745.47
Equipment for Public Power Dev.		10,000	--	--
Capital Equipment for Private Ind.		15,000	--	1,709,978.97

Country and Project	Total Commitments Against Lending Authority-- By Country	Obligations-- By Project a/	Other Commitments Against Lending Authority-- By Project b/	Disbursements
	(in thousands of dollars)			(by dollars)
SOUTH ASIA (Cont'd)				
Pakistan	101,750			
Karachi Water and Sewerage		5,500	--	--
Industrial Credit Corporation		4,200	--	32,323.60
W. Pak. High Tension Grid (power transmission)		14,700	--	--
Karnafuli Multipurpose Dam		17,500	--	1,100,823.09
W. Pak. Ground Water Development (reclamation)		15,200	--	--
W. Pak. Secondary Transmission		23,000	--	--
Railway Rehabilitation Equipment		9,100	--	--
Port of Chittagong		--	2,000	--
Port of Chalna Anchorage		--	2,000	--
Sui Gas Transmission		--	2,000	--
Marking & Charting of Navigable Waterways of E. Pak.		--	1,750	--
Karachi Commercial Jet Strip		--	4,800	--
TOTALS, SOUTH ASIA	300,000	267,450	32,550	24,268,485.76
GRAND TOTALS	835,556	623,306	212,250	67,063,923.65

a/ Loan and guarantee agreements signed.
b/ Includes loan commitments approved by DLF Board, and in most cases announced by Letter of Advice and publicly, though formal agreements not yet signed.
c/ Includes loan guarantee of $4.5 million.

Office of the Secretary
Development Loan Fund
July 31, 1959

DEVELOPMENT LOAN FUND
Washington 25, D. C.

~~CONFIDENTIAL~~

LOAN APPLICATIONS ON HAND

AS OF JUNE 30, 1959

Total Proposals Under Consideration and on Hand

Africa	$ 125,973,000
Europe	238,979,000
Far East	255,659,000
Latin America	71,696,000
Near East	474,423,000
South Asia	347,900,000
GRAND TOTAL	$1,514,630,000

Smucker 3/31/81 PPC IPB

UNCLASSIFIED

~~CONFIDENTIAL~~

LOAN APPLICATIONS ON HAND
June 30, 1959

AFRICA

COUNTRY	PROPOSAL AND SERIAL NO.	AMOUNT (Thousands)
ETHIOPIA	Refrigerator Ship, 431	300
	Development Bank, 456	2,000
	Ethiopia (Total)	2,300
GHANA	Refrigeration and Air Conditioning Equipment, 457	100
LIBERIA	Agri. & Ind. Cr. Corp., 105	1,000
	Hydroelectric Project, 106	15,000
	Liberia (Total)	16,000
LIBYA	National Agricultural Bank, 69	2,800
MOROCCO	Triffa Irrigation, 416	22,300
	Urban Electric and Water Supply, 490	3,800
	Textile Plant Expansion, 528	365
	Morocco (Total)	26,465
NIGERIA	Borma Railway Extension, 18	5,600
	Victoria-Bamenda Trunk Road, 271	2,380
	Nigeria (Total)	7,980

EUROPE

COUNTRY	PROPOSAL AND SERIAL NO.	AMOUNT (Thousands)
YUGOSLAVIA (Cont'd)		
	Particleboard Plants, 299	2,400
	Trebisnjica Hydroelectric Power Station, Stage 2, 301-B	10,000
	Yugoslavia (Total)	113,914
	Europe Total	238,979

~~CONFIDENTIAL~~

LOAN APPLICATIONS ON HAND

FAR EAST

COUNTRY	PROPOSAL AND SERIAL NO.	AMOUNT (Thousands)
INDONESIA	Indonesian Service Co., 433	1,995
	Indonesian Shipping, 497	15,117
	Indonesian Development Bank, 511	10,000
	Semarang Thermal Power Plant	11,000
	Indonesia (Total)	38,112
KOREA	Tae Pan Plant, 190	2,461
	Daihan Iron Mine Development, 288	1,000
	PVC Plant - Pak San Co., 131	1,800
	Salt Refining Plant, 28	2,370
	Second Han River Hwy. Br., 429	8,000
	Chung-Ju Hydro Power Plant, 291	40,000
	Rayon Yarn Plant, 133	9,600
	Pig Iron Plant, 130	3,000
	Nylon Plant, 29	2,18[illegible]
	Ships for Fishing Industry, 475	1,70[illegible]
	Thorium Extraction Plant, 499	[illegible]75[illegible]
		[illegible],461
		53,170
		17,239
	Korea (Total)	7[illegible],870

~~CONFIDENTIAL~~

COUNTRY	PROPOSAL AND SERIAL NO.	AMOUNT (Thousands)
MALAYA	Kuala Lumpur Airport, 400	3,300
	Central Electricity Board, 380	3,280
	Malaya (Total)	6,580
PHILIPPINES	Bago Pulp and Paper Mill, 440	5,300
	Waterworks Projects, 399	6,900
	Nitrogen Fertilizer Project, 438	14,500
	Manila S. Road, 391	3,610
	Manila Water & Sewerage, 392	17,053
	Flood Control & Drainage Projects, 397	3,889
	Cotabato River Control, 398	3,090
	Asbestos Cement Pipe, 403	727
	Gonzalo Payat Flour Mill, 444	1,119
	Liberty Flour Mill, 447	1,180
	Central Philippines Flour Mill, 449	1,202
	Gonzalo Payat Lumber, 450	450
	Flexo Industrial Packing, 452	207
	Inter-Island Ships, 458	5,250
	Taggat Pulp & Paper Mill, 461	4,560
	General Milling Flour Mill, 462	1,250
	Crown Leather Tanning, 463	385
	Palawa Cassava Starch Mill, 465	349
	Ceramic Plant, 505	1,300
	Dredging Fleet, 526	8,000

Adjustment of Totals as a Result of Project Commitment

	Gross Total Above Projects	Offset Due to Project Commitment
Philippines (Totals)	80,32[illegible]	- 17,250

FAR EAST

COUNTRY	PROPOSAL AND SERIAL NO.	AMOUNT (Thousands)
TAIWAN	Construction Lignoplast Factory 1	300
	Fiberboard Plant, 3	1,200
	Mfg. Paper Yarn & Coated Paper, 4	400
	Lin Shan Hao Plywood, 68	220
	Power Substation Trans. & Dist., 161	3,700
	Urea & Phenolic Resin Plant, 208	300
	Microwave System, 252	1,800
	Caustic Soda Expansion, 302	197
	Yung-Shu Hydroelectric, 323	330
	Hsinchu Window Glass Works, 328	600
	Yue Loong Engineering Co., 2	2,095
	Chu Mou Shipyard Facilities, 5	300
	Lightweight Concrete Mfg., 162	525
	Taiwan Machinery Mfg. Corp., 195	800
	Bagasse Pulp Mill, 213	1,400
	Shi-Lung Glassware, 216	365
	Boat Building & Repair, 251	300
	Iron & Steel Mfg. Plant, 255	4,000
	Mei Lin Cellulose Acetate Plant, 256	6,000
	Paper Mill, 258	220
	Taipei Oxygen Mfg. Co., 259	510
	Formosa Plastics PVC Exp., 286	400
	Copper & Pyrite Development, 322	275
	Phosphate Fertilizer Production, 324	800
	China Wire & Cable Corp., 325	440
	Tang Eng Power Tiller Plant, 326	760
	Expansion of Tannery, 327	350
	Kaohsiung Methanol-Formaldehyde Plant, 329	500
	Fung Yuan Jute Mill, 373	294
	Hsinchu Textile Mill, 378	296
	Railway Locomotives, 500	5,820
	Tungsen Power & Irrigation	1,300
	Taipei Regional Water Supply, 519	3,960
	Taiwan (Total)	40,757

FAR EAST

COUNTRY	PROPOSAL AND SERIAL NO.	AMOUNT (Thousands)
THAILAND	Chengvethana Refrigeration Plant, 318	500
	Textile Mill, 485	450
	Rubber Works, 488	375
	Dhonburi Enamel, 494	189
	Dry Battery Factory, 532	200
	Thailand (Total	1,714
VIETNAM	Bus System, Saigon-Cholon, 53	2,000
	Electric Power Development Saigon, 311	12,000
	Railway Rolling Stock, 52	18,555
	Vietnam (Total)	32,555
	Far East (Total)	255,659

LATIN AMERICA

LOAN APPLICATIONS ON HAND
June 30, 1959

COUNTRY	PROPOSAL & SERIAL NO.	AMOUNT (Thousands)
BOLIVIA	San Aurelia Sugar Mill, 413	500
CHILE	Pudahuel Airport, 319	6,990
	Port of Corral, 320	4,462
	Chilean Investment and Loan Co. (CIDSA), 287	2,000
	Port of Arica, 320	9,687
	Chile (Total)	23,139
COSTA RICA	Cement Plant and Paper Mill, 474	2,000
	Agricultural & Industrial Development, 525	2,500
	Costa Rica (Total)	4,500
ECUADOR	Railway and Highway Bridge at Guayaquil, 310	3,300
	Highway	5,200
	Ecuador (Total)	8,500
HAITI	Sugar Mill, 423	3,000
	Highway Construction Project #1, 432	5,600

LATIN AMERICA

COUNTRY	PROPOSAL & SERIAL NO.	AMOUNT (Thousands)
HAITI (Cont.)		
	Hwy. Construction Project #2 & 3, 432	6,100
	International Airport, 533	3,000
	Sisal Plantation Expansion, 529	237
	Wharf	4,850
	Haiti (Total)	22,787
NICARAGUA	Tuma Hydroelectric, 520	2,500
	Rivas Irrigation, 521	1,200
	North Atlantic Forestry, 522	300
	Nicaragua (Total)	4,000
PARAGUAY	Society of Brothers Project, 418	170
	Asphalting Road, 482	2,000
	Paraguay (Total)	2,170
PERU	Pucallpa/Aguaytia Road, 523	4,100
URUGUAY	Livestock Rehabilitation Program	2,000
	Latin America (Total)	71,696

LOAN APPLICATIONS ON HAND
June 30, 1959

NEAR EAST

COUNTRY	PROPOSAL AND SERIAL NO.	STATUS	AMOUNT (Thousands)
GREECE	Athens-Thessaloniki Highway, 122		30,000
	Acheloos River Hydroelectric, 124		24,500
	Greece (Total)		54,500
IRAN	Iran-Turkey Railraod, 349 (see 417 under Turkey)		35,000
	Highway Construction Program		88,000
	Municipal Development		66,000
	Iran (Total)		189,000
ISRAEL	Lubricating Oil Refinery Facilities, 408		7,300
	Portland Cement Plant, 410		1,500
	Gat Sugar Ltd.		5,000
	Israel (Total)		13,800

NEAR EAST

COUNTRY	PROPOSAL AND SERIAL NO.	AMOUNT (Thousands)
JORDAN	Marble Quarry, 39	279
	Jordan Tobacco & Cigarette Co., 32	453
	Arab Land Bank, 78	1,000
	Jordan (Total)	1,732
LEBANON	SWIC-Vertical Textile Mill,483	200
	Plant Expansion, SIDEM, 491	500
	Stone Quarrying and Processing, 492	250
	Stone Processing and Cold Storage,493	150
	Jute Plant Expansion, 509	275
	Lebanon (Total)	1,375
TURKEY	Asbestos Cement Pipe Factory, 388	1,000
	Federal Truck Mfg., 424	3,000
	Sulphuric Acid Tankers, 527	1,500
	Jute Processing Factory, 244	4,200
	THY Aircraft, 281	4,000
	Turkey-Iran Railroad Link, 417(see 349 under Iran)	48,700
	Farm Machinery Components Mfg., 435	1,751
	Maritime Bank	12,000
	Forestry Administration	9,530
	Agricultural Equip. Agency(3 projects)	1,370
	Soil Products Office	1,176
	Trans-Turk Glass & Soda Ash Plant,108	5,000
	Kutahya-Seyitomer Railroad, 150	1,394
	Kutahya Steam Power Plant, 151A	26,700
	Cotton Textile Factory, 153	3,337
	Syehan-Berdan Rivers Irrig. & Drainage Project, 155	1,296
	Turkish Viscose Project, 158	17,725
	Cement Factory, 159	3,945
	Steel Rolling Mill, 193	1,445
	Pulp & Paper Mill (Parsons & Whittemore) 197	12,940
	Carbide Plant at Tuzla, 200	1,500
	Soda Ash & Caustic Soda Plants,202	3,440
	Iskal Boracite Plant, 228	1,000

NEAR EAST

COUNTRY	PROPOSAL AND SERIAL NO.	AMOUNT (Thousands)
TURKEY (Cont.)		
	Pamukbank Chlorine-Caustic Soda Plant, 275	4,100
	Land Development Project, 277	4,918
	Porcelain Factory, 278	2,195
	PIRAMIT Textile Paper Program, 282	7,722
	Mermerciler Textile Plant, 321	1,632
	Izmir Steel Industry, 343	1,800
	Boron Minerals Projects, 366	3,500
	Expansion of Shoe Factory, 368	3,900
	Tire Factory, 370	7,000
	Textile Dyestuff Factory, 371	2,500
	Establishment of Ceramic Plant, 372	2,500
	State Mechanical & Chem. Ind., 375	2,700
	Extension of Tuncbilek Power Plant, 376	4,200
	Tungsten Deposit Project, 377	2,000
	Klor-Alkali Sanayii, 479	1,600

Adjustment of Totals as a Result of Project Commitment

	Gross Total Above Projects	Offset Due to Project Commitment	Net
Turkey (total)	220,216	-6,200	214,016
		Near East, (Total)	474,423

LOAN APPLICATIONS ON HAND
June 30, 1959

SOUTH ASIA

COUNTRY	PROPOSAL AND SERIAL NO.	AMOUNT (Thousands)
AFGHANISTAN	Aircraft, Spare Parts & Equip., 531	2,800
CEYLON	Cement Plant Expansion, 12	4,500
	Salvinia Control, 16	1,116
	Airport Development, 15	2,500
	Ceylon (Total)	8,116
INDIA	Railways	20,000
	Road Transport	20,000
	Industrial Finance Corporation	10,000
	Engineering Industries	90,000
	Power Transmission	20,000
	Tungabhadra-Nellore Hydroelectric	8,000
	Hirakud Multipurpose Dam	7,000
	Rihand Multipurpose Dam	15,000
	Dev. Chemical Industries	5,000
	Dumex Pharmaceutical Plant, 309	5,345
	Orient Paper Mills, 364	8,400
	Component Parts, Bus & Truck	25,000
	India (Total)	233,745
NEPAL	Industrial Credit Corporation, 19	1,300

SOUTH ASIA

COUNTRY	PROPOSAL AND SERILA NO.	AMOUNT (Thousands)
PAKISTAN	Inland Water Transport: Radio Navigation, 167	462
	Multan-Lahore Gas Pipeline, 178	10,504
	Pakistan Industrial Credit Corp. 2nd, 514	8,000
	Hyderabad Thermal Grid, 164	4,600
	Inland Water Transport; Rehabilitation Dredges, 168	800
	Gas Pipeline Sylhet-Ghorosal, 170	11,554
	Ghulam Mohammed Barrage Land Development, 171	400
	Upper Sind (Guddu) Barrage, 173	9,600
	Inland Grain Storage at Lyallpur & Landhi, 177	2,630
	Natural Gas Power Station Sukkur, 179	5,105
	Rehabilitation of Railroad, 183	13,000
	Ganges Kobadek (Irrigation), 184	4,524
	Broadcasting Development, 185	1,870
	Dacca & Chittagong Water Supply, 187	2,600
	Municipal Water Supply, 188	2,780
	Inland Water Transport:Dev. Inland Water Transport, 230	1,000
	Grain Storage, 236	2,500
	Exp. Carrier-on-Cable Links, 332	4,145
	Expansion Telephone System, 333	3,362
	Pakbay Barges and Tugs, 340	1,000
	Hilton Hotel, Karachi, 341	2,000
	Joint Steamer Companies, 342	4,400
	Small Industries Corp., 358	2,000
	Vessels for Inland Water Transp., 489	1,688
	Rehabilitation of E. Pak. Dredgers,501	1,415
	Pakistan (Total)	101,939
	South Asia (Total)	347,900

STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

TO : Mr. Manuel C. Zenick DATE: July 30, 1959

FROM : R. F. Chutter

SUBJECT: Criticisms and Comments on Senator Allen J. Ellender's Reports of 1954 and 1956 and Senate Document No. 31, March 4, 1957.

Mr. Mirski has reviewed the criticisms of Senator Allen J. Ellender as contained in the Senator's Reports of 1954 and 1956 and in Senate document No. 31 dated March 4, 1957. Below we are giving the resume of the criticisms with respect to Mutual Security operations in Afghanistan, Pakistan, India, and Ceylon, and short comments on same. Actually none of these criticisms apply to DLF since DLF was not in existence in 1957. The most that can be said is that the statements of Senator Ellender point in some cases to general criticism of the Mutual Security Program as a whole and it undoubtedly would be well for DLF to bear them in mind in future operations so that if the criticisms were sound, future criticism on these points with respect to DLF can be avoided.

1. AFGHANISTAN

(a) General

(1) Criticism:

(i) Unsatisfactory surveys of projects' feasibility.

(ii) Projects too ambitious, often beyond financial means of RGA to maintain and carry on without further assistance.

(iii) Too close participation in RGA's programs forcing U.S. to make these programs work or to endanger our prestige and objectives in the area should our efforts fail.

(b) Projects

(1) Criticism:

(i) Air Transportation Development Program. Program too ambitious involving continuous service and maintenance, pilot training, and general supervision over the entire program. It may lead to a long-range program creating an impression of the U. S. political domination. This, in turn, may necessitate greater expenditures for information which again may result in the need for more aid.

BEST AVAILABLE

AFGHANISTAN (Cont'd)

Question: Where is the limit to our aid?

(ii) The Helmond Valley Program (going back to 1946) The whole scheme ill-planned and insufficiently developed before our aid started. Incomplete engineering studies before the Ex-Im Bank granted loan of approximately $40 million. Technical assistance rendered to RGA up to 1956 should have been completed prior to the granting of Ex-Im Bank's loan. Even if technical project is feasible it will not meet the expectations of the RGA, and U.S. Government will be blamed.

(2) Comment

We have no loans in Afghanistan. Can bear these criticisms in mind when in the future we may consider making a loan.

II. INDIA

(a) General

(1) Criticism

(i) Too many loans, overloading our budget, and directed to modernize India overnight.

(ii) Time lag between appropriations and final allocation of funds to India.

(iii) Commitments of aid to India planned under assumption of a long-range basis whereas the authority for the aid program has been confined to a 1-year basis.

(iiii) Duplication of efforts among various U.S. missions.

(v) Lack of security or equity participation for the American interests in the projects which we are helping to create.

(vi) Indian contributions to various programs often come from the sale of goods received as grants, with no actual cost to the Indians.

(2) Comment

(i) The neutral world is watching results in India versus Red China -- the Free World versus the Communist World. It behooves us to help India and not let her development fall too far behind that of China.

INDIA (Cont'd)

(ii) This may be true with ICA but certainly not with DLF and India.

(iii) Believe Congress is becoming appreciative of of the value of long-range planning.

(iii) Closer coordination should always be aimed at.

(iv) DLF loans are guaranteed by the governments. DLF does take convertible debentures but does not participate in equities. American interests are served by improving investment climate for private capital.

(v) Resume refers to counterpart funds. These moneys were granted and as such could be used by the Indians to their best interest with approval of the U. S. Government.

(b) Projects

(1) Criticism

(i) Training Programs. Too much money spent on demonstration machinery of a highly technical character (Budui Center).

(ii) Savings from improved methods are not passed to final consumers.

(2) Comment

(i) Does not concern DLF.

(ii) Out of our control except by persuasion.

III CEYLON

(a) General

(1) Criticism

(i) Wasteful practices of allocating money before plans for development projects are made. Example: $5 million allocated for FY 1956 only 2 days before the close of the fiscal year.

(ii) Use of development assistance funds for purposes other than appropriated (mainly for regional projects. Example: $491,000 in 1956 used to defray cost of transportation of powdered milk for distribution by CARE.

CEYLON (Cont'd)

(iii) Improvements do not benefit poor masses.

(2) Comment

(i) Does not apply to DLF.

(ii) Does not apply to DLF

(iii) Indirectly the improvements
and fu[illegible]

IV. PAKISTAN

(a) General

(1) Criticism:

(i) Aid program does not improve the mal-distribution of income. (Over $100 million spent since 1952 and no noticeable improvement for masses in 1957.)

[illegible]ecific projects considered a success. Generally well [illegible] of concrete instead of steel for grain storage [illegible]

[illegible] C[illegible]

BEST AVAILABLE

MEMORANDUM TO THE FILES

SUBJECT: Further Comment on Senator Ellender's Reports--Pakistan

1954 Report

Senator Ellender states that the following ICA projects be terminated and host country provide support: "It is my belief that these and similar schemes should be terminated, where economically possible, with the host country taking over for the burden of support; where such is not possible and where we would lose initial investments by withdrawing support now, worthy projects should be carried on to completion."

Senator Ellender does not state that anything is intrinsically wrong with these projects, simply that the U. S. shouldn't be engaged in a costly program; the Pakistanis should do it themselves. Capital assistance should not be given in the guise of technical assistance.

Khairpur Drainage (West Pakistan ground water)

Karachi Water Supply and Sewage Disposal 1/

Grain Storage 2/

1/ DLF loans in these areas
2/ DLF application pending

1956 Report

In 1956 Senator Ellender had very little criticism to make and complemented a number of the projects. Senator Ellender made the following points of interest to the DLF:

1. Pakistan's primary problem is a shortage of food.

2. The upper classes are unwilling to help lift Pakistan up "by bootstraps." The plight of masses has not been noticeably improved.

3. Fish harbor dredging project was progressing nicely as were the small refrigerating plant projects.

4. Grain storage facilities - used concrete bins. Recommends that any further grain storage facilities also be of concrete and reinforced steel rather than all steel. "Insist that government make contribution to the extent of its ability."

Manuel C. Zenick:8/14/59

~~OFFICIAL USE ONLY~~

Files July 31, 1959

M. Milburn Pehl

Pakistan — Senator Ellender's Report of 1954 and Present DLF Operations

This memorandum is written in response to Mr. Zenick's memorandum of July 27, 1959, Subject: Senator Ellender's Reports. A review of Senator Ellender's 1954 Report on Pakistan indicates that conceivably the Senator could attack our loan of $17,500,000 to complete the Karnafuli Dam Project which was begun under FOA financing. In FY-54, FOA provided $750,000 for an engineering services contract (International Engineering Co.) for completion of investigations in designs and preparation of drawings and specifications for the entire project. (No FOA funds had been provided prior to FY-54). Since no decision had been reached up to the time of Senator Ellender's visit re possibility of World Bank financing, the project had been placed by FOA on a supplementary list for possible financing of $3,000,000 in FY-55. Senator Ellender comments that:— "Under no circumstances should this project be permitted to absorb and require a large expenditure of U.S. funds, should the World Bank refuse a loan to Pakistan". World Bank financing did not materialise and FOA/ICA for subsequently developed justification supplied additional dollar financing. FOA/ICA has obligated approximately $19.7 million for the project through FY-58.

In FY-59, in view of: (1) ICA's lack of funds to finance all the necessary elements in its Pakistan program, (2) the availability of funds under DLF for economic development projects, (3) the recognition by Congress that DLF would of necessity finance the completion of some projects started by FOA/ICA and (4) a satisfactory application to the DLF from the GOP for financing for the Karnafuli Dam Project, the Board of Directors of DLF authorized the making of a loan for $17,500,000 for the Karnafuli project. It is also possible that up to $3,000,000 additional foreign exchange financing may be needed to complete the project. The Board was advised of this in the Loan Paper.

Clearances:
ICA: DEldridge (draft)
JLightfoot (draft)
DLF: GRublee _____

cc: Mr. Hart Perry
MMPehl:wg:7/31/59
Mr. Wendell Zenick (2)

~~OFFICIAL USE ONLY~~

DECONTROLLED ~~DECLASSIFIED~~ ON 3/31/81
BY Cowell SCR/MO/CRM
AUTHORITY: ~~[illegible]~~ para ~~[illegible]~~, Uniform Security Regulations 958.2

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Lester Gordon

DATE: July 31, 1959

FROM : R. E. Phillips

SUBJECT: Senator Ellender Hearings

In reference to your memo dated July 16 on above subject, I have the following comments to make after hurriedly reviewing Senator Ellender's earlier reports on Korea, Taiwan and the Philippines.

Senator Ellender appears to take issue with certain types of projects on grounds of general principle. His objections would apply to any projects where certain circumstances prevail. Those most noticeable in reading his reports on countries in my area related to (1) rates for public utility services, and (2) interest rates paid by borrowers. He is very critical of Korea and Taiwan for refusal and failure of the legislatures to approve rates on electric power, rail transportation, etc., which would enable those utilities to amortize borrowings. He identifies this with the continued reliance upon the U.S. for funds to replace or expand facilities. This, of course, does not necessarily follow as the requirement is generally for foreign exchange which would not be reduced by increased rates.

He is repeatedly critical of high interest rates to borrowers. He commented particularly on the rate structure in connection with the ICA Small Industry Loan in Taiwan. We will have to use care in what is said about our projects which call for relending with premiums to the banks handling the funds and we should be prepared to explain the relending arrangements where our funds are being provided at a low rate while local funds are being provided through the same banking channels at much higher rates. It is doubtful whether such a situation can be explained so as to satisfy Senator Ellender, but we can expect to be questioned on such situations wherever they exist.

Philippines

Senator Ellender appears from his comments [illegible] to the Philippines. He comments on the progress bei[illegible] to be happy with the effort being made by ICA and [illegible] conditions in the rural areas. It should be pos[illegible] reaction from him to our public works loan whi[illegible] throughout the Islands extending into the back country and he should be impressed with the efforts to assist small business through the loan to the Central Bank. In that case, however, he may comment unfavorably on any spread between the rate we charge the Bank and the rate ultimately charged the borrower. Senator Ellender appears favorably disposed to assistance to private enterprise and should react favorably to the three loans we have made to establish new enterprises in the Philippines.

Taiwan

Senator Ellender has exhibited antagonism to the extensive demands for assistance in Taiwan, the large U.S. staff maintained there and to the constantly increasing demand for U.S. dollar assistance. While nearly all projects are represented as reducing the foreign exchange requirements of the area, he has been particularly critical of the interest rate structure in Taiwan, directing specific criticism to the ICA small loan program, the pattern of which the DLF small loan follows, and he has commented at length upon the failure of the government to increase power rates. While he does not comment extensively on Shihmen Dam in reports I have read, recent hearings have indicated serious antagonism to that project and a special summary of that case will have to be prepared to meet his criticism. Apparently his concern stems, at least in part, from the increasing cost of the project and it may stem in part from his views on rate structure. I found nothing in the reports I read to indicate exactly how his great concern over that project developed. He ~~speaks favorably of the projects which result in expansion of employment and of those which provide means of absorbing the retiring military personnel~~. In view of his attitude on rates he may be critical of our loans to the Taiwan Railway Administration, the fate of which may not meet with his approval.

Korea.

Here again Senator Ellender severely criticizes public utility rate structure and says we should withhold funds for expanding utilities until the Assembly raises power rates to levels which permit self liquidation of the projects. He deplores government ownership of plants as tending to Socialism and notes with satisfaction the progress that has been made in turning over government-owned plants to private enterprise. In this connection we should emphasize our effort to encourage private enterprise through two loans we have made to private companies which will provide for expansion of production of basic commodities - cement and soda ash. Senator Ellender severely criticizes support of capital improvements which perpetuate requirements for outside aid and named in that connection flour mills and cotton mills which must operate on imported raw materials. He commented that Korea is well off as a result of U.S. aid stating in fact, that it is perhaps better off than it would be. While noting the large amounts of aid, he is not critic[illegible] basis.

MEMORANDUM FOR THE FILES

SUBJECT: Further Comment on Senator Ellender's Reports--Taiwan

1956 Report

Senator Ellender commented on the Small Industry Fund, which at that time was the recipient of ICA assistance. The rate which borrowers pay for loans from the fund is made up of 6% or 7% for 80 percent of the loan, and 15% for the remaining 20 percent. The Senator writes, "I was told that the banks charged 1% on the total amount borrowed for merely collecting the installments as they come due. I think such a system is unconscionable. It is a bonanza to the banks and I recommend most emphatically that our Mission take steps to see that more reasonable rates are promulgated."

Note: The DLF has approved a loan of $2,500,000 for a similar program to four commercial banks. This loan will carry an interest rate of 5 3/4%, on which the banks will be permitted a 1½% spread. As distinguished from the ICA funds, the ultimate borrower will not have to pay two separate rates, but will obtain his loan entirely at the 5 3/4% and 1½% rate. However, no loan agreement has yet been signed. The banks have resisted the maintenance of value clause embodied in our loan agreement and we are now attempting to overcome this problem.

Manuel C. Zenick:8/14/59

MEMORANDUM TO THE FILES

SUBJECT: Further Comment on Senator Ellender's Reports--Korea

1956 Report

Senator Ellender makes the criticism that the U. S. has financed almost the entire cost of many sectors of activity and the ROK Government has put in nothing or very little.

He cites a long list of programs which he states involves "every conceivable project," and implies that we were doing much too much.

With respect to electricity, states that he was told by the Manager of one power project (Hwachon Dam (no DLF loan or application)) that it could be self liquidating if adequate charges for electricity were levied by the government. However, the rate structure has become involved in local politics with a result that the facilities cannot be amortized over a reasonable period of time. Therefore, the ROK Government looks to the U. S. for continued economic support.

Note: The DLF has provided a loan of $1.5 million for design engineering for the Chung Ju power project and have on file as application for its construction($40 million) He also makes the criticism that the great majority of manufacturing enterprises constructed under our aid program were being operated by the ROK Government. Noted that there were very little natural resources available to provide raw materials for plants and that this creates a basis for the continuation of assistance.

TO: FILES

July 23, 1959

Stephen Stamas

Senator Ellender Hearings - Iran

In view of Senator Ellender's comments on his visit to Iran in 1957, the following are points which he may raise about DLF activities in Iran:

(1) Senator Ellender criticized U. S. financing for enterprises under complete ownership and control of the government like the sugar refinery at Fassa and the Fars cement plant. He may therefore question our assistance ($2,540,000) for rehabilitation of the Tehitsazi Textile Plant which is also under government control. If Senator Ellender inquires, he could be told that the Iranians have given assurances that the Tehitsazi Textile Mill will be sold to private industry as quickly as it is feasible. The Iranians have promised to give us shortly a specific plan for carrying out the sale of the Textile Mill.

(2) Senator Ellender noted that there was considerable backsliding" in municipal development projects carried out with U. S. aid. He cited a school which had practically ceased to function once the U. S. withdrew. He may therefore question what steps are being taken to insure that municipal development projects carried out under the DLF loan are maintained and run properly by the municipalities. This would be a good question. The Plan Organization has not paid enough attention to training adequate personnel and to insuring that the municipalities will maintain and support the projects after they are constructed. ICA has a technical assistance project aimed at training administrative and technical personnel in the municipalities but without the cooperation of the central government and the municipalities themselves, the ICA effort in this direction can have only a limited effect.

(3) Senator Ellender's main criticism of U. S. aid in Iran is that it only appears to assist the rich in further exploiting the poor without raising living standards appreciably. This is a charge that is impossible for us to answer, but it might be pointed out that the DLF is financing specific projects, such as municipal electrification, water supply, road paving, sanitary facilities which will directly benefit people in the smaller municipalities and villages.

cc: Mr. Gordon

MEMORANDUM FOR THE FILES

SUBJECT: Further Comment On Senator Ellender's Reports--Israel

1954 Report

Senator Ellender commented briefly but pointedly that the U.S. aid programs have been "staggering" in size and that all should recognize that Israel cannot survive "unless large amounts of subsidy funds are made available." We should insist that this aid be provided by sources other than the U. S. Treasury. He made no comment on specific projects. In a number of places he viewed critically the communal aspects of the agricultural settlements.

1956 Report

Senator Ellender commented further on the above lines and commented further that some of the irrigation schemes are extremely costly. Food cannot be grown on land irrigated at this high cost without government subsidies. He also commented that we should not assist in the production of crops, such as cotton, peanuts and sugar which were in world surplus.

Note: The two DLF loans made -- the Development Loan and the loan to the Industrial Institution cover a broad range of activities. There is an application on file for a sugar mill -- The Gat Sugar Ltd.-- $5,000,000.

Manuel C. Zenick:8/14/59

MEMORANDUM TO THE FILES

SUBJECT: Further Comment on Senator Ellender's Reports--Lebanon

1954 Report

Senator Ellender criticised the ICA program in very general and severe terms, basing his dissatisfaction more on the grounds that economic assistance was being provided at all, than on the program content. His main irritation appeared to be based on the situation where the Lebanese Government was unwilling to contribute to the costs of the economic development program.

Note: Present loans are to private or mixed public private activities. Applications are from private sources.

1956 Report

The Senator's visit was very brief and his report contains no criticism. He notes without comment that the ICA financed survey of the Litani River Basin led to a $27 million loan from the IBRD.

Manuel C. Zenick:8/14/59

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Manuel Zenick

DATE: July 29, 1959

FROM : John A. Ulinski, Jr.

SUBJECT: Senator Ellender's Reports

Senator Ellender's only specific attack is on an Inland Fisheries Project - with which we have no connection. He also attacked the "open-end" nature of the Thai program, and alluded to the fact that the "planners" were intent on keeping the U.S. committed here for some time. None of his comments is directed to actual or contemplated DLF activity.

Attachment

OFFICE OF THE SECRETARY
JUL 30 11 32 AM '59
DEPARTMENT OF STATE

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Zenick

DATE: July 28, 1959

FROM : D. L. Scoll

SUBJECT: Senator Ellender's Report on Turkey

Senator Ellender's reports of 1954 contains the following statement: "Turkey is endowed with abundant resources....I recommend that increasing attention be given the fostering Turkish economic development by private enterprises and foreign investments, and a consequent reduction in our economic aid program". In another statement, the Senator says: "Turkey seems now to be out of the woods as far as her economic development is concerned. We should give immediate consideration to reducing our commitments here".

The Senator's reports were made at a time when it was believed that Turkey's temporary wheat surpluses were a permanent feature of its economy. Turkey's subsequent periods of substantial grain deficits have convinced many observers of the error of this original impression. The Turkish economy is still underdeveloped although great strides have been made in many directions. Turkey's foreign exchange earnings are so low in relation to the requirements of the country for imports of essential commodities and capital goods that it appears unlikely for some time to come that Turkey could continue to develop at a satisfactory rate without external capital assistance.

It should be added that the DLF has already authorized two loans in the private sector in Turkey and will continue to emphasize private investment in the Turkish economy.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Zenick

DATE: July 23, 1959

FROM : A. E. Scoll

SUBJECT: Senator Ellender's Report on Greece

Senator Ellender appears to believe that American aid to Greece should have ceased as of 1954, and that Greece could afford to finance its development from its own resources. The latter appears to be based on the Senator's assumption that the Greek Government is deficient in collection of taxes from a fairly large portion of its citizenry.

The Senator's basic objective appears to be to reduce U. S. expenditures abroad. The long term objectives of the Development Loan Fund in countries such as Greece are not necessarily inconsistent with this approach.

The Greek economy is underdeveloped. Greek national income can continue to increase at a reasonable rate only if external assistance is provided. The stability of the Greek economy, achieved only in the last few years, could not be maintained unless external assistance for development is obtained. The high proportion of Greek national resources devoted to investment would not indicate that increased collection of taxes would necessarily enable Greece to develop at an adequate rate without external capital assistance.

The table below indicates that, with the exception of Pakistan, Taiwan and Turkey, the major recipients of DLF loans received relatively small amounts of economic assistance from ICA in the past two years. On the other hand the major recipients of ICA grants, such as Korea and Vietnam, received relatively little in DLF loans.

Table on the distribution of DLF loans and ICA economic assistance (excluding Technical Cooperation) in the past two fiscal years among major recipients:

	FY 1958		FY 1959	
	DLF Loan Commitments	ICA Capital Grant* Obligations	DLF Loan Commitments	ICA Capital Grant Obligations
	($ Millions)			
Taiwan	27.8	57.0	11.7	70.5
Korea	5.6	214.9	12.1	210.0
Philippines	-	15.4	50.0	15.0
Vietnam	-	178.8	19.5	177.0
Iran	40.0	3.0	37.7	11.6
Turkey	10.0	74.5	37.5	100.0
Jordan	-	30.9	3.7	45.2
Morocco	-	30.0	-	44.8
India	75.0	-	120.0	-
Pakistan	41.1	50.0	60.6	95.0
Yugoslavia	-	10.0	51.5	10.0
Spain	-	53.4	23.8	50.0

* Defense Support and Special Assistance

POSITION PAPER

RESTORATION OF HOUSE CUT IN DLF
ADMINISTRATIVE EXPENSES LIMITATIONS

The Development Loan Fund requested an administrative expense limitation for FY 1960 of $2,050,000 within the funds to be appropriated for additions to DLF capital. The House Appropriations Subcommittee recommended $1,750,000.

The Executive Branch contemplated the utilization of resources of other government agencies on a reimbursable basis so as to permit a DLF staffing pattern for FY 1960 of only 103 persons who would be responsible for a highly complex financial operation that will be in the magnitude of $1.5 billion. Forced reductions from this level of DLF employment, and cut-backs in reimbursements to other agencies, would result in administrative short-cuts that imperil effective management and invite the type of mal-administration that has been widely deplored.

The reduction proposed would have a critical impact on DLF operations:

(1) Since the DLF is a new organization, it began FY 1959 with a low level of employment and slowly built up its staff to its present level. Thus, just to annualize at present levels would require substantially higher administrative funds than were required in FY 1959.

(2) The DLF workload would be substantially higher this year than last because of the time and attention that will have to be devoted to the highly important work of implementing loans authorized during this year. In addition, there will be the workload which accounted for most of this year's staff-time - namely, the processing of new loan applications.

(3) In projecting its FY 1960 administrative expenses, DLF utilized minimum estimates relating to financing adminstration and auditing operations in Washington and abroad. At the same time that the Congress is emphasizing the need for more effective administration and has authorized the establishment of an Inspector General and Comptroller for the Mutual Security Program, it would, through a cut in DLF administrative funds, force the DLF to cut back from Executive Branch estimates of the staff necessary to assure the efficient administration of DLF loan funds.

(4) One of the major lessons learned in DLF's 18 month history is the urgent need for DLF staff to spend much time in the field evaluating loan applications and checking projects underway.

In previous months we have not been able to free staff as much as we judged necessary for field inspection. Now, at a time when increased implementation activity is underway, the DLF would have neither sufficient funds for essential travel nor sufficient personnel to send out if the cut in administrative funds is maintained.

(5) The provisions of the authorization act reducing the reserve requirements for DLF guaranties are intended to expand private participation through this means in DLF loans. This is a desirable measure and forward step, but may have manpower implications that could not be absorbed within the total DLF administrative expense limitation if the Committee cut is maintained.

(6) Since developing the administrative estimates, it has been found necessary to establish a central files unit which has further increased the personnel requirements of DLF.

COMPARISON OF ACTUAL OBLIGATIONS 6/30/59
WITH FY 1959 ESTIMATES

	FY 1959 Estimate	FY 1959 6/30/59
01 Personal Services		
Staff salaries	$473,000	$447,205.49
Reimbursable details	68,100	67,598.84
Consultants	32,500	15,559.44
Other personal services	31,900	59,017.98 a/
Subtotal	605,500	589,381.75
02 Travel	75,000	54,081.22 ~~54,063.27~~
04 Communications	19,000	17,629.34
05 Rents and utilities	67,500	68,304.00
06 Printing and reproduction	33,000	36,167.89
07 Other contractual services:		
Engineering review	130,000	
ICA support	213,100	
Security investigation	8,375	
Employee life insurance	3,625	
Other	13,400	
Subtotal	368,500	363,193.61 b/
08 Supplies and materials	7,500	9,534.32
09 Equipment	37,000	47,197.57
Other objects (transportation of things; contributions to the retirement fund, etc.)	37,000	28,588.68
TOTAL	1,250,000	1,214,078.34 ~~1,214,060.43~~
Expenditures through 6/30/59		1,005,683.87 ~~1,051,636.02~~

a/ Includes overtime ($11,489.41) and liability for annual leave accrued during FY 1959 ($45,952.15).

b/ Includes Tudor services ($86,598.02). Further breakdown not yet available.

DLF Budget
8/4/59

THE DISTINCTION BETWEEN ADMINISTRATIVE SERVICES PROVIDED DIRECTLY BY DLF AND THOSE PROVIDED ON A REIMBURSABLE AGREEMENT BY OTHER AGENCIES

The following listing indicates the kind of services provided for DLF by other Government agencies or by private firms as indicated. These figures reflect both estimates for FY 1959 and estimates for FY 1960:

	FY 1959 (estimate)	FY 1960 (estimate)	PROVIDED BY
Review of loan applications	$ 130,000	$ 200,000	Private engineer consultant firms (see page 37 of Administrative Expense Estimates, FY 1960)
ICA program and administrative support costs	213,100	488,800	(see page 38 through 41 DLF Administrativ Expense Estimates
Department of State cable and library charges	9,850	20,800	State Department
GAO corporate audit	-0-	20,000	GAO
Security investigations	8,375	11,300	ICA
Employees Life Insurance	3,625	5,200	ICA
Other miscellaneous items, including GSA laborers and moving, graphics services, and other contractual services	3,550	8,400	GSA-ICA
Totals	368,500	754,500	

With respect to engineering review of loan applications and certain administrative support costs in the financial implementation area there might appear to be some overlap between what ICA is doing for DLF and what DLF is doing for itself. However, these services complement one another. For example:

(a) In engineering review. DLF handles such applications as its staff resources permits and farms out the remainder either to ICA engineering staff or to private consulting firms whose technical specialty match a problem posed in an application.

(b) In the accounting and controller area, DLF relies on ICA's Washington and field staff for the compilation of data relating to disbursements, collections and other essential record keeping. Within DLF some of this information is utilized as the basis for the development of reports to management showing trends of loan disbursements and other key information. In addition, the DLF Budget Office is responsible for preparing periodic reports on the status of pending applications undergoing DLF analysis as well as preparing budget submissions for DLF. The budget submissions are coordinated with the rest of the MSP program by the ICA Controller's office in its capacity as Controller for the total MSP program. Insofar as purely accounting and fiscal services are concerned, the DLF relies completely upon the ICA. Statistical information prepared in connection with MSP reports by the ICA Office of Statistics and Reports does not duplicate statistical information compiled in DLF.

SUMMARY OF INCREASE, FY 1960

Limitation, FY 1959		$1,250,000
Increase requested for:		
DLF Personal Services. For payment of full-year salary requirements of DLF staff hired in fiscal year 1959; for addition of 34 new positions, making a total of 103; and for other personal services costs such as consultant services, and overtime and holiday pay	+	285,000
Travel. For an additional 420 days of foreign travel and 35 days of domestic travel, due to increasing activities connected with loan implementation	+	35,000
Rents and Utilities. For costs of additional office space required in fiscal year 1960	+	44,000
Other Contractual Services. For additional project engineering review and appraisal, including private consultants and other Government agencies; for increased ICA support costs, including payment of full-year salary requirements for employees hired in fiscal year 1959 as well as addition of 26 new positions, principally in the area of financial administration, making a total of 62; for other contractual services such as security investigations, GAO corporate audit, Department of State cable services, and employee life insurance	+	386,000
Other Objects. For increased costs of communications services other than cable charges, printing and reproduction, supplies and materials, equipment, and statutory employer contributions to the Federal Employees Retirement Fund	+	50,000
Total increase	+	800,000
Limitation Requested, FY 1960		2,050,000

ENGINEERING SERVICES FOR DLF LOANS

DLF projects generally require engineering services in three phases of their development, (1) the drafting of an application, (2) the consideration by DLF of an application, and (3) the execution of a project after the loan has been made.

Phase I - Preliminary Engineering: In order to arrive at the preliminary design for a project and to develop reliable cost estimates, it is necessary for an applicant to DLF to have performed certain engineering work. This engineering work can be performed by the applicant's own engineering staff if such is available. It may be contracted for utilizing an independent firm of engineers or, in certain cases, may be supplied by the U.S. Technical Assistance program through our overseas mission. The preliminary engineering work does not necessarily carry beyond the application presentation; however, in some cases the same firm of engineers making the preliminary study may to employed to do the final engineering.

Phase II - DLF Examination of Application: After the application for a loan is presented to the Development Loan Fund, DLF must examine the application from an engineering point of view to determine: (1) Whether the project as described in the application will, if constructed, constitute a useful facility. (2) Whether the project or facility can actually be completed within the estimates of cost based on the preliminary engineering mentioned above. (3) If the project is a commercially productive facility, whether or not the production costs will be such that the facility can be operated at a profit.

In order to do this, DLF maintains within its own organization a staff of engineers. In addition, DLF is able to call upon the engineering staffs of other government agencies, including ICA through which DLF may also utilize the services of ICA's consulting engineer, Tudor Engineering Company. The services of other agencies are used when engineering talents in special fields are required. Such engineering is paid for out of the operating budget of DLF and charged to Administrative Expenses.

Phase III - Project Execution: At the time DLF authorizes a loan, it may be determined whether further engineering services are required to bring about the final design and supervise the construction of the project for which the loan will be used. In order to be sure that adequate engineering is available, DLF requires a showing to this effect by the borrower, either by presenting information that its own engineering staff is capable of performing this service or by requiring the employment of a qualified independent firm to provide the engineering services. Such services are normally paid for by the borrower and financed out of the proceeds of the loan. During the construction of projects, the DLF requires the borrowers to submit periodic progress reports. Such reports are examined by the engineering staff of DLF and where specific action related to engineering is required DLF engineers initiate such action. In this way, DLF staff engineering is required throughout the entire project.