PD-ACE-056

Supplemental Development Loan Fund Appropriation

FY 1959

Senate Appropriations Committee

briefing material

April 9, 1959

BEST AVAILABLE

BRIEFING MATERIAL

SENATE APPROPRIATIONS COMMITTEE
SUPPLEMENTAL DEVELOPMENT LOAN FUND APPROPRIATION
APRIL 9, 1959 (MR. HERTER)

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SENATE APPROPRIATIONS COMMITTEE

INDIVIDUAL SUPPORT OF MSP AS INDICATED BY RECORD VOTES ON FY 1959 BILLS

DEMOCRATS

Hayden, Carl (Arizona)	-	Favorable
Russell, Richard B. (Georgia)	-	Opposed
Chavez, Dennis (New Mexico)	-	Opposed
Ellender, Allan J. (La.)	-	Opposed
Hill, Lester (Alabama)	-	Generally favorable
McClellan, John L. (Ark.)	-	Opposed
Robertson, A. Willis (Va.)	-	Opposed
Magnuson, Warren G. (Wash.)	-	Voted for some cuts
Holland, Spessard L. (Fla.)	-	Favorable
Stennis, John (Miss.)	-	Opposed
Johnson, Lyndon B. (Texas)	-	Favorable
Pastore, John O. (R.I.)	-	Favorable
Kefauver, Estes (Tenn.)	-	Generally favorable
Monroney, Mike (Okla.)	-	Generally favorable
Bible, Alan (Nev.)	-	Opposed
Byrd, Robert (W.Va.)	-	Opposed
Dodd, Thomas (Conn.)	-	New Member (Favorable)
McGee, Gale (Wyo.)	-	New Member (Probably favorable)

REPUBLICANS

Bridges, Styles (N.H.)	-	Favorable
Saltonstall, Leverett (Mass.)	-	Favorable
Young, Milton R. (N.D.)	-	Opposed
Mundt, Karl E. (S.D.)	-	Favorable
Smith, Margaret C. (Maine)	-	Favorable
Dworshak, Henry C. (Idaho)	-	Opposed
Kuchel, Thomas H. (Calif.)	-	Favorable
Hruska, Roman L. (Neb.)	-	Opposed
Allott, Gordon (Colo.)	-	Favorable

SUMMARY DATA ON DLF LENDING ACTIVITY
THROUGH March 31, 1959
(in thousands)

	FY 1958 (actual)	FY 1959 Cumulative as of Jan. 31	FY 1959 Cumulative as of March ~~20~~ 31
Appropriations	$300,000	$700,000	$700,000
Loan Commitments Against Available Funds	267,636	679,106	697,906
Administrative Expenses	--	1,250	1,250
Net Available for Loans	32,364	19,644	844
Loan and Guarantee Agreements Signed (obligations)	102,100	348,630	481,006 ~~474,306~~
Expenditures	1,500	18,408	32,688 ~~27,089~~
Proposals Under Consideration	1,635,232	1,547,441	1,427,570 ~~1,447,074~~
Total Proposals Received	2,215,316	2,828,300	2,955,603 ~~2,954,959~~

DLF
3/31/59

SIGNIFICANT POINTS REGARDING SUPPLEMENTAL APPROPRIATION
REQUEST FOR THE DEVELOPMENT LOAN FUND

1. Financial Procedures

Commitments. It has been argued that the DLF needs no new funds because it has not obligated all currently available funds.

Like other similar government lending agencies, DLF considers any outstanding commitment or promise to make a loan a charge against its capital. It does not authorize new loans when its available capital has been thus committed.

This procedure starts with the approval of a loan by the DLF Board of Directors. Once a loan has been approved by the Board it is submitted to the National Advisory Council for its advice and when that advice is received, a formal letter of commitment is given to the prospective borrower. This generally occurs within two weeks of Board action and this constitutes the pledged word of the United States. At this point the U. S. commitment to make the loan is publicly announced in the country of the borrower. At this point funds are committed and are unavailable for any other use. As the Director of the Bureau of the Budget stated in his recommendation on the Supplemental Appropriation request, our funds are effectively obligated at this point.

The final step in the process is the working out of a detailed loan agreement many pages thick. This process now takes the DLF a bit more than 90 days on the average. As we gain experience, we hope to cut this period to somewhere around 60 days, the average time now required by the Export-Import Bank for this same step. While it is only when this detailed loan agreement is signed that all the legal formalities of obligation are fully completed, the commitment by the United States runs from the date when its written word is given to the borrower. After this date the only circumstance in which the funds would revert to the DLF for other use would be if the prospective borrower, for one reason or another, decided not to accept the loan.

Thus the need for supplementary funds in FY '59 and for the funds requested for FY '60 is directly related to the funds publicly committed by the Fund rather than to expenditures or to the total of completed loan agreements.

Expenditures. It has been said that since the DLF has only expended a very small portion of its appropriations, $32.7 million out of $700 million, there is no need as yet for further appropriations. Such statements totally ignore the fundamental nature of the DLF.

The DLF finances projects. When it makes a loan it commits sufficient funds to carry the project to completion. Development projects take time to construct. On the average World Bank projects have taken 3 to 4 years to complete. The DLF projects are similar in nature. We can expect to spend about 10% - 15% of the funds alloted to each project during the first year after a loan agreement is signed and the rest over the remainder of the 3 to 4 year period. This has been the experience of the World Bank and of the Export-Import Bank in the development field.

This means that when fully underway the Development Loan Fund can expect to have a pipeline of unexpended funds equivalent to about two full years of operations. Once a commitment is made, the funds are set aside for the particular project and are unavailable for other uses. Therefore, the unexpended funds of the DLF have no connection with its ability to undertake new projects. That ability is measured soley by the amount of uncommitted funds.

2. Financial status

As of March 31, 1959, the DLF had committed all but $844,000 of its capital of $700 million. Obligations stood at $481 million, an increase of over $132 million since January 31, 1959. Expenditures were $32.7 million on March 31. In rounded figures, the summary on March 31 was as follows:

Available funds	$700 million
Loan and guarantee obligations	481 "
Other loan commitments	216.8 "
Available for additional loans	.8 "
Expenditures	32.7 "

3. Transfer of funds

Under the Mutual Security Act (Sec. 202(b)), no funds can be transferred to the DLF from other parts of the Mutual Security program to supplement its lending authority (or from the DLF to other MSP accounts).

4. Availability of other MSP funds to finance DLF applications

In the floor debate on the FY 1959 supplemental appropriation bill, Rep. Passman suggested that other Mutual Security Program funds could be used to finance proposals now before the DLF until 1960 funds were to become available.

Although it is legally possible to make loans with Defense Support, Special Assistance and contingency funds, it is neither possible to do so without seriously impeding fulfillment of the objectives these categories of assistance are designed to serve, nor is it practical to do so.

At the present time, other economic assistance programs authorized for implementation plus known requirements for such funds which have not yet reached the implementation stage exceed available resources. To divert additional funds for DLF types of long-range development projects would make it less likely that these programs could achieve their own objectives, which are largely to maintain stable economic and political situations on a current basis.

Furthermore, the backlog of DLF applications represents proposals from many more countries than those in which Defense Support and Special Assistance programs operate. In order to finance development projects in some of these countries with DS or SA funds, it would be necessary to negotiate time-consuming bilateral agreements, ~~conclude~~ and, in the case of DS, to secure the assurances required under Sec. 142, of the MSAct, assurances which might prove inappropriate in the case of some countries and for the purpose of assisting in economic growth.

5. Duration of DLF authorization

An allegation has been made that the only reason the Administration is requesting these funds in FY 1959 is to get the money before the existing authority runs out. This is not the case because there is no cut-off date on DLF's authorization to seek an appropriation for this $225 million (Sec. 203(a), Mutual Security Act).

6. Essentiality for U.S. prosperity and security

A continuation of the Development Loan Fund's operations is absolutely essential to the success of our foreign policy. The Republican President and the Republican Secretary of State have said this emphatically. So have leaders of the Democratic party. For example, the Democratic Advisory Council has lent its full weight in support of a continuing and expanded Development Loan Fund. There are two main reasons for this:

A. The surge of progress in the underdeveloped and new nations of the free world is not only irreversible, but if carried out in freedom and with help from us it will be of enormous importance to our own prosperity and security.

B. The Soviets are on the march. There is great seriousness and purposefulness in the Soviet economic offensive. Khrushchev said only a few weeks ago:

"Economics is the main field in which the peaceful competition of socialism and capitalism is taking place, and we are interested in winning this competition in a historically brief period of time.

"...with the support of leading socialist countries some countries which lagged behind in the past could switch over to a socialist regime, and after a certain phase of development to communism, bypassing the capitalist phase of development."

C. For example, the Soviets have an economic negotiating team in India right now -- while the Fund which is the main source of possible U.S. help for India is out of money and our officials are completely unable to give any indication of possible future help from the U. S.

HOW DLF FUNDS ARE COMMITTED

The attached ~~table~~ 31 on the status of lending authority shows that as of March ~~20~~, 1959, the DLF had committed $698 million of its $699 million in capital available for loans. The Board of Directors can approve virtually no more loans. Committed funds were in four separate categories as of March 30, reflecting various administrative phases in the DLF commitment process. The meaning of these four categories is as follows:

Status as of 3-30-59
(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 March 30, 1959 letters of advice pending, ~~most of which were approved last Friday~~, totaled..... $ 2.5 ~~$ 18.4~~

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 March 30 to..... $ 168.2 ~~$ 159.0~~

Status as of 3-~~20~~31-59
(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 March 30, 1959 project evaluation was proceeding against remaining balances of formal pledges totalling... $ 46.2

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 four months alone, the DLF has concluded ~~$334~~ $334 million in such agreements. At this rate, it should obligate about $600 million of its presently available funds by the end of this fiscal year. As of March 30 signed loan agreements totaled..... $481.0 ~~$ 474.3~~

TOTAL COMMITMENTS AGAINST LENDING AUTHORITY..... $ 697.9

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.

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

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--PD, Wash., DC.

DEVELOPMENT LOAN FUND
STATUS OF FUNDS AND LOAN PROPOSALS 3/31/59 (preliminary)
(in thousands)

	Current Status 3/31/59 (Cumulative)	Status as of 6/30/58 (FY 1958 Activity)	Current Status Compared with 6/30/58 (FY 19 Activity)
1. Loan Funds Available.....	$698,750 a/	$300,000	+ $398,750
2. Charges Against Lending Authority (Loan and Guarantee Authorization):			
(a) Commitments:			
Loan and guarantee agreements signed (obligations).....	481,006	102,100	+ 378,906
Loan agreements not yet signed.	214,400	78,036	+ 136,364
Letters of Advice issued...	(168,150)	(38,736)	(+ 129,414)
Other project commitments b/	(46,250)	(39,300)	(+ 6,950)
(b) Uncommitted Authorizations (Letters of Advice Pending).....	2,500	87,500	- 85,000
Total charges against lending authority	697,906	267,636	+ 430,270
3. Balance Available for Loans.....	844	32,364	
4. Loan Proposals Under Consideration and on Hand.....	1,427,570 c/	1,635,232	- 207,662
5. Proposals No Longer Under Consideration.....	830,127	312,448	+ 517,679
6. Total Proposals Received (total of lines 2, 4, 5).....	2,955,603	2,215,316	+ 740,287
7. Loan Disbursements d/.....	32,688	1,500	31,188

a/ Excludes administrative expenses

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

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

d/ Involves disbursement under 12 of the 44 loan agreements signed through March 20. Conditions precedent to disbursement have been met in 12 other

UNCLASSIFIED

CONFIDENTIAL MATERIAL INCLUDED
(Classification Noted in Right Hand Margin)

Report 3/31/59

DETAIL OF CHARGES AGAINST LENDING AUTHORITY

DECLASSIFIED ON 3/31/81
BY Sawyer
AUTHORITY: EO 12065 & para 926, Uniform S
Regulations

(a) **Commitments:**

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

Loan Agreements

Argentina	Banco Central-Trans.Power.Ind. #60 (3/18/59)	$ 24,750,000
Bolivia	La Belgica Sugar Mill #39 (2/5/59)	2,500,000
Brazil	Carembei/Castrolanda Resett. #45 (3/4/59)	240,000
Ceylon	Colombo Suburban Railway #9 (9/3/58)	750,000
Ceylon	Highway Development #8 (7/28/58)	900,000
Ceylon	Irrigation & Land Development #4 (6/24/58)	1,600,000
Costa Rica	SICA Resettlement #38 (1/13/59)	300,000
Ecuador	**Pan American Highway #44 (3/23/59)**	**4,700,000**
Greece	Fertilizer Plant #41 (1/28/59)	12,000,000
Honduras	Highway Development #1 (5/16/58)	5,000,000
India	Railways #2 (6/23/58)	40,000,000
India	Roads, Cement, Jute #3 (6/23/58)	35,000,000
India	Steel Imports for Public Dev. #13A (12/24/58)	18,000,000
India	Steel Imports for Private Dev. #13B (12/24/58)	22,000,000
India	Second Railways Loan #12 (12/24/58)	35,000,000
India	Public Power Development #21 (12/24/58)	10,000,000
India	Capital Equipment for Private Ind. #40 (12/24/58)	15,000,000
Iran	Plan Organization Project #34 (1/7/59)	47,500,000
Israel	Development Loan #5 (6/25/58)	15,000,000
Korea	Tong Yang Cement Plant #22 (1/20/59)	2,140,000
Liberia	Sawmill #27 (12/16/58)	190,000
Liberia	Telecommunications #43 (1/30/59)	3,000,000
Malaya	N. Klang Straits #46 (3/18/59)	10,000,000
Malaya	Roads and Bridges #54 (3/18/59)	10,000,000
Netherlands	Resettlement of Emigrants #28 (1/21/59)	3,000,000
Pakistan	Karachi Water & Sewerage #6 (6/30/58)	5,500,000
Pakistan	Pakistan Ind. Credit Corp. #15 (12/4/58)	4,200,000
Pakistan	High Tension Grid #29 (2/18/59)	14,700,000
Pakistan	Karnafuli Dam #23 (2/18/59)	17,500,000
Pakistan	W. Pakistan Ground Water Dev. #25 (2/18/59)	15,200,000
Pakistan	Railways #20 (2/18/59)	9,100,000
Paraguay	Asuncion Waterworks #10 (9/5/58)	1,000,000
Paraguay	Brazilian Road #14 (10/29/58)	2,500,000
Paraguay	International Products Corp. #16 (11/6/58)	2,600,000
Somalia	**Credito Somalo #35 (3/31/59)**	**2,000,000**
Taiwan	Railway Administration #18 (11/12/58)	3,200,000
Taiwan	Shihmen Dam #17 (11/10/58)	21,500,000
Taiwan	Improvement, Fishing Ind. (Land Bank) #26 (3/18/59)	686,000
Taiwan	Asia Cement Corp. #7 (7/25/58)	2,750,000
Taiwan	Ingalls-Taiwan Shipbuilding #48 (1/22/59)	2,000,000
Taiwan	By-Product Coke Oven #49 (2/19/59)	1,000,000
Thailand	Bangkok Power #19 (3/6/59)	20,000,000
Turkey	Ind. Dev. Bank #11 (9/12/58)	10,000,000
Yugoslavia	Pancevo Nitrogen Fertilizer Plant #31 (1/8/59)	22,500,000
	Subtotal	**(476,506,000)**

Guarantee Agreements

Taiwan	**Ingalls-Taiwan Shipbuilding**	4,500,000	
	Subtotal, Loan and Guarantee Agreements Signed		481,006,000

(2.)oan Agreements Not Yet Signed:

Letters of Advice Issued:

Loan Agreements Forwarded to Borrower

Brazil	Anhumas/Pedrinhas Resettlement	300,000
Chile	Airport (design engineering)	150,000
Indonesia	Railway Development	3,000,000
Guatemala	Rubber Production	5,000,000
Korea	Chung-Ju Power (design Engineering)	1,500,000
Korea	Domestic Telecommunications	3,500,000
Libya	Tripoli Power	5,000,000
Nicaragua	Matagalpa Public Utilities	600,000
Philippines	Small Industry Loan Fund	5,000,000
Spain	Irrigation	7,700,000
Spain	RENFE	14,900,000
Sudan	Cotton Textile Mill	10,000,000
Taiwan	Aluminum Corporation	1,350,000
Taiwan	Small Industry Fund	2,500,000
Thailand	Dredge	1,750,000
Tunisia	National Railway	2,400,000
Tunisia	Pulp Factory	6,250,000
Turkey	Aerial Mineral Survey	900,000
Vietnam	Saigon-Cholon Water	19,500,000
Yugoslavia	Diesel Locomotives	5,000,000
	Subtotal	(96,300,000)

Loan Agreements Not Yet to Borrower

Guatemala	Kenaf Bag Factory	400,000
Indonesia	Harbor Development	6,000,000
Haiti	Artibonite Valley Development	4,300,000
Israel	Industrial Institution	5,000,000
Jordan	Electric Power	1,200,000
Nigeria	Apapa Warehouse	800,000
Pakistan	Ports of Chittagong & Chalna Anchorage	4,000,000
Pakistan	Sui Gas Transmission	2,000,000
Philippines	Roads, Bridges and Rehabilitation of Equip.	18,750,000
Turkey	Zonguldak Coal	14,500,000
Turkey	Vinylex Plastics, Ltd.	6,100,000
Uruguay	UTE Telephone	8,800,000
	Subtotal	(71,850,000)
	Subtotal, Letters of Advice Issued	(168,150,000)

Other Project Commitments:

Lebanon	Development Projects	4,000,000
Philippines	Development Projects (balance of $50.0 commitment) a/	26,250,000
Turkey	Development Projects (balance of $37.5 commitment) b/	16,000,000
	Subtotal, Other Project Commitments	(46,250,000)
	Subtotal, Loan Agreements Not Yet Signed	(214,400,000)

(b) **Uncommitted Authorizations (Letters of Advice Pending):**

Jordan	Phosphate Mines.....	2,500,000
	Charges Against Lending Authority	**697,906,000**

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a/ Philippines:

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

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

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

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b/ Turkey:

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

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

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

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

TAB E

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

(in thousands)

Loan Commitments	Africa & Europe	Far East	Latin America	Near East and South Asia	Total
Loan and guarantee agreements signed (obligations).....	$28,690	$37,090	$13,900	$ 328,950	$408,630
Letters of advice issued	53,250	103,536	36,140	31,700	224,626
Letters of advice pending	--	--	4,300	--	4,300
Other project commitments	--	26,250	--	20,000	46,250
Subtotal.....	81,940	166,876	54,340	380,650	683,806
Percent of commitments..	(11.9)	(24.4)	(8.0)	(55.7)	(100.0)
Proposals Under Consideration and On Hand					
Status A.....	1,612	-0- a/	11,800	4,500 b/	17,912
Status B.....	94,411	110,352 a/	36,918	186,026 b/	427,707
Status C.....	288,951	137,571	42,070	508,573	977,165
Status N.....	11,000	18,302	-0-	1,415	30,717
Subtotal.....	395,974	266,225	90,788	700,514	1,453,501
Percent of proposals On Hand.....	(27.2)	(18.3)	(6.2)	(48.3)	(100.0)
Proposals No Longer Under Consideration:					
Inappropriate for DLF financing.....	8,840	22,901	127,879	65,902	225,522
Insufficient information or withdrawn by borrower.....	4,846	82,954	125,357	60,345	273,502
Being considered by lending institutions	80,245	86,596	67,798	75,648	310,287
Subtotal.....	93,931	192,451	321,034	201,895	809,311
Percent of proposals no longer under consideration.....	(11.6)	(23.8)	(39.9)	(24.7)	(100.0)
Total Proposals.....	571,845	625,552	466,162	1,283,059	2,946,618
Percent of total.....	(19.4)	(21.2)	(15.8)	(43.6)	(100.0)

a/ Excludes Status A and B items under Philippines project commitment.
b/ Includes Status A and B items under Lebanon and Turkey project commitments.

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DEVELOPMENT LOAN FUND

TAB F

Estimated Obligations, Expenditures and Balance a/

(in thousands)

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

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

(Thousands)

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

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

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

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

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TAB G

DEVELOPMENT LOAN FUND

Distribution of FY Loan and Guarantee Obligations by Month

(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	108,890	256,190
January	92,440	348,630
February	60,000	408,630
March ~~(through 3/18/59)~~	~~65,676~~ 72,376	~~474,306~~ 481,00
Total, FY 1959 through March ~~30~~ 31, 1959	~~372,206~~ 378,906	

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SELECTED SUMMARY DATA ON LOAN FUNDING, 1958-1960*

(on a cumulative basis)

	FY 1958 (Actual)	FY 1959 (estimate)	FY 1959 (thru ~~2/28/59~~ 3/31/59)	FY 1960 (estimate)
Appropriations a/	$300,000,000	$923,750,000	$698,750,000	$1,621,700,000
Loan and guaranty commitments	267,636,000	901,350,000	~~683,806,000~~ 697,906,000	1,600,500,000
Loan and guaranty obligations	102,100,000	601,350,000	~~408,630,000~~ 481,006,000	1,300,500,000
Loan Disbursements	1,500,000	101,575,000	~~21,486,305~~ 32,688,275	304,775,000
Loan Repayments				
Dollars	-0-	-0-	-0-	100,000
Foreign currencies ($ equiv)	-0-	500,000	-0-	700,000
Income:				
Interest:				
Earned:				
Dollars	-0-	400,000	4,590	1,700,000
For. curr. ($ equivalent)	-0-	1,000,000	190,990 b/	6,000,000
Fees for guaranties issued	-0-	500,000	45,000	1,500,000

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

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

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

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TAB #

LOAN COMMITMENTS: NUMBER OF COUNTRIES, BY REGION a/

FY 1959 through 2/28/59

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

a/ Excludes $46,250,000 in projec[illegible]ments (Lebanon $4.0 million and balance of Philippines and Tur[illegible] the amount of $26,250,000 and $16,000,000 respectively).

DLF
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TAB I

STATUS OF DISBURSEMENT PROGRESS UNDER DLF LOANS
(as of March 31, 1959)

Region, Country and Project		Loan No.	Impl'n Ltr. Disp.	Conditions Prior to Disb. Met	Request for Funding Made	Amount of Loan (Obligation)	Amount Disbursed March 31	Per-cent Disb.
AFRICA								
Liberia	Sawmill	27	X	--	--	$ 190,000	-0-	-0-
Liberia	Telecommunications	43	--	--	--	3,000,000	-0-	-0-
Somalia	Credito Somalo	35	--	--	--	2,000,000	-0-	-0-
	Subtotal, AF.....					5,190,000	-0-	-0-
EUROPE								
Netherlands	Resettlement	28	--	--	--	3,000,000	-0-	-0-
Yugoslavia	Fertilizer	31	--	--	--	22,500,000	-0-	-0-
	Subtotal, E.....					25,500,000	-0-	-0-
FAR EAST								
Korea	Tong Yang Cement	22	--	--	--	2,140,000	-0-	-0-
Malaya	N.Klang Straits	46	--	--	--	10,000,000	-0-	-0-
Malaya	Roads and Bridges	54	--	--	--	10,000,000	-0-	-0-
Taiwan	Asia Cement	7	X	X	X	2,750,000	564,068	20.5
Taiwan	Ingalls-Taiwan	48	X	X	--	2,000,000	-0-	-0-
Taiwan	Railway Adm.	18	X	X	--	3,200,000	-0-	-0-
Taiwan	Shihmen Dam	17	X	X	--	21,500,000	-0-	-0-
Taiwan	Coke Oven	49	X	X	X	1,000,000	988,500	98.9
Taiwan	Fishing Industry	26	--	--	--	686,000	-0-	-0-
Thailand	Bangkok Power	19	--	--	--	20,000,000	-0-	-0-
	Subtotal, FE.....					73,276,000	1,552,568	2.1
LATIN AMERICA								
Bolivia	Sugar Mill	39	X	X	X	2,500,000	6,500	0.3
Costa Rica	SICA Resettlement	38	X	X	X	300,000	62,954	20.9
Ecuador	Pan Am Highway	44	--	--	--	4,700,000	-0-	-0-
Honduras	Highway	1	X	X	X	5,000,000	11,934	0.2
Paraguay	Asuncion W/Works	10	X	X	X	1,000,000	1,000,000	100.0
Paraguay	Brazil Road	14	X	--	--	2,500,000	-0-	-0-
Paraguay	Int'l Products	16	X	X	X	2,600,000	652,391	25.1
Argentina	Banco Central	60	X	--	--	24,750,000	-0-	-0-
Brazil	Castrolanda Resett	45	X	X	--	240,000	-0-	-0-
	Subtotal, LA.....					43,590,000	1,733,779	3.9

NEAR EAST								
Greece	Fertilizer	41	--	--	--	12,000,000	-0-	-0-
Iran	Plan Organization	34	X	X	X	47,500,000	6,500,000	13.7
Israel	Development	5	X	X	X	15,000,000	8,369,335	55.8
Turkey	Ind'l Dev. Bank	11	X	X	X	10,000,000	-0-	-0-
	Subtotal, NE.....					84,500,000	14,869,335	17.6
SOUTH ASIA								
Ceylon	Columbo RR	9	X	--	X	750,000	-0-	-0-
Ceylon	Highway	8	X	X	X	900,000	-0-	-0-
Ceylon	Irrigation	4	X	X	X	1,600,000	98,420	6.2
India	Railways	2	X	X	X	40,000,000	114,498	0.3
India	Roads, Jute, Cement	3	X	--	--	35,000,000	-0-	-0-
India	Steel (Public)	13A	X	X	--	18,000,000	-0-	-0-
India	Steel (Private)	13B	X	X	--	22,000,000	-0-	-0-
India	Public Power	21	X	X	--	10,000,000	-0-	-0-
India	Second Railway	12	X	X	X	35,000,000	14,319,675	40.9
India	Private Sector	40	X	X	--	15,000,000	-0-	-0-
Pakistan	Karachi W&S	6	X	X	X	5,500,000	-0-	-0-
Pakistan	Ind. Credit Corp.	15	X	X	--	4,200,000	-0-	-0-
Pakistan	High Tension Grid	29	--	--	--	14,700,000	-0-	-0-
Pakistan	Karnafuli Dam	23	--	--	--	17,500,000	-0-	-0-
Pakistan W.	Pak Ground Water	25	--	--	--	15,200,000	-0-	-0-
Pakistan	Railways	20	--	--	--	9,100,000	-0-	-0-
	Subtotal, SA.....					244,450,000	14,532,593	5.9
	TOTALS.....					476,506,000*	32,688,275	6.9

* Excludes Ingalls-Taiwan guarantee agreement of $4.5 million.

Total loan agreements signed.....	44
Implementation letters dispatched.....	29
Conditions prior to disbursement met.....	24
Request for funding made.....	16
Loans in process of disbursement.....	12

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4/1/59

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.

Tab ~~L~~ I

EXPENDITURE EXPERIENCE OF IBRD (WORLD BANK)

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

DEVELOPMENT LOAN FUND
Revised February 24, 1959

COMMITMENT AND OBLIGATION PROCEDURES
OF THE EXIMBANK AND DLF

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

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

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

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

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

DEVELOPMENT LOAN FUND
February 20, 1959

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

Interest Rate	No. of Loans	Amount (in thousands) b/
3½%	38	$364,600
4%	1	2,000
4½%	1	3,000
5%	4	19,886
5¼%	7	47,930
5½%	14	161,650
5-3/4%	4	18,550
8%	2	540
	71 b/	618,156

Average Interest Rate.....4.25% c/

a/ Excludes other project commitments and loan guarantee.

b/ Excludes 2 approved loans in an amount of $14,900,000, on which the interest rate has not yet been fixed.

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

DLF
Rev 3/20/59

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

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

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

The average duration of the 73 loans is 15 years.

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

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

TAB M

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

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

a/ Excludes other project commitments and loan guarantee.
b/ Excludes three loans where major part of principal repayment is in foreign currency (Yugoslavia - Fertilizer; Ecuador - Highway; Paraguay - Brazil Road).

DLF
3/17/59

ATTACHMENT -TAB A

	Amount (in thousands)
Loans Repayable in U. S. Dollars (2/28/59):	
Loan Agreements Signed:	
Liberia - Sawmill	$ 190
Liberia - Telecommunications	3,000
Netherlands - Resettlement	3,000
Yugoslavia - Pancevo Fertilizer a/	5,625
Taiwan - Ingalls-Taiwan	2,000
Costa Rica - SICA Resettlement	300
Paraguay - Brazil Road b/	1,000
Paraguay - Int'l Products Corp	2,600
Iran - Plan Organization Project	47,500
Subtotal, Loan Agreements Signed	(65,215)
Letters of Advice Issued:	
Argentina - Banco Central, Transp. Power & Industry	24,750
Malaya - Roads and Bridges	10,000
Sudan - Textile Mill	10,000
Nicaragua - Matagalpa Utilities	600
Ecuador - Pan American Highway a/	2,350
Libya - Tripoli Power	5,000
Malaya - N. Klang Straits	10,000
Guatemala - Rubber Production	5,000
Guatemala - Kenaf Bag Factory	400
Subtotal, Letters of Advice Issued	(68,100)
TOTAL	133,315

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.

DLF
3/17/59

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DEVELOPMENT LOAN FUND
Washington 25, D. C.

REPORT OF TECHNICAL STATUS OF APPLICATIONS

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

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

The following categories are employed:

1. Ready for presentation to SSC or Board (from technical standpoint only).

   a. Technical Feasibility Section written.

   b. Technical Feasibility Section ready to be written.

2. All data in, but final technical review not complete.

3. Request to field for remainder of data, but no further active work until data received.

   a. Request sent.

   b. Airgram prepared but not yet sent.

4. Under technical review to determine additional data requirements.

5. Not yet received by T/S Office from loan officers.

6. Review completed and recommendation is unfavorable.

7. Under consideration by other agencies.

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

John W. Delaplaine
Technical Assistant

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

   a. Technical Feasibility Section for Board paper complete:

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

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

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

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

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

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

   a. Request sent:

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

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

b. Airgram completed, but not yet sent:

NIGERIA	APAPA WAREHOUSE	269 (Jones)

4. Under technical review to determine additional data requirements, if any:

HAITI	SUGAR MILL	423 (Manian)
KOREA	PVC	131 (Manian)
MALAYA	CENTRAL ELECTRIC BOARD	380 (Review complete on major portion of project [IBRD loan]. Developing requirements on other phases of project.)
PAKISTAN	REMAINDER INLAND WATER TRANSPORT	167/8 ,230/1 (Jones)
PAKISTAN	R. R. REHABILITATION	183
PAKISTAN	DACCA & CHIT. WATER	187
PAKISTAN	BARGES & TUGS	340
PARAGUAY	TELECOMMUNICATIONS	292 (Gysland)
TAIWAN	SEVEN PROJECTS	
TUNISIA	L'OUED NEBANA DAM	330 (Cramer)
TURKEY	JUTE	244 (McNaron)
YUGOSLAVIA	TRESBESNJICA	301 (Lightfoot)
YUGOSLAVIA	KOSOVO THERMAL	294 (Cramer)
GHANA	REFRIGERATION & AIR CONDITIONING	457
LIBERIA	HYDROELECTRIC PROJECT	106
IRAN	IRAN-TURKEY RAILROAD	349
JORDAN	JORDAN PHOSPHATE MINES	468
PANAMA	TELECOMMUNICATIONS	369 (Gysland)

5. Not yet received by T/S office:

BOLIVIA	SUGAR (SAN AURELIA)	413 (DLF not anxious to finance second sugar mill at this time.)

INDONESIA	SHIPPING	
KOREA	IRON MINE	288
KOREA	SALT	28 (Manian)
TURKEY	TRACTOR & TRUCK PARTS	
TURKEY	ACID TANKER	
URUGUAY	LIVESTOCK	
VIETNAM	RAILWAY	52

6. Technical review by DLF and/or ICA complete and T/S recommends against:

(T/S review not yet written in final form.)

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

7. Under consideration by other agencies:

URUGUAY	DOLOMITE	414

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DEVELOPMENT LOAN FUND
Washington 25, D. C.

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

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

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

John W. Delaplaine
Technical Assistant

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958.2

BOLIVIA - La Belgica Sugar Mill - DLF #345

1. Contracts, plans and specifications, drawings and equipment lists approved by T/S.

2. Three waivers to Small Business clauses granted.

3. All remaining equipment now being procured and listed with the Small Business Office.

BRAZIL - Anhumas/Pedrinhas Resettlement - Carambei/Castrolanda Resettlement

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

CEYLON - Irrigation and Land Development - DLF #4

1. Project mainly procurement of earth moving equipment.

2. Cable sent February 6th requesting field analysis of project.

CEYLON - Highway Development - DLF #8

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

CEYLON - Colombo Suburban Railway - DLF #9

1. Project is mainly procurement of diesel coaches (proprietary from Europe).

2. Cable sent to field suggesting how proprietary procurement could be handled (ICATO 158). No reply to date. Follow-up cable sent February 6th.

CHILE - Airport (Engineering only) DLF #319

1. List of engineering firms furnished borrower at his request.

2. Scope of Work for engineer prepared and can be submitted to borrower whenever requested.

COSTA RICA - SICA - DLF #

1. Little work by T/S to date.

ECUADOR - Roads - DLF #

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

2. GOE presently renegotiating the necessary contracts with Constructors on the southern section of the road.

3. Project appears to be proceeding smoothly.

GREECE - Fertilizer

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

HONDURAS - Highway Development - DLF #1

1. Road project.

2. Supervised by IBRD (Young-IBRD Eng.)

3. Brown and Root is the Engineer.

4. Engineer developing plans and specifications and local and foreign currency cost breakdown. Construction contract has been let.

5. Project appears finally to be proceeding smoothly.

INDIA - Railways - DLF #2

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

INDIA - Roads, Jute, Cement - DLF #3

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

INDIA - Power Development

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

INDIA - Second Railway Loan

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

INDIA - Steel Imports

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

INDIA - Private Sector

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

INDONESIA - Railways - DLF #121

1. Loan for equipment to build railroad and services.

2. Borrower hiring J. G. White as Engineer.

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

IRAN - Plan Organization Projects

1. Individual projects now determined.

2. Some have been reviewed by ICA/W and DLF.

3. Some additional back-up studies on airports and railroad stations may be requested.

ISRAEL - Development Loan

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

JORDAN - Trans-Jordan Electric Power

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

KOREA - Cement Plant

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

KOREA - Telecommunications

1. Scope of Work required for Engineer.

KOREA - Chung Ju Hydro - DLF #291

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

LIBERIA - Sawmill

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

2. T/S has approved plans and specifications, equipment lists, and suppliers of all but two items.

3. T/S will develop engineering reports and schedules with LO and borrower.

LIBERIA - Telecommunications - DLF #104

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

LIBYA - Tripoli Power

1. Going ICA project with Cramer handling engineering for ICA. Engineer is William Byrne Company, and is proceeding satisfactorily.

2. USOM has reported that borrower does not wish to select Constructor picked by ICA. ICA trying to resolve.

MALAYA - North Klang Straits

1. Engineer's terms approved by T/S. Engineer is Coode and Partners, London.

2. Engineer has done excellent work on developing tender for lump sum bid by Constructors, including all equipment. Tender will soon be issued.

NETHERLANDS - Resettlement

1. No work by T/S to date.

PAKISTAN - Grain Storage (earmarked)

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

PAKISTAN - Karachi Water & Sewage - DLF #6

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

2. The revised equipment list has been approved.

PAKISTAN - PICIC

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

PAKISTAN - Railway

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

PAKISTAN - Karnafuli

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

2. Construction is 11.5% complete.

PAKISTAN - High Tension Grid

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

2. T/S reviewing Montecatini contract and will approve shortly (Engineer).

PAKISTAN - W. P. Ground Water Development

1. T/S has issued Scope of Work for Engineer.

2. Faruque now in this country to review the project.

3. Have discussed purpose of Engineer with Mr. M. A. Ahmed and Mr. Ch. A. Hamid.

PAKISTAN - Ports of Chittagong & Chalna

1. T/S now reviewing this project.

2. Hussain to visit DLF February 18th.

PARAGUAY - Asuncion Waterworks - DLF #10

1. Going Ex-Im project with satisfactory Engineer and Constructor. Engineering reviews by Ex-Im. Engineer is Rader, and Constructor is Kaiser Int. Eng. (Ex-Im Eng. Duvall).

2. No work by T/S contemplated.

PARAGUAY - Brazilian Road - DLF #14

1. Working with GOP to select Engineer and define Scope of Work.

2. Construction will be largely by force account.

PARAGUAY - IPC - DLF #16

1. Preliminary engineering work by T/S complete.

2. Progress reports should be followed closely.

SOMALIA - Credito Somalia

1. Development Bank Loan (Ag.)

2. T/S will review technical procedures.

SPAIN - Irrigation & Earth Moving Equipment - DLF #144

1. Procedures being developed with borrower.

SPAIN - RENFE

1. Procedures being developed with borrower.

SUDAN - Textile Mill

1. Borrower has been told to employ consultant.

TAIWAN - Shihmen Dam - DLF #17

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

TAIWAN - Railways - DLF #18

1. Borrower requested permission to buy locomotives from U.S. This permission has been granted.

2. Borrower now negotiating with the three major U.S. suppliers. It is expected that it will be possible to purchase these locomotives in the near future.

3. Specifications will eventually be reviewed with all three U.S. suppliers prior to issuance to make certain they are not proprietary.

TAIWAN - Asia Cement - DLF #7

1. Borrower in process of hiring Burns & Roe as Engineer (mostly for procurement assistance). Burns & Roe employing Herbert Fleishman Co. as cement specialists.

2. DLF has not approved plans and specifications.

TAIWAN - Improvement of Fishing Industries

1. No outside Engineer or Constructor required.

2. Little work contemplated by T/S.

TAIWAN - Ingalls - Taiwan (Guarantee & Loan

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

TAIWAN - Small Industry Fund

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

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

1. Awaiting reply to transmittal of Loan Agreement which raised several technical problems previously discussed in loan paper.

2. No Engineer or Constructor required outside of the supplier contracts now contemplated.

TAIWAN - Aluminum - DLF #290

1. Problems on this project were suggested in the loan paper. This should be discussed with the borrower in the near future. Major problem is alumina portion of plant - whether outside Engineer such as Pechiney required here. A letter on the above has been prepared by T/S.

2. T/S will accept process for aluminum section, but not alumina at this time.

3. Pechiney O.K. for aluminum section and terms and conditions proposed are satisfactory.

THAILAND - Dredge

1. Dredge similar to IBRD dredge.

2. Specifications now out and preliminary bids in. GOT proposing to select a Japanese bid.

3. Final bids and specifications requested of borrower by DLF for review.

4. Siltation survey status accepted by borrower.

5. Borrower's representative will visit DLF this month to review project.

THAILAND - Power Distribution

1. Rogers - Engineer - proceeding satisfactorily, and issuing design criteria report.

2. Bids already issued for contract services.

TUNISIA - Railway

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

TUNISIA - Pulp Factory

1. Engineering contract being developed.

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

TURKEY - International Development Bank

1. T/S has accepted the five projects over $250,000 to date and will continue to review such projects.

2. T/S has reviewed IDB technical review procedures and has made recommendations.

YUGOSLAVIA - Fertilizer

1. Contract with Grace Chemical approved by T/S.

2. Major phases of the process has been approved by T/S.

3. Chemico contract has been approved, in principle, by T/S, although there are a few minor details awaiting clarification.

4. Texaco has been approved by T/S.

MALAYA - Roads and Bridges - DLF #381

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

PHILIPPINES - Small Industry Loan

1. No work by T/S contemplated.

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

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

GUATEMALA - Rubber Production - DLF #421

1. No work by T/S to date.

NICARAGUA - Matagalpa Public Utilities - DLF #289

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

YUGOSLAVIA - Diesel Locomotives - DLF #225

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

TURKEY - Vinylex - Integrated - DLF #427

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

U. S. DOMESTIC PUBLIC WORKS ACTIVITY

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

President's Budget Message, January 19, 1959

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

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

Hearings Before the Joint Economic Committee, January 28, 1959

"Mr. Stans. . . . .

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

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

Mr. Stans. The reason was this, sir.

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

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

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

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

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

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

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

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

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

Mr. Stans. Certainly it is.

Senator O'Mahoney. An economic war?

Mr. Stans. Certainly it is.

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

Mr. Stans. Yes, it is.

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

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

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

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

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

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

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

TAB R

THE DLF AND PRIVATE INVESTMENT

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

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

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

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

DLF
2-24-59

TAB Q

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

(in thousands of dollars)

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

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

(in thousands of dollars)

	Borrower		User	
	Public	Private	Public Sector	Private Sector
NEAR EAST (Cont'd)				
Turkey - Ind. Dev. Bank	---	$10,000	---	$10,000
Turkey - Mineral Survey	$ 900	---	900	---
Turkey - Plastics	---	6,100	---	6,100
Turkey - Zonguldak Coal	14,500	---	14,500	---
Total, Near East	89,900	22,300	76,640	35,560
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.	25,000	---	---	25,000
India - Cement	5,000	---	---	5,000
India - Jute	5,000	---	---	5,000
India - Steel	40,000	---	18,000	22,000
India - Railways (second)	35,000	---	35,000	---
India - Public power	10,000	---	10,000	---
India - Private capital equip.	15,000	---	---	15,000
Pakistan - Karachi W/S	5,500	---	5,500	---
Pakistan - PICIC	---	4,200	---	4,200
Pakistan - High Tension Grid	14,700	---	14,700	---
Pakistan - Karnafuli Dam	17,500	---	17,500	---
Pakistan - W. Pak. Ground Water	15,200	---	15,200	---
Pakistan - Railways	9,100	---	9,100	---
Pakistan - Ports of Chittagong-Chalna	4,000	---	4,000	---
Total, South Asia	244,250	4,200	132,250	116,200
FAR EAST:				
Indonesia - Railways	3,000	---	3,000	---
Indonesia - Harbor Dev.	6,000	---	6,000	---
Korea - Cement	---	2,140	---	2,140
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 - Roads & Bridges	18,750	---	18,750	---
Taiwan - Railway	3,200	---	3,200	---
Taiwan - Shihmen Dam	21,500	---	21,500	---
Taiwan - Asia Cement	---	2,750	---	2,750
Taiwan - Ingalls-Taiwan	---	6,500	---	6,500
Taiwan - Fishing Industry	686	---	---	686

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

(in thousands of dollars)

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

a/ Mixed enterprise - 50% public; 50% private
b/ Mixed enterprise - 10% public; 50% private
c/ Distributed on the basis of relationship of the dollar volume of public and private proposals under active consideration.

TAB 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.

TAB R

-- 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 A

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."

TAB S

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

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

Netherlands Resettlement of Emigrants in Australia

TAB 5

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

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

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

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

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BY Cowell, SCAMP/CRM
AUTHORITY: ~~EO 12065~~ para ~~925~~, Uniform Security Regulations 958.2

TAB T

The Export-Import Bank and DLF Loan Administration

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

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

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

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

TAB U

PROVISION OF THE SERVICES INVOLVED IN
ADMINISTRATION OF DLF LOANS

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

The basis for this proposal is:

a. the fact that it has not turned out to be efficient in practice for Eximbank itself to perform the services involved.

b. the fact that the amendment will eliminate the need for a circuitous arrangement for the provision of these services by other agencies, clearly identify the responsibility of DLF, and leave untouched other authorities under which Eximbank's services might be utilized where deemed appropriate.

c. mutual agreement of the agencies involved that the amendment is desirable.

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

BACKGROUND ON PROPOSED AMENDMENT

TAB U

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

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

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

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

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

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

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

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

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

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

TAB U

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

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

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

MAJOR LINES OF QUESTIONING ON DLF
1958 CONGRESSIONAL HEARINGS AND DEBATE

TAB V

House Foreign Affairs Committee Hearings

1. (page 187) What progress has the DLF made? (Reps. Chiperfield, Carnahan)

Reply: Dulles - Large volume of applications; expect commit $300 million by end FY 1958; necessary lag between commitment and obligation; importance of DLF.

2. (p. 191) Would DLF aid Egypt and Syria or Poland? (Rep. Kelly)

Reply: Dulles - Egypt and Spain not necessarily barred, but for the current DLF aid would not serve our objectives; are aiding, though not with DLF, to encourage independence.

3. (p. 280) Shouldn't Labor and Agriculture be on DLF Board? (Rep. O'Hara)

Reply: Dillon - Board should be small operating unit; Commerce and Agriculture get crack at DLF through NAC; Smith (ICA) trying to get Labor and Agriculture members on IDAB.

4. (p. 734) What is relationship of DLF to IDA proposal? (Rep. Morgan)

Reply: Dillon - Creation of IDA won't reduce demand on U.S. for developmental capital.

5. (p. 735) Who finances surveys for DLF projects? (Rep. Morgan)

Reply: McIntosh- Preliminary engineering survey; if not already financed, would be covered in the loan, though in some cases might use DLF administrative funds.

6. (p. 738) How do you evaluate DLF as instrument for countering Soviet economic penetration? (Rep. Morrow)

Reply: Dillon - DLF is our cheif and really our only weapon to counter Soviet offensive; a good weapon; interest rates higher but local currency repayment and often longer maturity.

7. (p. 748) What has DLF done for Latin America? (Morano also Rep. Fascell p. 15

Reply: McIntosh - Volume of applications low because only smaller countries are applying.

Rubottom - DLF will replace Smathers fund; Latin America will get fair share from DLF; therefore Executive Branch opposes earmarking of MSP funds.

8. (p. 749) To what extent will local currency repayments be useful? (Rep. O'Hara)

Reply: Dillon - Will be increasingly useful for financing further development as economies grow.

9. (p. 754) What procedures has DLF to avoid adverse effect on U.S. economy? (Rep. Coffin)

Reply: See page 9 of presentation book and background paper in Briefing Materials Tab U.

10. (p. 944) To what extent has DLF encouraged private enterprise rather than government to government loans? (Rep. Carnahan)

Reply: See page 9 of presentation book and Tab YZ in Background Materials.

11. Is DLF adhering to lending on a project basis? (Rep. Judd)

Reply: See pages 12, 13 of presentation book.

12. Has DLF made loans to Yugoslavia? (Rep. Kelly)

Reply: See page 30 of presentation book.

Senate Foreign Relations Committee Hearings

1. (p. 164) What will be relation of DLF to Secretary of State? (Sen. Smith)

Reply: Dulles - Incorporation will not nullify authority of Secretary of State, since Board will have 3 out of 5 statutorily under guidance of Secretary of State.

2. (p. 253) What are terms of DLF loans? (Sen. Fulbright)

Reply: Dillon - Interest rates must be high enough so do not prejudice Ex-Im and IBRD.

3. (p. 314) What is the amount and what are the terms of DLF loans to India? (Sen. Mansfield)

?

House Appropriations Committee Hearings

1. (p. 19) How does the DLF handle a public works project? (Rep. Passman)

2. (p. 21, 338) Why was the DLF incorporated? (Rep. Gary & Passman)

3. (p. 23) How does Congress control the DLF's funds and program? (Rep. Gary)

Reply: Dillon - Exact financing form is up to Congress. Even revolving portion of DLF's funds, however, subject to annual Congressional review per Government Corporation Control Act.

4. (p. 40) To what extent has DLF committed its funds? (Rep. Rooney)

5. (p. 294) To what extent have DLF funds been obligated? (Rep. Passman)

Reply: Dulles - Should expect unobligated balance each year but not unprogrammed; delay is for negotiation, examination, study, etc.; we don't act precipitately.

6. (p. 43) On what basis do you make a finding as to prospects of repayment? (Rep. Andrews)

Reply: Dillon - Where local currency repayment, consider "whether the project is a good project which will increase the general capacity of the country to earn money in its own currency."

7. What are local currency repayments useful for? (Rep. Rooney)

8. (p. 310) What is status of DLF loans actually made? (Rep. Taber)

9. (p. 353) What agreements govern the local currency payments received by the DLF? (Rep. Passman)

Reply: Dillon - We would only use them outside the country by agreement of the country.

10. (p. 370) What rate of exchange applies to DLF local currency payments? (Rep. Passman)

Reply: Dillon - Will have maintenance of value in all contracts and will calculate in most favorable rate available.

11. (p. 371) What are "soft" loans? (Rep. Alexander)

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

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

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

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

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

See Background Material Tab U.

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

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

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

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

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

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

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

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

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

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

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

See Background Material paper.

V

Senate Appropriations Committee Hearings

1. (p. 30) What countries are eligible for DLF loans? (Sen. Dirksen)

2. (p. 31) Is there a limintation on the amounts lent to any country? (Sen. Dirksen)

3. (p. 32) What is the maximum duration and what are interest rates on DLF loans? (Sen. Dirksen)

4. (p. 33) What security is there on DLF loans? (Sen. Dirksen)

5. (p. 34) What does the DLF do with local currency repayments? (Sen. Dirksen)

6. (p. 38) How solid are the total applications to the DLF? (Sen. Dirksen)

Reply: Dillon - About half of the applications on hand may turn out to be potential loans.

7. (p. 39) Would the International Development Association be cheaper than the DLF? (Sen. Robertson)

8. (p. 41) Are there any limitations on where the DLF can finance procurement? (Sen. Dirksen)

9. (p. 42) What has the DLF done with guaranties? (Sen. Dirksen)

10. (p. 43) Is the DLF concerned about labor conditions in the projects it finances? (Sen. Dirksen)

11. (p. 44) What has been the effect of cuts on DLF operations? (Sen. Dirksen)

12. (p. 44) How much has the DLF expended? (Sen. Ellender)

13. (p. 46) Wouldn't the Netherlands have been able to borrow for its resettlement project elsewhere? (Sen. Ellender)

See Background Material paper.

Reply: Dillon - Does not deny the Netherlands could have borrowed elsewhere; was a case of evident mandate from Congress.

14. (p. 47) Does the DLF take into account impact of project on U.S. economy? (Sen. Ellender)

V

House of Representatives: Authorizing Bill

1. (May 12, 1958, p. 7555) How can we justify the DLF when American small businessmen can't get the loans they need? (Rep. Adair)

2. (May 12, 1958, p. 7555) Shouldn't the DLF distinguish between friends and neutrals? (Rep. Adair)

3. (May 12, 1958, p. 7557) Congress should periodically review effect of DLF transactions on U.S. economy. (Rep. Kelly) (Also May 13, 1958, p. 7709, Rep. Coffin)

4. (May 12, 1958, p. 7557) We should not give foreign aid to Yugoslavia. (Rep. Faighan)

5. (May 14, 1958, p. 7562) Soft loans are "straight out grants." (Rep. Pilcher)

6. (May 14, 1958, p. 7805) DLF should not have power to borrow money anywhere without express Congressional authorization. (Rep. Gary)

7. (May 14, 1958, p. 7806) The DLF hasn't spent a dime of its money after all its big requests. (Rep. Passman)

8. (May 14, p. 7806) DLF loans are unsound because DLF can only take up a project after all other lenders have rejected it. (Rep. Passman)

9. (May 14, 1958, p. 7806) DLF cannot use its local currency repayments in third countries or for exports. (Rep. Passman)

10. (May 14, 1958, p. 7806) Why can't we capitalize DLF with present U.S. local currency holdings? (Rep. Passman)

Senate: Authorizing Bill

1. (June 3, p. 8951) (Referring to DLF) "The people of the United States are to finance the steps by which a billion people will be lifted to our economic level -- or we will be dragged down to theirs." (Sen. Jenner)

2. (June 4, p. 9064) DLF must find means to tap private capital, perhaps through various kinds of guaranties. (Sen. Humphrey)

3. DLF itself is not adequate to meet need for U.S. assistance to India's Second Five Year Plan (Comment by Sen. Humphrey prior to MS debate, 1958).

V

4. (June 6, p. 9328) Latin America should get a fair share of the DLF funds. (Sen. Smathers)

5. (June 6, p. 9331) Latin American projects in the fields of health, education and sanitation should be given priority by the DLF. (Sen. Smathers)

6. (June 6, p. 9336) I want to stimulate Mr. Dillon to secure support of other countries to give concentrated help to Indian second five-year plan. (Sen. Kennedy)

House of Representatives: Appropriations

1. (July 1, p. 11633) The DLF appropriation request [for $625 million] "is the most exaggerated request ever to be referred to an Appropriations Committee." (Rep. Passman)

2. (July 1, p. 11633) We have "dreamers who are looking for places to spend the Development Loan Fund." (Rep. Passman)

3. (July 1, p. 11649) To cut the DLF from $625 million to $300 million is largely to repudiate development aid as a weapon in the cold war. (Rep. Wigglesworth)

Senate: Appropriations

1. (Aug. 23, p. 17835) We will have difficulty in making the DLF a revolving fund. (Sen. Ellender)

2. (Aug. 23, p. 17835) The DLF's policy, unfortunately, is to confine use of local currency repayments to the country where the loan was made. (Sen. Ellender)

3. (Aug 23, p. 17836) "I must warn the Senate that the rats have been in the corncrib already. The Development Loan Fund already shows signs of being raided by the big-shot bureaucrats who administer the program." At least one country that does not meet the criteria [i.e. Netherlands] is getting a loan. (Sen. Ellender)

Article in Saturday Evening Post 3-28-59 by

John B. Hollister

pg. 85 - "There is, of course, powerful opposition in both Congress and the Administration to this quid-pro-quo concept of ICA's purpose. One group, for example, is constantly attempting to divert an increasingly larger percentage of our foreign-aid funds to the improvement of undeveloped parts of the world, regardless of our national interest. Because we are rich and powerful, the proponents of such a policy say, we should continue this program even if the cold war should come to an end. This is an entirely praiseworthy attitude of the majority of Americans in their private lives, but our Administration, in my opinion, was not elected to act as agent for our philanthropies."

pg. 85 - "The situation in the Middle East and Far East is vastly different. To begin with, there are hundreds of millions of people living in those parts of the world, and even our vast resources are inadequate to affect quickly the economic lot of such masses. But even more important, almost no nation in those parts of the world is, as yet, capable of absorbing massive doses of industrial development. There is no point in increasing production capacity faster than demand can be generated and technological skills can be learned. The road to economic health and success is uphill and arduous."

pg. 86 "Yugoslavia, for instance, tried for some time to secure financing from ICA for a fertilizer plant. This request precipitated a battle royal in our Administration. One group would give the money to Yugoslavia subject only to the provision that adequate engineering drawings were made. The other side, with which I was in hearty agreement, argued that a single capable contractor should be employed to do the work under the supervision of a competent engineer and that arrangements be made for the training of operating personnel before we even embark on the project.

Naturally, the Yugoslav minister concerned wanted complete authority over the project, and his supporters in this country said that we should not offend Yugoslav pride by imposing conditions. International amenities, however, must be sacrificed if they interfere with proper use and proper accounting of all our mutual-security funds. By following this course, we may not be liked, but we will be respected, and our money will not be wasted."

pg. 86 - "One of the first steps we can take in this direction is to insist that we, as a Government, will do nothing which private enterprise can do as well or better. Next, ICA and the Development Loan Fund should sharply increase the amount of money now being spent to subsidize plant construction by American private enterprise in undeveloped countries. Third, we must convince these nations that it is to their advantage to welcome these investors and to adopt tax laws and operating regulations which will make it possible for both domestic and foreign capital to work efficiently and at a profit."

pg. 88 - " If we are to eradicate overlapping, duplication, waste and inefficiency, a contraction -- not an expansion -- of our present

structure of agencies must take place. First, the Development Loan Fund should either be abolished or be placed completely under the direction of ICA. In its present independent status the fund seriously weakens our overall control of lending.

Next, the Export-Import Bank should be restricted to its original purpose -- financing American foreign trade. Our surplus-commodities-disposal program should be better controlled and more closely co-ordinated with our other activities abroad.

The most important step to be taken, however, is the establishment of close-knit co-operation between all United States groups which affect our foreign-aid program.

It is essential, of course, that the Secretary of State, acting for the President, should set the foreign policy of the United States. The Secretary, therefore, must have final authority over our foreign-aid program. However, he is already doing the work of several men, and he has no time to oversee the day-to-day activities in order that we will "speak with one voice."

This authority should be delegated to his Under Secretary of State for Economic Affairs, who should be a czar in this field with full power to act within the limits of existing legislation."

pg. 88 - "If appropriations for the Mutual Security Program are not to increase steadily and if we are to have an adquate reserve for new and pressing needs for aid which will inevitably arise, we must cut down on some of our existing programs and teach our friends abroad that our assistance is an emergency measure, not a continuing subsidy."

pg. 88 - " Foreign aid has been a tremendously expensive but indispensable weapon in maintaining the security of the United States. There are a few principles which will increase this security greatly. We must spend the money available for foreign aid for the safety of the United States without any "giveaway" aspects. The money should be spent by those with our interests at heart -- and not by some international group. Funds should be allocated only where private capital either local or foreign, cannot do the job under reasonable encouragement. Finally, the program should be closely coordinated with all other economic activities of the United States Government. Only by following these principles can the enormous drain on the American taxpayer be justified."

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Why the administration is not now requesting that the Development Loan Fund be capitalized on a long-term basis.

The reasons for not presenting such a request this year seemed to us compelling. In the first place, we have now only about 1 year of effective operation of the Fund behind us. The additional experience that will come with another year's operation will be invaluable in judging the size and form which longer term capitalization of the Fund should take. You will recall that when the President originally proposed the establishment of the Development Loan Fund 2 years ago he asked for a 3-year capitalization, and, as he stated in his message of March 13, 1959, it was his intention, based on observation of its progress within that period, to ask for longer term capitalization commencing in fiscal year 1961.

Another reason for postponing the decision on long-term capitalization flows from our desire to insure that the Development Loan Fund fits in carefully to the pattern of other development institutions. This year consideration is being given to the creation of two new institutions in this field. One is the Inter-American Development Banking Institution. Negotiations looking toward its creation have been under way in Washington among the 21 members of the Organization of American States since early January. We hope that this institution will become a reality in the course of this year. The second institution to which consideration is being given is an International Development Association to be formed as an adjunct of the World Bank. This would be a multilateral version of our own Development Loan Fund.

While negotiations regarding this institution are not as far advanced as in the case of the Inter-American Institution, we do expect that later in the year we will have a clearer idea as to the practicability and possibilities of such an institution. Such information regarding these two institutions would be useful in working out more precise long-term plans for the Development Loan Fund. Taking into account this information and our further experience in operating the Fund, the Department of State presently intends to submit for consideration by the President next fall a proposal for the long-term financing of the Development Loan Fund beginning in fiscal year 1961.

The Development Loan Fund now has behind it about 14 months of active experience. This has given proof of its ability to make useful loans and to operate effectively at a rate of at least $700 million a year. Furthermore, we now have confirmation in experience of the important role this institution can play in the conduct of our foreign policy.