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PD-ACE-057

# MUTUAL SECURITY PROGRAM

# DEVELOPMENT LOAN FUND

## FISCAL YEAR 1961 ESTIMATES

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A

ICA NOTES ON SENATE APPROPRIATIONS COMMITTEE

1. Senators, who have been present during DLF and Europe hearings and have raised questions or made observations:

Hayden, McGee, Saltonstall, Pastore, Allott, Holland, Robertson, Dworshak, Ellender.

2. Senator Ellender has evidenced several lines of particular interest:

a. FY 1961 DS and SA projects, particularly capital projects, which he believes should be financed by the DLF. The questions as to why these projects are not "DLF able" should be discussed with Mr. Gordon or Mr. Zenick.

b. FY 1960 projects which were financed from the Contingency Fund, and which were therefore, according to Senator Ellender, suspect.

c. Senator Ellender has read the bottom of page 12 of the Report of the Committee on Foreign Affairs (Report No. 417, June 7, 1957) into the record in an attempt to prove that the intent of the DLF was to take over the development function. This section should be reviewed within the context of the entire report.

d. Senator Ellender has tried to use Sec. 503 (c) to plug for reduced DS and SA project assistance and tried to show that decreases were more than compensated by increases in the DLF. In this respect he has maintained that DLF loans are only thinly disguised grants. His argument might be considered a misuse of Sec. 503(c) on the one hand, and, not recognizing that the purpose of the DLF was to be additive. This latter point is dealt with more extensively in the Report of the House Foreign Affairs Committee on the Mutual Security Act of 1957.

e. Senator Ellender has an excellent facility for generalizing, raising the debate to a conceptual level and asking the witness for his views. He also asks witnesses to comment on programs or projects in other regions, or under other jurisdictions.

3. On Contingency Fund questions, Executive Branch witnesses should use the following sequence in order, as applicable:

a. Disaster or emergency.

b. Not firm at time presentation was made.

c. If the proposal was cut out as a result of the general DS or SA cut, and then reinstated, through use of the Contingency Fund, note the persuasive "unforeseen" factors which occurred subsequent to the 1960 Appropriation hearings. This tends to broaden the definition of "unforeseen."

This is the objective

d. The retreat position is contained in the general GC briefing paper on the Contingency Fund. The quotes on page 4. may be found particularly useful, the first two being those of Mr. Murphy, and the last two those of Mr. Bell. Mr. Passman's quotation on the bottom of page 3. is also pertinent. The Executive Branch must maintain, as has indeed been its use, that maximum flexibility is needed, even to restoring DS, SA, TC, etc. funds to the appropriation or authorization requests or above them if conditions so warrant.



C

## ICA FY 1961 Congressional Presentation Book Proposals
## China (Taiwan)

| FY 1961 Project | Amount ($000's) | Description of FY 1961 ICA Project* | If JCRR reviewed FY 1960 project, reason why unsuitable |
|---|---|---|---|
| 1. Agricultural and Rural Improvement (JCRR)y/ | $ 300 | Equipment and supplies for 10 small scattered activities such as agricultural extension, animal industries, soil conservation, educational institutions, general administration, etc. Heavily interwoven with technical assistance. | Not reviewed. |
| 2. Land and Water Resources Development (JCRR) | 750 | Equipment and supplies for large number of small scattered reclamation, flood control, irrigation, drainage and ground water development activities in various locations in Taiwan. | [illegible] number of small [illegible]. |
| 3. Forestry Development (JCRR) | 40 | Pumps, sprayers and trucks for reforestation and forest protection and research. | Not reviewed. |
| 4. Fisheries Development (JCRR) | 15 | Fishing and processing equipment. | Not reviewed. |
| 5. Coal Mine Development | 30 | For technical services and training related to coal exploration and production. FY 61 is last year of financing. | Not [illegible]. |
| 6. Minerals Development other than Coal | 125 | $50,000 of concentration equipment and $50,000 for materials for Chiaoshih copper, pyrite and gold mine; plus geologist service. FY 61 is last year of financing. | Not [illegible] |
| 7. Primary System Development | 2,300 | For electrical equipment, iron and steel, aluminum and copper materials for Taiwan primary power system. FY 61 is the last year of financing. (This has no relationship to Shimen Dam power distribution, on which construction is several years away.) | No [illegible] suitable for [illegible] materials and equipment scattered [illegible] system. |

*Descriptions from FY 61 R-1 Sheets, amended by ICA/FE explanation.
y/ Joint Commission on Rural Reconstruction
z/ Informally reviewed.

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| | | | |
|---|---|---|---|
| 8. Power Transmission and Distribution | 1,725 | For electrical equipment and other materials to improve transmission and distribution by correcting conditions, improving reliability and increasing capacity. FY 61 is last year of financing. | No discrete segments suitable for financing since material and equipment scattered thru system. |
| 9. Ta Chu Shan Logging Operations | 200 | For management contract for operation of logging activity, financed in earlier years. FY 61 is last year of financing. | Not reviewed.[b] |
| 10. Water Resources Survey | 70 | For equipment and instruments for survey and technical and training services. FY 61 last year of financing. | Not reviewed |
| 11. Material Standards Control | 195 | For testing equipment and apparatus to improve materials and quality testing. | Not reviewed |
| 12. Building Materials Research Center | 15 | Testing equipment and training. | Not reviewed |
| 13. Harbor Development | 400 | Buoys and chains for Chosheng Harbor, dump trucks, crane, shovel and bulldozer for Keelung Harbor in FY 61 amounting to $200,000 in FY 61. FY 62 an additional $200,000 and FY 66 $288,000. ([illegible] not complete) | Scattered small activities in various ports on Taiwan. |

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# ICA FY 1961 Congressional Presentation Book Proposals
## Korea

| FY 1961 Project | Amount ($000's) | Description of FY 1961 ICA Project* | If DLF Reviewed FY 1960 Project Reason Why Suitable |
|---|---|---|---|
| 1. Flood Control | $ [illegible] | Construction of levees and sluice gates in various locations; only $50,000 for commodities | Not reviewed |
| 2. Land and Water Use | 320 | Most of the $200,000 in commodities is for fertilizers, seeds, pesticides, etc. to be used in small pilot village projects | Collection of a large number of scattered projects |
| 3. Fisheries Development | 925 | $800,000 for materials and equipment for boat construction and conversion, for fishing gear, demonstration goods for marketing, lab and scientific supplies. | Continuation of procurement of small boats outside the U.S. at much lower cost than possible in U.S. |
| 4. Coal Mining Development | 2,030 | Bulk for equipment and materials for private coal mine development and $320,000 for exploration. (ICA believes that most of the private development is exploratory drilling but details are absent in Washington). | Largely for surveys and for the procurement of machinery replacement. Would look at surveys when latter are completed. Awaiting completion of surveys and exploration but would consider financing if suitable project presented. |
| 5. Development of Metals and Minerals other than Coal | 230 | Largely for exploration and surveys and possibly ferrous development. (ICA could not provide details). | Largely for surveys and for public administration assistance to the Korean Bureau of Mines. Awaiting completion of survey and exploration to see whether financing of discrete activity feasible. |
| 6. Transmission and Distribution System | 750 | For electrical equipment and materials to rehabilitate, improve and expand distribution system throughout Korea. Major amounts beyond FY 1961. | No discrete segments suitable for financing since materials and equipment scattered thru system. |

*Descriptions from FY 61 S-1 Sheets, amended by ICA/FE explanation.

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|---|---|---|---|
| 7. Medium Industry Development | 215 | For technical services only. To advise and assist in the erection of plants and installation of equipment rimmed earlier. | Not reviewed. |
| 8. Central Industrial Research Center | 100 | Scientific instruments and supplies for the center [$800,000 planned in FY 62 and 63]. | Not reviewed. |
| 9. Waterworks Rehabilitation and Expansion | 1,250 | For iron and steel products, pumps and other equipment to complete rehabilitation of large number of waterworks and expand water systems. | Scattered public water systems in many localities throughout Korea. |
| 10. City Drainage | 120 | Steel and pumps for rehabilitation of large number of sewer systems. Related to street and road construction under Highways and Bridge project. (Will need $2,000,000 beyond FY 61). | Scattered public sewer systems in many localities throughout Korea. |
| 11. Highway and Bridge Construction and Rehabilitation | 1,410 | $1,250,000 for steel, crude oil, minerals and some equipment spares to be used for further work on 75 bridges and reconstruct 120 miles of highways and streets. [ICA orally stated that most of the funds were for survey] | Scattered activities and surveys well underway. [No discrete project large enough for DLP financing.] |
| 12. Railroad Construction and Improvement | 35 | For technical services to advise on railway operations. | Reviewed major RR construction, rolling stock and diesel project. |
| 13. Port and Harbor Improvement | 890 | $750,000 for cement, equipment and materials for repair and improvement of 11 ports and harbors. (Significant military implication) | Scattered activities, largely completed. |
| 14. Marine Navigational Aids | 300 | Equipment and steel materials to rehabilitate and improve marine navigational aids along Korean coast. (Will complete with $200,000 more in FY 62). | Not reviewed. |
| 15. Civil Aviation Operations | 535 | $450,000 for air navigational electronic and hardware. Will need some more in future years. (ICA orally stated that funds were to complete Kimpo Airport buildings) | Scattered activities in connection with airport terminal construction at Kimpo Airport. |

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## ICA FY 1961 Congressional Presentation Book Proposals
## Vietnam

| FY 1961 Project | Amount ($000's) | Description of FY 1961 ICA Project* | If DLF Reviewed FY 1961 Project Reason Why Unsuitable |
|---|---|---|---|
| 1. Crop Development | $ 500 | Small amounts of equipment ($90,000) for large number of agricultural extension projects. 63 subprojects. | Not reviewed. |
| 2. Improvement of Irrigation and Water Control | 500 | $400,000 for four small dredges and other equipment for use in large number of small subprojects. (FY 1961 last year) | Not reviewed. |
| 3. Land Development (Rural Resettlement) | 265 | $100,000 for small quantities of machinery and equipment and spares for use in resettlement of population on new lands. | Not reviewed. |
| 4. Agricultural Credit and Cooperative Organization | 250 | $160,000 for office equipment, refrigeration and transport equipment for the Agric. Coop. Office. (FY 1961 last year) | Not reviewed. |
| 5. Fisheries Development | 250 | $[illegible],000 for equipment for private fishing industry. (FY 1961 last year) - landing piers, ice making machines, etc. | No discrete segments suitable for financing since materials and equipment scattered among various fishing ports. |
| 6. Hong Gon Coal Mine Development | 700 | For 67 railroad copper cars, which are additional to earlier equipment financed. (FY 1961 last year) Little of the development has been done, underground development not yet underway. (FY 1961 last year). | Not reviewed. |
| 7. Expansion of Water Supply Systems | 1,700 | $1,500,000 for large number public water supply systems. Well drilling and surveys. ($4.0 million needed beyond FY 61). | Not reviewed. |
| 8. Highway and Bridge Construction | 6,950 | Materials and equipment for large number of bridges and road sections, some of which are well underway. | Scattered construction activities and surveys well underway. |

*Descriptions from FY 61 E-1 Sheets, amended by ICA/FN explanation.

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| | | | |
|---|---|---|---|
| 9. | Rehabilitation of Inland Waterways | 3,260 | Mostly to finance dredging contract with dredge already financed. Had been scheduled for FY 68 but delayed. | Not suitable since [illegible] to finance a [illegible] dredging operation. |
| 10. | Improvement and Expansion of Aeronautical Ground Facilities | 1,360 | $1,070,000 for lighting and other electrical equipment for Saigon Airport. Negotiations TOF project well advanced. | Project well [illegible]. |

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STATUS OF DLF APPLICATIONS
May 1, 1960

LOANS APPROVED AND LOAN AGREEMENTS SIGNED TO DATE:

| Applicant | Project | Amount |
|---|---|---|
| (1) Tong Yang Cement<br>DLF Loan Agreement 22 | Expansion of Existing Plant<br>Signed January 20, 1959 | $ 2,140,000 |
| (2) Ministry of Communications<br>DLF Loan Agreement 32 | Telecommunications<br>Signed April 8, 1959 | 3,500,000 |
| (3) KEPCO<br>DLF Loan Agreement 61 | Chung-Ju Hydroelectric 1/ Engineering<br>Signed May 26, 1959 | 1,500,000 |
| (4) Oriental Chemical<br>DLF Loan Agreement 93 | Soda Ash Plant not to exceed<br>Signed December 11, 1959 | 5,600,000 |
| (5) The Korean Reconstruction Bank<br>DLF Loan Agreement 94 | Small Industry Loan Program<br>Signed April 12, 1960 | 5,000,000 |
| | Total | $17,740,000 |

LOAN APPROVED AND LOAN AGREEMENT PENDING:

| | | |
|---|---|---|
| Tae-Pan Industrial Co. | Tae Pan Plant | 1,100,000 |

APPLICATIONS PENDING BEFORE DLF:

| | | |
|---|---|---|
| KEPCO | Chung-Ju Hydroelectric 2/ Construction | 38,529,000 |
| Korean Rayon Co., Ltd. | Rayon Plant | 9,612,000 |
| Puk Sam Chemical Co. | PVC Plant | 1,700,000 |
| Korean Nylon Co., Ltd. | Nylon Plant | 2,186,000 |
| Ministry of Transportation | Railway Passenger Coaches | 4,900,000 |
| | Total | $56,927,000 |

1/ Present loan agreement covers only engineering (plans and specifications) for Chung-Ju Hydroelectric. Note reference to KEPCO application below.

2/ Revised KEPCO application of December 18, 1959 called for loan of $40,029,000. Of that amount $1,500,000 for engineering has been approved as noted above. A further revised application for construction loan will be submitted in due course following completion of Bechtel cost estimates.

For extra copies of this Status Report call 553.

DEVELOPMENT LOAN FUND

WASHINGTON 25, D. C.

FOR THE PRESS For Release June 13, 1960 NO. 55

DLF SIGNS $1,100,000 LOAN TO KOREAN BUILDING MATERIAL FIRM

The Development Loan Fund today signed an agreement covering a $1,100,000 loan to the privately owned Tec Pan Industrial Corporation of Seoul, Korea, to assist in establishing a plant to manufacture building materials out of rice straw. Approval of this loan has been previously announced.

The product, "Tec Pan," was developed by the Tectum Corporation of Columbus, Ohio, as a modification of its process for making building material from excelsior and chemical binder. It will be manufactured in Korea under a licensing arrangement between the two companies.

Tec Pan can be produced in panels of varying sizes and thicknesses and worked like wood. It is light but structurally strong, fireproof, and resistant to vermin and moisture. It also has insulating and sound-proofing qualities and can be used for roof decks and siding.

The Tectum Corporation will act as consulting engineer to the Korean plant while the new enterprise is becoming established.

Because of the shortage of wood and other building materials in Korea, the building industry has recovered from wartime damage more slowly than other sectors of the economy.

Success of the new product in Korea would raise the possibility of its use in other areas where rice straw is plentiful and building materials are lacking.

The loan

K

The loan agreement was signed by Vance Brand, Managing Director of the Development Loan Fund, and by Suk Won Chang, a director of the Tec Pan Corporation.

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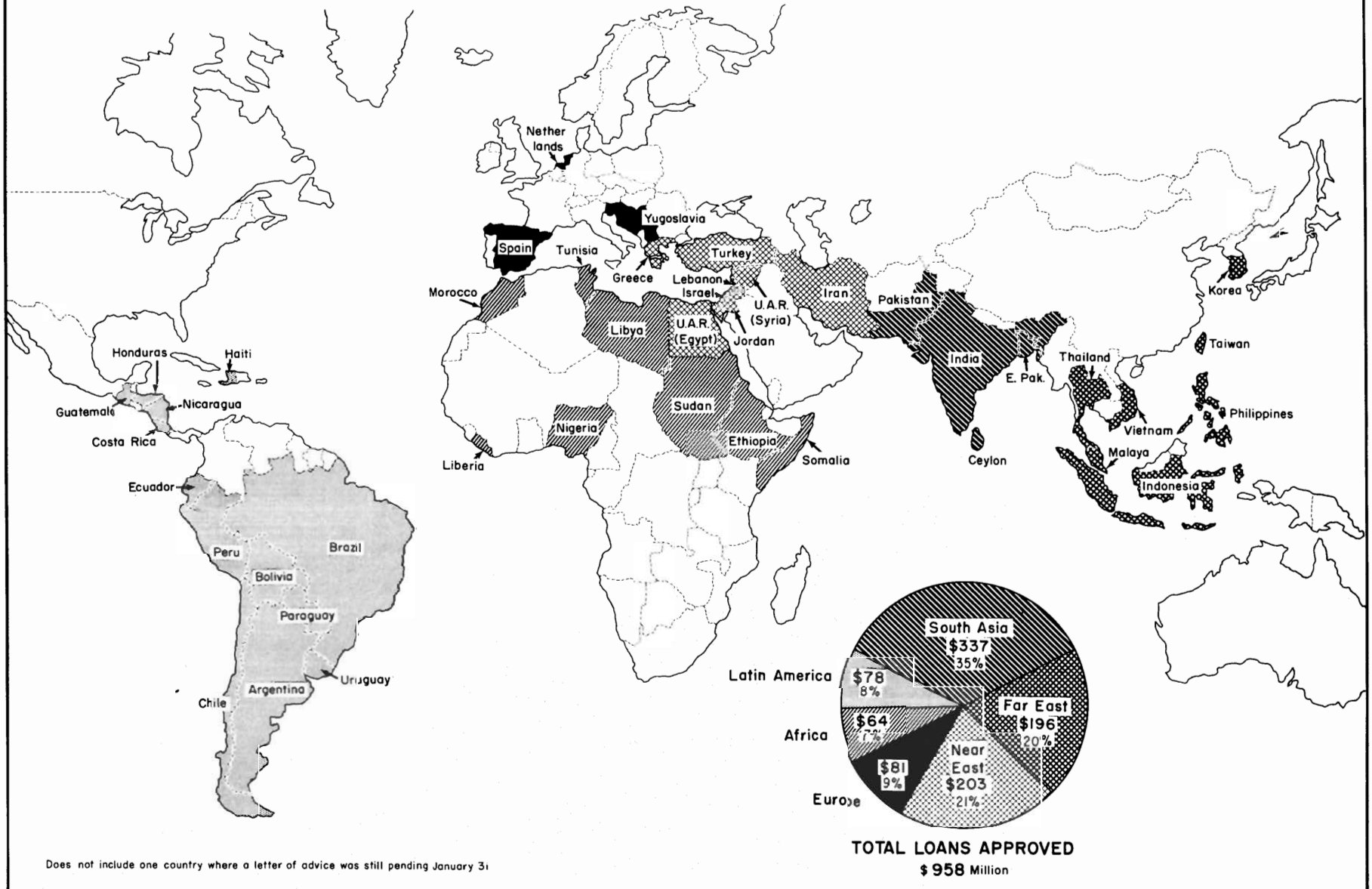
# DEVELOPMENT LOAN FUND

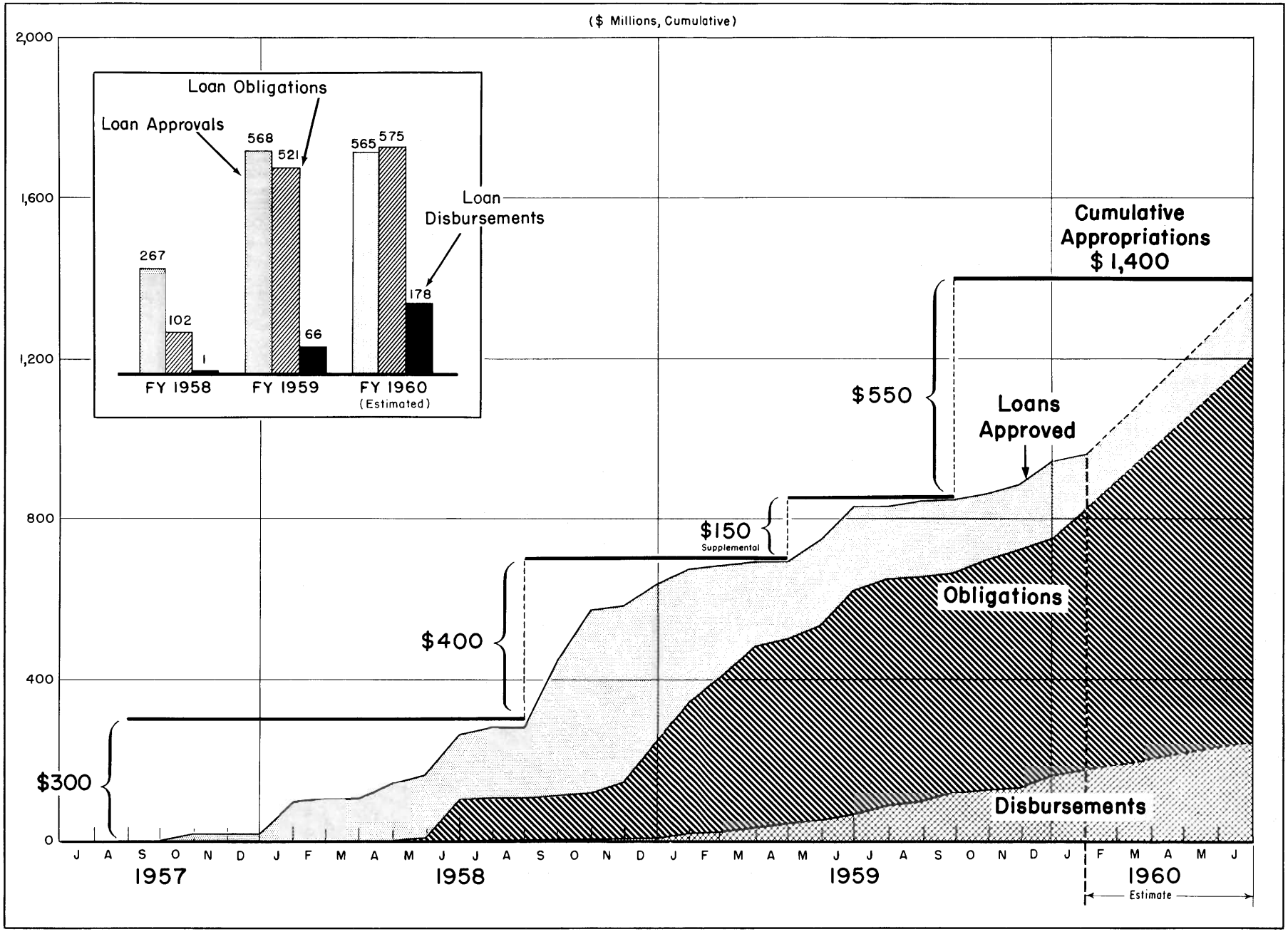
## Areas for Which Loans Have Been Approved Thru January 31, 1960




Does not include one country where a letter of advice was still pending January 31

FEBRUARY 17, 1960.

# DEVELOPMENT LOAN FUND TRENDS



# DEVELOPMENT LOAN FUND

## SUMMARY

"A free society of nations can continue to exist only as it meets the rightful demands of people for security, progress and increasing opportunity for the betterment of themselves and their children.

"Such a society, if some of its nations prosper richly and others barely feed their people, cannot survive."
President Eisenhower, New Delhi, India, Dec. 1959

The President's words state briefly and clearly the case for effective action by the United States to help less developed countries achieve greater economic growth. To meet this objective, the Executive Branch proposes that $700 million be appropriated now out of funds currently authorized, to add to the capital of the Development Loan Fund. This equals the amount requested for use beginning in the current year and is $150 million more than the actual fiscal year 1960 appropriation.

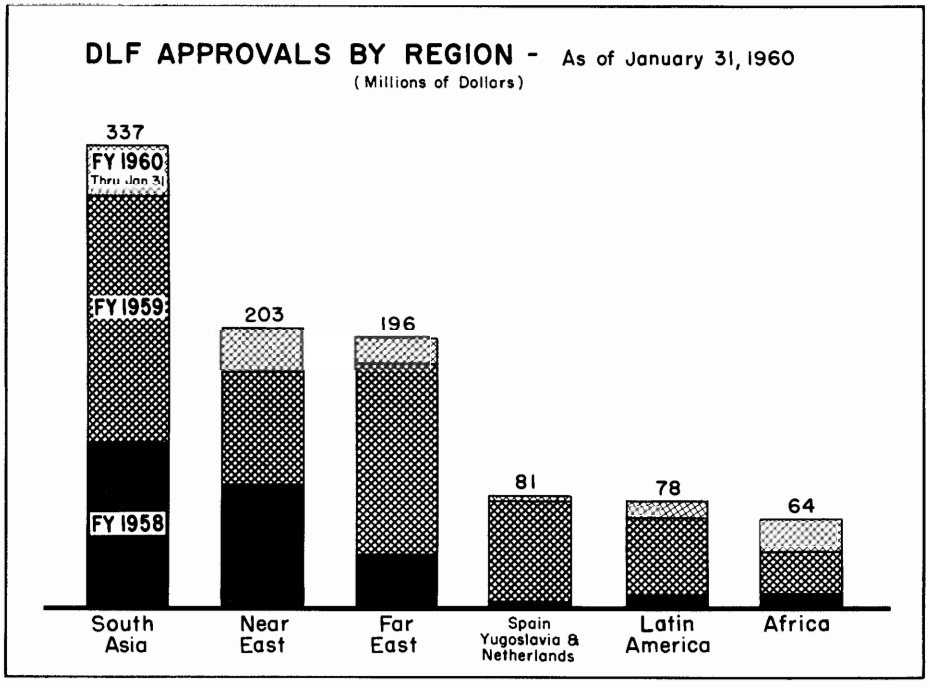
### Economic Development and U. S. Interests

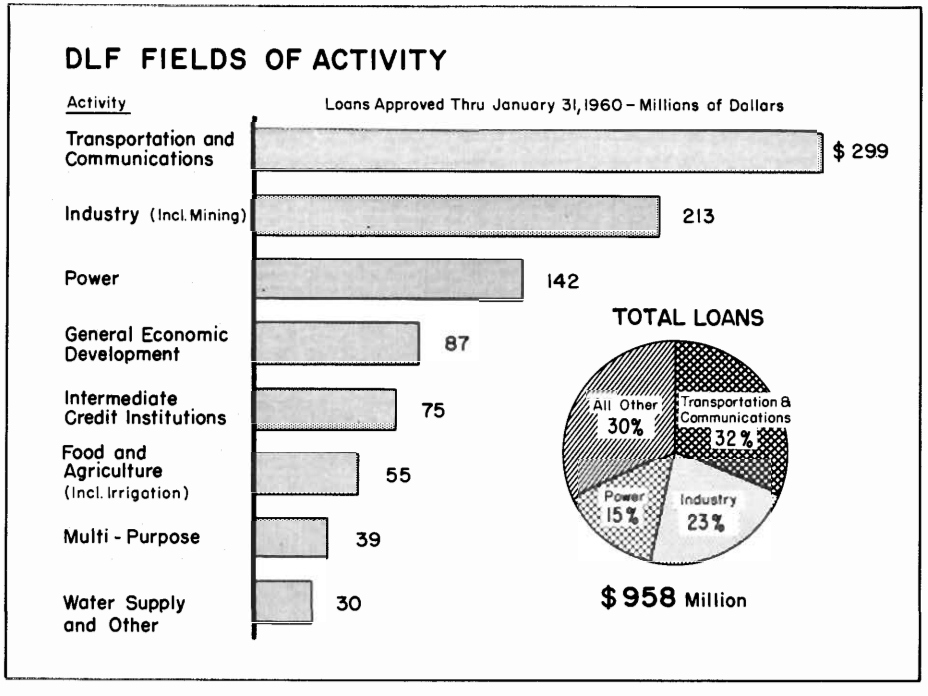
- An awakened determination of the peoples of the less developed countries to advance economically has come to dominate the domestic political life of many of the less developed countries of the world.

- It is in the interest of the United States and the entire Free World that this drive for economic growth be conducted within free institutions and in association with free nations.

- Several countries, particularly in South Asia, are at a stage where concentrated and well directed increases in capital investments in this decade could help them achieve a level of growth which in the future could continue on a self-reliant and self-sustained basis.

- The Sino-Soviet bloc, through the extension of sizeable economic assistance, and using its intensive domestic capital investment programs as examples, seeks to turn to its own ends the aspirations of the peoples of the less developed countries.



SUMMARY (Continued)

- In its own interest, the U.S. requires an instrumentality sufficiently endowed to provide a margin of capital which can play a significant role in economic growth and in keeping alive the dynamism and hope of these peoples.

Role and Nature of DLF

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

- The DLF is the element of the Mutual Security Program which concentrates exclusively on the provision of investment capital for development of the less developed countries of the world.

- It is the principal instrument of the U.S. Government under the Mutual Security Program charged with this objective.

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

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

- It has authority to accept repayment in local currencies.

- The DLF does not allocate funds annually in advance by country. It finances only development programs and projects that are economically, technically and financially sound.

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

Private Investment

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

- In many of the developing countries the basic services and facilities have reached a point where there is both the opportunity and need for greater private business and industrial activity.

- The energy, creative talents, and skills of American private enterprise can make a tremendous contribution to the economic development of these countries.

- The DLF can help mobilize these private resources through its ability to extend loans to, and otherwise assist, private enterprises undertaking productive projects.

- The total impact of such joint public-private investment is several times the financial participation of the DLF.

DLF Progress and Accomplishments

- In about two years of active lending operations the DLF has approved 118 individual loans and guarantees in 43 countries totalling $958 million. Actual loan agreements total $822 million.

- Disbursements under these loans total $176 million and are expected to grow rapidly as further orders for equipment are placed and deliveries completed. Repayments have begun and will be close to $9 million on June 30, 1960.

- Loans to date have been primarily to provide such basic economic facilities as transportation and communications facilities and power systems and for industrial facilities.

- 32 percent of loans and guarantees approved have been directly to private borrowers, to intermediate credit institutions for relending to private sector, or involve loans to governments for use by the private sector.

- Projects and programs in South Asia, the Near East and the Far East have been the major recipients of loans,

SUMMARY (Continued)

in that order.

- Loan methods and procedures which place primary responsibility on the borrower to initiate projects and carry them through to completion have a valuable educational impact in less developed countries and will yield important dividends for future development.

- The full extent of the impact of DLF will become more widely felt when projects or programs are completed, generally two to four years from approval. The progress currently being made under most of them is indicative of the significant accomplishments which can be expected.

Capital Increase

- $700 million is proposed for appropriation for use by the DLF beginning in fiscal year 1961. This increase of $150 million over the amount provided in the previous year is needed to help countries more adequately in their efforts to make economic progress in freedom.

- South Asian countries and China require and can effectively utilize substantially increased amounts of capital in order to generate such productive activity that their growth can become self-sustaining in the future.

- A greater amount of capital will support the emphasis placed by the DLF on building a partnership between it and American private enterprise --- to spark an increase in the private funds engaged in development endeavors.

- Capital in an amount higher than that appropriated in the previous year is required to encourage greater contributions by other developed countries now in a position to increase their support to economic growth.

Summary Status of Funds and Financial Data
(in thousands)

| Status of Funds Available | Status as of 6/30/58 | Status as of 6/30/59 | Status as of 1/31/60 |
|---|---|---|---|
| Funds Appropriated | $300,000 | $848,723 a/ | $1,396,976 a/ |
| Loans Approved: | | | |
| Commitments: | | | |
| Loan Agreements Signed (Obligations) | 102,100 | 618,806 | 819,106 |
| Guarantee Agreements Signed (Obligations) | ----- | 4,500 | 3,150 |
| Letters of Advice Issued | 38,486 | 113,300 | 85,600 |
| Other Credit Commitments | ----- | 23,450 | 18,150 |
| Other Loans Approved | 126,800 | 75,500 | 32,200 |
| Total Loans Approved | 267,386 | 835,556 | 958,206 |
| Balance of Available Funds | 32,614 | 13,167 | 438,770 |
| **Financial Data** | | | b/ |
| Disbursements | $ 1,500 | 67,064 | 162,363 |
| Repayments | ----- | 75 | 3,068 |
| Loans Outstanding | 1,500 | 66,989 | 159,295 |
| Interest and Fees Collected | ----- | 292 | 1,213 |

a/ Excludes administrative and other expenses and includes apportioned dollar income.

b/ First six months; however preliminary information reflects $176.5 million total as of January 31.

## ECONOMIC DEVELOPMENT AND U.S. INTERESTS

The awakened determination of the peoples of the less developed countries of the world to make significant economic progress is an essential fact of our times. These countries are today engaged in a struggle against human want and human suffering. The outcome of that struggle is vital to the freedom and general welfare of the United States. The Congress has asserted that an essential objective of United States policy is "to help free peoples to develop their economic resources and increase their productive capabilities". The goal is the achievement by free nations of self-reliant and self-sustaining growth.

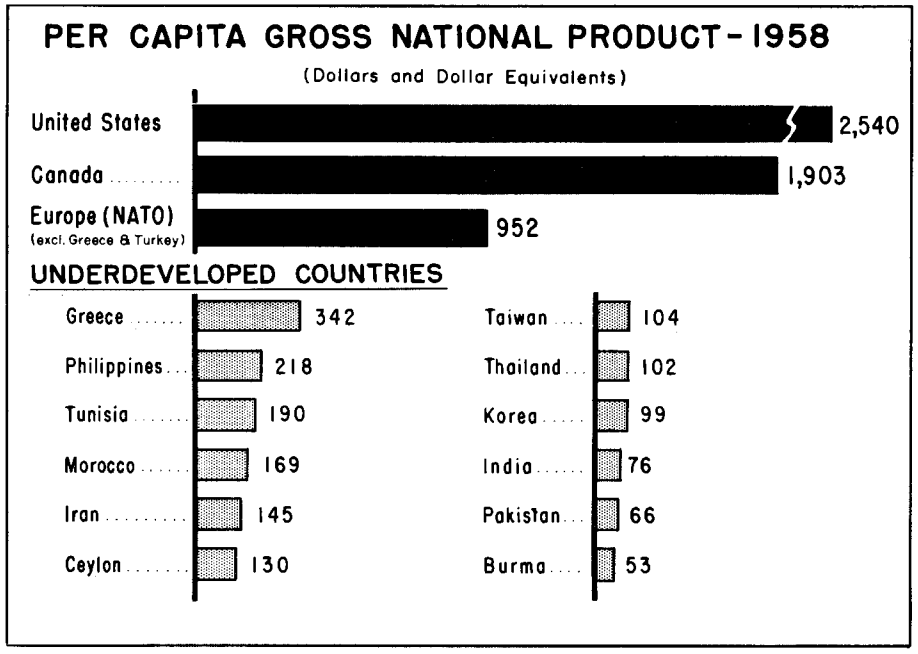
The DLF is the principal instrument under the Mutual Security Program which provides financing for long run development to the less developed nations of the Free World. It operates under the foreign policy guidance of the Secretary of State and strives to achieve U.S. objectives by responding to the urgent investment needs of these nations.

These needs are great. Only with assistance from national and international sources can development be achieved in a manner consistent with the maintenance of freedom and of democratic principles. The U.S. has led this effort by actively demonstrating interest in assisting and encouraging economic growth.

In his Christmas message to the country upon his return from abroad, the President stated:

> "Yet America's own best interests--our own hopes for peace--require that we continue our financial investment and aid; and persuade all other free nations to join us--to the limit of their ability--in a long-term program, dependable in terms and in its duration."

The opportunities, the challenge, and the responsibilities stand out before us. The influence stemming from our unique qualifications must be mobilized to help the developing countries create societies where the legitimate aspirations of their peoples can be satisfied by peaceful means.




The purpose of this section is to outline the nature of the development problem, the challenge it presents to the U.S. and the other industrialized countries, and the way in which the U.S. is meeting this challenge through the activities of the DLF.

### The Less Developed Countries

More than two-thirds of the Free World's people live in the less developed countries. Many of these people are hungry, have very low standards of living, and lack the resources to build better lives. The discrepancies in wealth and well being between these countries and the more advanced countries are striking. Life expectancy is about half that of the highly developed countries.

At the same time, the peoples in these countries have become aware that improvement is both feasible and possible, and the resulting political pressure upon their leaders to bring it about is irresistible. This is particularly the case in



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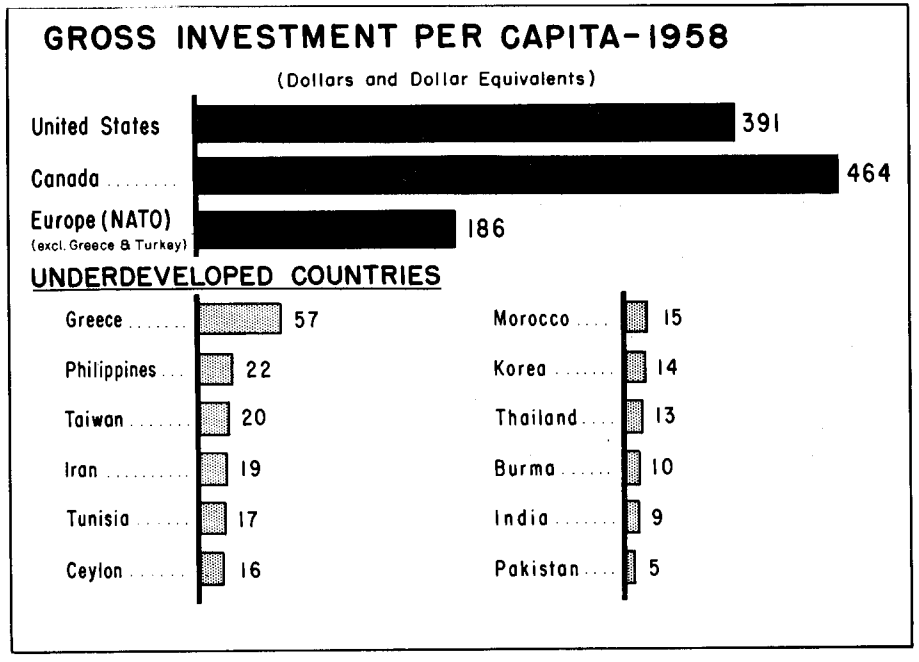
ECONOMIC DEVELOPMENT AND U.S. INTERESTS (Continued)

the many countries which have only recently become independent nations and are struggling to maintain the democratic traditions transplanted from Western nations.

The less developed countries are in various stages of economic evolution. The range of stages varies considerably and the degree of progress is uneven. For example, most of the African and some of the Asian countries are still acquiring the skills which could make significant growth possible in the future. Other countries have already achieved a position where some new investment capital is being generated locally from going productive facilities, but where private capital alone cannot yet take care of all requirements. In a number of other areas, in South Asia for example, countries are at a stage in their development where acquired skills, new techniques and a dedication to achievement have readied the economy for effective use of substantially increased amounts of external capital in a drive toward self-sustained growth.




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

The population of these free world countries exceeds one and a quarter billion persons and is growing rapidly. Rates of investment and development in many instances are below the levels needed to keep pace with population growth.

There are many reasons for this slow rate of development. The less developed countries are generally faced with unsatisfactory and inadequate basic facilities in such areas as transportation, power and communications; inadequate financial and commercial institutions; a lack of industrial facilities and a shortage of enterpreneurial ability. Although the need for capital is serious, the planning and preparation of development projects in a number of less developed countries has proceeded at a slow pace principally because the organization and talent for this essential task is scarce.

From the viewpoint of U.S. interests, certain circumstances have particular relevance. These are that (1) the low income levels and low investment levels which characterize less developed economies each impose a severe limit on the rate at which the other can expand; (2) low rates of economic growth per person has been evidenced in many countries over the past few years; (3) a drive for economic growth is under way throughout the less developed areas and in some countries constitutes a compelling element in domestic political life; and (4) the Soviet bloc is attempting to turn this situation to its own ends.

Low Rate of Investment - Low Growth of Income

Economic growth is largely dependent upon the successful

ECONOMIC DEVELOPMENT AND U.S. INTERESTS (Continued)

investment in a country's economy of both human and capital resources. The latter is created by savings -- or by the excess of income over costs. When almost all of the income is required to cover the cost of feeding the population, simply to stay alive, there is just the barest accumulation of savings for investment. Thus, in the absence of excess income, investment is low and with low investment, income does not increase.

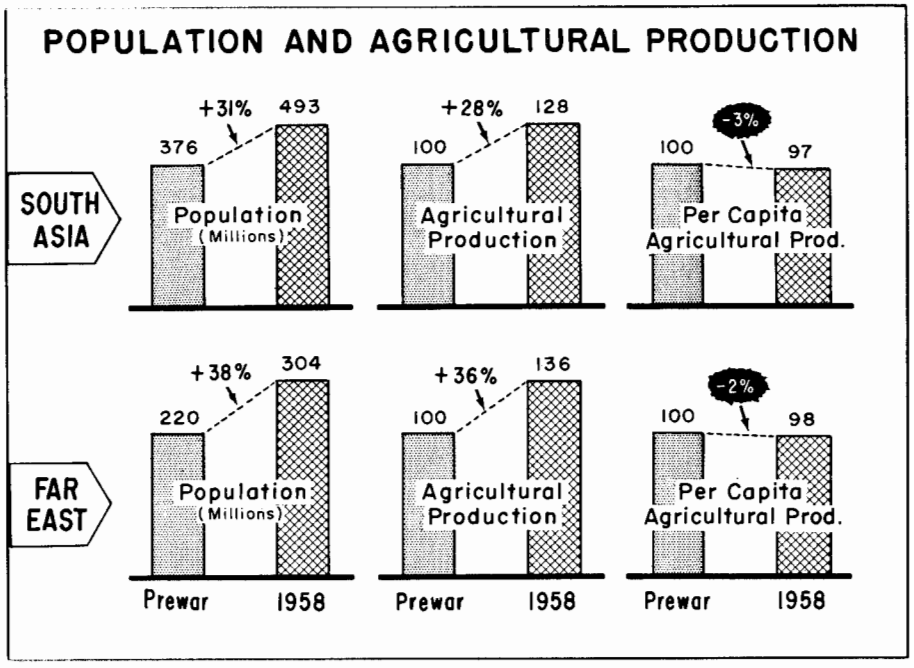
Although productive output has been increasing in many of the less developed countries, the increase is offset by the rapidly growing population. Income per capita in many countries has grown very little; in some, the population is worse off now than before World War II even with significant achievements in certain sectors. In Free Asia per capita food production in 1958 was lower than in 1935-39. Furthermore, the high dependence by many countries upon the exports of one or two basic commodities subjects the economies of these countries to abrupt income fluctuations, which introduces an element of uncertainty and at times disrupts the growth process.

## Growth as a National Goal

Economic progress means more in today's world, with its conflicting ideologies and pressures, than simply a satisfaction of human wants. It has become a symbol of national dignity and prestige. The rapid dissemination of information has made the people of all the developing countries aware that economic progress is being made elsewhere. Visible evidence of economic progress has become a measure of a nation's worth and the effectiveness of its leaders.

## The Position of the Sino-Soviet Bloc

The economic policies of the Bloc countries are designed to promote the acquisition of power and influence over the newly developing countries. The influence attained is used to further their own ends -- establishment of communist leadership and control over large areas of the world--ends which threaten our own survival as a free nation. Both foreign and domestic economic policies of Bloc countries make an impression on the countries that yearn to increase their stature through economic advancement.




Domestically, the rate of industrial growth in the Soviet Union and Communist China has a significant demonstration effect on other less developed countries. A competitive drama is being played before the world between an authoritarian system and a democratic one. Under the authoritarian system, the policies, though brutal and debasing to the individual, have resulted in impressive economic gains.

The attention of less developed countries is currently focused on Asia where it has been estimated that the real level of investment in mainland China increased about five-fold in the 1950s while in India, it just about doubled. The nations of Free Asia, on the periphery of the Asian land mass, feel the weight of the burgeoning economic power above them.

The Sino-Soviet Bloc economic drive in the less developed countries has taken the form of large scale purchases of local surplus commodities as well as the provision of economic assistance. Communist leaders are ever aware of the opportunities presented by the urge for growth.

ECONOMIC DEVELOPMENT AND U.S. INTERESTS (Continued)

In the period 1954-1959, the Bloc signed agreements with 19 countries to provide $3.2 billion in credits and grants for economic and military aid to less developed countries outside the Bloc. Approximately $2.4 billion of this sum was for economic aid alone.

Total deliveries under the $3.2 billion commitments are estimated at $1.3 billion, much of which is probably in the military field.

In 1959, virtually all of the estimated $900 million committed by the Sino-Soviet Bloc consisted of economic assistance. This was approximately the same total as in the previous year, however almost half of the 1958 assistance had been military. Bloc assistance is concentrated and carefully directed in strategic and uncommitted areas of the world in an attempt to gain an influential foothold. At the present time, only the Soviet Bloc countries have committed sizeable funds to India's forthcoming third five year development plan. They agreed to provide a minimum of $420 million over this period, which commences in 1961, having previously provided over $300 million to meet earlier goals.

United States Interest

The United States interest in increased economic progress in the less developed countries is derived largely from a conclusion that the wide disparity in wealth between ourselves and these countries is potentially dangerous for our long term security. Our interest fuses together humanitarian and economic motivations with this political consideration.

The peoples of many of the less developed countries are now alive with aroused expectations and the demand for early visible gains are as irreversible as they were inevitable. Their association with the United States and other developed free world countries has instilled hope for a better life, where men can hold up their heads and take pride in the signs of accomplishment. In the frustration of this hope lies the danger. To demonstrate that this hope is well placed, the national interest would be well served if steady recognizable progress is made in these countries. This would be buttressed if our assistance helped some countries achieve a level where future development could continue on a self-sustaining basis.

As there is a potential threat, so is there a current opportunity. This opportunity is to help shape the future of a world where, in the terms of numbers of people, the wealthier countries are in ever small proportion.

Humanitarian Interest

Assisting poorer countries to make economic progress also has humanitarian roots which fortify the other interests of the United States. This humanitarian impulse has been one of the fundamental motivating forces in America since our early beginnings, when our tradition of helping those in need first became established. Through this program, we are providing the means for newly developing countries to unfetter themselves from their encircling poverty.

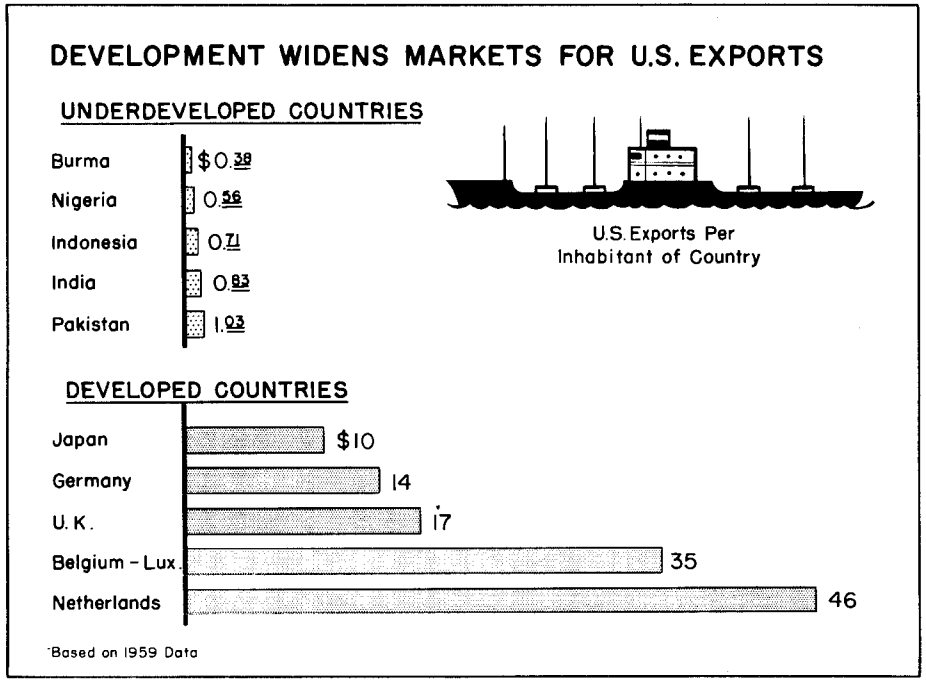
The Economic Benefits

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

As the chart in this section shows, the less developed areas are not now good markets for U.S. exports. There is ample reason to expect that as these economies develop they will become better markets. Exports go where markets exist and income levels are a measure of market size. Impressive export opportunities would be presented if the income of each person among the billion and a quarter people in the non-communist countries of Africa, Asia, the Middle East and Latin America were raised by a small amount.

Despite their low economic productivity, these nations nevertheless hold within their borders enormous underdeveloped resources. In addition to great pools of manpower, they contain sizeable natural resources: petroleum, ores, minerals, fertile soils, water, etc. These resources constitute a vast and relatively untapped potential for the Free

ECONOMIC DEVELOPMENT AND U.S. INTERESTS (Continued)




World. At the same time, the United States has become increasingly dependent upon foreign sources to supply the raw materials for its industry, particularly ores, metals and petroleum. Manganese and chrome imports supply about 90% of U.S. requirements for these essential steel making ingredients; iron ore imports from Latin America, Canada and Africa are rising and could double in the next 10 years; two-thirds or more of our nickel, tin, fluorspar, tungsten concentrates, cobalt, mica and asbestos and other essential commodities are imported; bauxite imports account for 80% of U.S. needs. Imports into the U.S. of many of these commodities and raw materials are expected by experts to rise sharply in the next decade. Thus, the less developed countries are potentially expanding markets for U.S. exports as well as sources for some of our most essential supplies.

## The Limitations

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

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

The less developed countries themselves are coming to recognize these limitations and, concurrent with an effort to expand investment, many are themselves taking steps to improve the training and experience of their population in a wide variety of fields. The Western world is cooperating in this effort through bilateral Technical Assistance Programs, such as that of the ICA, through the UN Technical Assistance Program and through the private exchanges conducted by business organizations, private foundations and religious groups, and by encouraging and assisting American companies to establish or participate in productive enterprises with their know-how as well as their capital.

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

ECONOMIC DEVELOPMENT AND U.S. INTERESTS (Continued)

Participation of Other Countries

The job of assisting economic development is a large one. It cannot be done by the United States alone. The importance of other developed Free World countries joining in this endeavor more fully is increasingly recognized by them. Their contributions have been taken into account in framing the Executive Branch proposal for the Development Loan Fund.

In his State of the Union Message, on January 7, the President underscored the importance of enlisting the increased participation of other developed countries in assisting economic development. He stated:

> "This is not a problem to be solved by America alone, but also by every nation cherishing the same ideals and in position to provide help."...

and further,

> "No longer is the United States the only major industrial country capable of providing substantial amounts of the resources so urgently needed in the newly developing countries."

The industrialized countries of Europe have a long history of providing investment capital to the less developed countries. Indeed, it was this capital and technical training which started the process of development as we know it. In the immediate post war period, however, these countries and Japan were heavily engaged in reconstructing and reorganizing relationships among themselves and were concentrating on restoring their own disrupted economies.

The other developed countries of the Free World have from the earliest days after World War II supported international organizations engaged in providing assistance to the less developed areas. As the economies of these Free World countries strengthened they increasingly fulfilled the obligations they have undertaken in these organizations, notably in the IBRD and the other specialized agencies of the U.N. As a further step, it is expected that these countries will be major contributors to the International Development Association, soon to be established. There have also been several cases where multi-national efforts were undertaken to provide economic assistance to newly developing countries. As one example, in 1958, the United Kingdom, Canada, Germany, Japan and the United States joined with the IBRD in agreeing to provide $350 million in assistance to India's second five-year plan. The U.S. contribution of $75 million was made from Development Loan Fund resources. Another example is the establishment of a $581 million fund by the six countries of the European Economic Community to assist economic development in the African territories.

Bilateral contributions to less developed countries have been made largely by countries with overseas territories. Their assistance is mostly to these overseas territories and to countries with which they have special political and economic links. It is expected that some of these countries, notably France and the United Kingdom, will continue to give priority in their assistance programs to the less developed member countries of the French community and the British commonwealth, but assistance to other less developed countries has also been increasing from countries which have no overseas link.

The capacity now exists in a number of countries for further increases in their contributions. Recent consultations among them, in which the United States has played a prominent part, point the way toward a more cohesive and determined effort to take more active measures.

The adoption by the DLF of a policy under which it will place primary emphasis on financing goods of U.S. origin has highlighted the importance of other countries taking a more active role. However much the capacity of others has grown, the U.S. as the most advanced country remains the principal single source for the increased investment capital required to promote growth. It must show the example of increasing its contribution to development, in keeping with its growing wealth, if it is to elicit a larger contribution from others.

ECONOMIC DEVELOPMENT AND U.S. INTERESTS (Continued)

Conclusion

If U.S. interests are to be served, it is evident that the peoples of the less developed areas must more fully realize that the U.S. is sympathetic with and supports their economic growth. It is also evident that their economies must grow at a rate which will keep dynamism and hope alive. The efforts of the countries themselves, private foreign investment, and of other free nations is called upon to provide the necessary resources, and the U.S. Government must employ its own resources in this respect to fulfill its own objectives.

For this purpose, it must have an instrumentality endowed with sufficient resources to foster economic growth. In order to catalyze economic activity and build upon the foundations created through the countries' own efforts and the efforts of other United States assistance programs, the instrumentality must provide adequate financing in ways which will assure the efficient use of resources. The methods and process of DLF lending in themselves, help economic development. These include the formulation of detailed proposals by the borrower, the repayment requirements, the concentration on specific projects and programs, as well as other operational practices which place primary responsibility on the less developed countries for their own growth.

With the knowledge that the resources of the free world are mobilized to support their efforts and with visible evidence of progress, the less developed countries can achieve their legitimate aspirations for growth in freedom and with dignity.

## ROLE AND NATURE OF THE DLF

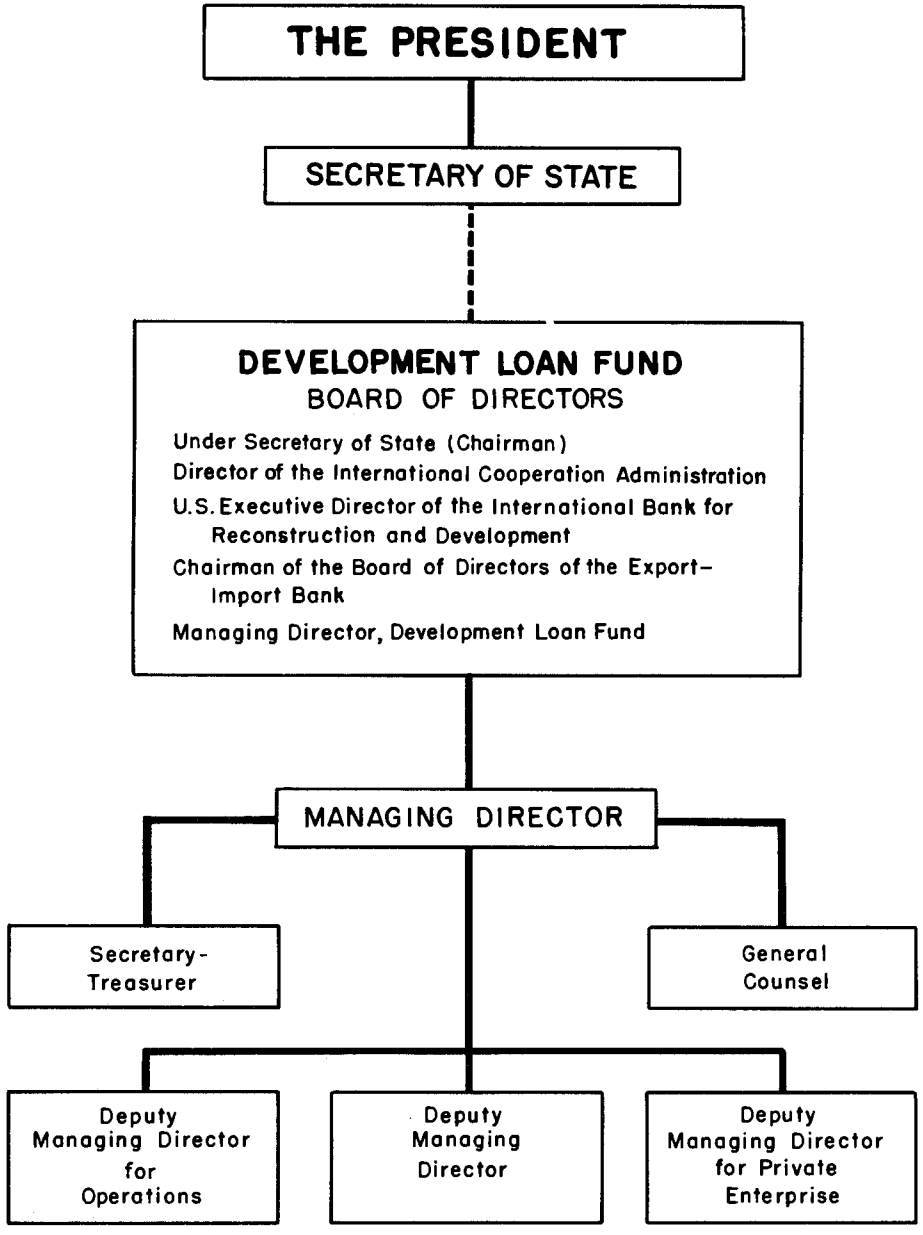
The Development Loan Fund is an independent government corporation, established under the Mutual Security Act of 1958, and subject to the Government Corporation Control Act. It is governed by a Board of Directors consisting of the Under Secretary of State, Chairman; the Director of the ICA; the U.S.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

### Role of the DLF

The Development Loan Fund is the element of the Mutual Security Program which concentrates exclusively on the provision of investment capital to be used on a loan basis in accelerating growth in the less developed countries of the world. It is the principal instrument of the United States Government charged with this objective.

Engaged in active financing operations since early 1958, the Development Loan Fund has certain features which distinguish it from most other financing institutions providing loans for development.

The DLF is authorized to extend loans, credits, guaranties and other forms of financing, excluding grants or direct purchases of equity securities. Because it is able to provide financing on flexible terms, it can realistically adapt its repayment requirements to the capacities of borrowers in underdeveloped areas. The principal feature in this connection is the authority of the DLF to accept repayment in local currencies where warranted. Local currency repayment avoids undue impairment of a country's present or future capacity to service in hard currencies loans and investments extended by the International Bank for Reconstruction and Development, the Export-Import Bank and external loans by private individuals and institutions.



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ROLE AND NATURE OF THE DLF (Continued)

The DLF is administered to avoid competing with private investment capital and other financial institutions. Prior to acting on a loan proposal, it examines the availability of financing on reasonable terms from other Free World sources. Thus it supplements and does not seek to rival other existing sources of capital.

Funding Structure

The capital of the DLF is made available by the Congress without fiscal year limitation. Repayments and earnings become part of the organization's capital structure for relending as required.

The DLF is capitalized with appropriations authorized in Sec. 203 of the Mutual Security Act of 1954, as amended. $1.4 billion has been appropriated by the Congress to carry out the functions of the DLF. $550 million of this was appropriated under the authorization contained in the Mutual Security Act of 1959. $1,250 million of this authorization still remains unutilized.

Repayments and earnings of the DLF consist largely of foreign currencies, and in time a large part of its assets will be composed of such currencies. Under existing agreements with the borrowing countries, the DLF will be free to lend these currencies for local development activities or sell them to other agencies of the United States Government for their administrative use. In addition, the DLF can, with the prior agreement of the country, use such currencies to finance exports from the country or may sell such currencies to entities other than U.S. government agencies. Since July 1959 the DLF has been eligible to utilize local currencies arising out of the proceeds of sales conducted under the Agricultural Trade Development and Assistance Act (P.L. 480).

Internal Organization and Staff Functions

The overall management and operating responsibilities for the DLF is fixed in the Managing Director. He is assisted by five principal officers and heads of offices.

The Deputy Managing Director, the second ranking officer of DLF, acts in the absence of the Managing Director as DLF's principal executive official; serves as Vice Chairman of the DLF Executive Committee, the senior staff group which gives final consideration to loans for presentation to the Board of Directors; and is the principal official to whom the DLF Director of Audit reports.

The Deputy Managing Director for Operations, the third ranking officer of DLF, is responsible for the review of loan applications and for negotiation and implementation of loans, and thus supervises the activities of DLF loan officers, economists, and engineers.

The Deputy Managing Director for Private Enterprise is responsible for promotion of U.S. and local private enterprise participation with DLF lending activities and developing procedures for the utilization of intermediate credit institutions in the borrowing countries. The activities of the DLF in the private sector have been given added emphasis by establishing this office to concentrate on private enterprise activities.

The Secretary-Treasurer is responsible for DLF's management services as well as the general budgetary and accounting functions and DLF corporate records.

The General Counsel is responsible for the legal affairs of the DLF.

The staff of the DLF is small. Currently it numbers about 100 persons on its own rolls and reimburses ICA for 26 positions for additional administrative and financial implementation services. However, a recently completed study of DLF's audit and accounting functions by a prominent public accounting firm concluded that the DLF should provide most of these functions on a direct-hire basis rather than rely upon the personnel of another agency who are located separately and who are primarily responsible for a different program. This recommendation is in accord with the judgments of DLF management based upon experience of the last year and a half and, after consultation with the officials of the General Accounting Office and the Bureau of the Budget, was approved by the DLF Board of Directors.

ROLE AND NATURE OF THE DLF (Continued)

Therefore, the DLF contemplates operating in FY 1961 as a self-contained operation and is making this transition by gradual assumption during the current year of administrative and financial services performed hitherto by ICA.

It is believed that this change will improve the efficiency of the DLF by providing a greater degree of administrative control in the conduct of daily operations. Further detail on this transition in terms of total staffing requirements is set forth in a subsequent section "Administrative Expense Limitation."

Recent organizational developments, in addition to the new Office of Deputy Managing Director for Private Enterprise, include the establishment within DLF of a new Economics Division whose staff will assume economic analysis functions relating to lending operations and other matters requiring economic study.

Lending Policies

The basic lending policies of the DLF originate in specific statutory requirements. These require that it take into account in any financial transaction (1) whether financing could be obtained in whole or in part from other Free World sources; (2) the economic and technical soundness of the activity to be financed; (3) whether the activity gives reasonable promise of contributing to the development of economic resources or to the increase of productive capacities; (4) the possible adverse effects upon the economy of the U.S. with special reference to areas of substantial labor surplus.

The legislation also requires that:
- Loans be made only on the basis of firm commitments by borrowers to make repayment and upon a finding that there are reasonable prospects of such repayment;
- The DLF be administered so as to support and encourage private investment and other private participation;
- The DLF be administered so as not to compete with private investment capital, the Export-Import Bank or the IBRD;
- The DLF in its operations recognize that development loan assistance will be most effective in those countries which show a responsiveness to the vital long term economic, political and social concerns of their people, demonstrate a clear willingness to take effective self-help measures, and effectively demonstrate that such assistance is consistent with, and makes a contribution to, workable long term economic development objectives;
- The DLF, before entering an agreement which obligates funds, ascertain that (a) overall plans to carry out the assistance are completed and estimate of the cost of the assistance to the U.S. is reasonably firm, and (b) any necessary legislative action in the borrowing country may reasonably be anticipated to be completed within one year;
- The DLF shall not finance any water resource project or program which has not met the standards and criteria used for determining the feasibility of similar projects within the continental limit of the United States as set out in Circular A-47 of the Bureau of the Budget.

It is the policy of the DLF to finance specific projects or programs to promote economic development. Thus, it funds such specific facilities as power plants, manufacturing facilities, port improvements and irrigation systems. It emphasizes project financing in the belief that concentrating on a well defined area of activity usually offers the greatest opportunity to contribute efficiently to productive growth. Its experience has also shown that support of broad programs, such as railroad expansion programs or the importation of certain capital goods or semifinished goods for a specific sector of the economy, when required by the particular circumstances, are also important and necessary means of providing a direct contribution to growth. Program loans of this type are in certain instances the best means of meeting particular economic requirements and will from time to time be necessary in supporting U.S. foreign policy objectives.

The DLF is reluctant to provide dollars to finance local costs of development activities. In those instances where such financing is considered, evidence is required that such currencies are not available from other sources and cannot be made available by the borrower without serious detrimental effect on the monetary stability of the country and on the achievement of its economic development objectives.

Since October 1959, the DLF has placed primary emphasis on the financing of goods and services of U.S. origin. This stems from

ROLE AND NATURE OF THE DLF (Continued)

a presumption that other industrialized countries are now in a position to provide long term loans on reasonable terms to finance more of their exports of capital goods to the less developed countries. This policy is intended to induce a greater participation by other developed countries in the common task of assisting economic growth as well, in time, to have a favorable effect on the balance of payments.

Loan Terms and Conditions

Interest rates charged by the DLF are based on the type of project involved. In general, if the activity is classed as economic overhead (including roads, ports, etc) the current rate, approved by the National Advisory Council on International Monetary Policy (NAC), is 3-1/2%.

For profit making types of projects the DLF normally charges a rate which is fixed under a formula established in consultation with the NAC and is comparable to that charged by the Export-Import Bank. It is currently 5-3/4%.

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

Where local currency repayment of dollar loans has been authorized, the borrower agrees to maintain the dollar value of the loan in making repayments of principal and interest.

Loan maturities are normally geared to the useful life of the facility to be financed and the amortization charges the project can carry. They average about 15 years in duration.

Review and Approval Procedures

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

Each application receives a preliminary review to determine whether it meets DLF criteria and is sufficiently sound to merit further consideration. Proposals which initially meet these considerations are reviewed with the Export-Import Bank to determine its interest.

If the Export-Import Bank is not interested in financing the project and if DLF funds are available to permit action in the near future the proposal is subjected to intensive review. A DLF Project Committee--consisting of a loan officer, an engineer, and a lawyer--is formed to examine and supervise the loan from evaluation through implementation phases. During the evaluation, economic and financial aspects, cost estimates, engineering soundness, general economic condition of the borrower's country, and the contribution of the project to that country, and the availability of financing from other sources including Export-Import Bank, IBRD, and private sources, are all thoroughly explored. The applicant is invited to submit such additional engineering, technical, financial, and other data as may be necessary. The Department of State is consulted on the foreign policy implications of loan proposals. Views of the U.S. Embassies and ICA Missions in the country concerned are also sought and considered.

Upon completing its evaluation, the Project Committee presents its findings to a senior DLF Executive Committee for final consideration. Upon favorable determination, a detailed staff study paper incorporating the recommendations of the Managing Director is prepared and reviewed with representatives of the members of the Board of Directors prior to formal submission to the Board for action. Thereafter, the Board may either adopt a formal resolution recommending that the loan be established and specifying its basic terms, or it may disapprove the proposal, modify it, or send it back to the DLF staff for further information or study.

When a loan is approved by the Board, the basic financial terms of the loan are referred for advice to the National Advisory Council on International Monetary and Financial Problems (NAC). The NAC consists of the Secretaries of the Treasury, Commerce, and State, the Chairman of the Board of Governors of the Federal Reserve System and the Chairman of the Board of Directors of the Export-Import Bank.

ROLE AND NATURE OF THE DLF (Continued)

Loan Approval and Commitment of Funds

Once the DLF Board of Directors has approved the use of DLF funds for a particular loan, and the advice of the NAC has been received, these funds are no longer available for other lending. In two years of actual operations, there have been very few cases where once a loan has been approved, it has not materialized in a firm loan agreement.

The next step, normally a few days thereafter, is for the Managing Director of the DLF to send a letter to the applicant which formally advises him that approval of his loan proposal has been authorized according to specified loan terms and conditions (interest rate and schedule, terms of repayment of principal, and other basic conditions). This notification is called a "letter of advice" and represents the pledged word of the United States Government, its commitment, that funds will be provided for a particular project or program.

In a few instances, funds have been committed for a broad program of loans for development purposes in particular countries, subject to approval of specific projects or programs by the Board of Directors. Loan agreements are then executed for specific projects or programs.

Establishment of Loans

Following the notification to the borrower the Managing Director of the DLF proceeds with necessary steps to establish and implement the loan. A loan agreement, tailored to the specific project or program, is sent to the borrower, negotiated and signed with him. The period between the commitment of funds and signature of the loan agreement is not uniform, and while usually signature occurs very soon after the commitment, a few situations have arisen where a considerable amount of time elapsed before agreement was reached on precise loan terms and conditions. Funds are formally obligated when the loan agreement is signed. Although the formal obligation occurs at this time, the funds actually become unavailable for other lending purposes at the time the application is approved by the Board or when a commitment is made, in exceptional instances, as described in the previous paragraph.

Applications for loan guaranties are subject to the same procedures. The DLF is authorized to establish obligations for loan guaranties in an amount of not less than 50 percent of the DLF contractual liability under the guarantee. The DLF is also limited to a total contractual liability for loan guaranties of $100 million.

Disbursement and Procurement Methods

After a loan agreement has been signed, disbursement of funds is made for particular items, groups of items, or services, or against the payment terms of particular contracts specified in the loan agreement itself, or in subsequent documents issued pursuant to that agreement. Actual disbursement is made in accordance with procedures developed to assure the achievement of the purposes of the loan, and are stated in a letter of implementation sent to the borrower. This letter sets forth conditions which must be met prior to disbursement, and indicates the fiscal documents required as well as the reports that are necessary.

Generally, disbursements under loan agreements do not begin for some time following signing of the agreement. The borrower must frequently prepare more detailed specifications (in accordance with U.S. standards) required for issuance of requests for tenders or bids, often with the assistance of the American consulting engineer hired by him for that purpose. The borrower must then await preparation of bids, evaluate these bids, award contracts, and await production and shipment of items which are necessary to begin construction or installation. In loans which involve construction, and in many other loans, the borrower is usually required to retain an American engineering firm or other appropriate American firm, in an advisory capacity. Since DLF disbursements reflect the needs and progress of the project, and since the completion of many projects, particularly in the construction field, may extend over a period of years:

a. Generally some months will elapse before initial disbursement is made under a loan agreement, and

ROLE AND NATURE OF THE DLF (Continued)

b. Final disbursement of funds may not be made until a period, normally two to four years after a loan agreement is concluded.

DLF experience to date relating to the flow of disbursements has been consistent with that of the Export-Import Bank, the IBRD, and other institutions which finance development projects.

Disbursement of funds is made in accordance with two procedures. Under the "letter of commitment" procedure, the DLF addresses letters of commitment to a U.S. Bank of the borrower's choice, in which DLF agrees to reimburse the bank for funds paid by it under letters of credit issued at the direction of the borrower for particular items of equipment, material, supplies, or services described by DLF in the letter of commitment. Under the "direct reimbursement" procedure the borrower uses his own resources to pay for goods and services and is then reimbursed by the DLF following presentation of proof that expenditures have been made for the purposes specified by and under the conditions of the loan agreement.

Loan agreements stipulate that items to be financed by the loan are to be procured at reasonable prices, defined as normally approximating the lowest competitive price for the item procured, quality, time and cost of delivery and other factors considered. It is DLF policy to have construction projects carried out on a fixed price contract to the maximum extent possible. Regardless of the procurement method authorized, it is the responsibility of the buyer to determine that a given price is reasonable, subject to review by the DLF.

Procurement of goods and services under DLF loans approved since October 1959 is usually conducted through solicitation of bidding from a reasonable selection of United States sources of supply. Prior to solicitation of bids, the borrower is normally required to submit specifications to the DLF. Steps are taken through the Office of Small Business in ICA to give advance notice of procurement so that U.S. suppliers have opportunity to offer their goods and services.

Review of Economic and Technical Feasibility

The economic and technical soundness of proposed loan projects or programs is judged against standards similar to those developed over the years by the IBRD, the Export-Import Bank and other financial institutions. In making its evaluations of the economic and technical feasibility of proposals, the DLF relies primarily upon its loan officers and economic and engineering staffs. It also has recourse to information and judgments from the staffs of the two institutions indicated above, as well as from consulting engineering firms, ICA, and such other government agencies as the Bureau of Reclamation and the Bureau of Public Roads. The borrower is required to submit sufficient information to enable the staff readily to determine the economic worth of a project in relation to its total costs. Borrowers often supply full project studies.

The DLF, before entering an agreement which obligates funds, is required by legislation to ascertain that (a) overall plans to carry out assistance are completed and the estimate of the cost of the assistance to the U.S. is reasonably firm, and (b) any necessary legislative action in the borrowing country may reasonably be anticipated to be completed within one year.

Effective with the Mutual Security Appropriations Act of 1960, the feasibility standards contained in Circular A-47 of the Bureau of the Budget are applied in all proposals for new flood control, reclamation and other water or related land resource projects or programs.

Impact of Loans on U.S. Economy

The possible adverse impact on the U.S. economy of proposals placed before it are examined by the DLF, consistent with the statutory requirement. In this connection, it considers the type and size of the anticipated output involved, the equipment to be procured under the loan and other factors.

The question of adverse effect on the U.S. economy of DLF loans arises primarily in the possible establishment of economic activities which would compete directly with U.S. enterprises.

However, many of the loan proposals, by their nature, indicate that they could not affect the U.S. economy adversely. In this category are loans for such purposes as highways, railways, port improvements, airports, electric power production and distribution facilities, telecommunication networks, water and sewage

ROLE AND NATURE OF THE DLF (Continued)

plants and storage facilities. Furthermore, some loans are for increasing the output of commodities not produced in the United States, such as rubber, kenaf and tropical timber, some of which is destined to satisfy U.S. import demands. The bulk of proposals to and lending by the DLF is in the above categories.

Where the possibility of adverse effect on the U.S. economy may exist, the DLF staff consults with other interested agencies such as Agriculture, Commerce, Treasury, State, ICA and the Department of Interior (Bureau of Mines). Each recommendation for approval presented to the Board includes a section indicating what effect the loan may have on the U.S. economy. The Board itself considers this question, bringing to bear their views as representatives of State, ICA, Export-Import Bank, and Treasury. Moreover, this factor is also taken into account when the financial aspects of the loan are reviewed by the National Advisory Council on International Monetary and Financial Problems (NAC) where Treasury, State, Commerce, Federal Reserve Board and the Export-Import Bank are represented plus such non-voting participants as Agriculture and the Bureau of the Budget.

In a great number of cases, the examination reveals a substantially beneficial impact on the U.S. economy through the placement of procurement orders with American manufacturing companies, through the utilization of American engineering and consulting firms, and through the transport of goods on U.S. merchant ships. Indirect benefits, such as the increased availability of purchasing power in the less developed countries for commercial purchases abroad, also accrue to the U.S.

PRIVATE INVESTMENT

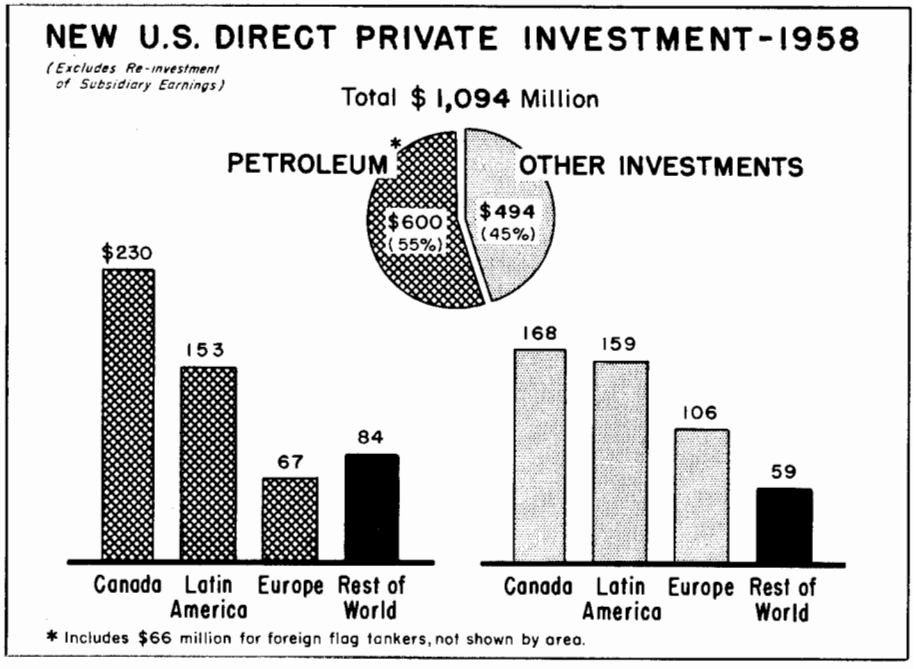
Development Loan Fund policies relating to private enterprise are predicated on the conviction that an increased flow of United States private investment into less developed countries, accompanied by the ingenuity and dynamism that has always characterized United States private enterprise could mean an injection of vitality into these countries that would set off an unparalleled process of economic growth. For this reason, the DLF provides assistance and encouragement to American firms desiring to undertake or participate in productive enterprises in less developed countries. It hopes to make increasing resources available for this purpose.

A number of countries have developed their basic facilities and services to a point where there is both the opportunity and the need for much greater private investment activity. At the same time, the local business communities are likely to be small, and to lack sufficient managerial, administrative and technical talents--as well as capital--for substantial expansion of private business and industrial activities.

Closer business relationships with the developing countries are essential if the U.S. is to establish and sustain the identity of interests and objectives that we seek among the free world community. To the extent that the DLF can encourage American companies to invest in the less developed countries, the full impact of the DLF's assistance can be many times the amount of its own financial participation.

This is thoroughly consistent with some of the primary purposes of the DLF--"to strengthen friendly foreign countries by encouraging the development of their economies through a competitive free enterprise system" and "to facilitate the creation of a climate favorable to the investment of private capital".

The main effort of the DLF to accomplish these purposes is to provide sound business-like loans to private enterprises in the less developed countries. The DLF seeks to acquaint business interests with its policies and resources and, wherever appropriate opportunities exist, to conscientiously and energetically assist and promote the activities of private industry and enterprise, American and other. It




expects to give increasing attention to working hand-in-hand with American enterprise in bringing the genius which made this country great to bear on the constructive tasks of economic development abroad. The managerial and technical skills of American enterprise are needed as much as its financial resources. The example of successful private businesses, the training ground they provide for local people, and their stimulus to local business, can make a tremendous contribution to development which governments alone cannot provide.

Because most of the countries in the Far East and Middle East are on the periphery of the Soviet Bloc, investors believe in many cases that the risks outbalance the gains. In addition, investors find themselves handicapped by such economic factors as low purchasing power, limited resource development, and poor marketing facilities. Nor are private entrepreneurs interested in financing the roads, ports,



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PRIVATE INVESTMENT (Continued)

irrigation and other economic infrastructure on which newly developing countries must place a high priority initially. In addition, the current financial positions of many of the less developed countries limit their ability to service foreign investments in hard currencies and thus make unattractive projects for which private financing might otherwise be available. As the chart in this section shows, relatively little United States private investment is going into some areas of the world which have the greatest need for productive investment. New direct private American investment, other than for petroleum in all the countries of the Far East, the Near East and Africa is estimated at only $59 million in 1958.

Nevertheless, opportunities are present and it is to be hoped that the present lack of familiarity on the part of private enterprise with these opportunities in the less developed areas will soon diminish. It is also to be hoped that as basic public facilities--such as roads and power--begin to appear in greater number, as rising incomes present the prospect of expanding markets, and as local private entrepreneurs accumulate the capital and experience to undertake or join in major economic endeavors, foreign private investors will avail themselves of these further opportunities. For in the final analysis, the capacity of these economies to progress within the framework of free institutions is to a great degree dependent on the extent to which a free business community can thrive within their borders. The DLF can hasten this process by encouraging and assisting American and local private investors to undertake productive projects.

Activities Related to Private Enterprise

The specific activities of the DLF to support and encourage private enterprise and other private participation in economic development take three principal forms: (1) Loans and guaranties, directly or indirectly, to private borrowers, (2) Measures to encourage private U.S. business to participate, on an equity or loan basis, in development proposals which come before the DLF, and (3) Measures to assure that applicants for DLF loans make the maximum reasonable effort to secure capital from private sources to finance their projects.

Of the total of $940 million of loans and guaranties approved for specific projects and programs, a total of $304.1 million or 32 percent, is primarily for the benefit of the private sector. 43 loans and two guaranties were approved for this purpose. $159.8 million of this total is directly to private borrowers and to intermediate credit institutions, for relending to the private sector. The remaining $144.3 million went to borrowers in the public sector and will be placed directly at the disposition of private industry or other private activity.

The DLF is particularly interested in supporting small local private businesses and in fostering the extension of credit facilities which would make funds available for small enterprises on reasonable terms. These credit facilities do much to establish and strengthen private enterprise in the less developed countries. Largely for administrative reasons, it is not feasible for the DLF to extend small loans directly to private activities abroad. To meet this situation the DLF has made 14 loans and one guaranty totalling $74.8 million to intermediate credit institutions such as development banks and loan funds, for relending to small enterprises. It expects to make additional loans of this type.

The DLF is authorized to extend guaranties, as well as loans and credits, in order to encourage private participation in foreign lending activities. The Mutual Security Act of 1959 authorized the DLF to maintain a reserve of not less than 50% against its guaranty of the repayment or collection of private loans which otherwise meet DLF standards and criteria. The DLF is fully prepared to use its guaranty authority, although there has not yet been much demand for it by private lenders. Only 2 guaranties have been issued to date, including one under the fractional reserve authority in which a DLF reserve of $250,000 will activate a $1 million lending program for local enterprises in Liberia. (See approved loans and guaranties in Taiwan and Liberia for details.)

Applicants for loans are required to advise the DLF of their efforts undertaken to seek financing from other sources and the terms, if any, on which such financing is available. The DLF also makes an independent appraisal of the availability of funds to the applicant. While every effort is made to canvass such alternative sources, many of the projects presented to the DLF for financing, such as railroads, highways, ports, power and irrigation dams, and the like are not attractive to private investors. DLF loans to private

PRIVATE INVESTMENT (Continued)

enterprise have been primarily for industrial activities. This area will be one of the primary beneficiaries of increased DLF capital availabilities.

In order to give greater emphasis to private enterprise activities the DLF has established a new position of Deputy Managing Director for Private Enterprise, and a new Division of Private Enterprise with a professional staff of 4 persons. It is also developing more effective channels for securing the advice and assistance of the American business community through the facilities of private groups.

## PROGRESS AND ACCOMPLISHMENTS

### Summary

At the start of 1960, after two full years of operation, the DLF could look back and see many tangible indications of progress, many specific accomplishments, and many other measurable and immeasurable gains in support of United States objectives abroad. With $1,400,000,000 of capital appropriated by the Congress, it had gone far towards fulfilling the purposes for which it was established and has developed the experience, capacity, and judgments necessary to accomplish more in the future. As an institution which provides long-term development financing on flexible repayment terms the DLF had brought a new dimension to the international financing scene.

The accomplishments of the DLF will become more apparent in the future. A loan project approved today will generally yield productive results two to four years from now. Such is the nature of long-run development and the projects which DLF finances. The process of bringing approved projects to fruition, however, itself produces results significant for economic growth in the less-developed areas. The borrower, for instance, gains confidence, experience, and ability in the determining of project priorities, in the preparation of loan requests and in the efficient handling of loan funds. Insistence on sound management and engineering, efficient supervision, and accountability, long a hallmark of normal lending institutions and utilized by the DLF as a matter of policy, will yield important dividends for future development abroad. In addition, loans to private borrowers and strengthening private enterprise in developing countries will similarly serve to accelerate future growth.

Since its establishment, the DLF has taken under consideration $3.8 billion in applications for projects in 59 countries. This is an amount over two and one-half times greater than the resources available for lending by the DLF. In addition, many other proposals have been submitted which for various reasons did not meet DLF criteria and were returned to the applicant without being taken under consideration.

The DLF by January 31, 1960 had approved loans and guarantees totalling $958 million for 116 loans and 2 guarantees in 43 countries. A total of 96 loan and guarantee agreements with a value of $822 have been signed. Disbursements under these agreements total over $176 million as of January 31, 1960.

Earnings have begun to accrue as previously approved loans are serviced. As of December 31, 1959, the equivalent of $6.4 million in dollars and dollar equivalents of foreign currencies had been earned as interest and fees and collected as repayments on 41 loans and 1 guarantee from 22 countries. Of the total, $886 thousand constituted dollar payments and earnings.

### Loan Approvals

As of January 31, 1960, of the total charges against the $1,397 million of DLF lending authority (appropriations less authorized administrative expenditures) $940 million was for loans and guarantees for 118 specific projects and programs. The remaining $18 million represents balances of individual country program commitments for economic development made in advance of approval of individual projects.

In addition to the $822 million of loan and guarantee agreements signed, negotiations were underway on another $118 million of approved loans.

Loan Approvals (1/31/60) - By Region

| Region | Dollar Value (in millions) |
|---|---|
| Africa | $ 64.1 |
| Spain, Yugoslavia, Netherlands | 81.0 |
| Far East | 196.5 |
| Latin America | 77.6 |
| Near East | 202.5 |
| South Asia | 336.5 |
| Total | $958.2 |

A major portion of DLF loan approvals - 35 percent - have been in the populous and important area of South Asia. Loans to India and Pakistan constitute almost all of this area's total. The distribution of loan approvals by leading borrowing country is indicated in the following table.



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PROGRESS AND ACCOMPLISHMENTS (Continued)

Loan Approvals (Continued)

Loan Approvals (1/31/60) - By Country

| Country | Dollar Value Approvals |
|---|---|
| Argentina | $24.8 |
| Greece | 43.0 |
| India | 195.0 |
| Indonesia | 11.6 |
| Iran | 77.7 |
| Israel | 25.0 |
| Korea | 17.7 |
| Malaya | 20.0 |
| Morocco | 23.0 |
| Pakistan | 133.7 |
| Philippines | 50.0 |
| Spain | 26.5 |
| Taiwan | 38.1 |
| Thailand | 22.5 |
| Turkey | 47.5 |
| Vietnam | 19.5 |
| Yugoslavia | 51.5 |
| Others | 131.1 |
| Total | $958.2 |

Individual loans involve such varied activities as highway, railway, and port facilities development, cement plants, electric power generation and distribution facilities, local development banks, and individual industrial plants such as fertilizer plants, a sawmill, sugar mills, a plastics plant, a coke oven, and a kenaf bag factory. When classified by broad fields of activities loans approved fall into the following categories:

Loan Approvals (1/31/60) - By Category

| Functional Categories | Number of Loans | Loans Approved (in millions) | Percent of Total |
|---|---|---|---|
| Transportation and Communications | ~~35~~ 36 | $299.3 | 31.8 |
| General Industrial Facilities (including mining) | ~~37~~ 36 | 213.3 | 22.7 |
| Power | 13 | 141.8 | 15.2 |
| General Economic Development | 3 | 87.3 | 9.3 |
| Development banks and Intermediate Financial Institutions | 15 | 74.8 | 8.0 |
| Food and Agriculture (including irrigation and flood control) | 8 | 54.9 | 5.8 |
| Multi-purpose Projects | 2 | 39.0 | 4.1 |
| Water Supply and Other | 5 | 29.6 | 3.1 |
| Total, Specific Activity | 118 a/ | 940.0 | 100.0 |
| Other Project Commitments | | 18.2 | |
| Total approvals | | 958.2 | |

a/ Includes two guarantees.

Development Activities - Loan Fund Uses

Individual approved loans are described separately in a subsequent section entitled "Approved Loans." A study of the loans within each of the functional categories set out in the preceding table, however, indicates the nature of the economic activities stimulated by DLF loans.

Food and Agriculture -- 8 loans totalling $54,940,000

Most of the amount lent in this category is comprised by five loans for land reclamation -- four for irrigation projects in Haiti, Spain, Morocco, and Ceylon, and one for a drainage project in West Pakistan. The latter is a noteworthy undertaking in which approximately 1800 tubewells will be installed to remove ground water from more than 1-1/2 million acres of saline or waterlogged land in the most productive part of a country which now must import food.

PROGRESS AND ACCOMPLISHMENTS (Continued)

Development Activities (Continued)

Food and Agriculture (Continued)

Several small resettlement loans will help transform Latin American jungle land into productive farms, or demonstrate ways of adapting farming methods to new industrial markets; the effects of these loans will spread far beyond project borders.

Another loan will permit the expansion of an American-owned ranching, meat-packing, and quebracho enterprise in Paraguay which already employs 4,500 workmen and accounts for about half the country's U. S. dollar earnings.

Agriculture will also be an important indirect beneficiary of many DLF loans for highways, dams, and processing plants.

Transportation and Communications - ~~35~~ 36 loans totalling $299,300,000 $151,950,000

This category ranks second in value of applications received and first in value of loans approved. More than half the loans in this category - ~~$153,700,000~~ worth - are to assist the rehabilitation or modernization of railways. Highway projects account for $100,950,000 of the loans approved; ports and waterways for $23,500,000; telecommunications, for $16,300,000; and airport projects, for $6,600,000. Geographically, almost half the value of loans approved - $145,050,000 - went to South Asia; $60,350,000 to the Far East; $25,000,000 to the Near East; $32,900,000 to Latin America; $19,900,000 to Europe; and $16,100,000 to Africa.

The fundamental importance of highways, railways, and communications to economic development needs no explanation, but a few examples may help indicate the scope of DLF operations:

In Malaya, the Philippines, Ecuador, Paraguay, Honduras, Peru, Haiti, and Iran, DLF loans are helping to build highways into potentially productive areas which are now largely inaccessible. In East Pakistan, which now has no major harbor, DLF loans will help provide deep-sea port and anchorage facilities and inland-waterway routes to the hinterland. Indonesian harbors, essential to trade both among the islands of the archipelago and the outside world, are also being improved with the help of a DLF loan. This loan, and another for an Indonesian railway line, will help develop an area rich in natural resources. Railways are also being aided in Taiwan, India, Spain, Pakistan, and Tunisia. Telephone and telegraph systems will be provided or expanded in Liberia, Uruguay, Paraguay, Iran, and in Korea, whose facilities were 80 percent destroyed during the Korean War.

Power and Projects involving Power Development - 15 loans totalling $180,800,000

Thirteen of these loans, totalling $141,800,000, will be entirely for power generation and transmission facilities, and 2, totalling $39,000,000 will be for multiple-purpose projects in which hydroelectric power generation is an important function. Outstanding are five large projects. The Acheloos Project in Greece includes a 540-foot concrete-arch dam, a 400,000-kilowatt power plant, and 2,800,000 acre-feet of power and flood control water storage. It will cost an estimated $82,000,000 of which $31,000,000 will be provided by a DLF loan. It will provide navigation, power, flood-control and irrigation benefits, will open timber lands to development, and will greatly encourage the development of industry and agriculture. The Trebisnjica Project in Yugoslavia will include a 344-foot power dam and other features costing an estimated $54,000,000, of which $15,000,000 will be provided by a DLF loan. Chung Ju Dam in Korea, as now contemplated, will include a dam about 250 feet high; a DLF loan will finance engineering and design work from which specifications and firm cost estimates can be derived. Shihmen Dam in Taiwan will provide power, water supply, and flood-control benefits. One loan to a central agency in Turkey will help improve facilities for distributing power to industries in about 15 Turkish communities. Though generating facilities in that country have been greatly increased, the inadequacy of local distribution facilities has retarded the establishment of new and the expansion of existing industrial plants. A loan to Yugoslavia will help establish a thermal power plant which will use lignite to produce power for many new or expanding industries in the coal field region. Another to Spain will finance construction of a privately-owned, 80,000-kilowatt hydroelectric plant in the Madrid area. Two other loans will help set up a high-tension transmission grid in West Pakistan to link hydro and thermal plants in various parts of the country, and secondary transmission facilities to carry power from the main grid to local distribution centers. A loan to Lebanon will help restore privately-owned power-generating facilities destroyed during the civil disorders in 1958.

PROGRESS AND ACCOMPLISHMENTS (Continued)

Development Activities (Continued)

Power and Projects Involving Power Development (Continued)

Another to Thailand will help establish a local distribution system for bringing power from large thermal and hydro plants now under construction to consumers in the Bangkok area.

Industry, including Mining - ~~36~~ 35 loans and one guaranty totalling $213,330,000

A large proportion of the loans in this category - $85,000,000 worth - went to India. Of this amount $67,000,000 were lent to the Indian Government for the procurement of capital equipment and semi-finished products including steel which will be used primarily by private enterprises, and $18,000,000 were lent to procure semi-finished products including steel for a variety of public projects.

One loan will help establish a private, partly American-owned plant in Guatemala for making coffee bags and other items out of the fibers of the kenaf plant, thus saving foreign exchange now spent to import jute. One will help set up a large-scale sanitary meat-packing plant which in turn will encourage livestock raising and agricultural diversification in Thailand.

Another will help a Liberian-American private firm expand logging operations in Liberia, which now imports lumber although it has 8,700,000 acres of high forest. Another will help finance a privately-owned plant in Tunis which will make pulp (for papermaking) out of locally grown esparto grass. Still another will be used in the manufacture of fertilizer and by-products, thus saving foreign exchange now spent for imported nitrogenous fertilizers. Four loans will help establish cement plants in India, Taiwan, Korea, and the Philippines--areas where building materials are in short supply. Two loans will help establish pulp and paper mills in the Philippines--one using bamboo as its raw material, another using sugar-mill waste. Still another will help triple the capacity of a Bolivian sugar mill, thus leading to further development of an agricultural area now only partly productive. One loan will help an enterprising privately operated firm in Indonesia, which assembles autos and trucks from parts procured in the United States, to manufacture certain components and body parts locally. Another will provide warehouse facilities at Apapa, in Nigeria, through which local products may be sent to the outside world. Other DLF loans are helping establish chemical plants in Turkey and Korea and textile mills in Syria and Sudan. All these industries will make use of local materials to supply local needs, save foreign exchange or increase export earnings, and provide products needed by other local industries and for the general economic development of the countries in which they are located.

The largest loan for a mining operation is a $14,500,000 loan to maintain and expand the output of bituminous coal mines in the Zonguldak area of Turkey, which are essential to the operation of Turkish industry. Other loans, though relatively small, promise large returns in stimulating economic growth. One is to assist the expansion of phosphate mines in Jordan; these mines provide the best opportunity for increasing the country's exports. Another will finance an aerial survey to advance the knowledge of the geology and minerology of Turkey and to seek discoveries of iron ore.

Water Supply and Other - 5 loans totalling $29,600,000

Loans to improve water supply needed in industrial centers have been made for a number of communities in the Far East, South Asia, and Latin America whose recent rapid growth has outstripped existing facilities.

Development Banks and Intermediate Financial Institutions - 14 loans and one guaranty

The Development Loan Fund realizes that small private businesses are the backbone of a sound economy, and that throughout the world there are many thousands of existing or potential small producers who need only modest assistance in the form of machinery or equipment to become substantial contributors to the economic development of their countries. It is not administratively feasible for the DLF to investigate loan proposals by non-U. S. investors amounting to less than $100,000. It does, however, lend dollars to financing institutions in the nature of development banks, which in turn can investigate small applications in their respective countries, and under appropriate conditions and safeguards relend those dollars to small businesses. The DLF considers loans of this type to be a valuable means of encouraging private enterprise and stimulating economic growth in underdeveloped countries. The 14 loans in this category involve 10 countries -- Somalia, Iran, Israel,

PROGRESS AND ACCOMPLISHMENTS (Continued)

Development Activities (Continued)

Development Banks and Intermediate Financial Institutions (Continued)

Turkey, Pakistan, the Philippines, Taiwan, Korea, Guatemala and Lebanon. The approved guaranty would cover up to 50 percent of the loans made from a $1,000,000 fund set up for development loans by a bank in Liberia.

These loans include one to assist rubber-growing in Guatemala. It will help provide employment for 17,000 workmen, supply rubber for a newly established tire factory, make possible exports estimated at $30 million a year, encourage rubber growing in other areas, provide the U. S. with an accessible supply of natural rubber, and reduce Guatemala's present dependence on banana and coffee exports. Another will help Formosan fishermen catch more fish and preserve and market them better.

General Economic Development -- Three Loans totalling $87,250,000

Each of these loans embraces a variety of purposes and functions. One, to the Banco Central of Argentina, is part of a joint assistance program by several U. S. Government agencies, the International Monetary Fund, and a number of private banks to assist the Argentine Government to carry out economic stabilization measures while moving forward with industrial development. As specified in the loan agreement, the DLF funds may be used to assist certain enterprises in the fields of power, transportation and industry. Similarly, a loan to the Government of Israel will be used for a variety of economic development projects under appropriate stipulations set forth in the loan agreement. The third loan is designed to meet the needs of Iran for United States loans to finance imports essential to carry out activities under the country's Seven-Year Development Program. Funds may be used to provide agricultural machinery, silos, certain municipal developments, railroad equipment, roads, equipment for Teheran's electric network, telecommunications and plant pest control. Because so many sectors of the economy are included, because of the urgency of preventing a decline in productive activity in Iran, and because the DLF satisfied itself that the goods financed a are to be used for important, productive purposes, it made the loan available on a program basis.

Currencies of Repayment

Of the 118 approved DLF loans and guaranties, 35 are repayable wholly or partially in U. S. dollars. Dollar repayments under these loans are anticipated to be $230.7 million, or 24% of the $958.2 million worth of loan approvals. The other loans are repayable in local currency. When the DLF was established, it was reported to the Congress that loans repayable in dollars would probably not exceed 7½% of all approved loans.

Expenditures (Disbursements)

As of January 31, 1960, $822 million in funds had been obligated. Disbursement under these loans totalled over $176 million as of the same date. The rate of disbursement of DLF is expected now to grow rapidly. Many loans are now in their second year when much of the equipment ordered will be delivered and disbursements required. By the end of fiscal year 1960 disbursements are expected to reach over $240 million.

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

Repayments and Collections

As of December 31, 1959 a total of $4.3 million had been collected by the DLF as principal repayments, interest on loans, and fees for guarantees. This represents principal repayments on 20 loans, interest on 25 loans, and fees on one guarantee. In addition, $2.1 million in interest had been earned but not yet collected, making cumulative receipts and earnings of $6.4 million. Of the total, $5.5 million is applicable to the first six months of fiscal year 1960. Repayments and interest are earned only on loans on which expenditures (disbursements) have been made. Furthermore, interest is payable normally six months after a disbursement while principal repayments may commence one, two, or three years after expenditure. Therefore, repayments and earnings will mount gradually. The following table indicates actual collections and earnings at the end of fiscal year 1959, and on December 31, 1959. Cumulative receipts are estimated for fiscal years 1960 and 1961.

PROGRESS AND ACCOMPLISHMENTS (Continued)

Development Loan Fund Receipts
(in millions)

| | FY 1959 (Actual) | FY 1960 As of 12/31/59 | FY 1960 Est. For the Year | FY 1961 (Est.) |
|---|---|---|---|---|
| A. Earnings | | | | |
| Dollars | | | | |
| Interest | $.2 | $.5 | $1.6 | $6.8 |
| Fees | a/ | .1 | .1 | .3 |
| Proceeds from sale of foreign currencies | -0- | -0- | .8 | 2.3 |
| Subtotal, Dollars | .2 | .6 | 2.5 | 9.4 |
| Foreign Currencies: | | | | |
| Interest b/ | .6 | 1.9 | 5.3 | 13.7 |
| Total earnings | .8 | 2.5 | 7.8 | 23.1 |
| B. Loan Repayments | | | | |
| Dollars | -0- | .1 | 2.0 | 4.9 |
| Foreign currencies b/ | .1 | 2.9 | 6.7 | 12.3 |
| Total repayments | .1 | 3.0 | 8.7 | 17.2 |
| Total Receipts | | | | |
| Dollars | .2 | .7 | 4.5 | 14.3 |
| Foreign currencies. b/ | .7 | 4.8 | 12.0 | 26.0 |
| Less: Sales for dollars | -0- | -0- | -.8 | -2.3 |
| Total receipts | .9 | 5.5 | 15.7 | 38.0 |
| Total cumulative receipts | .9 | 6.4 | 16.6 | 54.6 |

a/ Less than $100,000.
b/ In dollar equivalents.

Because the bulk of DLF loans are repayable in foreign currencies, the bulk of receipts will also be in such currencies. All receipts will constitute a part of the capital of the DLF, available for making additional loans. Receipts of foreign currencies will be disposed of by sale through the Treasury to other U. S. agencies or by use in further loans, primarily in the country whose currency is involved.

At the end of 1959, repayments and interest had been received in the foreign currencies of 12 countries in amounts ranging from the equivalent of $5,000 to $2.5 million. The DLF is now prepared to entertain requests for loans of local currency from those countries where large collections are envisaged in the near future and where possibilities for sales to other U. S. agencies are not great because the currency is in excess of overall U. S. requirements.

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

Other Aspects of Progress and Accomplishment

Much of the progress and accomplishment of DLF operations can be expressed, as indicated above, in statistical terms. An equally significant part of past progress and accomplishment, however, is not so easily measurable. Such accomplishments are of particular importance to the outlook for long-run development abroad. They include such things as the loan process and methods themselves, particularly the flexible terms of DLF loans, the confidence and self-reliance gained by the borrower in the preparation of loan requests and the implementation of approved projects, the opportunities for assisting private enterprise, through the DLF, the experience gained by the DLF which provides an example for other industrialized countries to emulate, and the achievements of the DLF in support of U. S. foreign policy.

The ability of the DLF to apply flexible terms and conditions to a loan permits it to take into account the overall economic situation of the country of the borrower as well as the specific circumstances of the project or program. In this way account can be taken of the activities of other lending institutions requiring repayment on normal banking terms. As a result the

PROGRESS AND ACCOMPLISHMENTS (Continued)

Other Aspects of Progress and Accomplishment (continued)

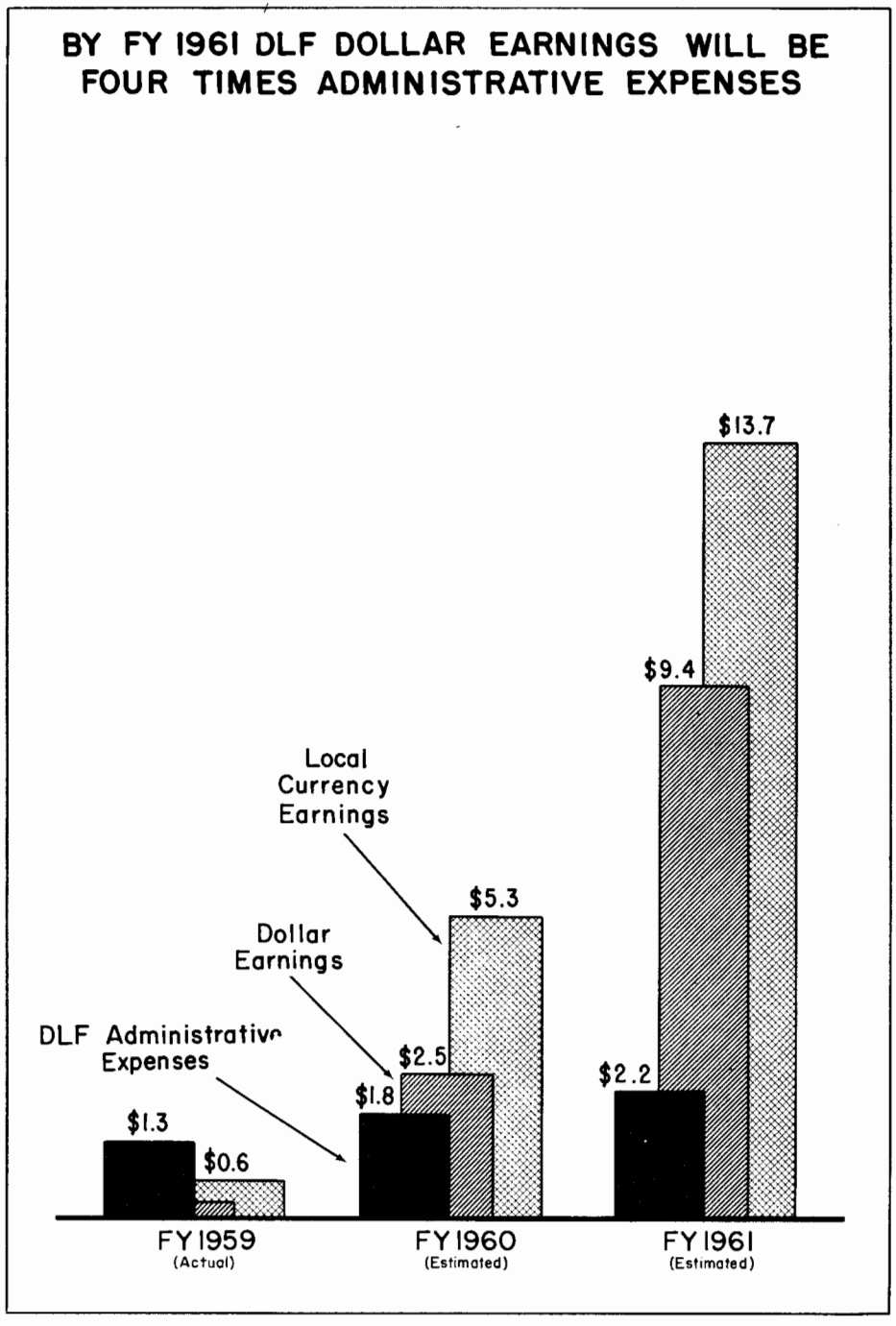
overall availability of financing for well developed projects is maximized while still adhering to sound financial practices.

The borrower, to get a loan from the DLF, as from any established lending source, must submit well-documented and soundly engineered projects. He must give thought to his own priorities and requirements, to his locally available financial and material resources, to the local market potentialities, and to indigenous entrepreneurial abilities. He also learns the value of sound management, the usefulness of supervisory engineering services, and the merits of accounting techniques.

The DLF can deal directly with governments or individuals. This provides considerable scope for dealing directly with private enterprise, assisting in the establishment of new enterprises, or developing opportunities for joint endeavors between U. S. and foreign firms in the less developed areas.

The DLF has, in an important way, been a pioneer in the use of local currency repayment and other flexible procedures in connection with long-term loans. It is no longer alone in this field, as both the Inter-American Development Bank and the proposed International Development Association have the authority to extend loans repayable over long periods and in local currencies. The experiences of the DLF, however, provide an example for others to examine and follow, particularly those other industrialized nations now considering long-term loan programs.

Finally, the DLF has done much to advance U.S. foreign policy interests in the less developed areas. Through the DLF, for instance, the United States has participated in joint lending operations in Turkey and Argentina. DLF assistance to India, through such a joint operation, has been particularly important in advancing the development of a country whose progress is important for stability and freedom in South Asia.



PROPOSED INCREASE IN CAPITAL

"... we must recognize --- that in the often fierce and vicious battle for survival -- against weather and disease and poverty -- some peoples need help. Denied it, they could well become so desperate as to create a world catastrophe.

"Now in the ultimate sense, a nation must achieve for itself, by its heart and its will, the standard of living and the strength needed to progress toward peace and justice and freedom. But where necessary resources and technological skills are lacking, people must be assisted or all the world will suffer."

President Eisenhower, Dec. 23, 1959

Appropriation of $700 million in additional capital is requested for use by the Development Loan Fund beginning in fiscal year 1961. Financing in this amount, out of funds already authorized, would enable the Development Loan Fund to expand its lending operations to a level about $150 million greater than that attained in each of the two previous fiscal years.

The Executive Branch believes that an annual lending rate of at least $700 million is essential if the foreign policy objectives of the United States are not to be seriously endangered. These objectives call not only for continuing activity in most of the 43 countries to which the DLF has already extended loans. They also call for considerably expanded operations in selected countries where economic returns in the near future are potentially the greatest and for growing support of private U.S. capital in its efforts to join in development abroad. In addition, increased United States support to development is required to exercise leadership in encouraging larger contributions from other developed countries. Applications continue to be received at a rate in excess of capital availabilities.

Moreover, given U.S. foreign policy requirements and the capacity of the underdeveloped areas effectively to utilize substantially more capital, the level of $700 million is being requested after taking into account an anticipated rise in capital availabilities from international institutions and other nations. This appropriations request assumes that the Inter-American Development Bank will undertake some of the lending burden in Latin America during fiscal year 1961 which the DLF would otherwise assume, that the International Development Association will commence operations during the course of the year, and that current efforts to increase the contribution of other industrialized countries to economic development will be substantially successful.

Foreign Policy Objectives

The importance to the foreign policy objectives of the United States of an increased flow of capital to the less developed countries and, in particular, of an adequate development assistance program by the United States Government, has been stressed by virtually every independent group which has examined the international economy or the Mutual Security Program over the past several years.

A number of these bodies commissioned by Committees of the Congress, have recommended substantial increases in aid allocations beyond those now being made available from all sources to newly developing Free World countries. In August 1959, the Corporation for Economic and Industrial Research, Inc., in a study for the Senate Foreign Relations Committee, recommended that "... the flow of capital and technical assistance should be increased from all external sources by the end of the decade by a factor of three or four ...".

In November 1959, the Maxwell Graduate School of Citizenship and Public Affairs in a study for the same committee proposed a greatly expanded United States economic assistance program which would, for a ten year period starting in fiscal year 1961, "... devote one-fourth of its additional production each year, over and above present levels of assistance, to the economic development of the less developed areas."

Also in November, the Council on Foreign Relations submitted a study which stated, in a discussion of U.S. basic aims and policy, "There must be movement of capital goods from the industrialized to the less developed countries going well beyond present volume ...".



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PROPOSED INCREASE IN CAPITAL (Continued)

These studies supported similar earlier recommendations of such distinguished groups as the Committee for Economic Development, the National Planning Association, the Rockefeller Brothers Fund, and the President's Committee to Study the U.S. Military Assistance Program (The Draper Committee).

In those studies which have carried an estimate of capital requirements, the amount of increased investment from U.S. public sources has generally been set at between $1 and $2 billion annually.

Concentration of DLF Efforts

The proposed increase in DLF capital would permit it to concentrate its activities increasingly in countries where conditions are the ripest for rapid economic gains and in countries where U.S. foreign policy objectives require maximum support. One of the characteristics of development assistance is that it works to eliminate the need for its own presence. DLF lending places emphasis on those areas where such assistance can be used effectively for growth activities which benefit the population and which contribute to economic development objectives.

Several countries in the less developed world are now at a stage where a substantial inflow of well directed capital for a number of years could generate a level of productive activity which would permit continued development thereafter on an increasingly self-reliant and self-sustaining basis. India and Pakistan, the two colossi of South Asia, are cases in point. Each is about to embark on another accelerated phase of its long range programs for economic development which, if realized, promises to bring about fundamental structural changes in the economy needed to sustain economic growth in the long run. In this task, each requires substantial public and private capital from abroad in order to achieve a rate of growth and a pattern of production sufficient to sustain growing populations.

With respect to this part of the world, the President said in his State of the Union Message of January 7:

> "Respecting their need, one of the major focal points of our concern is the South Asian region. Here, in two nations alone, are almost 500 million people all working and working hard, to raise their standards, and, in doing so, to make of themselves a strong bulwark against the spread of an ideology that would destroy liberty.
>
> "I cannot express to you the depth of my conviction that, in our own and free world interests, we must cooperate with others to help those people achieve their legitimate ambitions, as expressed in their different multiyear plans. Through the World Bank and other instrumentalities, as well as through individual action by every nation in position to help, we must squarely face this titanic challenge."

Taiwan is another case in point. The Government of the Republic of China is ready to embark on an accelerated program to achieve a self-sustaining economy in the foreseeable future. With the additional capital now being requested and an adequate flow of sound applications, the DLF will be able to assist in this effort.

Private Investment

The proposed increase in capital would also enable the DLF to extend its role as a catalyst in joining private U.S. capital with foreign development efforts. Inevitably, it will be necessary to continue to devote a sizeable amount of available funds to the basic facilities--- such as roads, power, and railways--- on which the growth of industry, and therefore the private sector, must rely heavily. However, as these facilities come into being, and as American investors become increasingly familiar with the new, growing markets in the less developed areas, the DLF can play an increasing role in connection with private American foreign investment.

The opportunities for expanding this role are already evident. Specific evidence is mounting that American business is ready to extend its investments if it can obtain assistance in partially sharing the risks presented

PROPOSED INCREASE IN CAPITAL (Continued)

by new and unfamiliar markets. Risk-sharing through the provision of loan capital can often be the decisive factor in enabling private enterprise to embark upon major projects of considerable economic importance and significance to U.S. foreign policy interests.

In order to help private U.S. investors to expand significantly their activities in the less developed areas, the DLF must be capable of lending at a higher overall level than it has in the recent past.

Contributions of Other Developed Countries

An increased United States contribution to economic development is also required to encourage other developed countries to take a larger and more active role in the development effort.

The Mutual Security Act of 1954, as amended, contains a statement of policy expressing the sense of the Congress that inasmuch as the United States has made substantial contributions to the economic recovery of Western European nations and these nations have now recovered, they should share with the United States to a greater extent the financial burden of providing assistance to those countries still in need.

The U.S. Government has sought opportunities, consistent with this statement of policy, to encourage an increase in the contributions of other industrialized countries. The proposed International Development Association is testimony to the success of U.S. endeavors.

We are now redoubling our efforts and have just launched a concerted program to enlist all available economic resources in the industrialized free world in this task and to encourage greater contributions from those countries in a position to augment their assistance. As a result of U.S. initiative, the major capital exporting countries of the free world agreed this past January to study present and prospective measures to assist development. It is expected that consultations will be held among this group on a continuing basis. If the United States is to exercise this leadership effectively, it must do so against a background of its own increased effort. As a country with a high and rapidly growing income it must continue to show by its own efforts that it places high priority on increased support to development.

In many areas of the world the DLF is the principal instrument through which this support can be shown. Other countries look to it as a measure of U.S. intent and interest.

## DEVELOPMENT LOAN FUND

STATUS OF DLF LOANS BY REGION
(in thousands)

| | Number of Loans | | Amount | | | | |
|---|---|---|---|---|---|---|---|
| | Approved | Obligated | Approved | Obligated | Disbursed | Repayed | Interest and Fees Earned |
| **AFRICA** | | | | | | | |
| FY 1958 | 2 | - | 9,300 | - | - | - | - |
| FY 1959 | 8 | 7 | 31,540 | 28,840 | 50 | - | b/ |
| FY 1960[a] | 2 | 2 | 23,250 | 1,300 | 610 | 33 | 9 |
| Total | 12 | 9 | 64,090 | 30,140 | 660 | 33 | 9 |
| **EUROPE** | | | | | | | |
| FY 1958 | 1 | - | 3,000 | - | - | - | - |
| FY 1959 | 7 | 4 | 75,300 | 53,100 | 561 | - | 5 |
| FY 1960[a] | (1) | 2 | 2,700 | 24,000 | 2,301 | 30 | 34 |
| Total | 8 | 6 | 81,000 | 77,100 | 2,862 | 30 | 39 |
| **FAR EAST** | | | | | | | |
| FY 1958 | 8 | - | 38,236 | - | - | - | - |
| FY 1959 | 18 | 19 | 139,990 | 118,626 | 2,513 | - | 77 |
| FY 1960[a] | 4 | 6 | 18,250 | 21,800 | 2,538 | 45 | 118 |
| Total | 30 | 25 | 196,476 | 140,426 | 5,051 | 45 | 195 |
| **LATIN AMERICA** | | | | | | | |
| FY 1958 | 3 | 1 | 8,500 | 5,000 | - | - | - |
| FY 1959 | 15 | 12 | 57,290 | 44,190 | 3,073 | - | 38 |
| FY 1960[a] | 3 | 5 | 11,800 | 20,900 | 17,167 | 61 | 133 |
| Total | 21 | 18 | 77,590 | 70,090 | 20,240 | 61 | 171 |
| **NEAR EAST** | | | | | | | |
| FY 1958 | 5 | 1 | 89,000 | 15,000 | 1,500 | - | - |
| FY 1959 | 13 | 7 | 83,400 | 91,100 | 35,098 | 50 | 474 |
| FY 1960[a] | 2 | 6 | 30,150 | 70,400 | 19,617 | 92 | 1,089 |
| Total | 20 | 14 | 202,550 | 176,500 | 56,215 | 142 | 1,563 |
| **SOUTH ASIA** | | | | | | | |
| FY 1958 | 12 | 4 | 119,350 | 82,100 | - | - | - |
| FY 1959 | 12 | 14 | 180,650 | 185,350 | 24,268 | 25 | 221 |
| FY 1960[a] | 3 | 6 | 36,500 | 60,550 | 53,065 | 2,732 | 1,118 |
| Total | 27 | 24 | 336,500 | 328,000 | 77,333 | 2,757 | 1,339 |
| **ALL REGIONS** | | | | | | | |
| FY 1958 | 31 | 6 | 267,386 | 102,100 | 1,500 | - | - |
| FY 1959 | 73 | 63 | 568,170 | 521,206 | 65,564 | 75 | 816 |
| FY 1960[a] | 14 | 27 | 122,650 | 198,950 | 95,299 | 2,993 | 2,500 |
| Total | 118[c] | 96[d] | 958,206 | 822,256 | 162,363 | 3,068 | 3,316 |

a/ Approvals and obligations through January 31, 1960; disbursements, repayments, earnings through December 31, 1959.

b/ Less than $1,000. c/ Includes two guarantees. d/ Includes one guarantee.



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## DEVELOPMENT LOAN FUND

STATUS OF LOANS BY COUNTRY

| | | Approvals and Obligations (in thousands) | | | | Financial Data as of December 31, 1959 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Approvals by Year | | | Obligations As Of | | | Interest | Currency of |
| | | FY 1958 | FY 1959 | FY 1960 | 1/31/60 | Disbursements | Repayments | Earned | Repayment |
| AFRICA | | | | | | | | | |
| Ethiopia | SAIDE Cotton Textile Mill | | 500 | | 500 | - | - | - | Ethiopian pounds |
| Liberia | Sawmill | | 190 | | 190 | $ 38,127 | $ 3,000 | $ 615 | U. S. $ |
| | Telecommunications | | 3,000 | | 3,000 | 50,000 | 30,000 | 921 | U. S. $ |
| | Bank of Monrovia | | | 250 | - | - | - | - | U. S. $ |
| Libya | Tripoli Power | 5,000 | | | 5,000 | - | - | - | Libyan Pounds |
| Morocco | Triffa Irrigation | | | 23,000 | - | - | - | - | Moroccan Francs |
| Nigeria | Apapa Produce Warehouse | | 800 | | 800 | - | - | - | U. S. $ |
| Somalia | Credito Somalo | | 2,000 | | 2,000 | - | - | - | Somalos |
| Tunisia | Railways | | 2,400 | | 2,400 | - | - | - | Tunisian Francs |
| | Pulp Factory | 4,300 | 1,950 | | 6,250 | 572,500 | - | 7,078 | Tunisian or French Francs, U.K.pounds, or as U.S. specifies |
| Sudan | Sudan-American Textile Industry | | 10,000 | | 10,000 | - | - | - | U. S. $ |
| Other approvals | | | 10,700 | | | | | | |
| | | 9,300 | 31,540 | 23,250 | 30,140 | 660,627 | 33,000 | 8,614 | |
| EUROPE | | | | | | | | | |
| Netherlands | Resettlement of Emigrants | 3,000 | | | 3,000 | - | - | - | U. S. $ |

## DEVELOPMENT LOAN FUND

STATUS OF LOANS BY COUNTRY (Continued)

| | | Approvals and Obligations (in thousands) | | | | Financial Data as of December 31, 1959 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Approvals by Year | | | Obligations As Of | | | Interest | Currency of |
| | | FY 1958 | FY 1959 | FY 1960 | 1/31/60 | Disbursements | Repayments | Earned | Repayment |
| EUROPE (Continued) | | | | | | | | | |
| Spain | Irrigation (Earth-moving Equipment) | | 7,700 | | 7,700 | - | - | - | Pesetas |
| | Spanish National Railways (RENFE) | | 14,900 | | 14,900 | - | - | - | Pesetas |
| | Union Electrica Madrilena | | | 3,900 | - | | | | Pesetas |
| | General Electric Espanola | | 1,200 | -1,200 | - | | | | |
| Yugoslavia | Pancevo Nitrogen Fertilizer Plant | | 22,500 | | 22,500 | 2,362,524 | 30,000 | 36,664 | 3/4 Dinars; ¼ U.S.$ |
| | Diesel Locomotives | | 5,000 | | 5,000 | 500,000 | | 2,541 | Dinars |
| | Kosovo Thermal Power | | 9,000 | | 9,000 | - | - | - | Dinars |
| | Trebisnjica Hydro-electric Project | | 15,000 | | 15,000 | - | - | - | 3/4 Dinars; ¼ U.S.$ |
| | | 3,000 | 75,300 | 2,700 | 77,100 | 2,862,524 | 30,000 | 39,205 | |
| FAR EAST | | | | | | | | | |
| Indonesia | Port & Harbor Dev. | | 6,000 | | 6,000 | - | - | - | Rupiahs |
| | Railway Development | | 3,000 | | 3,000 | - | - | - | Rupiahs |
| | N.V. Indonesian Service Co. | | | 2,600 | | | | | Rupiahs |
| Korea | Tong Yang Cement Plant | 2,100 | 40 | | 2,140 | 643,870 | 10,000 | 18,208 | Hwan |
| | Domestic Tele-communications | 3,500 | | | 3,500 | - | - | - | Hwan |
| | Hydroelectric Power Project | | 1,500 | | 1,500 | - | - | - | Hwan |
| | Soda Ash Plant | | 5,600 | | 5,600 | - | - | - | Hwan |
| | Small Industry Loan Fund | | 5,000 | | | | | | Hwan |
| Malaya | North Klang Straits | | 10,000 | | 10,000 | - | - | - | U.S. $ |
| | Roads and Bridges | | 10,000 | | 10,000 | - | - | - | U.S. $ |

## DEVELOPMENT LOAN FUND

STATUS OF LOANS BY COUNTRY (Continued)

| | | Approvals and Obligations (in thousands) | | | | Financial Data as of December 31, 1959 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Approvals by Year | | | Obligations As Of | | | Interest | Currency of |
| | | FY 1958 | FY 1959 | FY 1960 | 1/31/60 | Disbursements | Repayments | Earned | Repayment |
| FAR EAST (Continued) | | | | | | | | | |
| Philippines | Small Industry Loan Fund | | 5,000 | | 5,000 | - | - | - | U. S. $ |
| | Roads, Bridges, and Rehabilitation of Equipment | | 18,750 | | 18,750 | - | - | - | U. S. $ |
| | Bamboo Pulp and Paper Project (Bataan) | | 5,300 | | 5,300 | - | - | - | U. S. $ |
| | Portland Cement Proj. | | 3,700 | | 3,700 | - | - | - | U. S. $ |
| | Bagasse Pulp and Paper Project (Bago) | | | (5,300) | 5,300 | - | - | - | U. S. $ |
| Balance of $50.0 million project commitment | | | 17,250 | | | - | - | - | - |
| Taiwan | Asia Cement Corp. | 2,500 | 250 | | 2,750 | 859,785 | 5,000 | 45,458 | N. T. $ |
| | Shimen Dam | 21,500 | | | 21,500 | 2,533,026 | 25,000 | 24,030 | N. T. $ |
| | Railway Admin. | 3,200 | | | 3,200 | 5,123 | 5,124 | 17 | N. T. $ |
| | Improvement of Fishing Industry | 686 | | | 686 | - | - | - | N. T. $ |
| | Small Industry Loan Fund | | 2,500 | | 2,500 | - | - | - | N. T. $ |
| | Ingalls-Taiwan Shipbuilding & Drydock Co. | | 6,500 | -1,350 | 5,150 | 8,015 | - | 62,248 a/ | U. S. $ |
| | By-Product Coke Oven | | 1,000 | | 1,000 | 988,500 | - | 44,835 | N. T. $ |
| | Aluminum Corp. | | 1,350 | | 1,350 | - | - | - | N. T. $ |
| Thailand | Bangkok Power Dist. | | 20,000 | | 20,000 | 12,709 | - | 47 | Baht |
| | Dredge | 1,750 | | | 1,750 | - | - | - | Baht |
| | Meat Processing Plant | | 750 | | 750 | - | - | - | U. S. $ |
| Vietnam | Saigon-Cholon Water Distribution System | | 19,500 | | - | | | | Piastres |
| Other approvals | | 3,000 | -3,000 | 17,000 | | | | | |
| | | 38,236 | 139,990 | 18,250 | 140,426 | 5,051,028 | 45,124 | 194,843 | |

a/ Includes guarantee fee of $62,175.15.

## DEVELOPMENT LOAN FUND

STATUS OF LOANS BY COUNTRY (Continued)

| | | Approvals and Obligations (in thousands) | | | | Financial Data as of December 31, 1959 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Approvals by Year | | | Obligations As Of | | | | |
| | | FY 1958 | FY 1959 | FY 1960 | 1/31/60 | Disbursements | Repayments | Interest Earned | Currency of Repayment |
| LATIN AMERICA | | | | | | | | | |
| Argentina | Banco Central | | 24,750 | | 24,750 | 13,672,713 | - | 23,696 | U. S. $ |
| Bolivia | La Belgica Sugar Mill | | 2,500 | | 2,500 | 2,199,978 | - | 43,909 | Bolivianos |
| | El Alto Airport | | 1,500 | | 1,500 | - | - | - | Bolivianos |
| Brazil | Carambei/Castrolanda Resettlement Proj. | | 240 | | 240 | 180,628 | - | 6,578 | Cruzieros |
| | Anhumas Pedrinhas | | 300 | -300 | | | | | |
| Chile | Airport Engineering Design | | 300 | | 300 | - | - | - | Chilean Pesos |
| Costa Rica | SICA Resettlement | | 300 | | 300 | 216,670 | 1,000 | 6,523 | U. S. $ |
| Ecuador | Pan-American Highway | | 4,700 | | 4,700 | 29,000 | - | 256 | ½ Sucres; ½ U.S. $ |
| | National Highways-IBRD Program | | | 5,300 | 5,300 | - | - | - | Sucres[a] |
| Guatemala | Rubber Production | | 5,000 | | 5,000 | - | - | - | U. S. $ |
| | Kenaf Bag Factory | | 400 | | 400 | 75,238 | - | 133 | U. S. $ |
| Haiti | Artibonite Valley Proj. | | 4,300 | | 4,300 | 58,012 | - | 118 | Gourdes |
| | Centrale Sucriere Sugar Mill | | | 3,000 | | - | - | - | Gourdes |
| | Les Cayes to Port-au-Prince Highway Design Engineering | | | 300 | 300 | - | - | - | Gourdes |
| Honduras | Highway Development | 5,000 | | | 5,000 | 440,161 | 25,000 | 3,717 | Lempiras |
| Nicaragua | Matagalpa Public Utilities | | 600 | | 600 | - | - | - | U. S. $ |

a/ The DLF may at its option request repayment in dollars of the last half of that portion of the loan to be disbursed in dollars.

## DEVELOPMENT LOAN FUND

STATUS OF LOANS BY COUNTRY (Continued)

| | | Approvals and Obligations (in thousands) | | | | Financial Data as of December 31, 1959 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Approvals by Year | | | Obligations As Of | | | | |
| | | FY 1958 | FY 1959 | FY 1960 | 1/31/60 | Disbursements | Repayments | Interest Earned | Currency of Repayment |
| LATIN AMERICA (Continued) | | | | | | | | | |
| Paraguay | Asuncion Waterworks | 1,000 | | | 1,000 | 1,000,000 | 10,000 | 29,308 | Guaranies |
| | Brazilian Road | 2,500 | | | 2,500 | 495,553 | - | 2,849 | 1st 18 installments in Guaranies, last 12 in dollars |
| | Int'l. Products Corp. | | 2,600 | | 2,600 | 1,872,326 | 25,000 | 53,501 | U. S. $ |
| | Telecommunications | | 1,000 | | - | - | - | - | ½ in Guaranies; ½ dollars |
| Peru | Aguaytia-Pucallpa Highway | | | 3,500 | - | - | - | - | Soles[a] |
| Uruguay | UTE Telephone Expansion | | 8,800 | | 8,800 | - | - | - | 1st 13 installments in Uruguayan Pesos, last 26 in U.S. $ |
| | | 8,500 | 57,290 | 11,800 | 70,090 | 20,240,279 | 61,000 | 170,588 | |
| NEAR EAST | | | | | | | | | |
| Greece | Fertilizer Plant | 12,000 | | | 12,000 | 8,377,297 | 30,000 | 162,985 | Drachma |
| | Acheloos Hydroelectric Project | | | 31,000 | 31,000 | - | - | - | Drachma |
| Iran | Plan Organization Proj. | 40,000 | 7,500 | | 47,500 | 32,711,179 | - | 732,422 | U. S. $ |
| | Industrial & Mining Dev. Bank of Iran | | 5,200 | | 5,200 | - | - | - | U. S. $ |
| | Highway Construction Program | | 25,000 | | 25,000 | - | - | - | U. S. $ |
| Israel | Development Loan | 15,000 | | | 15,000 | 14,637,480 | 100,000 | 663,848 | Israel Pounds |
| | Industrial Dev. Bank of Israel, Ltd. | | 5,000 | | 5,000 | - | - | - | Israel Pounds |
| | " " " " | | 5,000 | | - | - | - | - | Israel Pounds |
| Jordan | Trans-Jordan Electric Power Co. | | 1,200 | | 1,200 | - | - | - | Jordanian Dinars |
| | Jordan Phosphate Mines Co., Ltd. | | 2,500 | -1,000 | 1,500 | - | - | - | U. K. Pounds |

a/ The DLF may at its option request repayment in dollars of the last half of that portion of the loan to be disbursed in dollars.

## DEVELOPMENT LOAN FUND

STATUS OF LOANS BY COUNTRY (Continued)

| | | Approvals and Obligations (in thousands) | | | | Financial Data as of December 31, 1959 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Approvals by Year | | | Obligations As Of | | | | |
| | | FY 1958 | FY 1959 | FY 1960 | 1/31/60 | Disbursements | Repayments | Interest Earned | Currency of Repayment |
| NEAR EAST (Continued) | | | | | | | | | |
| Lebanon | Development Bank | | 5,000 | | - | - | - | - | U. S. $ |
| | El Bared Power Plant | | 500 | | - | - | - | - | U. S. $ |
| Turkey | Industrial Dev. Bank | 10,000 | | | 10,000 | 489,064 | 11,871 | 4,159 | Turkish Lira |
| | Aerial Mineral Survey | | 900 | | 900 | - | - | - | Turkish Lira |
| | Turkish Coal Enterprises, Zonguldak | | 14,500 | | 14,500 | - | - | - | Turkish Lira |
| | Plastics & Related Chemicals | | 6,100 | | - | - | - | - | Turkish Lira |
| | Koruma Insecticide Plant | | 2,800 | | - | - | - | - | Turkish Lira |
| | ETIBANK-Electric Power Distribution | | 7,000 | | 7,000 | - | - | - | Turkish Lira |
| Balance of $37.5 million project commitment | | | 6,200 | | - | - | - | - | - |
| United Arab Republic: | | | | | | | | | |
| Egypt | The Edfina Co. | | | 450 | - | - | - | - | Egyptian Pounds |
| Syria | Worsted Textile Plant | | 1,000 | -300 | 700 | - | - | - | U. S. $ |
| Other Approvals | | 12,000 | -12,000 | | | | | | |
| | | 89,000 | 83,400 | 30,150 | 176,500 | 56,215,020 | 141,871 | 1,563,414 | |
| SOUTH ASIA | | | | | | | | | |
| Ceylon | Irrigation and Land Development | 1,600 | | | 1,600 | 944,747 | 50,000 | 15,685 | Ceylonese Rupees |
| | Highway Development | 900 | | | 900 | 9,116 | - | 33 | Ceylonese Rupees |
| | Colombo Area Railroads | 750 | | | 750 | - | - | - | Ceylonese Rupees |

## DEVELOPMENT LOAN FUND

STATUS OF LOANS BY COUNTRY (Continued)

| | | Approvals and Obligations (in thousands) | | | | Financial Data as of December 31, 1959 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Approvals by Year | | | Obligations As Of | | | Interest | Currency of |
| | | FY 1958 | FY 1959 | FY 1960 | 1/31/60 | Disbursements | Repayments | Earned | Repyament |
| SOUTH ASIA (Continued) | | | | | | | | | |
| India | Railways | 40,000 | | | 40,000 | 8,174,751 | 1,000,000 | 96,039 | Indian Rupees |
| | Roads, Cement, Jute, and Refractories | 35,000 | | | 35,000 | 15,295,682 | 1,166,667 | 238,957 | " " |
| | 2nd Railway Loan | | 35,000 | | 35,000 | 22,464,098 | 100,000 | 539,885 | " " |
| | Steel Imports for Public Sector Projects | | 18,000 | | 18,000 | 3,412,373 | - | 21,469 | " " |
| | Steel Imports for Private Sector Projects | | 22,000 | | 22,000 | 4,692,779 | - | 45,818 | " " |
| | Public Power Development | | 10,000 | | 10,000 | - | - | - | " " |
| | Capital Equipment for Private Industries | | 15,000 | | 15,000 | 10,414,312 | - | 260,140 | " " |
| | Second Steel Project-Private | | 20,000 | | 20,000 | - | - | - | " " |
| Pakistan | Karachi Water & Sewage | 5,500 | | | 5,500 | 280,898 | - | 1,963 | Pakistan Rupees |
| | Pakistan Industrial Credit & Investment Corp. (PICIC) | 4,200 | | | 4,200 | 746,431 | 340,030 | 2,759 | " " |
| | Railways | 7,400 | 1,700 | | 9,100 | 4,207,040 | - | 50,548 | " " |
| | Karnafuli Multi-Purpose Project | 17,500 | | | 17,500 | 4,549,461 | 100,000 | 51,868 | " " |
| | W. Pak. Ground Water Development | | 15,200 | | 15,200 | 1,430,280 | - | 11,161 | " " |
| | W. Pakistan High Tension Grid | | 14,700 | | 14,700 | 711,330 | - | 2,891 | " " |
| | Port of Chittagong | 2,000 | | | 2,000 | - | - | - | " " |
| | Chalna Anchorage | 2,000 | | | - | - | - | - | " " |
| | W. Pakistan Secondary Transmission Grid Project | | 23,000 | | 23,000 | - | - | - | " " |
| | Marking and Charting of Waterways of E. Pak. | | 1,750 | | 1,750 | - | - | - | " " |
| | Karachi Commercial Jetstrip | | 4,800 | | 4,800 | - | - | - | " " |
| | PICIC (second loan) | | | 10,000 | 10,000 | - | - | - | " " |
| | Second Railways Rehabilitation Project | | | 22,000 | 22,000 | - | - | - | " " |
| | Sui Gas Transmission Co. | | 2,000 | | - | - | - | - | " " |
| Other Approvals | | 2,500 | -2,500 | 4,500 | | | | | |
| | | 119,350 | 180,650 | 36,500 | 328,000 | 77,333,298 | 2,756,697 | 1,339,216 | |
| TOTALS, All Regions | | 267,386 | 568,170 | 122,650 | 822,256 | 162,362,776 | 3,067,692 | 3,315,880 | |

## INDEX OF DETAILED DESCRIPTIONS OF LOANS APPROVED

Description of each loan approval for specific projects as of January 31, 1960.
(*) Designates Loan Agreement Signed.


| Region/Country | Title of Loan | Loan Amount | Page No. |
|---|---|---|---|
| AFRICA | | | |
| Ethiopia | SAIDE Cotton Textile Mill | $ 500,000* | 49 |
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AFRICA

## ETHIOPIA

### SAIDE Cotton Textile Mill

Loan Amount and Terms: $500,000 repayable in 10 years at 5-3/4% in the currency of Ethiopia.

Borrower: Sviluppo Agricolo Industriale Dell-Eritrea (SAIDE), a private corporation.

Status: Loan agreement signed.

The DLF loan will be used to help defray the foreign-exchange costs of setting up a weaving mill to make use of yarn produced by SAIDE's parent company S. A. Contonificio Barattolo & Co., (SACB). At first, it will produce only grey sheeting, white drills, and white shirting, the principal types of textiles sold in Ethiopia. Later it plans to manufacture dyed cloth.

The new mill will employ 500 people in an agricultural area which has been ravaged by drought and locusts, and will save Ethiopia an estimated $1 million a year in foreign exchange.

SAIDE is a wholly owned subsidiary of SACB, a spinning mill concern which uses locally grown cotton as well as that imported from the United States and other areas. SACB's output is sold wholly within the Ethiopian market.

## LIBERIA

### Liberia Sawmill

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

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

Status: Loan agreement signed.

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

Liberia is a net importer of lumber, despite the fact that 8,700,000 acres are covered with high forests and 30% of total land area supports timber considered adequate in quantity and quality for commercial lumbering.

### Liberia Telecommunications

Loan Amount and Terms: $3,000,000 repayable in 25 years at 3-12/% in U. S. dollars.

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

Status: Loan agreement signed.

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

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

AFRICA

LIBERIA, continued

Bank of Monrovia

Guarantee Agreement and Terms: $250,000 commitment to Guarantee up to $500,000 of certain loans made by the Bank of Monrovia. Maximum term of Guarantee 13 years.

Guarantee: The Bank of Monrovia a wholly owned affiliate of the First National City Bank of New York.

Status: Letter of advice issued.

This guaranty is part of a plan which will make $1,000,000 in long-term development financing available to private borrowers for industrial and agricultural development in Liberia.

Under this plan, the Bank of Monrovia will establish a Guaranteed Loan Account for making loans in aggregate amount not to exceed $1,000,000 which will contribute to the growth of the Liberian economy. The Development Loan Fund will guarantee collection of such loans, with the stipulation that its guaranty will not exceed 50 percent of the total of unpaid principal on all loans made from the Account.

Although the Bank will lend up to $1,000,000 from the Account, the maximum liability of the DLF under the guaranty will not exceed $500,000. As authorized by recent legislation, the DLF will reserve only $250,000 from its funds against its contingent liability under the guaranty.

For some time, the Development Loan Fund and the Government of Liberia have searched for ways to meet the need of small entrepreneurs in Liberia for longer term credit to support the growth of local industry. The offer of the Bank of Monrovia, the leading commercial bank of Liberia, to undertake this program, using its own resources and experienced personnel, meets this need. The loans made under this program will be of a nature not ordinarily made by commercial banks. It is believed that this arrangement between the DLF and the Bank of Monrovia will lead to further association of American banks in local development lending activities abroad.

Among the enterprises which may receive loans are the processing of farm, dairy, meat, and fish products, rice milling, soap manufacture, plastics molding and extrusion, clothing manufacture, tool and hardware manufacture, bakeries, fruit and vegetable canning, sugar refining, coffee roasting, sawmills, paint and insecticide manufacture, pottery making, furniture and fixtures manufacture, and the manufacture of tin cans and containers.

LIBYA

Tripoli Power

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

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

Status: Loan agreement signed.

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

The DLF loan will partially finance a project whose total cost is being shared by ICA, DLF and the Government of Libya. A loan of $3,500,000 has been made for this project by ICA and the Government of Libya has loaned about $3,600,000.

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

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

AFRICA

LIBYA, Continued

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

MOROCCO

Triffa Irrigation Project

Loan Amount and Terms: $23,000,000 repayable in 28 years at 3-1/2% in currency of Morocco (francs) or U. S. dollars at option of the borrower.

Borrower: Kingdom of Morocco.

Status: Letter of advice issued.

The loan is to help meet both foreign exchange and local currency cost involved in the second stage of an irrigation project that will ultimately encompass a large area in the basin of Lower Moulouya River. To date approximately $25,000,000 have been spent on this project and it is expected that the total cost will equal to $80,000,000.

The phase of the development to be financed by the DLF loan includes the construction of the Mechra Klila Dam and storage reservoir, irrigation canals, distribution systems, drainage works and farm development. This phase and the work previously done will provide water to some 52,000 acres.

Key structure of the project is Mechra Klila Dam, a 200-foot-high, concrete-arch storage dam with gated spillway and four irrigation outlets, which will control a 500,000 acre-foot reservoir with capacity sufficient to hold water over from wet to dry years. One power penstock will be installed, but power generation is not contemplated immediately and is not included in the works to be financed under this loan.

NIGERIA

Apapa Produce Warehouse

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

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

Status: Loan agreement signed.

The loan to the Nigerian Ports Authority assisted in financing the new warehouse on Apapa Quay in Lagos Harbor Nigeria. It is part of a major port development program which has been underway in recent years.

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

SOMALIA

Credito Somalo

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

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

Status: Loan agreement signed.

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

The Credito Somalo is empowered to assist agriculture, animal husbandry, small industries, and artisan enterprises by

AFRICA

SOMALIA, Continued

financing their installation, development, production, marketing, and export of finished products. The operating staff consists of Italians and indigenous personnel. The International Cooperation Administration is providing a technical adviser in agricultural cooperatives to work with the staff of the Credito.

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

SUDAN

Sudan American Textile Industry

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

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

Status: Loan agreement signed.

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

This project calls for the construction of a textile plant equipped with 55,000 spindles and 1,680 automatic looms. It is estimated that the plant should be able to attain an annual production of 75 million yards of cloth to be sold within the Sudan. The facility will employ up to 2,500 workers.

Because of climatic conditions in Khartoum, the plant must be built with double walls, without windows, and with air-conditioning and humidification. As public power is wholly inadequate to supply the energy necessary to operate the plant, it must generate its own power. Lack of roads and other convenient means of communication will necessitate the construction of a spur line connecting the plant with the main railroad line.

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

The Sudan has virtually no industry. The facility to be financed under this loan would produce essential goods from domestically produced raw materials. It would save substantial amounts of foreign exchange now being used to import textiles from countries to whom Sudan sends raw cotton.

TUNISIA

Tunisian National Railroad

Loan Amount and Terms: $2,400,000 repayable in 20 years at 3-1/2% in Tunisian francs.

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

Status: Loan agreement signed.

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

Specifically, part of the funds are to be used to purchase diesel-powered self-propelled coaches, of which six will be standard gauge and six will be narrow gauge; and to purchase ten standard gauge and fifteen narrow gauge coaches. These are to replace worn-out rolling stock on the main lines.

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

AFRICA

TUNISIA, Continued

The improvement and expansion of existing maintenance shops will permit cheaper and more rapid repair of engine and locomotives and, in addition, provide facilities for improved construction of freight cars and will result in savings of needed foreign exchange now expended for maintenance purposes.

Tunisian Pulp Factory

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

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

Status: Loan agreement signed.

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

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

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

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

EUROPE

NETHERLANDS

Resettlement of Emigrants

Loan Amount and Terms: $3,000,000 repayable in 21 years at 4-1/4% in U. S. dollars.

Borrower: The Government of the Netherlands.

Status: Loan agreement signed.

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

SPAIN

INSTITUTO NACIONAL DE COLONIZACION
(Irrigation (Earthmoving Equipment)

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

Borrower: Instituto Nacional de Colonizacion, an autonomous Spanish Government agency.

Status: Loan agreement signed.

The loan will be used to assist in financing the importation of earthmoving and related machinery and spare parts for converting 190,000 acres currently in dry-land wheat production and grazing to irrigated farms. The cost of the reclamation project to which the DLF is contributing will total $84,000,000. The DLF loan will provide for the purchase of tractors, scrapers, graders, and the necessary auxiliary equipment and spare parts. The project is scheduled for completion within six years. It is located in the northeast part of the country, some 30 miles from the City of Zaragoza, and involves irrigating semi-arid land which receives an average of 12 inches of rainfall annually. Apart from the lack of water, agricultural characteristics are good.

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

Underlying this situation are the severe limitations of a dry climate and uncertainty of rainfall. The completion of the project will increase the irrigated area of Spain by 4.5 percent.

RENFE

Spanish Railway Rehabilitation

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

Borrower: Spanish National Railways (RENFE), a wholly owned government corporation.

Status: Loan agreement signed.

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

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

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

EUROPE

SPAIN (Continued)

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

UNION ELECTRICA MADRILENA

Loan Amount and Terms: $3,900,000 repayable in 13 years at 5-3/4% in currency of Spain (pesetas).

Borrower: Union Electrica Madrilena.

Status: Letter of advice issued.

This loan will finance equipment (earthmoving machinery, generators, and control equipment) needed for construction of a hydroelectric power plant at Castrejon on the Tagus River. Four turbines for the power plant will be financed by and purchased from a French source, which has agreed to repayment wholly in pesetas over a seven-year period. The total installed capacity of the powerplant will be 80,000 kw made up of four units of 20,000 kw each. In addition to the powerplant, the project involves construction of an 18-meter-high dam and an 11-mile-long canal to bring the water to the turbines in the powerhouse. The total cost of the project is approximately $12.7 million. UEM will finance out of its own resources and through issuance of bonds the costs additional to the DLF loan of $3.9 million.

Union Electrica Madrilena produces and distributes electric power for Madrid and for seven provinces in East Central Spain. The average annual increase of demand for power in this area has been more than 13%. The additional power from the Castrejon facilities is badly needed and will contribute to greater use of existing industrial facilities and further industrial expansion. The company estimates that by 1964, even with the additional power from the Castrejon plant, the demand for power at peak periods in the area will be double its production capacity.

YUGOSLAVIA

Diesel Locomotives

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

Borrower: Yugoslavia State Railway Administration

Status: Loan agreement signed.

The DLF loan will finance the purchase abroad of 20 diesel locomotives to be used on the Bosanski Novi Knin-Split line, one of the two most important lines linking the Adriatic with central Yugoslavia. These lines carry a large portion of Yugoslavia's international goods traffic as well as a large volume of passenger and tourist traffic to the Dalmatian coast. Steam locomotives are presently used on the Bosanski Novi Knin line. The average age of these locomotives is 30 years, they are obsolete technically and economically, and their replacement is necessary. With the existing steam locomotives (averaging 1000 horsepower), the transport capacity of the Bosanski line has been fully exploited and is not sufficient to meet requirements.

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

Pancevo Nitrogen Fertilizer Plant

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

Borrower: Government of Yugoslavia

Status: Loan agreement signed

This loan will finance the foreign-exchange costs of equipment, contract services, and personnel training involved in construct-

EUROPE

YUGOSLAVIA (Continued)

ing a plant to produce 360,000 metric tons per year of cal-nitro. An earlier commitment by the Soviet Union to provide such financing was withdrawn.

Major items of foreign equipment required will be for the utilities, maintenance facilities, loading equipment, and necessary pipelines and transportation equipment. The Chemical Construction Company is providing the design engineering and assisting the Yugoslavs in technical evaluation or procurement bids. Process Evaluation and Technical Services Corporation (W. R. Grace) has also been engaged by the borrower as a consulting engineer.

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

KOSOVO THERMAL ELECTRIC POWER

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

Borrower: Government of Yugoslavia.

Status: Loan agreement signed.

This loan is to finance the foreign-exchange costs of construction of a thermal-electric plant at Krusevac in Southern Yugoslavia near the Macedonian border. This Kosovo area has abundant lignite deposits which will be used by the thermal powerplant. The installed capacity of the powerplant will be 62,500 kw. Total cost will be about $16 million, with the dinar costs of about $7 million to be made available by the Yugoslav Investment Bank.

The additional power will contribute to the development of large potential industrial and mining operations in the Kosovo area and will also provide power for the general Yugoslav grid. The demand for power in the Kosovo area has increased greatly as the result of industrial expansion. Kosovo power will be used by lead, zinc, magnesite, and iron mines, a meat-processing plant, and cement and chemical plants, as well as by many plants now in the planning stage, e.g., a large iron and steel works and various processing industries. Because of the rich lignite deposits in the area, the cost of Kosovo power will compare favorably with thermal plants in both this country and in Europe.

Engineering services will be provided by Gibbs and Hill, and turbines for the project will be constructed by Westinghouse.

TREBISNJICA HYDROELECTRIC PROJECT

Loan Amount and Terms: $15,000,000 repayable in 25 years at 3-1/2% interest, the first three-quarters of the loan in currency of Yugoslavia, the remainder in U.S. dollars or transferable European currencies.

Borrower: Government of Yugoslavia.

Status: Loan agreement signed.

This loan is to finance the foreign-exchange costs of construction of two hydroelectric powerplants with a total installed capacity of 315,000 kw. The powerplants will be located on the Trebisnjica River near Dubrovnik. The total cost of the project will be $54 million, and the Yugoslav Investment Bank has agreed to make $39 million in dinars available for dinar construction costs of the project. Ultimately the Yugoslavs plan to increase the capacity of the generating station to 576,000 kw.

The growth of industrial production in Yugoslavia has necessitated consumption of ever larger quantities of power. It is estimated that from 1960 to 1970 the increase in demand for electric power will be 8.8 billion kilowatt-hours, which is approximately four times the estimated output of the Trebisnjica plants.

The Trebisnjica site is extremely favorable. The generation cost per kilowatt-hour will be about 3.5 mills. Installed cost per kw is ($170 per kw). The high power availability factor (58% firm power) and the large storage volume of the reservoir as are other factors which make this an unusually good hydroelectric project.

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## INDONESIA

### N. V. Indonesian Service Company

Loan Amount and Terms: $2,600,000 repayable in 10 years at 5 3/4% in Indonesian rupiahs.

Borrower: N.V. Indonesian Service Company, Ltd., Djakarta; mixed ownership.

Status: Letter of advice sent.

This loan is to make available foreign exchange to assist in the establishment of manufacturing facilities to produce jeep and truck components and body parts under individual license agreements from the Chrysler Corporation and the Willys Motor Company.

The Company has been in operation since 1952, assembling cars, trucks, buses, and jeeps from imported parts. The new plant will enable the Company to produce body parts and such parts on leaf springs and tail and exhaust pipes, thus eliminating the need to import these components. The plant will also provide machine capacity for a certain amount of outside commercial work.

This project has been worked out in close collaboration by Chrysler and Willys and has been engineered in detail by them. Both companies will provide technical assistance in the installation and operation of the equipment.

This project will save much needed foreign exchange and will increase the productive facilities for jeeps and trucks, which Indonesia critically needs, given its difficult transportation problems. In Indonesia truck transport is very important for short and long haul distribution of goods. Jeeps and trucks are very useful in many areas for "off road" transportation since other modes of transportation cannot be used. The project will provide employment for an additional 500 workers and will add gradually to the number of trained and competent mechanics and technicians available in Indonesia.

### Railway Development

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

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

Status: Loan agreement signed.

This loan will be used to finance imported goods and services in the rehabilitation of 165 km of railway between Tandjung Enim and Palembang (Kertapati) in South Sumatra. Of the $3,000,000, approximately $2,635,000 will be used for equipment, and $365,000 to finance a six-man engineering contract. Rupiah costs of the project run to Rp. 94,455,786. Of these, approximately Rp. 41,000,000 have already been spent on the project, and a balance of about Rp. 53,000,000 remains to be funded. The local currency is to be provided by the Indonesian Government as its contribution to the project.

Among the items of equipment to be purchased are flat cars, ballast cars, track jacks, quarrying equipment, motor-transport equipment, and small generating sets.

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

During the war and since railways travel suffered an estimated loss of about 10% of their prewar assets due to inability to provide proper maintenance which, in turn is attributed solely to the lack of materials and personnel. One of the essential features preventing an increase in track and tonnage load is the condition of the track. This present program will serve to stimulate the rehabilitation program included in Indonesia's Five Year Plan by giving initial technical assistance required equipment and on-the-job training to Indonesian personnel.

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## INDONESIA (Continued)

### Port and Harbor Development

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

Borrower: The Government of the Republic of Indonesia.

Status: Loan agreement signed.

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

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

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

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

## KOREA

### Hydroelectric Power Project

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

Borrower: Korea Electric Power Company which is 88% Government-owned.

Status: Loan agreement signed.

This loan is to assist in financing design engineering for a proposed hydroelectric project at Chung Ju on the South Han River in the Republic of Korea. This engineering is expected to provide conclusive data relative to site, design, and cost of the project which has been under study by the Korea Electric Power Company for a number of years. Following the approval of the loan the Korea Electric Power Company engaged the services of Pacific Bechtel Corporation to do the required engineering. The engineers have been at work on the job since the middle of 1959, and it is anticipated that their study will be completed early in 1960.

### Tong Yang Cement Plant

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

Borrower: Tong Yang Cement Manufacturing Co. Ltd.; private-ownership.

Status: Loan agreement signed.

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

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KOREA (Continued)

Use of cement in Korea, which until recently has been comparatively limited in relation to the extent to its use in more industrialized areas, is increasing. The country's production is now about 280,000 M.T. per year. The Government of the Republic of Korea estimates that consumption in 1958 of about 400,000 M.T. per year will increase to 500,000-600,000 M.T. in the near future and will gradually rise to 1,000,000 M.T. by 1963. To date, the deficiency has been made up by imports largely financed with ICA funds. Even with the expansion of the output of this plant present and future cement requirements for construction, public works, and industrial growth will still be in excess of domestic production for some time to come.

Domestic Telecommunications

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

Borrower: Government of the Republic of Korea.

Status: Loan agreement signed.

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

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

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

Small Industry Loan

Loan Amount and Terms: $5,000,000 repayable in ten years at 5% in Korean hwan.

Borrower: Korean Reconstruction Bank.

Status: Letter of advice sent.

This loan will provide $5 million to the Korean Reconstruction Bank for relending to small private enterprises in Korea to assist in financing foreign exchange costs of importing equipment needed for the expansion, improvement or establishment of enterprise plants and facilities. A wide range of small industries need funds for this purpose. Among the industries which will be assisted are chemicals, metals and machinery, dyeing and finishing of textiles, ceramics, handicrafts and mining. The bank will make loans up to $100,000 without prior approval of DLF but under appropriate reporting procedures. Such loans are generally too small to be handled directly through DLF. They will facilitate assistance to numerous small industries in Korea which constitute the bulk of the industrial community.

The Korean Reconstruction Bank is a Government-owned institution. It has a long history of operation in the industrial loan field and it has an experienced staff which is well trained in this type of banking.

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KOREA (Continued)

Soda Ash

Loan Amount and Terms: $5,600,000 repayable in 15 years with interest at 5 3/4% in Korean hwan.

Borrower: Oriental Chemical Industry Company, Ltd.; privately-owned.

Status: Loan agreement signed.

This loan will be used to assist in procurement of import requirements to establish a plant at Samchok, Korea, which will help Korea's requirement for soda ash, caustic soda, sodium bicarbonate and calcium chloride. These basic chemicals are now being imported. Korea's requirements for them are increasing rapidly as the country is being developed. This plant will meet a real need for basic chemicals.

The Oriental Chemical Industry Company, Ltd., which will carry out this project is a private concern organized by experienced businessmen of Korea to undertake this project. The company procured from the Government a plant which was originally established by the Japanese in 1938, but which due to the vicissitudes of war is now largely inoperative. This loan will assist in the rehabilitation of the existing plant to the extent it is feasible and provide for expansion which will result in production of the above chemicals to meet nearly all of Korea's current requirements for them. The total cost of the project will be $11,700,000 in foreign exchange and local currency equivalent.

MALAYA

North Klang Straits

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

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

Status: Loan agreement signed.

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

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

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

Roads and Bridges

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

Borrower: The Federation of Malaya.

Status: Loan agreement signed.

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

The projects to be financed with this DLF loan have been selected with a view toward (1) meeting requirements where

MALAYA (Continued)

traffic demands are now heaviest, and (2) improving over-all communications or facilitating the opening of areas, particularly on the East Coast, so that accessibility to rural areas is improved. It is the present Government's first care to redress the gap between the attention given the rural areas and their needs and thereby bring greater economic opportunity and stability to the rural population.

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

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

PHILIPPINES

Small Industry Loan Fund

Loan Amount and Terms: $5,000,000 repayable in 7 years at 5 1/4% in U.S. dollars at option of borrower.

Borrower: The Central Bank of the Philippines.

Status: Loan agreement signed.

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

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

Roads, Bridges, and Rehabilitation of Equipment

Loan Amount and Terms: $18,750,000, the first $9,000,000 repayable in 7 years, and the balance in 12 years at 3 1/2% in U.S. dollars at option of borrower.

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

Status: Loan agreement signed.

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

The balance of the loan will be used for specific highway projects, namely, the Sayre Highway in Mindanao, for which $1,000,000 will be used; a diversion road leading north from Manila requiring $2,700,000, and a diversion road leading south from Manila requiring $1,400,000. The funds will be used to

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import road and bridge building materials, including asphalt and structural steel, and road and bridge-building equipment required specifically for these projects. The Sayre Highway is a major travel artery in the southern island of Mindanao which is rapidly being developed, and the two diversion roads north and south of Manila will provide urgently needed expansion of traffic facilities out of the city and will relieve the overburdened and overcrowded two-lane highways now in use.

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

Bamboo Pulp and Paper Project

Loan Amount and Terms: $5,300,000 repayable in 10 years at 5-3/4% in U.S. dollars.

Borrower: Bataan Pulp and Paper Mills, Inc.; private-ownership.

Status: Loan agreement signed.

The loan will be used to finance the importation of equipment for use in the establishment of an integrated pulp and paper plant with a daily production capacity of 55 to 60 short tons of paper, or approximately 17,500 short tons annually. The plant will utilize, as a basic raw material, bamboo which is native to the peninsula of Bataan on which the plant will be located. It will increase the economic activity of the area, provide employment for about 600 people, and produce pulp and paper which will replace current imports estimated at a value of up to $5 million per year. It is anticipated that the availability of paper produced locally will permit increased use of paper in the Philippines. Such use has been limited heretofore because of lack of foreign exchange to provide imports. It will facilitate the development of the Philippines economy.

The borrower is a newly-created organization which is sponsored by reputable businessmen of the Philippines. It is expected that it will constitute a valuable new entity among the business organizations of the Philippines. The project will contribute substantially not only to the development of the country, but will also result in saving foreign exchange, and will create new economic activity.

Portland Cement Project

Loan Amount and Terms: $3,700,000 repayable in ten years at 5-3/4% in U. S. dollars.

Borrower: Mindanao Portland Cement Corporation; private ownership.

Status: Loan agreement signed.

This loan will be used to assist in financing the foreign-exchange costs of acquiring equipment, materials, and services for the establishment of a cement plant near Iligan, Mindanao Island, in the Philippines. The plant will produce approximately 150,000 tons of cement per year. Its output will help to meet existing heavy requirements for cement in the Philippines and lessen the dependence upon imports. Greater availability of locally produced cement will make this item more readily available for building purposes and thus facilitate and reduce the cost of building programs. To the extent that it replaces imports, it will lessen the drain upon limited foreign-exchange resources. It is estimated that savings in foreign exchange which will result from this plant's production will reach an amount up to $1.9 million yearly. The Philippine Government has expressed intentions of speeding up development of Mindanao Island where this plant will be located, and its establishment is considered timely as a support for this development program which includes improvement and expansion of the highway system, expansion of power facilities, increase of plant facilities, and opening of new mines.

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Bagasse Pulp and Paper Project

Loan Amount and Terms: $5,300,000 repayable in nine years at 5-3/4% in U. S. dollars.

Borrower: Bago Pulp and Paper Company, Inc., private ownership.

Status: Loan agreement signed.

This loan will be used to assist in financing foreign-exchange costs of acquiring equipment, materials and services to establish a pulp and paper plant on the Island of Panay in the Philippines. The company which is newly-established for this purpose will manufacture pulp and paper from bagasse to be obtained from the sugar centrals of the area. The plant will produce on the average of 70 metric tons of paper per day or approximately 22,000 metric tons per year in an extensive range of fine papers and wrapping papers. Total cost of the project is estimated at $12,700,000 of which the sponsors will invest approximately $5,500,000, half of which will be in U.S. dollars and the other half in Philippine pesos.

The sponsors of this project are Elizalde and Company of the Philippines and Parsons and Whittemore of the U.S. Both are established business organizations with extensive experience. Parsons and Whittemore are experts in the paper field. There is every expectation that this project will prove a worthwhile addition to the industrial complex of the Philippines, increasing economic activity and producing needed materials now imported, which will result in substantial foreign exchange savings each year.

TAIWAN

Railway Administration

Loan Amount and Terms: $3,200,000 repayable in 11 years at 3½% in new Taiwan dollars.

Borrower: Taiwan Railway Administration, a Government enterprise.

Status: Loan agreement signed.

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

Total cost of the project is estimated as follows:

| | U.S. $ | Local currency in U.S. $ equivalent |
|---|---|---|
| Diesel electric locomotives | 2,000,000 | 417,600 |
| Coastal trunk line | 1,200,000 | 1,180,000 |
| Total | 3,200,000 | 1,597,600 |

The local costs will be borne by TRA.

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

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

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

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

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TAIWAN (Continued)

Shihmen Dam

Loan Amount and Terms: $21,500,000 repayable in 35 years at 3½% in New Taiwan dollars.

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

Status: Loan agreement signed.

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

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

Initially installed power capacity will provide dependable peaking power of 77,600 kw. The project will provide irrigation for 57,260 hectares of land. It will reduce the flood stage of rivers in the vicinity of Taipei City and will substantially reduce flood losses. In the early stage of development, it will provide public water supply for 100,000 people, and will eventually provide water for 340,000.

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

Asia Cement Corporation

Loan Amount and Terms: $2,750,000 repayable in 10 years at 5½% in New Taiwan dollars.

Borrower: Asia Cement Corporation, private ownership.

Status: Loan agreement signed.

This loan will be used to import equipment for use in establishing a cement plant with an annual production capacity of 150,000 metric tons at Ta-tu Hung-shan Village, Hsin-chu Hsien, Taiwan. The total amount of financing required to put the plant into operation is US$6,400,000 or the equivalent. In addition to this loan for importation of equipment it was estimated at the time the loan was approved that another $3,400,000 in local currency equivalent would be required to defray local procurement and labor costs nearly all of which would be provided by private investors.

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

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

Small Industry Loan Fund

Loan Amount and Terms: $2,500,000 repayable in five years at 5½% in New Taiwan dollars.

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

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TAIWAN (Continued)

business, engages in procurement on Government account.

Status: Loan agreement signed.

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

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

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

Ingalls-Taiwan Shipbuilding and Drydock Co.

Loan Amount and Terms: $2,000,000 repayable in 9 years at $5\frac{1}{2}\%$ in U. S. dollars.

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

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

Status: Loan Agreement signed and guaranty agreement concluded.

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

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

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

FAR EAST

Improvement of Fishing Industry

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

Borrower: The Land Bank of Taiwan of the Government of the Republic of China.

Status: Loan agreement signed.

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

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

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

Taiwan, with a rate of population growth of about 3½% per annum, is undertaking various programs, including efforts to secure an increase in the general food supply, in order to accommodate the increased population and improve living standards. This project will assist the further growth of the fishing industry, provide substantial increases in earnings, and make a significant contribution to the supply of protein foods in Taiwan.

By-Product Coke Oven

Loan Amount and Terms: $1,000,000 repayable in 9 years at 5½% in New Taiwan dollars.

Borrower: Pioneer Chemical Corporation Taipei, Taiwan, China; Private-ownership.

Status: Loan Agreement signed.

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

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

With the advancing industrialization of Taiwan, the requirements for coke and many of the by-products of coke production have increased. A new fertilizer plant now going into production imposes an additional requirement which can only be filled by import of coke or increase of existing facilities for production of coke. This proposed plant will meet these coke and coke by-product requirements more economically than exisitng crude beehive coke ovens which do not recover the by-products and which utilize 15% of the coke produced as fuel. It will also help to meet increasing import requirements for

FAR EAST

TAIWAN (Continued)

some of the by-products which now exist, and it will possibly provide some exports.

TAIWAN ALUMINUM CORPORATION

Loan Amount and Terms: $1,350,000 repayable in 5 years at 5½% in New Taiwan dollars.

Borrower: The Taiwan Aluminum Corporation, a corporation wholly owned by the Government of the Republic of China.

Status: Loan agreement signed.

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

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

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

THAILAND

Bangkok Power Distribution

Loan Amount and Terms: $20,000,000 repayable in 20 years at 5½% in baht.

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

Status: Loan agreement signed.

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

Salient features of the system are:

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

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

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

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

FAR EAST

THAILAND (Continued)

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

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

Dredge

Loan Amount and Terms: $1,750,000 repayable in 15 years at 5% in baht.

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

Status: Loan agreement signed.

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

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

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

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

Meat Processing Plant

Loan Amount and Terms: $750,000 repayable in 10 years at 5 3/4% in U.S. dollars.

Borrower: Livestock Trading Cooperation, Ltd., private ownership.

Status: Loan agreement signed.

The meat processing plant is to be constructed by A/S Atlas of Copenhagen, Denmark. It is of modern design and will employ mechanical devices to the greatest extent possible. The equipment and operating systems are of the type used in today's slaughterhouse and packinghouse operations. All slaughtering and processing operations will be carried out under strict sanitary control and under conditions corresponding to standard international regulations. The plant will provide facilities for the slaughtering of 2,500 hogs and 300 cattle per eight hour day. This plant is to service the requirements of the Municipality of Bangkok and the Municipality of Dhonburi, and is to create a unified metropolitan area with jointly planned and utilized meat-processing services and facilities.

The following beneficial effects on Thailand's health and economy will result:

(1) Controlled slaughtering will ensure that no infected meat will be offered to the public.

(2) World markets for export of meat products from Thailand will be opened for the first time, and additional foreign exchange earnings will accrue to Thailand.

FAR EAST

THAILAND (Continued)

(3) The plant will provide 100% utilization of by-products.

The foreign-exchange cost of the project for labor, materials, equipment, and technical management services to be supplied by A/S Atlas of Copenhagen is $1,226,000. In addition, 19,000,000 baht in local currency will be required. Of the total foreign-exchange cost component, the DLF loan will finance $750,000, A/S Atlas, $188,000 (in supplier's credits), and the Livestock Trading Cooperation, the remainder, $288,500.

VIET-NAM

Saigon-Cholon Water Distribution System

Loan Amount and Terms: $19,500,000 repayable in 30 years at 3 ½% interest in Vietnamese piastres.

Borrower: The Government of Viet-Nam.

Status: Letter of advice issued.

The loan will cover the foreign-exchange cost of a project for improving and expanding the water supply of the Saigon metropolitan area. The foreign-exchange cost will cover engineering and construction supervision, materials, and equipment necessary to complete the project. The Government of Viet-Nam will provide an additional 641 million V.N. piastres to cover all local expenses of the project.

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

The existing water-supply and distribution system is completely inadequate to serve the minimum requirements of the Saigon metropolitan area. This deficiency presents a threat to the general welfare and health of the population.

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

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

LATIN AMERICA

## ARGENTINA

### Banco Central

Loan Amount and Terms: $24,750,000 repayable in 9 years at 5-1/2% in U.S. dollars.

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

Status: Loan Agreement signed.

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

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

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

## BOLIVIA

### La Belgica Sugar Mill

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

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

Status: Loan Agreement signed.

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

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

To increase the estimated 1958 production of 12 million pounds of sugar to 34 million pounds by 1962, new equipment and plant expansion are required.

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

### El Alto Airport

Loan Amount and Terms: $1,500,000 repayable in 15 years at 3-1/2% in bolivianos.

Borrower: Government of the Republic of Bolivia (Ministry of Public Works and Communications).

LATIN AMERICA

BOLIVIA (Continued)

Status: Loan agreement signed.

This loan will be used to assist in financing the foreign-exchange and local-currency costs of acquiring equipment, materials, and services required for constructing a runway and installing lighting, air traffic control equipment, and related facilities at the El Alto Airport in La Paz, Bolivia. The DLF loan constitutes about one-half of the estimated total cost of this project.

These improvements are designed to eliminate heavy damage to aircraft using El Alto, to improve the safety of airport operations, and to facilitate the accommodation of an increased volume of aircraft traffic.

La Paz is the seat of the Bolivian Government and is also a major center of commerce, industry, and finance in Bolivia. "El Alto" airport which serves La Paz, however, is presently inadequate and limits air traffic to and from that city. Use of the airport is discouraged by the gravel runway, which causes extensive damage to aircraft tires and propellers. Moreover, the absence of a lighting system and inadequate navigation facilities at El Alto restrict flight activities to daylight hours.

BRAZIL

Carambei/Castrolanda Resettlement Project

Loan Amount and Terms: The equivalent of $240,000 in Brazilian cruzeiros repayable in 14 years at 8% in cruzeiros.

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

Status: Loan agreement signed.

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

The loan is being extended to two agricultural cooperatives for the purpose of settling some 60 Dutch families and providing farms for 40 Brazilian families of Dutch origin. The additional 100 farming units are expected to support approximately 500 persons.

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

CHILE

Airport Engineering Design

Loan Amount and Terms: $300,000 repayable in three years at 3-1/2% in Chilean pesos.

Borrower: The Government of Chile, through the Ministry of Public Works.

Status: Loan agreement signed.

Proceeds of the loan will be used to finance preparation of detailed design plans, specifications, and cost estimates for airports at Santiago, Balmaceda, and Concepcion in Chile.

The existing airports in Chile are inadequate to handle Chile's constantly increasing traffic and none of the existing airports is able to receive the new jet-propelled planes which will be put into service between the United States and Latin America in 1960. Adequate airport facilities are essential if the country is not to be by-passed by new international air transportation services and to suffer significant disadvantages in international commerce and tourism.

LATIN AMERICA

## COSTA RICA

### SICA Resettlement

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

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

Status: Loan agreement signed.

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

SICA was organized to resettle Italian farm families in Costa Rica. The Costa Rican Government has sold about 22,000 acres of land to SICA with the understanding that it will be turned over at cost to the colonists in 25-acre parcels. For each farm unit of land settled, the SICA company receives title to an area of about 8 acres for its own use. The colony is now diversifying its agriculture into poultry and vegetable production, dairying, and beef cattle.

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

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

## ECUADOR

### Pan-American Highway

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

Borrower: Republic of Ecuador.

Status: Loan agreement signed.

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

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

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

### National Highways - IBRD Program

Loan Amount and Terms: $5,300,000 repayable in 18 years at 3-1/2% in Ecuadoran sucres.

LATIN AMERICA

ECUADOR (Continued)

Borrower: The Republic of Ecuador.

Status: Loan agreement signed.

The proceeds of this loan will be used to assist in financing the local-currency costs of acquiring equipment, material, and supplies required for the construction and reconstruction of the Quito-Aloag-Santo Domingo-Quevedo portion of the highway system of Ecuador. Disbursements under this loan will be made both in U.S. dollars or other foreign exchange and in available Ecuadoran sucres.

The DLF loan, in combination with an IBRD loan of $11.0 million (equivalent) and $7.3 million (equivalent) from the Government of Ecuador will finance a 236-kilometer portion of the larger 539.9-kilometer National Highways - IBRD Program. The portion of the program for which DLF loan proceeds will be used has been assigned the highest priority, and contracts for most of the mileage to be completed have already been awarded.

The project will complete the highway connecting Guayaquil and Quito, the two most important cities of Ecuador, and will traverse the very rich banana-producing area between Quevedo and Santo Domingo. It is anticipated that within five years after this highway is opened, about 30,000 hectares of virgin land served by the road will be productively cultivated. The annual net value of the additional agricultural production which will be realized in this area will amount to an estimated twelve million sucres. This would represent an annual recovery of approximately 6% of the total cost of the project from agricultural production alone.

In addition to these benefits, the new road will reduce the transportation costs and will promote increased commerce between the highlands of Quito and the coastal regions beyond Santo Domingo and Quevedo.

GUATEMALA

Kenaf Bag Factory

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

Borrower: Productos de Kenaf, S.A. (PROKESA), of Guatemala, private ownership

Status: Loan agreement signed.

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

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

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

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

Rubber Production

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

Borrower: Government of Guatemala (Banco de Guatemala).

Status: Loan agreement signed.

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

LATIN AMERICA

GUATEMALA (Continued)

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

It has been estimated that this 80,000-acre project will ultimately employ 17,000 full-time workmen.

The project is expected to create an incentive for other rubber-development projects, as it has been estimated that over 200,000 acres of land are suitable for rubber production. It will assist Guatemala in diversifying her export products, thereby reducing dependence on coffee and bananas for foreign-exchange earnings. The project will also save foreign exchange for Guatemala, which presently imports crude rubber.

HAITI

Les Cayes to Port-au-Prince Highway - Design Engineering

Loan Amount and Terms: $300,000 repayable in 3 years at 3-1/2% in Haitian gourdes.

Borrower: The Government of Haiti

Status: Letter of advice issued.

This loan will be used to assist in financing the foreign-exchange and local-currency costs of acquiring equipment, materials, and services required for the design and construction engineering of the extension and improvement of the public-road system in the southern peninsula of Haiti.

This design engineering will furnish a firm estimate of the cost of the highway and will establish a basis for consideration of construction of the project.

Completion of the southern-peninsula road system will make a significant contribution towards the realization of that region's economic potential. More adequate roads would encourage the inhabitants of the southern peninsula to increase their production and marketing of foodstuffs, lumber, cattle, lemon grass, and other products which the area can produce. The development of this region of Haiti would serve to reduce foodstuff imports while increasing the production of exportable items. The Haitian tourist trade, an important source of foreign exchange for Haiti, would also benefit from an improved highway system.

Centrale Sucriere Sugar Mill

Loan Amount and Terms: $3,000,000 repayable in eight years at 5-3/4% in Haitian gourdes.

Borrower: Centrale Sucriere Nord-Haiti, S.A., a private corporation whose stock is held by the Immaculate Heart of Mary Mission Society (90%) and the Government of Haiti (10%).

Status: Letter of advice issued

This loan will be used to assist in financing the completion of a sugar mill project in Northern Haiti. The proceeds of the DLF loan will be used principally for financing the foreign exchange costs of the project. The completed mill will have a capacity of about 40,000 metric tons of sugar a year, and it is expected that capacity operations will be achieved in four years.

The sugar mill is situated in Limonade, in the Cap Haitian area of Northern Haiti. This area is highly suitable for sugar-cane production and is served by good highways and modern shipping facilities. Completion of the sugar-mill project will make possible the cultivation of 15,000 to 20,000 acres of land presently being used for less productive purposes. Some 7,000 acres which have been idle since 1958 because of depressed sisal prices will be leased to the sugar mill for sugar-cane cultivation. The mill's purchases of sugar cane from farmers and payments to mill workers are expected to increase local income by over $1,500,000 a year.

In addition to increasing local earnings, this project, when completed, will earn foreign exchange for Haiti. Haitian sugar and molasses production is presently lagging behind potential domestic and international demand for these commodities.

LATIN AMERICA

HAITI (Continued)

Artibonite Valley Project

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

Borrower: The Government of Haiti, with disbursements under the loan to be handled through the "Organisme de Development de la Vallee de l'Artibonite" (ODVA), a Government corporation established to develop agriculture in the Artibonite Valley.

Status: Loan agreement signed.

This loan is being used to complete drainage ditches for land now partially irrigated, and to construct further irrigation works to bring water to an additional 30,000 acres. The irrigation and drainage of the additional acreage will contribute substantially to increased crop production.

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

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

HONDURAS

Highway Development

Loan Amount and Terms: $5,000,000 repayable in 20 years at 3½% in Honduran lempiras.

Borrower: Government of Honduras, Department of Public Works.

Status: Loan agreement signed.

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

The road program was developed over the past three years with the assistance of the IBRD and is planned for implementation over the next several years. It has three distinct components: improved maintenance of existing roads and secondary improvements of the existing network; the construction of additional main highways to complete the road network; and the construction of feeder roads.

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

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

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

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

LATIN AMERICA

## NICARAGUA

### Matagalpa Public Utilities

Loan Amount and Terms: $600,000 repayable in 15 years at 3½% in United States dollars.

Borrower: Municipality of Matagalpa.

Status: Loan agreement signed.

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

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

The prevalence of malaria and intestinal parasites constitutes the chief cause of the high infant mortality rate and low productivity of the area. Provisions of pure water supplies, sanitary sewage disposal, and programs eliminating mosquito-breeding will raise the general health level and contribute to the economic productivity of the area.

## PARAGUAY

### Asuncion Waterworks

Loan Amount and Terms: $1,000,000 repayable in 20 years at 3½% in Paraguayan guaranies.

Borrower: Corporacion de Obras Sanitarias de Asuncion and the Republic of Paraguay.

Status: Loan agreement signed.

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

Asuncion, with a population of 440,000, or 30% of the nation's total, had previously been without sufficient potable drinking water and water for industrial purposes. Physical construction of the system has now been completed, and the plant and water distribution system are now in operation.

### Brazilian Road

Loan Amount and Terms: $2,500,000 repayable in 15 years at 3½%, first 18 semiannual installments in Paraguayan guaranies, balance in United States dollars.

Borrower: Government of Paraguay.

Status: Loan agreement signed.

This loan is being used to assist in financing the costs of machinery, equipment, materials, services, and supplies needed for construction of a surface of the Brazilian Road.

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

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

The Brazilian Road connects with the International Bridge, a joint Brazilian-Paraguayan project serving to increase trade between these countries. Its completion will foster the sale of meat, leather, and agricultural products in exchange for

LATIN AMERICA

PARAGUAY (Continued)

manufactured goods produced in the centers of Sao Paulo and Curitiba, Brazil.

International Products Corporation

Loan Amount and Terms: $2,600,000 repayable $2,100,000 in five years and $500,000 in convertible debentures in six years at 5¼%, payment to be made in United States dollars.

Borrower: International Products Corporation (IPC), a Delaware

Status: Loan agreement signed.

This loan is being used to assist in financing the costs of acquiring equipment, materials, supplies, livestock, and services for purposes of modernizing and expanding operations of the International Products Corporation in the fields of ranching, meat packing, and quebracho processing.

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

In the five-year period 1953-57, more than $15 million in foreign exchange has been acquired by Paraguay as a result of IPC export activities. Remittances increased from $2.2 million in 1953 to more than $4 million in 1957 and are of major significance for Paraguay, whose total annual dollar earnings are about $7 to $8 million.

Increased dollar exports would enable Paraguay to meet more of its import needs for consumption and development from its own resources. In addition to the U.S. dollars acquired by Paraguay from IPC exports, the country benefits from the employment by IPC of 4,500 workers.

Paraguay Telecommunications

Loan Amount and Terms: Up to $1,000,000 at 3½% repayable in 10 years, the first half in Paraguayan guaranies and the last half in dollars.

Borrower: Republic of Paraguay.

Status: Letter of advice issued.

This loan will assist in financing the improvement of telephone, telegraph, and teletypewriter service between Paraguay and other countries. The DLF loan will be used for the foreign-exchange costs of design engineering, establishing, and equipping the transmission, reception, and traffic centers required for completion of this project.

Present Paraguayan telecommunication facilities are inadequate and inhibit the conduct of commerce between Paraguayan business firms and business firms located in other countries. Paraguay's only existing telephone connection with the outside world is an inadequate line to Buenos Aires, Argentina. Poor communication facilities within Paraguay make it necessary for some business firms to install and maintain their own internal telephone systems.

The DLF loan will serve to improve communications between Paraguay and New York, Europe, Rio de Janeiro, Montevideo, and Buenos Aires. In each case, provision will be made for simultaneous use of four channels, one for telephone and three for telegraph. Two of the three telegraph channels to New York and Europe will be used for "telex" transmission employing teletypewriters.

PERU

Aguaytia - Pucallpa Highway

Loan Amount and Terms: $4,500,000 repayable in 15 years; $3,500,000 to be disbursed in U. S. dollars bearing interest at 3½%, and $1,000,000 to be disbursed in Peurvian soles bearing interest at 4%. Dollar repayment may be required on one-half of the portion disbursed in dollars; the balance is repayable in soles.

Borrower: Republic of Peru.

LATIN AMERICA

PERU (Continued)

Status: Letter of advice issued.

This loan will help finance the improvement of the 105-mile section of the Peruvian Central Highway between Aguaytia and Pucallpa. The project will cost an estimated $11,000,000 (equivalent), with the balance being financed by the Government of Peru and the World Bank.

The Central Highway of Peru extends about 527 miles, running from Lima, on the Pacific Coast of Peru, to Pucallpa, located on the headwaters of the Amazon. The Highway crosses a 15,000-foot pass in the Andes Mountains, and traverses important Peruvian mining regions.

The Section of the Highway to be improved with DLF assistance is the portion that is furthest inland. In this section, the existing roadway crosses a relatively low tropical plain and, because of inadequate surfacing and drainage, is closed to traffic for four or five months each year during the rainy season. This part of the Central Highway is in the poorest condition, and its reconstruction has been assigned highest priority by the Government of Peru.

The regions served by the Aguaytia-Pucallpa section of the Highway have considerable economic potential but have been only partially developed, mainly because of transportation inadequacies. Improvements in the Central Highway will open promising tropical areas to settlement and will stimulate and provide an outlet for the production of crude rubber, mahogany, cedar, and other forest products.

Pucallpa presently serves as the river port for a vast inland area and is an important lumber center in spite of inadequate transportation facilities. The improvement of the highway between Aguaytia and Pucallpa is expected to help stimulate an increased rate of lumber production, since about one-half of the output will be transported through Pucallpa. This area is also capable of supporting beef cattle production as well as cultivation of tropical crops such as bananas, cocoa, and rubber.

URUGUAY

UTE Telephone Expansion

Loan Amount and Terms: $8,800,000 repayable in 20 years at 3½%, approximately 1/4 repayable in Uruguayan pesos, balance in U. S. dollars.

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

Status: Loan agreement signed.

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

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

NEAR EAST

## GREECE

### Fertilizer Plant

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

Borrower: The Government of Greece.

Status: Loan agreement signed.

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

The planned capacity of the projected plant is 75,000 metric tons of fixed nitrogen per year in the form of liquid ammonia, ammonium sulphate and ammonium nitrate. Plans are based on a detailed study made by a United States engineering firm in 1955. The plant will be part of complex of projects designed to utilize extensive lignite deposits in the Macedonian area of Greece. The market for nitrogen-base fertilizers in Greece is sizeable and growing rapidly. Fertilizer imports have constituted a heavy drain on scarce foreign exchange holdings.

### Acheloos Hydroelectric Project

Loan Amount and Terms: $31,000,000 repayable in 25 years at 3-1/2% in Greek drachmas.

Borrower: The Public Power Corporation, an agency of the Government of Greece.

Status: Loan Agreement signed.

This loan will provide foreign exchange for the procurement of necessary equipment and services. Engineering and construction will be performed by U. S. firms and it is estimated that construction will take about six years.

The project, based on studies and recommendations by a U.S. engineering firm will include a dam power plant, and substation on the Acheloos River, approximately 300 kilometers distance from Athens. The dam will span a narrow gorge with a 540 foot high concrete arch and will be capable of storing 2,800,000 acre-feet of water at maximum power pool level. The powerhouse, located downstream, will be equipped with four 100,000 kilowatt generators, with provision for the possible installation of a fifth generator later.

At present per capita power consumption in Greece is the lowest in Europe. Additional power generating capacity is thus one of the country's basic needs. In addition to the Acheloos dam and power plant, the Greek Government also plans to build other power generating facilities to support and encourage industrial expansion.

## IRAN

### Plan Organization Projects

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

Borrower: The Government of Iran.

Status: Loan agreement signed.

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

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

NEAR EAST

IRAN, Continued

substantially increasing agricultural output.

Silos: About $3,000,000 to install machinery in, and generally rehabilitate, three grain silos completed just before the last war, which have been of little use for storage in the absence of appropriate machinery. Iran sorely needs storage capacity both to reduce grain losses from dirt, pests, etc., and to permit storage to meet shortages.

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

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

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

Roads: About $8,500,000 to improve secondary roads in Iran. Some $2 million of this amount will be used to import equipment which will supplement the Export-Import Bank financed program of highway maintenance in Iran. The remainder will finance the costs of contracts for highway reconstruction and improvements let by the Ministry of Roads.

Telecommunications: About $900,000 to import telecommunications equipment being installed by the Ministry of Post and Telegraph. The need for better communications between Iranian cities, like the need for transportation, reflects the large size and unusually difficult terrain of the country.

Plant Pest Control: $500,000 to finance the import of hand and mechanial sprayers, spraying planes and insecticides needed to control plant pests and diseases in Iran. Substantial savings in agricultural production have resulted from the fight against plant pests in the past few years.

Railway Terminals: About $3,600,000 to finance costs of construction of railway passenger terminals at Tabriz and Meshed.

Textile Mill: Some $2,500,000 for the rehabilitation of the Tchitsazi textile mill at Tehran. The DLF loan will be used almost exclusively to import finishing equipment for the Tchitsazi mill which already has a substantial spinning and weaving capacity.

Airports: Approximately $7,200,000 for costs of improvements of Mehrabad Airport in Tehran, Abadan Airport, and Isfahan Airport. A major part of the improvements is extension of runways and installation of navigational, communications, and safety equipment.

Industrial and Mining Development Bank of Iran

Loan Amount and Terms: $5,200,000 repayable in 15 years at 5-3/4% interest in U.S. dollars.

Borrower: Industrial and Mining Development Bank of Iran.

Status: Loan agreement signed.

The DLF loan will be used to finance the foreign-exchange components of loans by the Industrial and Mining Development Bank of Iran (IMDBI). All loans over $250,000 will require the prior approval of the DLF.

The IMDBI was formed by private investors from Iran, the United States, and Western European countries to stimulate private industrial and mining development in Iran by making medium-term and long-term loans and by investing in share capital. Lazard Freres & Company of New York and Chase International Investment Corporation organized the U.S. and European investment group upon request of the Iranian Government.

The initial share capital is 400 million rials ($5.3 million), 60% of which is held by private Iranian interests. The

NEAR EAST

IRAN, Continued

remaining 40% is owned by the U. S. and European investors. In addition to the share capital and the DLF loan, the Bank has received a loan of $5.2 million from the IBRD and an interest-free advance of $8 million from the Iranian Government. The Iranian Government will also turn over to IMDBI for management a loan portfolio of $18.7 million.

The non-Iranian shareholders will be responsible for the management of the bank for the first five years while Iranian management and staff are being trained.

Iran Highway Construction Program

Loan Amount and Terms: $25,000,000 repayable in 17 years at 3-1/2% in U. S. dollars.

Borrower: Government of Iran.

Status: Loan agreement signed.

The DLF loan will be used for local-currency costs of constructing 590 kilometers (369 miles) of road from Avej to Andimeshk. The road will run through major productive areas which are at present relatively inaccessible. The imputed foreign-exchange costs of the project -- about $15 million -- will be financed from the IBRD loan concluded with the Iranian Plan Organization.

ISRAEL

Industrial Development Bank of Israel, Ltd.

(Formerly Israel Industrial Institution, Ltd. (I.I.I.)

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

Borrower: Industrial Development Bank of Israel, Ltd. (I.D.B.I.) of which about 75% of the capital stock is owned by private shareholders and the balance by the Government of Israel.

Status: Loan agreement for $5,000,000 signed; letter of advice issued for an additional $5,000,000.

The DLF loan will provide foreign exchange in connection with Israeli loans for sound industrial projects. Such loans will be used to purchase industrial machinery and equipment abroad, the size of which are fairly large by Israel's standards, but too small to be handled directly by the Development Loan Fund.

The I.D.B.I. is a central, independent financial institution which makes long and intermediate term credit available for private industrial investment in Israel, a task which the commercial banks have not been able to fulfill. The I.D.B.I. renders financial assistance to new or expanding private industrial enterprises. It may participate in share capital; grant loans; make guarantees; sponsor, encourage and promote the issue of shares, debentures and other securities; and in any other way encourage industrial growth. It supplements and partially replaces an existing program of government loans to industry through private banks.

The present authorized capital is IL. 36 million, but financial expansion now being undertaken is expected to provide for total capital resources of about IL. 80 million within a year. Moreover, part of the Government Development Budget will be put at the disposal of the I.D.B.I. for loans to industry.

Development Loan

Loan Amount and Terms: $15,000,000 repayable in 15 years at 5-1/4% in Israeli pounds.

Borrower: Government of Israel.

Status: Loan agreement signed.

This loan is being used to assist the Government of Israel in financing the import of capital equipment and materials for a variety of economic development projects.

Among the equipment required are machinery, equipment, and parts for electric power generation and distribution; railroad equipment and parts; machinery, equipment, and parts for metal working, food, tire, and other industries; equipment, parts, and steel for pipe manufacturing; agricultural equipment and construction materials for farm buildings; and construction, mining, and conveying equipment for mining and public works. Most of the purchases are to be made in the United States.

NEAR EAST

ISRAEL, Continued

The types of equipment, machinery, and material which this loan is to finance have a direct bearing on the economic development of the country. About 50% of the loan is being spent on the development of electric power and transportation infrastructure; about 25% on the development of small industries; and the balance for agricultural development and for quarrying, mining, and public works.

JORDAN

Jordan Phosphate Mines Company, Ltd.

Loan Amount and Terms: $1,500,000 repayable in 13 years at 5-3/4% in pounds sterling.

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

Status: Loan agreement signed.

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

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

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

Transjordan Electric Power Company

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

Borrower: Transjordan Electric Power Company, Amman, Jordan, private ownership.

Status: Loan agreement signed.

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

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

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

LEBANON

Development Bank

Loan Amount and Terms: $5,000,000 repayable in 15 years, at 4-1/2% in U. S. dollars.

Borrower: Agricultural, Industrial, and Real Estate Bank (Banque de Credit Agricole, Industriel et Foncier), of which 60% of the

NEAR EAST

LEBANON, Continued

capital stock is owned by private shareholders and the balance by the Government of Lebanon.

Status: Letter of advice sent.

The DLF loan is to increase the funds available to the Bank for loans to encourage the development of private industrial enterprises in Lebanon.

BCAIF was established as a private bank, with 40% government participation, in July 1954, with an authorized capital of LL. 5,000,000. Upon establishment of the Bank, the Bank de Syrie et du Liban made an initial loan of LL. 25,000,000. This has been increased by an additional LL. 20,000,000. BCAIF has on hand applications for industrial institutions amounting to LL. 66,600,000. Its total resources for industrial development are LL. 20,000,000; loans totalling approximately LL. 16,000,000 have been made and applications which will utilize the balance of its resources are now being processed.

Industrialization is becoming a basic need in Lebanon. The rate of growth of investment in manufacturing alone has been around 12% in the last ten years. The Bank's industrial financing has been limited primarily to the financing of existing establishments which need modernization and expansion.

The DLF loan will make it possible for BCAIF to play a major role in the development of viable industrial establishments in Lebanon, and at the same time to assist larger industrial enterprises which BCAIF is unable to finance at present with its limited funds. This will, in turn, encourage and assist participation of private capital, both domestic and foreign, in the development of the industrial sector of Lebanon.

El Bared Power Plant

Loan Amount and Terms: $500,000 repayable in 12 years at 5-3/4% in U. S. dollars.

Borrower: Societe de'Electricite D'El-Bared, S.A.L., Beirut, Lebanon, a private company.

Status: Letter of advice sent.

This loan will be used to assist in financing the reconstruction of a hydroelectric plant which was sabotaged and 25% destroyed during the civil strife that occurred in the summer of 1958. The total estimated cost of the rehabilitation project is $1,400,000. The DLF loan is for the foreign-exchange costs of equipment. The balance of the financing for the reconstruction project is being provided through a loan from the Bank de Syrie et du Liban, guaranteed by the Government of Lebanon.

The El-Bared Company has a 75-year concession granted by the Lebanese Parliament running from January 1, 1946. El Bared was organized in 1948 with a paid-up capital of $8,000,000; the first hydroelectric plant was constructed in 1954. Additional capital was obtained in 1951 from the Bank de Syrie et du Liban and the Banque de Credit, Agricole, Industrial et Foncier. Payments on these two loans have been suspended pending restoration of the plant.

Power consumption in the Beirut area has been increasing at a rate of approximately 18% per year while production capacity of the plants has not kept pace. El-Bared expects to be able to produce, starting in 1960, a minimum of 50 million kilowatt-hours per year. The greater part of this production is already earmarked for the Office de'Electricite et de Transport en Commun, and the balance for three districts in North Lebanon. Distribution lines to these points have already been installed by the Government.

TURKEY

Industrial Development Bank

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

Borrower: The Industrial Development Bank (IDB) of Turkey, a privately-owned bank.

Status: Loan agreement signed.

The DLF loan will be used to finance long-term credits by the Industrial Development Bank to predominantly private enterprises for equipment, materials, supplies, and services needed for the industrial development of Turkey. The loan proceeds will meet only the foreign exchange costs of purchases abroad. Emphasis

NEAR EAST

TURKEY, Continued

will be given by the Industrial Development Bank to loans to foreign exchange-earning and foreign exchange-saving industries. Most of the loans made from DLF funds will be small and of a size generally beyond the administrative capacity of the DLF to process.

The Industrial Development Bank was established in 1950 with the primary purpose of providing a source of long-term financing to private industry in Turkey. It was established with the technical guidance of the International Bank for Reconstruction and Development which also has made loans to the IDB. The purpose of the Bank is to stimulate the establishment, expansion, and modernization of private enterprises in Turkey, to encourage and assist the participation of domestic and foreign private capital in Turkish industry, and to assist in the development of a securities market in Turkey. The Bank possesses a qualified technical staff which assists applicants in the preparation of projects and in the improvement of technical and management practices.

Turkey is undertaking a diversified program of development with emphasis upon transportation and industry. Although the Government is undertaking the responsibility for much of this development, particularly in transportation, power, and mining, the participation of private enterprise in development is being encouraged and is growing.

Plastics and Related Chemicals

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

Borrower: A subsidiary to be formed under the laws of Turkey by Vinylex Limited Sirketi (of Turkey).

Status: Letter of advice issued.

This loan will assist in financing the foreign exchange costs of establishing a plant in Turkey to produce caustic-soda, chlorine, calcium carbide, PVC resins and PVC compounds. Most of the caustic-soda to be produced will be for domestic sale. This amount (some 4,250 tons per year) will represent only a very small part of Turkey's demand for this product. The chlorine produced will be used in the manufacture of PVC resins. The plant will also produce about 12,000 tons of calcium carbide, of which about 8,000 tons will be used in the manufacture of PVC resins. The bulk of PVC resin will be used in the manufacture of Vinylex for finished plastic articles such as insulation for electric cable, mine vent tubes, water proofing material for military and industrial uses and consumer type goods. PVC resins will be used also in the manufacture of PVC compounds.

Turkey has the necessary basic raw materials for the development of a heavy chemical industry. The project will provide the beginning of a chemical industry in Turkey, based on the use of locally available raw materials.

Aerial Mineral Survey

Loan Amount and Terms: $900,000 repayable in 5 years at 3-1/2% in Turkish lira.

Borrower: The Turkish Institute of Mineral Research and Exploration (MTA), an agency of the Turkish Government.

Status: Loan agreement signed.

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

The aerial survey is expected to speed up the process of discovery and will pinpoint the favorable areas for concentration of the more expensive groundwork. As an instrument of exploration this survey should result in savings of time and money and should expedite the opening of new mines.

The Turkish economy is dependent largely on farm products and minerals for the foreign exchange earnings needed to meet external payments. At this stage of Turkey's economic evolution,

NEAR EAST

TURKEY, Continued

increased mineral production for export stands as one of the most probable sources of expanded earnings. While mineral output today accounts for only 2 to 3% of the country's national product, as an export earner, it amounts yearly to between 12 and 16%. Chrome, manganese, copper and iron ore are the major minerals. Principal buyers are the United States, West Germany, Great Britain, Italy, France and Austria.

Koruma Insecticide Plant

Loan Amount and Terms: $2,800,000 repayable in 10 years at 5-3/4% in Turkish lira.

Borrower: Koruma Tarim Ilaclari A.S., private ownership.

Status: Letter of advice sent.

This loan is to be utilized to import machinery and equipment needed to construct a chemical plant for insecticides and related by-product chemicals. Local costs, including locally produced equipment, land, building and other construction costs, working capital, and so forth are being met from the firm's private resources and from increased capitalization.

The insecticides DDT and BHC are not presently manufactured in Turkey and must be imported as concentrates. Koruma has been engaged in the business of importing such concentrates, mixing and formulating them for agriculture and other applications, and acting as distributor. Two corporation affiliates are engaged in related activities: One is a packaging firm for insecticides; the other operates a fleet of crop-dusting airplanes.

The chemical plant will save scarce foreign exchange. All of the principal raw materials are available locally. A number of intermediate products and by-products will be manufactured by the plant for consumption within the integrated chemical operation, and for outside sale.

The construction, supervised by Koruma's own engineers will require two to two and one-half years.

ETIBANK - Electric Power Distribution

Loan Amount and Terms: $7,000,000 repayable in 12 years at 3½% in Turkish lira.

Borrower: ETIBANK, Turkish state enterprise.

Status: Loan agreement signed.

This loan is to assist in financing the foreign exchange costs of equipment and engineering services to extend and improve electric power distribution systems in 15 major cities in Turkey. The equipment will include transformers, cable switchgear and related items. Smaller transformers, some types of copper wire, and wooden poles will be procured locally and will not be financed under the DLF loan. A U. S. electrical engineering consultant will be employed to supervise detailed planning, engineering design, and construction. Local currency costs will be provided from utility corporation funds and/or from municipal budgets. In cities where electric power is supplied by municipal utility corporations, or by the municipality, arrangements have been made for ETIBANK to extend subloans without charge and subject to terms and conditions approved by DLF.

ETIBANK was established in 1935 to promote the development of mining in Turkey and to construct and operate power generation transmission and distribution facilities.

Power distribution facilities (in 15 major Turkish cities, including Istanbul, Ankara, and Izmir) have not kept pace with growing demands and with electric generating capacity. As a result the distribution networks for the 15 major cities can utilize only about 44 percent of the power now available to them. The nation's industries, concentrated principally in these 15 cities, are thus unable to obtain dependable electric power and power distribution facilities are inadequate for the new plants now planned or under construction.

The extension and improvement of urban power distributing networks, made possible by this loan, will provide essential support to existing and developing industrial capacity and accommodate growing commercial and residential requirements.

NEAR EAST

TURKEY, Continued

Turkish Coal Enterprises, Zonguldak

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

Borrower: The Turkish Coal Enterprises (TKI), owned by the Turkish Government.

Status: Loan agreement signed.

This loan is to be used to finance the foreign exchange costs of machinery, equipment and services for a coal drying plant, shaft sinking plant, tunnel driving equipment, central safety and rescue stations, and other mechanized mining machinery, including transport, hoisting and conveyor equipment. Harbor equipment including a dredge and diesel engines for two tug boats are included to provide maintenance and service to the Zonguldak harbor, since most of the coal is presently transported by water. This project should help increase considerably Turkey's coal output.

The Zonguldak coal basin, located on the Black Sea about 100 miles east of Istanbul, is Turkey's only source of metallurgical grade bituminous coal and the main source of coal for fuel for Turkey's industry and transportation.

The increase in coal production will provide direct support to Turkey's industrial development since the largest consumers of coal from Zonguldak are the railways, the steel and coke producers, the power plants, and the factories.

United Arab Republic
(Egypt Region)

The Edfina Company
For the Export and Processing of Agricultural Products

Loan Amount and Terms: $450,000 repayable in 10 years at 5-3/4% in Egyptian pounds.

Borrower: The Edfina Company for the Export and Processing of Agricultural Products, Alexandria, Egypt; private ownership.

Status: Letter of advice issued.

This loan will be used to assist in financing the foreign exchange costs of acquiring equipment, materials and services required for the expansion and diversification of a canning and freezing plant in Alexandria.

The Borrower is the privately owned and managed Edfina Company for the Export and Processing of Agricultural Products, of Alexandria, Egypt. Edfina is an Egyptian joint stock company incorporated in 1956 with a present paid in capital of $570,000. Control of the Company is divided primarily between the semi-governmental Ministry of Wakf, American private investors under Mr. John Lawrence of the American Middle East Corporation, and the Misr Bank Subsidiary, Misr Foreign Trade Company.

United Arab Republic
(Syria Region)

Worsted Textile Plant

Loan Amount and Terms: $700,000 repayable in 10 years at 5-3/4% in U. S. dollars.

Borrower: Modern Industries Corporation, S. A., a private corporation.

Status: Loan agreement signed.

This loan will be used to assist in financing the foreign-exchange costs of equipment for a new plant to manufacture worsted, blended, and synthetic yarns and fabrics, including dyeing and finishing.

Modern Industries is a newly incorporated private enterprise with an equity capital of $1,350,000, 75% subscribed by Anwer Kotob and Associates and 25% by MIDEC (a non-Syrian group). Buildings to house the production lines are being constructed by the borrower.

The total annual production is estimated at 990 metric tons of yarn and 1,125,000 running metres of cloth. The Syrian region presently exports approximately 7,000 tons of wool per year while it loses a considerable amount of the wool product of the country simply because there is no industry to use it adequately. Between two small mills presently existing in Syria there are

NEAR EAST

UNITED ARAB REPUBLIC, Continued
(Syria Region)

only 30 wool looms. The Syrian demand for wood manufactured products is such that the UAR could readily consume the output of this plant.

There is a market for the product since the import into Syria alone of woolen and worsted textiles is apparently equal to the 1,000 tons of goods to be produced in the plant. Egypt is also a natural market since the domestic production does not meet the demand and all customs barriers between the two countries have been abolished. This mill will have the flexibility to manufacture the types of goods desired in the Syria-Egypt market.

SOUTH ASIA

## CEYLON

### Colombo Area Railroad

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

Borrower: Government of Ceylon.

Status: Loan agreement signed.

This loan is to assist in financing the purchase of five diesel-powered coaches to improve suburban railway service for Colombo, the capital city of Ceylon. The new coach trains, made up of diesel-powered coaches with three trailers, are expected to render express service to some 36,000 daily commuters to Colombo. The present lack of adequate railway facilities for the suburban areas outside Colombo constitutes a major factor contributing to the growth of slums in Colombo. Insufficient transport contributes to greater concentration of population within Colombo, consequent crowding, and high land values and rents in Colombo proper.

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

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

### Highway Development

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

Borrower: Government of Ceylon.

Status: Loan agreement signed.

This loan is to assist in financing the purchase and import into Ceylon of highway construction and maintenance equipment and shop tools and machinery to aid in the construction of roads in underdeveloped areas of Ceylon which are being opened for farming and resettlement through the Ministry of Lands and Land Development. This project is tied in with an irrigation and land development project, and the two projects are part of an integrated plan for development and the resettlement of families in such lands.

The equipment acquired through this loan is to be used initially to rehabilitate flood-damaged roads, and then for maintenance and improvement of existing roads and for new constructions in connection with Ceylon's six-year road plan.

### Irrigation and Land Development

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

Borrower: Government of Ceylon.

Status: Loan agreement signed.

This loan is to assist in financing the purchase and import of equipment and materials for irrigation and land development and for the rehabilitation of flood-damaged reservoirs. Items to financed under the loan include generators; road building equipment; trucks, jeeps, and pickups; tractors and tractor-trailer units; mobile workshop; spare parts; and miscellaneous equipment.

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

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

SOUTH ASIA

## INDIA

### Railways

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

Borrower: Government of India.

Status: Loan agreement signed.

This loan is to finance the importation of structural steel and other steel products to be used in the manufacture of railroad freight cars and coaches and steam locomotives for use on the Indian railway system. The steel acquired from the proceeds of this loan will be utilized by private manufacturers and government-owned facilities. In addition, structural steel will be imported to be used in the construction and strengthening of railroad bridges in various locations. The loan will complement an extensive railroad-improvement project being undertaken by the Government of India under loans extended to it by the International Bank for Reconstruction and Development.

Railway expansion and modernization constitutes an important aspect of the Indian Second Five-Year Plan (1956-1961). The objective of the over-all program is to enable the presently overloaded railways to carry 47 million tons of additional freight annually by 1961 and provide for a 15% increase in passenger service. The over-all program calls for the procurement of additional locomotives, freight cars, and coaches; the renewal of tracks; the installation of signalling equipment; and the electrification of certain lines. It is estimated that the foreign-exchange cost of the program is the equivalent of $809 million, of which about $367 million has been made available. The loan from the DLF provides a part of the foreign resources needed to complete the program.

### Roads, Cement, Jute and Refractories

Loan Amount and Terms: $35,000,000 (of which $25,000,000 is for road transport equipment, $2,000,000 for machinery for the cement industry, $5,000,000 for machinery for the jute industry, and $3,000,000 for refractory industry), repayable in 15 years at 5-1/4% in Indian Rupees.

Borrower: Government of India.

Status: Loan agreement signed.

This $35,000,000 loan consists of four parts and involves various industrial programs included in the Indian Second Five-Year Plan.

Road Transportation Project - $25,000,000 for the importation of components for assembly in India into busses, trucks and jeeps. Approximately 16,000 such vehicles will be assembled from the components imported under this loan. Assembly will be by existing private firms already equipped to perform the work. Under the Plan, the Indians are expanding the roadways system through new construction and the provision of additional vehicles. This program is regarded as an important corollary of the expansion of the railway system in order that new areas may be opened up and adequate facilities for transporting goods to market places may be economically achieved. Development of the road system will relieve the railways of a portion of their present and potential load. Road transport will also provide a means of communication with areas not connected by rail, and will be particularly important for the economical transport of agricultural produce from farm to market without undue spoilage.

Cement Industry Project - $2,000,000 for equipment purchases necessary for the expansion of India's privately owned sector of the cement industry. The firms to receive access to the exchange used in procurement of imports will be determined through a National Trust arrangement, an independent entity comprised of cement producers and government officials. Expansion of the cement industry is an important element of the Second Five-Year Plan. The Plan originally called for increasing capacity from 5 million tons in 1956 to 16 million tons by 1961. The revised Plan reduced expenditures on construction and accordingly the planned capacity of cement industry was reduced to 10 million tons. Following a request of the Government of India, the original $5,000,000 loan for cement industry was reduced to the present figure of $2 million and the balance was transferred to the refractory industry.

Jute Industry Project - $5,000,000 to purchase equipment for use in the modernization and expansion of India's privately owned jute industry. Equipment to be procured includes looms,

SOUTH ASIA

INDIA (Continued)

spindles, and spare parts. The proceeds of the loan will be made available by the Government of India to private companies through a National Jute Trust composed of representatives of the industry and government officials. The modernization and re-equipment of the jute industry has been assigned a relatively high priority in the Second Five-Year Plan. Jute is an important export earner for the Indian economy, accounting for about one-fifth of India's export earnings. Emphasis is placed on modernization and expansion of the industry in order to enable India to maintain a competitive position in the export field. Much of the present machinery is antiquated and should be replaced if India is to raise exports to the target figure of 900,000 tons by 1961.

Refractory Industry Project - $3,000,000 for equipment for modernization and expansion of the refractory industry in the private sector. The loan will benefit private refractory firms located in Madras, Orissa, and Bihar. The equipment will include brick making machines; calcining, grinding, and pressing machines; and other miscellaneous equipment.

The refractory industry is important to the steel industry, which has a high priority in the Second Five-Year Plan. The capacity of the refractory industry has to double in order to meet estimated demand of 1.4 million tons in 1960/61.

Steel Imports for Public Sector Projects

Steel Imports for Private Sector Projects

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

Borrower: Government of India.

Status: Loan agreements signed.

These loans are being used to finance the purchase and import of structural and other types of steel for a variety of public and private projects in India in connection with the country's Second Five-Year Development Program. The types of steel to be obtained with these loans include heavy structural steel, light structural steel, light rails, rounds, plates and sections, wires, tinplates, black sheet strips (hold and cold rolled), tools, and alloy and special steel.

The private projects for which the steel imports would be used include projects in the fertilizer, automobile, machine, ball-bearing, and locomotive industries. The public projects which will put the steel to use include power projects, water supply and irrigation schemes, and port improvement projects.

Second Steel Project

Loan Amount and Terms: $20,000,000 repayable in 15 years at 5-3/4% in Indian rupees.

Borrower: Government of India.

Status: Loan agreement signed.

This loan will be used to assist in financing the foreign-exchange costs of steel in various categories required in the development of industries in the private sector, which are included in India's Second Five-Year Plan. The plants are, or will be, scattered throughout the country.

The demand for steel in India has been increasing sharply over the past few years in response to the quickening tempo of industrial development. The increase of production of steel has been slow, with the result that large quantities have had to be imported in recent years to help India carry out her Second Five-Year Development Plan.

The total cost of steel to be imported during India's fiscal year 1959/60 is estimated at $140,700,000. Of this amount, $22 million is being covered by the first DLF steel loan and $20 million by the present loan. It is anticipated that the balance required will be paid from the Government of India's own funds and such other external aid as may become available.

The types of steel to be obtained with this loan include heavy and light structural steel, light rails, rounds, plates and sections, wires, tinplates, black steel strips (hot and cold

SOUTH ASIA

INDIA (Continued)

rolled), tools, and alloy and special steel.

The private projects for which the steel imports will be used include the automobile, tool-machine, ball-bearing, precision-tool, locomotive, and other industries.

Second Railway Loan

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

Borrower: Government of India.

Status: Loan agreement signed.

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

The over-all plan for the development and rehabilitation of the Indian Railways during the Second Five-Year Plan, ending on March 31, 1961, is expected to cost the equivalent of $2,355 million, of which $809 million will be in foreign exchange. To meet costs of this program, the Government has provided about $160 million from its own resources and has secured about $367 million from countries of the Colombo Plan, the IBRD, the ICA, and the DLF. The total DLF support, including this loan, has amounted to $75 million.

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

Items to be purchases under the DLF Loan include: (a) rolling stock, consisting of 7 diesel locomotives, electric coaches and components, boilers for steam locomotives, and miscellaneous parts; (b) rails and structural steel for bridges; (c) electric and signalling equipment; and (d) various tools and machinery for repair shops.

Public Power Development

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

Borrower: Government of India.

Status: Loan agreement signed.

This loan is for the purchase and importation of equipment, supplies, and materials needed to complete or continue 24 public power projects being undertaken in connection with the country's Second Five-Year Plan. The total installed capacity of power generating facilities in India increased by some 50% from 2.3 million to 3.4 million during the period of the First Five-Year Plan (1951-1956). Despite this sizeable increase, shortages of power were felt in many areas by the end of the Plan period. During the Second Plan, an increase of more than 100% in installed capacity, from 3.4 million to 6.9 million is projected.

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

This DLF loan is being used to finance supplementary requirements for such items as transformers, circuit breakers, turbines, steel towers, and other related equipment.

Capital Equipment for Private Industries

Loan Amount and Terms: $15,000,000 repayable in 10 years at 5-3/4% in Indian rupees.

Borrower: Government of India.

Status: Loan agreement signed.

SOUTH ASIA

INDIA (Continued)

This loan is being used by the private sector in India to purchase and import machinery and other capital goods needed in the rehabilitation and modernization of existing industrial plants and the establishment of new ones. Industries which may use the foreign exchange made available under this loan include metallurgy and minerals, chemicals, cement, machinery-manufacturing, engineering, textiles, sugar and paper and paper-board.

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

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

PAKISTAN

Karachi Water and Sewage

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

Borrower: Government of Pakistan.

Status: Loan agreement signed.

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

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

West Pakistan High Tension Grid

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

Borrower: West Pakistan Water and Power Development Authority.

Status: Loan agreement signed.

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

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

The grid is designed to integrate distribution of hydroelectric power generated in plants which are or will be located in the North, and thermal power generated in plants which for the most

SOUTH ASIA

PAKISTAN (Continued)

part are or will be located in the South. Such integration will insure maximum availability of thermal power on the system during periods when the generation of hydroelectric power is reduced by low water flow. It will also provide maximum scope for the distribution of hydroelectric power during periods when hydroelectric capacity is increased by high water flow.

West Pakistan Secondary Transmission Grid Project

Loan Amount and Terms: $23,000,000 repayable in 25 years at 3-1/2% in Pakistan rupees.

Borrower: West Pakistan Water and Power Development Authority.

Status: Loan agreement signed.

This loan will be used to finance the foreign exchange costs of equipment, materials, and services for the construction of a network of power transmission lines and substations to deliver electric power from the High Tension Grid to the ultimate consumers.

The Secondary Transmission Grid Project will provide the power infrastructure for future agricultural and industrial development. It will bring about the inter-linking of the primary grid with the existing distribution system, the augmentation of the distribution network within the area of inadequate supply, and the extension of power facilities to new areas where there is an existing or potential demand for power.

Sui Gas Transmission Company

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

Borrower: Sui Gas Transmission Company, Ltd., a private corporation.

Status: Letter of advice sent.

This loan will be used to assist in financing the foreign exchange costs involved in adding two banks to a gas purification plant at Sui, each with a capacity of 37 million cubic feet per day. The present plant is comprised of two banks, each designed to purify a maximum daily capacity of 37 million cubic feet. However, this flow cannot be maintained continuously as maintenance must be carried out together with internal inspections at regular intervals. Allowing reasonable maintenance and utilization of pipeline pack a continuous flow of just over 50 million cubic feet per day is possible from the two banks. Anticipated industrial and power requirements, however, are expected to far exceed this capacity within the next 18 months. The Karachi Company pipeline, which is a major supplier of industrial needs, will have to meet an estimated sustained load of 50 million cubic feet per day by October 1959. On the Multan pipeline, sustained offtakes of 20 million cubic feet per day are anticipated from the new Multan power station, due to begin operations in September 1959, in addition to about 5 million cubic feet per day required by existing industry. In June 1960, the Multan fertilizer plant starts operations requiring a sustained offtake of 18 million cubic feet per day. These requirements, together with normal expansion and purification plant requirements, will bring total requirements to more than 95 million cubic feet per day.

Marking and Charting of Waterways

Loan Amount and Terms: $1,750,000 repayable in 12 years at 3-1/2% in Pakistan rupees.

Borrower: East Pakistan Inland Water Transport Authority

Status: Loan agreement signed.

This loan is to assist in financing the foreign exchange costs of acquiring equipment, materials, and services for improving the navigability of the major inland waterways of East Pakistan through buoyage, marking, lighting, and charting.

The object of this project is to facilitate navigation of the principal inland waterways by day and by night at all times of the year. It is estimated that 90% of East Pakistan freight traffic is moved by water. This project

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PAKISTAN (Continued)

will reduce travel time, thus permitting the reduction of freight costs. It should result in an important improvement in Pakistan's ability to compete in the world market for jute.

Karnafuli Multi-Purpose Project

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

Borrower: Government of Pakistan.

Status: Loan agreement signed.

This loan is to finance the purchase and import of materials and equipment and the payment of contract services required for construction of the Karnafuli multi-purpose hydroelectric development project, which will form the key power source of the proposed electric power grid transmission system for East Pakistan. The project is located on the Karnafuli River in the Chittagong Hill Tracts of East Pakistan some 40 miles upstream from Chittagong. It consists of an earth dam, a powerhouse, a spillway control structure, a diversion tunnel, and a cargo-handling device. The project will provide storage for flood control, water-level regulation, and navigation improvement on the Karnafuli River and in the Chittagong Harbor. It is part of the Five-Year Development Plan of the Government of Pakistan. The overall cost of the project is being financed by ICA, the Government of Pakistan and the DLF.

The total present power capacity of all sources in East Pakistan is approximately 70,000 to 80,000 kw. Completion of the Karnafuli project will double this capacity and will provide great impact on the rate of development of both industry and agriculture. More specifically, the project will contribute to the development of the jute industry in East Pakistan, the principal foreign-exchange earner of Pakistan. The project should consequently help to improve the country's balance of payments position. It will also provide power necessary for reclaiming agricultural lands now only partially usable due to periodic flooding, thereby contributing to an increase of agricultural output. It is further expected that the project will bring under useful control the water resources of the area which are being wasted at present. The project should also improve transport facilities of the river. By providing increased accessibility to the numerous tributaries, it will make available a vast amount of timber and other forest resources.

Pakistan Railways

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

Borrower: Government of Pakistan.

Status: Loan agreement signed.

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

The proceeds of the approved loan will finance plant and equipment for a diesel electric locomotive servicing depot in Lahore; plant and equipment for a diesel electric locomotive repair shop in Rawalpindi; 20 diesel electric locomotives and spare parts; and 172 heavy duty flat cars.

The Pakistan Railways are the main carriers of passengers and freight within the country and are vital to its economic life. The proceeds of the loan will help insure greater safety through improvement and replacement of equipment and will help meet an increasing demand for transport. The shift from steam to diesel electric locomotives is not only considered more efficient but should also result in a saving of foreign exchange, since it will reduce the imported fuel costs.

Port of Chittagong

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

Borrower: Chittagong Port Commission, an agency of the Government of Pakistan.

SOUTH ASIA

PAKISTAN (Continued)

Status: Loan agreement signed.

This loan will be used to finance the foreign exchange costs of equipment, materials, and services for expanding dredging facilities, and of communications and control facilities, at the Port of Chittagong in East Pakistan. It is planned to import a tug, two hopper barges equipped with pumping units and pipelines, a radio telephone network for port craft, river lighting equipment, water carrier cum-anchor hoy, twin screw pilot launch, workshop equipment, supplies for a slipway for underwater hull repairs to port craft, mooring and channel buoys, and repair facilities.

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

After the partition of Pakistan from India in 1947, the use of the Port of Calcutta for East Pakistan exports and imports was discontinued and the Port of Chittagong was established. The port facilities (including Chalna Anchorage) which were brought into existence since the partition are important not only to East Pakistan but to the economic life of Pakistan as a whole.

West Pakistan Ground Water Development Loan

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

Borrower: West Pakistan Water and Power Development Authority.

Status: Loan agreement signed.

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

The principal food producing area of West Pakistan is located in the Punjab. However, salinity has become a principal cause of declining or subnormal agricultural production. In 1955-56, a salinity survey showed that of the 9,500,000 Punjab canal irrigated acres, 14.0% are out of cultivation, 17.2% are 55% productive, 48.4% are 85% productive, and only 20.4% are 100% productive. The survey also revealed that about 70,000 acres are going out of production annually. The general purpose of the project is to reclaim initially about 1,500,000 acres of the more than 4,000,000 acres of these saline and waterlogged lands.

As a result of increased population and at the current rate of per-capita consumption, Pakistan's annual food-grain deficit is estimated at about one million tons a year. Insufficient food production has become Pakistan's foremost economic problem. The development of West Pakistan's ground-water resources will contribute to a solution and will also help to raise rural standards above subsistence level.

Karachi Commercial Jetstrip

Loan Amount and Terms: $4,800,000 repayable in 15 years at 3-1/2% in Pakistan rupees.

Borrower: Government of Pakistan.

Status: Loan agreement signed.

This loan is to assist in financing the foreign exchange costs of engineering supervision and construction of a runway and landing facility to accommodate large jet commercial transports at the present Karachi International Airport. The proceeds of the loan will be used for financing a single overall construction contract plus the expense of the U. S. Corps of Engineers for construction supervision.

The purpose of this project is to permit Karachi to continue to serve as a major gateway between Europe and the Near East, on the one hand, and South and Southeast Asia, on the other hand, for future international airline operations. The availability of this new landing facility should result in increased commercial traffic activities at the airport, with resultant beneficial effects on the economy and development of Pakistan.

Second Railways Rehabilitation Project

Loan Amount and Terms: $22,000,000 repayable in 20 years at 3-1/2% in Pakistan rupees.

Borrower: Government of Pakistan.

SOUTH ASIA

PAKISTAN (Continued)

STATUS: Loan agreement signed.

This loan is to finance the purchase and import of railroad equipment to modernize, improve and augment railway facilities. The equipment includes diesel locomotives, miscellaneous rolling stock, rails and rail fittings, and material for bridge repairs and other engineering works.

The equipment to be purchased is an integrated portion of a comprehensive program of Pakistan railway rehabilitation. The IBRD is financing $12.3 million and Pakistan is prepared to utilize $5.9 million in German credit to meet foreign exchange costs of other parts of the over-all program. All of the internal costs will be financed by Pakistan from earnings of the railways.

The Second Railway Rehabilitation Project follows on the heels of the Pakistan Railways' First Five-Year Plan, 1955-1960 which undertook the replacement or rehabilitation of antiquated rolling stock and trackage, and other equipment. The foreign exchange costs of this initial rehabilitation were covered by loans from IBRD, credit by U. K., grants and loans by ICA, Pakistan foreign exchange resources, and an earlier DLF loan for $9,100,000.

Railways in Pakistan are the country's basic economic life lines. Other modes of modern transportation are not well developed. The railways carry the burden of passenger traffic and freight, principally agricultural products, building materials and coal. Despite progress in the past five years, the railways are, at present, incapable of effectively meeting demands especially during the busy season. Non-priority traffic sometimes must wait as long as two to three months before it can be moved. This ties up capital, induces deterioration, and impedes industrialization. The bottlenecks to the more effective handling of traffic have been (1) the shortage of locomotives and rolling stock; (2) inadequacy of sectional and terminal capacity; and (3) the lack of adequate signalling.

The second phase of Pakistan's railway rehabilitation is directed to these specific problems, the solutions of which have a significant bearing upon general economic improvement and industrial growth.

Pakistan Industrial Credit and Investment Corporation (PICIC)

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

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

Status: Loan agreement signed.

This loan provides foreign-exchange to meet the external costs of medium-term loans made by the Corporation. Such loans range from 2 to 5 years. These funds will be utilized by private borrowers for the purchase abroad of machinery, equipment, materials, and services for economic-development purposes.

PICIC assists industrial enterprises within the private sector in Pakistan by making loans or by acquiring equity capital in new or existing enterprises and by rendering other forms of assistance. The Corporation has been sponsored by and receives the support of the Pakistan Government and the International Bank for Reconstruction and Development. The International Bank assisted in the formation of the Corporation initially by providing technical assistance for drawing up the main outlines for the institution.

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

SOUTH ASIA

PAKISTAN (Continued)

PICIC has allocated all the funds loaned to 27 industrial projects. Almost $2 million have been allocated to the sugar industry, about $1 million to the textile industry, and the remainder to cotton ginneries, and to edible oil, tannery, refrigeration (cold storage), tar-paper, wall-board, belting, pharmaceutical, and other industries.

Second Loan to Pakistan Industrial Credit and Investment Corporation (PICIC)

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

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

Status: Loan agreement signed.

The first loan to PICIC of $4,200,000 was made in December 1958 and all the funds have been allocated by PICIC to 27 industrial projects. This second loan is to provide additional foreign exchange to PICIC forre-lending to industrial enterprises within the private sector in Pakistan.

Chalna Anchorage

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

Borrower: Government of Pakistan.

Status: Letter of advice sent.

This proposed loan was to assist the borrower by financing the foreign exchange costs of the acquisition, importation, and installation of equipment, materials, and services required for improvement of port facilities at Chalna Anchorage in the Pussur River in East Pakistan, including floating storage, safety devices, materials handling facilities, craft, buoys and moorings.

ADMINISTRATIVE EXPENSE LIMITATION

Administrative expenses of the DLF are financed within a limitation established annually by the Congress on the amount of DLF funds that may be used for this purpose.

Administrative expenses for fiscal year 1961 are estimated to be $2,150,000 for administration of a program for which Congress has already appropriated $1.4 billion, and which currently involves loans in 43 countries. The Congress will be requested to enact a limitation in this amount on the use of DLF corporate funds when it considers Mutual Security Appropriations for fiscal year 1961. In accordance with the practice of Government Corporations, no separate appropriation for this purpose is needed.

By fiscal year 1961 the DLF will be more than "self-sustaining", as dollar earnings (interest, fees and proceeds from sale of foreign currency holdings) alone will be $9.4 million, or four times the amount of the administrative expense limitation requested.

DLF's administrative expenses include salaries of regular executive, professional, clerical and secretarial staff; foreign and domestic travel of executive and professional staff in the conduct of official business; rental of office space; supplies, materials and equipment; and the cost of services which the DLF receives from other Federal agencies. Not included are the costs of advisory, reporting, and certain fiscal accounting services performed on behalf of the DLF by the U. S. Embassies and Operations Missions abroad, which are reflected in the administrative expenses of the Missions concerned.

The amount requested for fiscal year 1961 represents an increase of $330,000 over the limitation of $1,820,000 approved by Congress for fiscal year 1960. This increase will provide for essential loan officer, legal, engineering and financial staff to cope with increasing loan implementation activity, and in addition provide for further emphasis of DLF's private enterprise participation and economic analysis functions. A total of 180 DLF and ICA support positions are included under the requested limitation for fiscal year 1961, an increase of 30 over the current year.

An extremely heavy burden will fall upon the DLF in fiscal year 1961 in connection with implementation of loans presently approved and anticipated to be approved and as disbursements accelerate. By the end of the fiscal year 1960 DLF anticipates having fully committed for approved loans substantially all of its available $1.4 billion capital.

DLF loan disbursements are expected to accelerate this fiscal year to a total of nearly $245 million by June 30, 1960. As stated in earlier sections, before arrangements for disbursement are approved, the DLF requires satisfaction of a number of conditions stipulated in the loan agreement, as well as further conditions such as review of the borrower's engineering and procurement plans. Not only must staff be available to handle the necessary financial transactions and effect collections, but also to perform vital functions of reviewing construction and financial progress and perform audit and end-use checks for projects under way and completed.

DLF Earnings Reflect Sharp Increase

As the table and chart in the Progress and Accomplishment Section indicates, DLF earnings will total over $23 million in dollar equivalents in fiscal year 1961, a threefold increase over the estimate for the current fiscal year and 30 times greater than fiscal year 1959. Not included as earnings are loan repayments which are estimated to total over $8 million in dollars and dollar equivalents this fiscal year, and to be $17 million in fiscal year 1961. Of the $23 million, over $9 million will be in dollars, including over $2 million to be realized in dollars from anticipated sales by the Treasury Department of DLF local currency holdings. This level of dollar earnings in fiscal year 1961 clearly indicates that DLF will be more than self-sufficient, as such earnings are over four times the amount of estimated administrative expenses.

Although the DLF anticipates placing continued reliance upon the Embassies and U. S. Operations Missions abroad, the pattern of DLF reliance upon ICA Washington staff for certain services will be significantly altered in fiscal year 1961. Experience of the last year and a half has led to a reconsideration of the merits of utilizing staff of the ICA in Washington on a reimbursable basis for performance of certain administrative and financial implementation support functions. As these functions are intimately related to DLF daily operations, continued reliance upon personnel located in another agency having different procedures, different programs, and its own supervisory structure which must be primarily responsive to internal agency priorities and needs, does not promote the degree of efficiency and central control



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ADMINISTRATIVE EXPENSE LIMITATION (continued)

DLF Earnings Reflect Sharp Increase (continued)

necessary for the DLF to effectively discharge its responsibilities for administration of a complex lending program. Furthermore, the well-known public accounting firm of Touche, Ross, Bailey, and Smart, in reviewing DLF responsibilities for audit and accounting functions, recognized that in the interests of fulfilling its management responsibilities, the DLF should have effective control over all of its operations, and recommended that the DLF handle accounting and audit functions with its own staff.

Therefore, the DLF is proposing for fiscal year 1961 that, with the exception of personnel security and technical handling of overseas cables, all functions previously performed for DLF by ICA on a reimbursable basis be performed instead by the DLF itself. In addition, the DLF contemplates placing additional engineering personnel on its own staff to perform all of the technical review functions and the follow-up on construction progress rather than relying on engineering review services performed on a contractual basis. In order to assure an orderly transition to this method of operation in fiscal year 1961, the DLF is taking steps this fiscal year to (1) perform some administrative services functions on its own staff in lieu of securing engineering review services from ICA staff and from private engineering firms, and (3) add key audit and accounting positions to its own staff to begin implementation of recommendations in the Touche, Ross, Bailey and Smart Report. These changes will have the following effect upon the distribution of positions between DLF staff and staff supported in ICA under reimbursable agreement:

| | FY 1959 (Actual) | FY 1960 (Budget) | FY 1960 (Current Estimate) | FY 1961 (Estimate) |
|---|---|---|---|---|
| DLF staff positions | 74 | 103 | 124 | 178 |
| ICA staff positions | 32 | 62 | 26 | 2 |
| Total positions | 106 | 165 | 150 | 180 |

The possibility of such a shift has not been unforeseen. DLF witnesses have indicated, in testimony before House and Senate Appropriations Committees and in fiscal year 1960 budget justifications presented to the Congress, that the degree of future reliance on staff outside the DLF would depend upon subsequent experience.

Insofar as use of DLF engineers instead of engineering services under contract is concerned, DLF administrative expense justifications for fiscal year 1960 indicated that the DLF would, as experience dictated, draw either upon outside sources or add to its own staff by direct hire. Experience has shown that efficiency can be improved by minimizing engineering review by private firms on a contractual basis, except for a limited number of cases where a very specialized expert knowledge is necessary. By placing the major portion of engineering review on DLF staff instead of dividing responsibility between DLF, ICA, and engineering firms under contract, it will be possible to assure immediate availability of engineering staff and continuing direct DLF supervision. In addition, by this means, technical staff with a continuing familiarity and interest in the project will be available not only to work closely with project committees during review phases but also to follow through on going projects. The DLF engineering staff will continue to have recourse to the information and judgment of other experienced staffs when necessary.

The limitation of $2,150,000 requested for fiscal year 1961 is distributed as follows:

Personal Services ($1,387,000)

A net increase of $394,500 is requested under the heading of personal services to provide for an increase of 54 DLF staff positions to a total of 178. However, this increase is accompanied by a decrease of 24 positions under the heading "other contractual services" as the DLF reduces its reliance upon ICA staff. This would result in a net increase in the staff of 30 positions. Positions for fiscal year 1961 compare with prior fiscal years, as follows:

ADMINISTRATIVE EXPENSE LIMITATION (continued)

Personal Services (Continued)

| | FY 1959 (Actual) | FY 1960 (Estimate) | FY 1961 (Estimate) | Increase 1961 over 1960 |
|---|---|---|---|---|
| Managing Director | 7 | 8 | 8 | 0 |
| Deputy Managing Director | - | 2 | 2 | 0 |
| Director of Audit | - | 2 | 3 | +1 |
| Deputy Managing Director for Private Enterprise | - | 2 | 2 | 0 |
| Private Enterprise Div. | - | 6 | 10 | +4 |
| Deputy Managing Director for Finance and Development | 2 | - | - | - |
| Deputy Managing Director for Loan Operations | 2 | 2 | 2 | 0 |
| Loan Operation Div. | 25 | 37 | 47 | +10 |
| Engineering Div. | 5 | 18 | 25 | +7 |
| Economics Division | - | 6 | 9 | +3 |
| Financial Assistance and Advisory Group | - | 3 | 15 | +12 |
| Office of Finance and Development | 9 | - | - | - |
| General Counsel and Legal Division | 10 | 12 | 18 | +6 |
| Secretary-Treasurer | 5 | 5 | 6 | +1 |
| Administrative Staff | 9 | 21 | 31 | +10 |
| Total, DLF Staff | 74 | 124 | 178 | +54 |
| ICA Staff under Reimbursable agreement | 32 | 26 | 2 | -24 |
| Total | 106 | 150 | 180 | +30 |

The total increase of 54 positions for fiscal year 1961 includes professional and technical staff (engineers, loan officers, lawyers), together with clerical and secretarial positions. It is noted that of these 54 positions, 20 represent substitution of positions on DLF staff for ICA administrative and financial support services.

Travel ($150,000)

An increase of $30,000 is requested over current-year estimates of $120,000. Over 90% of the estimate is for foreign travel. This increase will provide an additional 14 trips and 325 days of travel into areas where DLF lending activity is greatest. Experience of the DLF, as well as other institutions engaged in international lending activity, is that it is essential for staff representatives to travel in connection with active loans, to negotiate loan agreements, as well as to secure first-hand information on applications under consideration. Periodic travel by the Managing Director and his Deputies is essential to discuss aspects of DLF lending with foreign government officials and with U. S. and foreign businessmen as well as with senior U. S. officials in the Embassies and USOMs. In addition, attendance by staff at ICA and other regional conferences is desirable to discuss matters where DLF is involved. Travel by DLF and staff is scheduled and arranged where possible to combine trips to adjacent regions of the world and to have a single trip accomplish several purposes. For example, a DLF traveller might inspect projects under way in the Far East, and while on the same trip, seek further information on applications from South Asia.

The largest portion of DLF travel will be performed by Loan Operations and Engineering staffs, in connection with review, negotiation, engineering evaluation, and follow-up on construction projects. It is important that increased travel funds be provided in fiscal year 1961 so that the growing number of DLF projects can be supervised, and the Government be assured that its funds are being used effectively.

Communications ($37,000)

An increase of $5,300 is requested over the current-year estimate of $31,300, and provides for anticipated increases in costs of telephone services, cables and airgrams, and penalty mail, resulting from a higher level of activity in fiscal year 1961.

ADMINISTRATIVE EXPENSE LIMITATION (continued)

Rents and Utility Services ($146,000)

An increase of $35,000 is requested, to provide for rental of the additional commercial office space required to accommodate the proposed increase in DLF staff.

Printing and Reproduction ($53,000)

A decrease of $8,400 below the current fiscal year is anticipated, due to DLF installation of its own separate reproduction facilities in lieu of reimbursement to ICA for this service.

Other Contractual Services ($224,000)

A decrease of $163,000 below the current fiscal year is anticipated, largely due to DLF assumption of support functions on its own staff in lieu of reimbursement to ICA. Estimates for fiscal year 1961 provide for reimbursement to ICA for only two positions. Other items under this heading include security investigations, a very limited amount of engineering review under contract, reimbursement to the Department of State for use of cable facilities, employee life and health insurance, costs of the annual GAO audit required under the Government Corporation Control Act, and costs of field audit of DLF loans.

Equipment, Supplies and Materials ($63,200)

An increase of $5,400 is anticipated over fiscal year 1960, to provide for normal supplies, materials, and basic equipment for a larger staff.

Other Costs ($89,000)

Other costs include primarily contributions to the Civil Service Retirement Fund, and social security payments made for employees not under the retirement fund. The increase of $30,800 over fiscal year 1960 reflects increased statutory contributions to the retirement fund for a larger staff.

COMPARATIVE SUMMARY OF OBLIGATIONS BY OBJECT CLASS

| | FY 1959 (Actual) | | FY 1960 (Estimate) | | FY 1961 (Estimate) | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| 01 Personal Services: | | | | | | |
| Permanent positions | 74 | $651,483 | 124 | $1,061,304 | 178 | $1,421,976 |
| Deduct lapse | -21.7 | -204,420 | -26.0 | -208,604 | -19.0 | -124,976 |
| Net, permanent positions | 52.3 | 447.063 | 98.0 | 852,700 | 159.0 | 1,297,000 |
| Positions other than permanent: | | | | | | |
| Intermittent employment | | 15,559 | | 30,000 | | 20,000 |
| Other personal services: | | | | | | |
| Overtime and holiday pay | | 11,490 | | 12,000 | | 12,000 |
| Pay in excess of 52-week base | | 1,719 | | 6,500 | | 4,900 |
| Uniform allowance | | 80 | | 100 | | 100 |
| Payments to other agencies for reimbursable details | | 67,599 | | 43,200 | | 23,000 |
| Excess of annual leave earned over leave taken | | 45,952 | | 48,000 | | 30,000 |
| Total personal services | | 589,462 | | 992,500 | | 1,387,000 |
| 02 Travel | | 54,081 | | 120,000 | | 150,000 |
| 03 Transportation of Things | | 2 | | 100 | | 100 |
| 04 Communication Services | | 17,629 | | 31,300 | | 37,000 |
| 05 Rents and Utility Services | | 68,694 | | 111,000 | | 146,000 |
| 06 Printing and Reproduction | | 36,168 | | 61,400 | | 53,000 |

| | FY 1959 (Actual) | | FY 1960 (Estimate) | | FY 1961 (Estimate) | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| 07 Other Contractual Services: | | | | | | |
| Engineering review of loan applications | | 99,098 | | 30,000 | | 25,000 |
| ICA support costs | | 232,044 | | 290,536 | | 15,295 |
| Contractual field audit services | | -- | | -- | | 100,000 |
| Department of State cable services | | 9,500 | | 14,430 | | 15,150 |
| GAO Audit Charge | | -- | | 10,000 | | 10,000 |
| Personnel support costs (security investigations, employee life and health insurance) | | 10,485 | | 19,000 | | 32,100 |
| Representation | | -- | | 500 | | 1,000 |
| Other | | 11,597 | | 22,534 | | 25,455 |
| Subtotal, other contractual services | | 362,724 | | 387,000 | | 224,000 |
| 08 Supplies and materials | | 9,534 | | 17,200 | | 22,200 |
| 09 Equipment | | 47,198 | | 40,600 | | 41,000 |
| 11 Grants, subsidies and contributions: | | | | | | |
| Contributions to the retirement fund | | 27,750 | | 57,200 | | 88,500 |
| 15 Taxes and assessment | | 836 | | 1,700 | | 1,200 |
| Total obligations or limitation | | 1,214,078 | | 1,820,000 | | 2,150,000 |

## SUMMARY AND HIGHLIGHT TABLES AND BUSINESS-TYPE STATEMENTS

### Summary and Highlight Tables

Table 1. Summary of Appropriations, Loan Approvals, Obligations, and Expenditures, FY 1958-1961

Table 2. Funds Available for Loans and Lending Activity, FY 1958-1961

Table 3. Cumulative Analysis of Lending Authority, Close of Year, FY 1958-1961

Table 4. Summary Statement of Financial Condition, FY 1958-1961

Business-Type Statements. These financial statements have been prepared in accordance with Sections 102-103 of the Government Corporation Control Act (PL 248, 79th Congress), in the form and content prescribed in Bureau of the Budget Circular A-11 and A-41.

Program and Financing
Sources and Application of Funds
Revenue, Expense and Retained Earnings
Financial Condition
Status of Certain Fund Balances

## DEVELOPMENT LOAN FUND

Table 1: Summary of Appropriations, Loan Approvals, Obligations, and Expenditures
(in millions)

| | FY 1958 (actual) | FY 1959 (actual) | FY 1960 (estimate) | FY 1961 (estimate) |
|---|---|---|---|---|
| Appropriations | $300.0 | $550.0 | $550.0 a/ | $700.0 |
| Loan approvals (including loan guarantees) | 267.4 | 568.2 | 565.0 | 725.0 |
| Obligations | 102.2 | 522.4 | 577.4 | 707.5 |
| Loans and guarantees (agreements signed) | (102.1) | (521.2) | (575.5) | (705.0) |
| Administrative and other expenses | ( .1) b/ | ( 1.2) | ( 1.9) | ( 2.5) |
| Expenditures (net) | 1.5 | 66.5 | 175.0 | 300.0 |

a/ Actual.
b/ Comparative transfer from "General administrative expenses, ICA."

Table 2: Funds Available for Loans and Lending Activity
(in millions)

| | FY 1958 (actual) | | FY 1959 (actual) | | FY 1960 (estimate) | | FY 1961 (estimate) | |
|---|---|---|---|---|---|---|---|---|
| Funds Available: | | | | | | | | |
| Available from prior year: | | | | | | | | |
| Dollars | ( -0- ) | | ($32.6) | | ($13.4) | | ($ 2.0) | |
| Foreign currencies 1/ | ( -0- ) | -0- | ( -0- ) | $ 32.6 | ( .7) | $ 14.1 | ( 10.9) | $ 12.9 |
| Appropriated funds 2/ | | $300.0 | | 548.8 | | 548.1 | | 697.6 |
| Income during the year: | | | | | | | | |
| Dollars | ( -0- ) | | ( .2) | | ( 4.5) | | ( 14.3) | |
| Foreign currencies 1/ | ( -0- ) | -0- | ( .7) | .9 | ( 11.2) | 15.7 | ( 23.7) | 38.0 |
| Total available for loans: | | | | | | | | |
| Dollars | (300.0) | | (581.6) | | (566.0) | | (713.9) | |
| Foreign currencies 1/ | ( -0- ) | 300.0 | ( .7) | 582.3 | ( 11.9) | 577.9 | ( 34.6) | 748.5 |
| Loans Approved During the Year: 3/ | | | | | | | | |
| Dollars | (267.4) | | (568.2) | | (564.0) | | (710.0) | |
| Foreign currencies 1/ | ( -0- ) | 267.4 | ( -0- ) | 568.2 | ( 1.0) | 565.0 | ( 15.0) | 725.0 |
| Balance Available in Subsequent Year: | | | | | | | | |
| Dollars | ( 32.6) | | ( 13.4) | | ( 2.0) | | ( 3.9) | |
| Foreign currencies 1/ | ( -0- ) | 32.6 | ( .7) | 14.1 | ( 10.9) | 12.9 | ( 19.6) | 23.5 |

1/ Stated in dollar equivalents. 2/ Excludes administrative and other expenses. 3/ Includes guarantees.

## DEVELOPMENT LOAN FUND

Table 3: Cumulative Analysis of Lending Authority, Close of Period
(in millions)

| | End of FY 1958 (actual) | | End of FY 1959 (actual) | | End of FY 1960 (estimate) | | End of FY 1961 (estimate) | |
|---|---|---|---|---|---|---|---|---|
| 1. Cumulative lending authority:1/ | | | | | | | | |
| Dollars | (300.0) | | (849.0) | | (1,401.6) | | (2,113.5) | |
| Foreign currencies2/ | ( -0- ) | $300.0 | ( .7) | $849.7 | ( 11.9) | $1,413.5 | ( 35.6) | $2,149.1 |
| 2. Status of Lending Authority: | | | | | | | | |
| Disbursements under loan agreements | | 1.5 | | 67.1 | | 244.7 | | 556.8 |
| Loans approved but not disbursed | | 265.9 | | 768.5 | | 1,155.9 | | 1,568.8 |
| Balance of lending authority available: | | | | | | | | |
| Dollars | ( 32.6) | | ( 13.4) | | ( 2.0) | | ( 3.9) | |
| Foreign currencies2/ | ( -0- ) | 32.6 | ( .7) | 14.1 | ( 10.9) | 12.9 | ( 19.6) | 23.5 |

1/ Excludes administrative and other expenses; includes appropriated funds together with loan repayments, interest earned and guarantee fees.

2/ Stated in dollar equivalents.

Table 4: Summary Statement of Financial Condition
(in thousands)

| | FY 1958 (actual) | FY 1959 (actual) | FY 1960 (estimate) | FY 1961 (estimate) |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash with Treasury | $298,500 | $782,010 | $1,157,010 | $1,557,010 |
| Foreign currencies in banks1/ | -0- | 330 | 11,217 | 33,424 |
| Loans receivable | 1,500 | 66,983 | 235,917 | 530,850 |
| Interest accrued and other accounts receivable | -0- | 525 | 835 | 2,135 |
| Value of furniture and fixtures | 22 | 51 | 73 | 95 |
| Total Assets | 300,022 | 849,899 | 1,405,052 | 2,123,514 |
| LIABILITIES AND CAPITAL | | | | |
| Accounts payable | -0- | 149 | 175 | 225 |
| Deferred income | -0- | 45 | -0- | -0- |
| Reserve for employees accrued annual leave | -0- | 67 | 115 | 145 |
| Investment of U. S. Government2/ | 300,022 | 850,022 | 1,400,022 | 2,100,022 |
| Retained earnings or deficit (-) | -0- | -384 | 4,740 | 23,122 |
| Total Liabilities and Capital | 300,022 | 849,899 | 1,405,052 | 2,123,514 |

1/ Stated in dollar equivalents.

2/ Includes appropriations and value of donated property.

## DEVELOPMENT LOAN FUND

PROGRAM AND FINANCING
(In thousands)

| | APPROPRIATED FUNDS | | | Foreign currencies (In dollar equivalents) | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY 1959 (Actual) | FY 1960 (Estimate) | FY 1961 (Estimate) | FY 1959 (Actual) | FY 1960 (Estimate) | FY 1961 (Estimate) | FY 1959 (Actual) | FY 1960 (Estimate) | FY 1961 (Estimate) |
| Program by Activities: | | | | | | | | | |
| 1. Direct loans | $516,706 | $570,000 | $690,000 | -- | $ 500 | $ 5,000 | $516,706 | $570,500 | $695,000 |
| 2. Guaranteed loans | 4,500 | 5,000 | 10,000 | -- | -- | -- | 4,500 | 5,000 | 10,000 |
| 3. Administration | 1,214 | 1,820 | 2,150 | -- | -- | -- | 1,214 | 1,820 | 2,150 |
| 4. Other expenses | 27 | 80 | 300 | -- | -- | -- | 27 | 80 | 300 |
| Total program (obligations) | 522,447 | 576,900 | 702,450 | -- | 500 | 5,000 | 522,447 | 577,400 | 707,450 |
| Financing: | | | | | | | | | |
| Amounts becoming available: | | | | | | | | | |
| Appropriations | 550,000 | 550,000 | 700,000 | -- | -- | -- | 550,000 | 550,000 | 700,000 |
| Collection of loans | -- | 2,000 | 4,900 | 75 | 6,700 | 12,300 | 75 | 8,700 | 17,200 |
| Interest earned | 196 | 1,600 | 6,800 | 590 | 5,300 | 13,700 | 786 | 6,900 | 20,500 |
| Fees for guarantees issued | 29 | 100 | 300 | -- | -- | -- | 29 | 100 | 300 |
| Proceeds from sales of foreign currencies | -- | 763 | 2,293 | -- | -763 | -2,293 | -- | -- | -- |
| Total amounts becoming available | 550,225 | 554,463 | 714,293 | 665 | 11,237 | 23,707 | 550,890 | 565,700 | 738,000 |
| Unobligated balance brought forward | 197,900 | 225,678 | 203,241 | -- | 665 | 11,402 | 197,900 | 226,343 | 214,643 |
| Total amounts available | 748,125 | 780,141 | 917,534 | 665 | 11,902 | 35,109 | 748,790 | 792,043 | 952,643 |
| Unobligated balance carried forward | -225,678 | -203,241 | -215,084 | -665 | -11,402 | -30,109 | -226,343 | -214,643 | -245,193 |
| Financing applied to program | 522,447 | 576,900 | 702,450 | -- | 500 | 5.000 | 522,447 | 577,400 | 707,450 |

## DEVELOPMENT LOAN FUND

SOURCE AND APPLICATION OF FUNDS (OPERATIONS)

| | FY 1959 (Actual) | FY 1960 (Estimate) | FY 1961 (Estimate) |
|---|---|---|---|
| Gross expenditures (funds applied): | | | |
| Acquisition of loans: | | | |
| Dollar loans: | | | |
| Receivable in dollars | $25,655,634 | $40,000,000 | $65,000,000 |
| Receivable in foreign currencies (in dollar equivalents) | 39,790,527 | 137,484,000 | 246,533,000 |
| Foreign currency loans: Receivable in foreign currencies (in dollar equivalents) | 111,518 | 150,000 | 600,000 |
| Acquisition of equipment | 33,991 | 32,881 | 35,652 |
| Expense | 1,193,969 | 1,865,355 | 2,404,348 |
| Increase in selected working capital: | | | |
| Dollars | -- | 80,764 | 320,000 |
| Foreign currencies | 665,045 | 11,087,000 | 23,107,000 |
| Total gross expenditures | 67,450,684 | 190,700,000 | 338,000,000 |
| Receipts from operations (funds provided): | | | |
| Repayment of loans: | | | |
| Repaid in dollars | -- | 2,000,000 | 4,900,000 |
| Repaid in foreign currencies (in dollar equivalents) | 75,000 | 6,700,000 | 12,300,000 |
| Revenue: | | | |
| Dollars | 225,411 | 1,700,000 | 7,100,000 |
| Foreign currencies (in dollar equivalents) | 590,106 | 5,300,000 | 13,700,000 |
| Decrease in selected working capital: | | | |
| Dollars | 70,648 | -- | -- |
| Total receipts from operations | 961,165 | 15,700,000 | 38,000,000 |
| Budget expenditures | 66,489,519 | 175,000,000 | 300,000,000 |

## DEVELOPMENT LOAN FUND

### REVENUE, EXPENSE, AND RETAINED EARNINGS

| | FY 1959 (Actual) | FY 1960 (Estimate) | FY 1961 (Estimate) |
|---|---|---|---|
| Revenue: | | | |
| Dollars: | | | |
| Interest on loans | $196,236 | $1,600,000 | $6,800,000 |
| Fees on guarantees | 29,175 | 100,000 | 300,000 |
| Foreign currencies (in dollar equivalents) | 590,106 | 5,300,000 | 13,700,000 |
| Total revenue | 815,517 | 7,000,000 | 20,800,000 |
| Expense | 1,199,421 | 1,875,793 | 2,417,938 |
| Net operating income or loss (-) for the year | 383,904 | 5,124,207 | 18,382,062 |
| Nonoperating income or loss (-): | | | |
| Proceeds from sale of foreign currency | -- | 763,000 | 2,293,000 |
| Net book value of assets sold (-) | -- | -763,000 | -2,293,000 |
| Net gain or loss (-) from sale | -- | -- | -- |
| Net income or loss (-) for the year | -383,904 | 5,124,207 | 18,382,062 |
| Retained earnings or deficit (-), beginning of year | -- | -383,904 | 4,740,303 |
| Retained earnings or deficit (-), end of year | -383,904 | 4,740,303 | 23,122,365 |

## DEVELOPMENT LOAN FUND

### FINANCIAL CONDITION

| | FY 1959 (Actual) | FY 1960 (Estimate) | FY 1961 (Estimate) |
|---|---|---|---|
| **Assets:** | | | |
| Cash with Treasury | $782,010,481 | $1,147,010,481 | $1,557,010,481 |
| Foreign currencies in banks (in dollar equivalents) | 330,119 | 11,217,119 | 33,424,119 |
| Loans receivable: | | | |
| Dollar loans: | | | |
| Receivable in dollars | 25,655,634 | 63,655,634 | 123,755,634 |
| Receivable in foreign currencies (in dollar equivalents) | 41,215,527 | 172,019,527 | 406,292,527 |
| Foreign currency loans: Receivable in foreign currencies (in dollar equivalents) | 111,518 | 241,518 | 801,518 |
| Interest receivable: | | | |
| Receivable in dollars | 188,114 | 300,000 | 700,000 |
| Receivable in foreign currencies (in dollar equivalents) | 334,926 | 534,926 | 1,434,926 |
| Other accounts receivable | 2,208 | -- | -- |
| Furniture and equipment (net) | 50,629 | 73,071 | 95,133 |
| Total Assets | 849,899,156 | 1,405,052,276 | 2,123,514,338 |
| **Liabilities:** | | | |
| Current liabilities | 215,971 | 289,884 | 369,884 |
| Deferred income | 45,000 | -- | -- |
| Total Liabilities | 260,971 | 289,884 | 369,884 |
| **Government investment:** | | | |
| Non-interest-bearing capital: | | | |
| Start of year | 300,021.649 | 850,022,089 | 1,400,022,089 |
| Adjustment in initial capitalization of donated property | 440 | -- | -- |
| Appropriations during year | 550,000,000 | 550,000,000 | 700,000,000 |
| End of year | 850,022,089 | 1,400,022,089 | 2,100,022,089 |
| Retained earnings or deficit (-) | -383,904 | 4,740,303 | 23,122,365 |
| Total Government investment | 849,638,185 | 1,404,762,392 | 2,123,144,454 |

## DEVELOPMENT LOAN FUND

STATUS OF CERTAIN FUND BALANCES

| | FY 1958 (Actual) | FY 1959 (Actual) | FY 1960 (Estimate) | FY 1961 (Estimate) |
|---|---|---|---|---|
| Unexpended balance: | | | | |
| Cash with Treasury | $298,500,000 | $782,010,481 | $1,157,010,481 | $1,557,010,481 |
| Obligated balance, net: | | | | |
| Current liabilities | -- | 215,971 | 289,884 | 369,884 |
| Deferred income | -- | 45,000 | -- | -- |
| Undisbursed program obligations: | | | | |
| Direct loans: | | | | |
| Repayable in dollars | -- | 94,262,366 | 168,262,366 | 241,262,366 |
| Repayable in foreign currencies (in dollar equivalents) | 100,600,000 | 457,357,472 | 775,873,472 | 1,081,340,472 |
| Foreign currency loans: Repayable in foreign currencies (in dollar equivalents) | -- | 128,482 | 478,482 | 4,878,482 |
| Guaranteed loans | -- | 4,500,000 | 9,500,000 | 19,500,000 |
| Unpaid undelivered orders | -- | 11,147 | 15,120 | 25,120 |
| Interest receivable (-): | | | | |
| Dollars | -- | -188,114 | -300,000 | -700,000 |
| Foreign currencies (in dollar equivalents) | -- | -334,926 | -534,926 | -1,434,926 |
| Foreign currencies in banks (in dollar equivlents) (-) | -- | -330,119 | -11,217,119 | -33,424,119 |
| Total obligated balance | $100,600,000 | 555,667,279 | 942,367,279 | 1,311,817,279 |
| Unobligated balance is distributed as follows: | | | | |
| Dollars | 197,900,000 | 225,678,157 | 203,241,157 | 215,084,157 |
| Foreign currencies (in dollar equivalents) | -- | 665,045 | 11,402,245 | 30,109,045 |