PD-ACE-059

MUTUAL SECURITY PROGRAM

FISCAL YEAR 1961
ESTIMATES

TECHNICAL COOPERATION FUNCTIONAL PRESENTATION

VOLUME NO. II

FAR EAST, LATIN AMERICA
AND NON - REGIONAL

UNCLASSIFIED

Regional and Undistributed | LATIN AMERICA | Argentina | Bolivia | Brazil | Guiana | Chile

A

MUTUAL SECURITY PROGRAM

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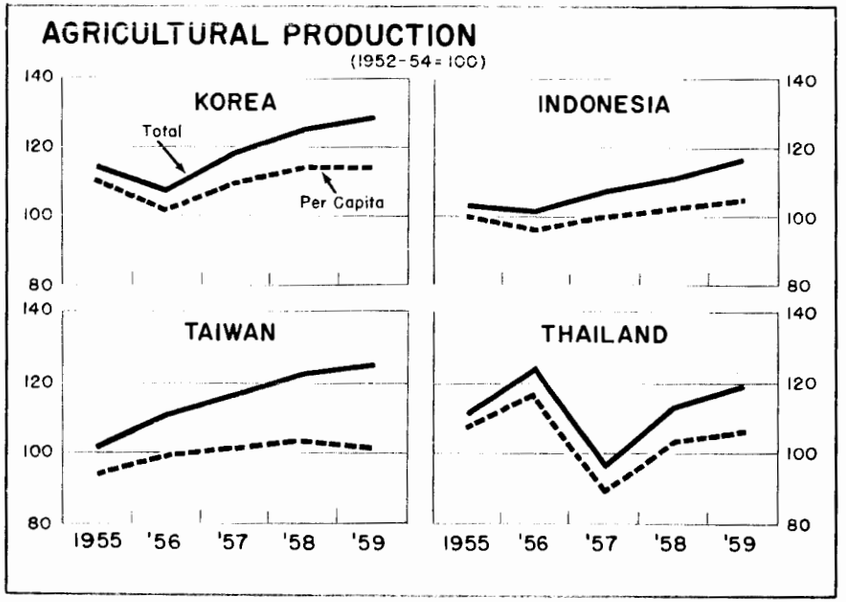
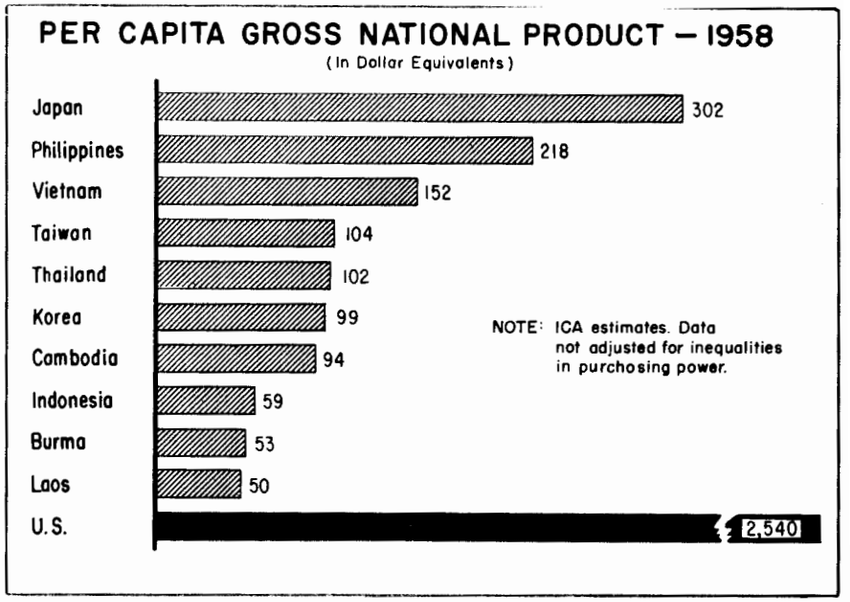
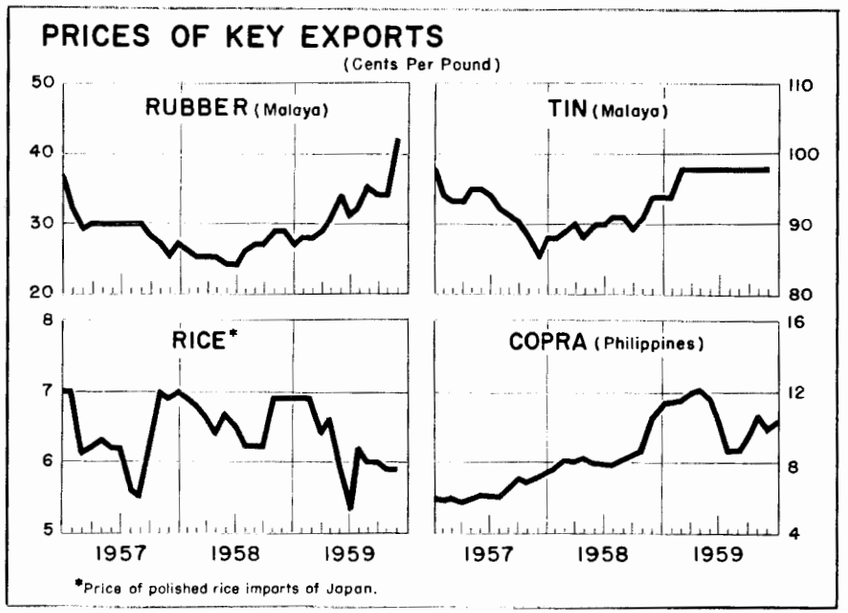
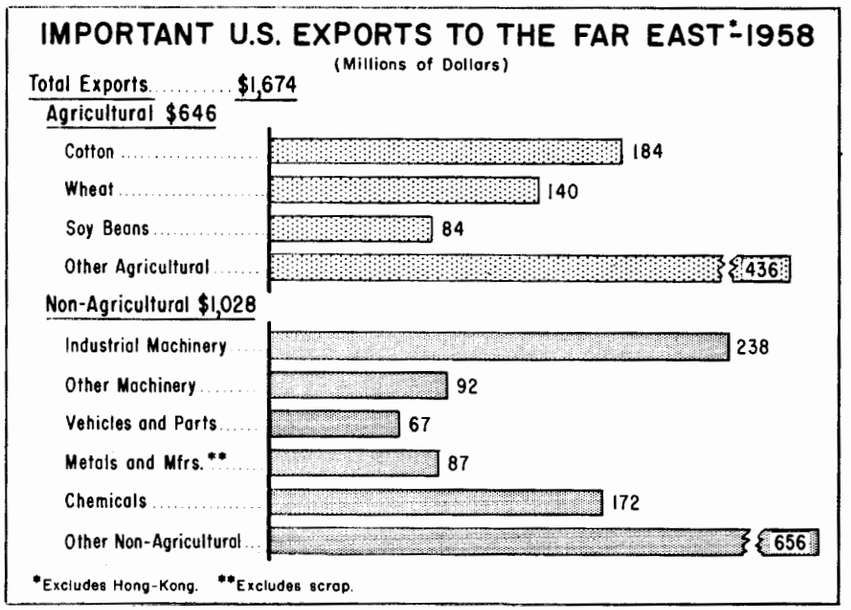
March 13, 1960

FAR EAST - ECONOMIC DATA

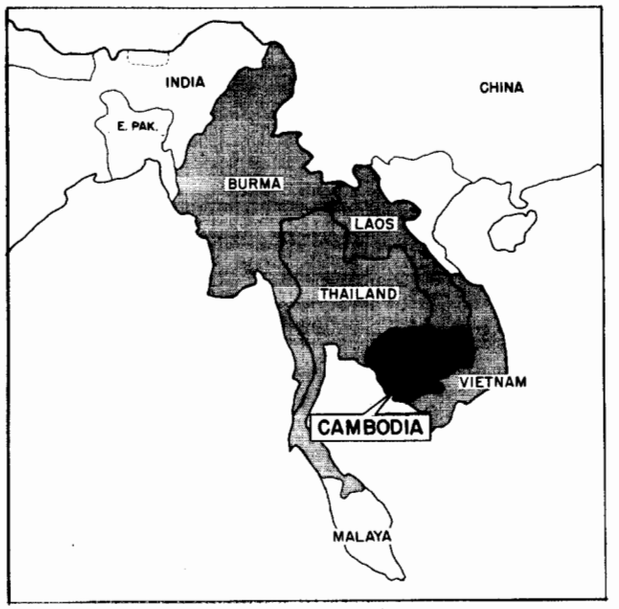








CAMBODIA - GENERAL ECONOMIC DATA



	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP *(In 1958 Prices)*	$ Millions	405	450	440	470
Per Capita GNP	Dollars	90	98	94	98
PRODUCTION					
Agricul. Prod. Index a/	1952-54=100	n.a.	112	110	128
Per Capita Index a/	"	n.a.	102	98	112
Rice, rough a/	1,000 MT	1,530	1,270	1,200	1,400
Rubber (exports)	"	30	35	37	41
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	37	51	53	59
Rice	"	7	19	22	22
Rubber	"	16	16	18	22
Total Imports (c.i.f)	"	55	65	80	67
Trade Balance	"	-18	-14	-27	-8
Trade with United States *(U.S. Data)* b/					
Exports to U. S. (f.o.b)	$ Millions	10	10	9	13
Imports from U. S. (f.o.b)	"	6	3	7	6
Trade Balance	"	4	7	2	7
GOLD & FOREIGN EXCHANGE HOLDINGS *(end of year)*	"	73	83 Est.	90 Est.	94 (Nov)
COST OF LIVING INDEX (Phnom Penh)	*1953=100*	127	127	135	138

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1957 (Budget)	1958 (Budget)	1959 (Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	64	76	90
Total Expenditures	113	117	128
Deficit(-) or Surplus Before All Foreign Aid	-49	-41	-38
Budget Receipts from Non-U.S. Foreign Aid	14	12	12
Budget Receipts from U.S. Aid & PL 480	35	29	26
Remaining Deficit(-) or Surplus(+)	-	-	-
DEFENSE EXPENDITURES - TOTAL	34	34	37
U.S.-Financed (excl. M.A.P. end-items)	(16)	(16)	(14)
Defense Expend. as % of Total Gov't Expend.	29.5%	28.9%	28.4%
Defense Expenditures as % of GNP	7.5%	7.7%	7.7%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	79	83	91
U.S.-Financed	(19)	(13)	(12)

n.a. - Not available. */ Converted at 35 riels per U.S.$.
a/ Crop year beginning in year stated. b/ Cambodian Customs Data for 1956 and 1957.

BASIC DATA

Population	5 million
Annual Growth	2.2 percent
Area	67,000 sq. mi.
Agricultural Land	11% of area
Agri. Land per Capita	1.0 acres
Literacy Rate	50 percent

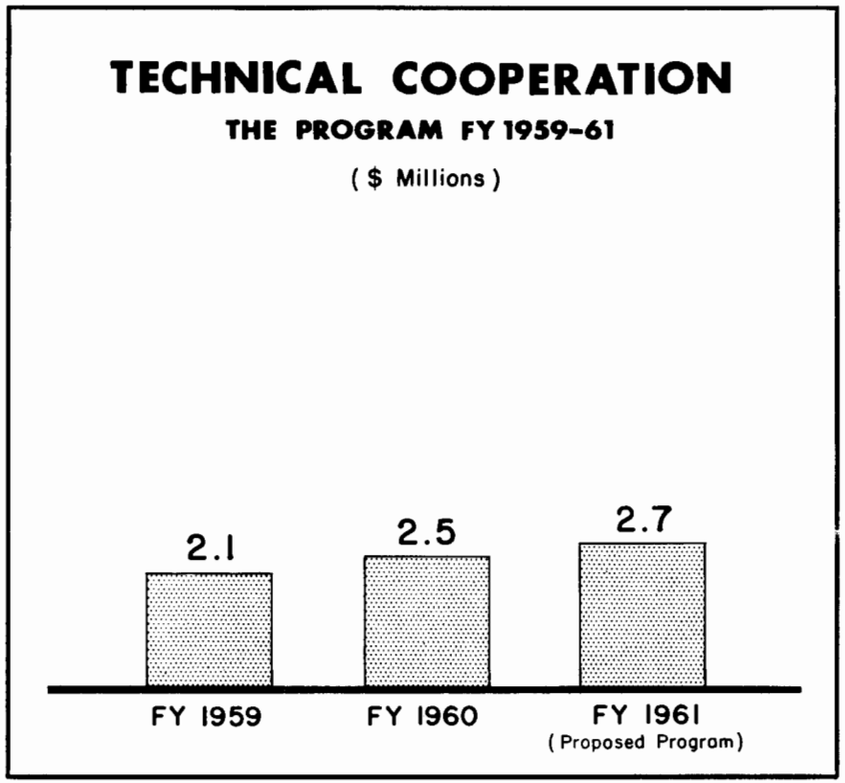
	Cambodia	U. S.
Life Expectancy *(Years)*	30	70
Inhabitants per Physician	90,000	760
Road Miles per 1,000 sq.mi.	45	870
Electric Power per Capita *(KWH per Year)*	10	4,500

Maintenance of Cambodian independence is vital to the continued defense of a major segment of the Free World in the Far East against Communist aggression. The fall of Cambodia to the Sino-Soviet bloc would not only deny Free World access to that country but would dangerously expose Thailand, Laos and Vietnam. Cambodia is a prime objective of Communist expansion. Since Cambodia still lacks the financial and technical resources for self-support, including maintenance of adequate defense forces, continued U.S. military and economic aid is essential.

Communist pressure on Cambodia, while more cautiously disguised than in some other areas, has been applied with persistence. The Communists have developed their own grant aid programs in Cambodia vigorously and effectively. At every opportunity they have taken advantage of the country's chronically disturbed relations with neighboring Thailand and Vietnam to discredit the Free World and identify themselves with Cambodia's national interests. Communist control over a large segment of public information media in Cambodia has been used to support Communist objectives.

Under their neutrality policy the Cambodians have sought to maintain correct relations with the major Communist powers, a course which they regard as prudent for a small nation situated in the shadow of Communist China. However, in recent months Cambodian leaders have become more aware of Communist subversive designs and tactics.

U.S. aid, military and economic, has enabled Cambodia to continue to resist communism and simultaneously to develop its vital internal security, education and agricultural programs. In this manner American aid, while helping Cambodia to contain Communist pressures and bolstering Cambodian confidence in the Free World, is, at the same time, strengthening those national institutions which are most essential to the ultimate defense of the country's independence.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	2,133	1,914	
Cumulative 6/30/59	7,914	5,192	2,722
Estimate FY 1960	2,500	2,200	
Cumulative 6/30/60	10,414	7,392	3,022
Estimate FY 1961	2,700	2,500	

Country: CAMBODIA

ECONOMIC SITUATION

Current Economic Situation and Problems

Located on the strategically important Indochina peninsula, Cambodia is preoccupied with safeguarding its recently won independence and is striving, at the same time, to cope with the difficult problems of a newly-developing economy. About 85% of the country's population of five million is engaged in subsistence agriculture. The economy is heavily dependent upon two export crops, rice and rubber. Virtually all requirements for manufactured goods must be met by imports. In the years 1956-58, imports exceeded exports by an average of $20 million annually; a somewhat smaller gap is tentatively indicated for 1959.

With extensive forests and fisheries and 17 million acres of potentially arable land, only 4-1/2 million of which are under continuous cultivation, Cambodia possesses the natural resources to support considerable economic growth. Good prospects exist for increasing agricultural output by diversifying crops, expanding livestock production, and wider use of irrigation and soil-building practices. However, known mineral resources are negligible and other prerequisites for industry, especially fuel and power, are inadequate. These deficiencies handicap Cambodia's future industrialization, but food-processing and small-scale manufacture, chiefly for local consumption, could be developed on the basis of indigenous raw materials.

Thus, while there would appear to be cause for optimism regarding Cambodia's longer-range prospects for limited economic development, several factors serve to retard the pace at which this growth will take place. The low level of annual income - still less than $100 per person - narrowly restricts the national tax base and affords meager prospect for accumulation of the savings needed to finance a satisfactory level of investment. Current government revenues from domestic sources are inadequate to cover costs of defense, essential public services, and development projects. During the period 1957-59, budgetary revenues (excluding foreign aid) failed by an average of $40 million annually to meet national expenditures, of which about 30% was for maintenance of the security forces.

After many decades of colonial status, Cambodia is handicapped by the lack of basic institutions and the experienced personnel essential to economic enterprise. The extreme scarcity of entrepreneurial talent, managerial ability, and technical skills limits the country's capacity to utilize new investment capital. Without a corps of well-trained civil servants, the government is unable to provide consistently strong, effective public administration.

Progress to Date

Since it became a fully sovereign nation late in 1954, Cambodia has succeeded in maintaining its political independence and in strengthening its military and economic situation. The government, under the leadership of the monarchy, has retained the loyalty of the army and the confidence of the people. Foreign aid has made it possible to maintain economic stability in the face of heavy military expenditures and substantial outlays for repair of war-damaged facilities.

The transportation network has been rehabilitated and extended; irrigation systems have been restored; and power-generating capacity has been moderately increased. Despite periodic unfavorable harvests, rice production normally provides a surplus, and rubber output has grown each year since 1956. Increased exports, together with stricter government control over imports, reduced the trade deficit for the first 11 months of 1959 to $10.6 million. However, it is not yet certain whether this favorable trend can be maintained.

As a result of increasing commercial activity and initial improvements in tax management, budgetary revenues from domestic sources have risen steadily since 1955. These higher revenues have been used in part to finance a long-overdue development of basic public services. In a determined effort to reduce illiteracy and prepare Cambodian youth for a more productive future, the government has increased sharply its outlays for public education, which in 1959 accounted for nearly 16% of total expenditures. Increased revenues also have enabled the government to assume a progressively larger share of the annual military budget.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	28.1	24.6	22.5
DLF - Loan Approvals			1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations			2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	28.1	24.6	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

ECONOMIC SITUATION (Continued)

Although an upward economic trend has been established, the rate of growth barely compensates for population increase. Prospects for more rapid economic progress have been enhanced by the recent adoption of a new "Five-Year Plan," and the government's intention to begin implementation in 1960 with its own resources.

Assistance from Non-ICA Sources

External aid to Cambodia from Free World sources other than the U.S. now averages about $5 million a year, chiefly in technical assistance. In 1959 the French completed dock construction at Cambodia's only seaport, Sihanoukville, on the Gulf of Siam. The French also finished a new air terminal at Phnom Penh. While France has not agreed to undertake any further capital construction projects, it is expected to continue to provide annually $3 million equivalent to meet the cost of French teachers, technicians and military advisors, and to finance scholarships for Cambodian students.

Under a $4.5 million multi-year grant aid agreement signed in 1959, Japan will provide agricultural technical services. Australia, under the Colombo Plan, is supplying certain new rolling stock for Cambodia's railways. The U.N. specialized agencies furnish about 35 technicians.

Under a multi-year aid agreement totaling $28 million, Communist China ranks second to the U.S. as a source of grant aid to Cambodia. About half of the Chinese aid is being used to finance construction of four factories which will manufacture textiles, cement, paper and plywood. Cambodian workers and technicians to be employed in these plants are already being trained in Peiping. Another part of the aid is reserved for construction of a new building for the Cambodian Parliament and other public facilities. The only other significant assistance being provided by the Sino-Soviet bloc is a 500-bed hospital at Phnom Penh, for which an estimated $10 million equivalent is being provided on a grant basis by the USSR. This hospital is now nearing completion.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	2,133	2,500	2,700

TECHNICAL COOPERATION

Role of TC Program

The TC program in Cambodia helps to develop the governmental institutions and basic public services, which directly benefit the Cambodian people and thus serve to counteract Communist propaganda and subversion. Through training and demonstration, the TC program also helps to alleviate the shortage of technical and administrative skills and, through technical guidance, enables the Cambodians to increase production and more effectively to utilize national resources.

Objectives - Technical Cooperation

(a) To help Cambodia establish basic public services by providing necessary technical assistance in key areas of the government's expanding national programs in agriculture, education and health.

(b) To help raise farm income and rural living standards, by furnishing technical support for continuing activities directed toward increased agricultural production.

(c) To help develop the manpower skills prerequisite to economic growth, not only by extending technical assistance for improvement and expansion of basic and vocational education, but also by training selected participants in either Cambodia, the U.S. or third countries.

(d) To help strengthen the government's administrative capacity, by supplying technical advisors to assist in improving management and in increasing operational efficiency.

(e) To accelerate the realization of Cambodia's potential for more rapid economic development, by providing advisory assistance in connection with the expansion of small industry, and by encouraging the government to take those measures which will expedite action on the new Five-Year Plan.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	938	1,250	1,300
Participants	334	486	565
Contractual Services	362	258	450
Supplies and Equipment	494	468	345
Contrib. to Coop. Services			
Other Costs	5	38	40
Total Project Assistance	2,133	2,500	2,700
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	65	70	80
Contract	5	11	29
Total Technicians	70	81	109
Participants (Programmed during year)			
Non-Contract	262	185	229
Contract			3
Total Participants	262	185	232
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	460	665	1,000
Industry and Mining	40	92	115
Transportation	20	68	75
Labor			
Health and Sanitation	182	251	225
Education	517	528	385
Public Administration	68	122	125
Community Development, Social Welfare and Housing			
General and Miscellaneous	846	774	775
Total by Field of Activity	2,133	2,500	2,700

Accomplishments - Technical Cooperation

The ICA Technical Cooperation Program, and technical assistance from other Free World sources, have made it possible for Cambodia's essential government services and basic institutions to develop under Free World influence.

Significant progress has been made in laying the foundations for increased agricultural production. A vigorous campaign to bring animal diseases under control is expected to result in complete eradication of rinderpest by 1961 and a sizable increase in livestock. American technical experts have helped to introduce and test 400 improved varieties of crops, initiate surveys for control of plant diseases and pests, and prepare the scientific basis for fertilizer-use. The newly-developing, U.S.-trained extension service is now acquainting rural Cambodians with improved farm and home practices. Seventeen production cooperatives, partially financed with DS counterpart funds, have been established with an average membership of about 5,000 farmers each. Aid-financed breeding stations and imported chicks have made possible expanded production of poultry which is beginning to yield a surplus of eggs for export.

ICA aid has been provided in connection with several facets of Cambodia's education improvement program. One major accomplishment is the new Rural Teacher Education Center at Kompong Kantuot, already in operation with 560 students and 25 Cambodian faculty members. Developed with substantial ICA assistance, this center will eventually accommodate 800 students and furnish 200 graduate teachers annually to staff the country's mushrooming rural school system. The quality of instruction at vocational as well as primary and secondary schools is being improved through provision of aid-financed instructional materials and participant training. Construction, with ICA help, of 14 experimental elementary and five model secondary schools will be completed by mid-1960. By the end of 1959 about 220 community educators, trained at the joint UNESCO-ICA-supported National Training Center for Community Educators, had initiated community education projects in 245 villages.

Substantial progress has been achieved in the field of public health. Basic surgical equipment, medical supplies, and stocks of drugs have been provided to major hospitals. The facilities of the Royal School of Medicine have been enlarged and nurses training has been strengthened. A demonstration urban health center has been opened. Development of a nationwide health program has been initiated by creation of a corps of health educators. The new aid-financed Takhmau Rural Health Center is now being expanded into a training facility for health services personnel.

Technical guidance is being given to a small industry loan fund, established as a source of local currency financing for small-scale Cambodian private enterprise. While only moderate headway has been made in launching vitally needed public administration projects, the government is taking increasing advantage of American advisory assistance in the development of its current budget. Technical advice and substantial amounts of equipment including an offset printing plant, which were furnished to the Ministry of Information, have improved vastly the government's capacity to communicate effectively with the people.

Composition of FY 1961 Technical Cooperation Program - $2,700,000

Technical Cooperation totaling $2.7 million is proposed for Cambodia in FY 1961. As in previous years, the proposed program focuses upon the acute deficiencies in skilled manpower and basic institutions which limit Cambodia's prospects for economic advancement. Assistance is again concentrated in agricultural, health and educational activities most directly affecting the Cambodian people.

The funds requested will be utilized as follows:

(a) $835,000 to help increase agricultural production by support of activities to encourage crop diversification, increase livestock and poultry production, improve rural credit, expand cooperative production and marketing facilities, and train Cambodian specialists needed for future Cambodian-financed expansion of irrigation and drainage systems.

(b) $550,000 for further support of Cambodia's education program, with increased emphasis on expansion of agricultural and industrial training, and continued assistance for improvement of basic elementary and secondary schooling, craft instruction, curriculum development, and education of rural community development leaders.

(c) $225,000 for improvement of public health, primarily through assistance to the Ministry of Health to help expand, equip and staff a Cambodian training center for field teams required to extend basic health services throughout the rural areas.

(d) $265,000 to help improve various aspects of government revenue collection and financial administration, increase the efficiency of government management of major engineering and transport operations, and strengthen public informational aspects of the government's economic action programs by providing advisory services to the Ministry of Finance, Ministry of Public Works, Office of Dredging, Civil Aviation Authority, and Ministry of Plan.

(e) $115,000 to help expand industrial production by providing advisory assistance for continuation of the small industry loan fund, and industrial specialists to help develop plans for specific new small industrial enterprises.

The remaining funds will cover the cost of supervisory program personnel, general supplies and equipment, and other program costs which cannot be readily attributed to individual projects.

The detailed project composition appears on Table E-IV.

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Country: CAMBODIA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries		1,000	430	215	275	80				
Development of Agricultural Extension	C	125	90	25		10				
Development of Agricultural Education	C	165	20	15	130					
Irrigation and Drainage Systems	C	285	85	40	145	15				
Crop Development	C	95	40	40		15				
Cooperatives and Production Credit	C	65	45	10		10				
Livestock Improvement and Disease Control	C	125	35	60		30				
Forestry Resources Development	C	110	100	10						
Fisheries Conservation	C	30	15	15						
Industry and Mining		115	15	30	70					
Industrial Development Services	C	100		30	70					
Small Industry Loan Fund	C	15	15							
Transportation		75	60	15						
Highway Engineering Advisory Services	C	35	30	5						
Dredging Advisory Services	C	15	15							
Improvement of Civil Air Transportation	C	25	15	10						
Health and Sanitation		225	80	125		20				
Improvement of Health Services	C	225	80	125		20				
Education		385	145	125	35	80				
Vocational Industrial Training	C	90	30	45	15					
Rural Development Through Education	C	270	100	70	20	80				
English Language Laboratory	C	25	15	10						
Public Administration		125	60	40		25				
Government Organization and Management	C	125	60	40		25				

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Country: CAMBODIA

TECHNICAL COOPERATION

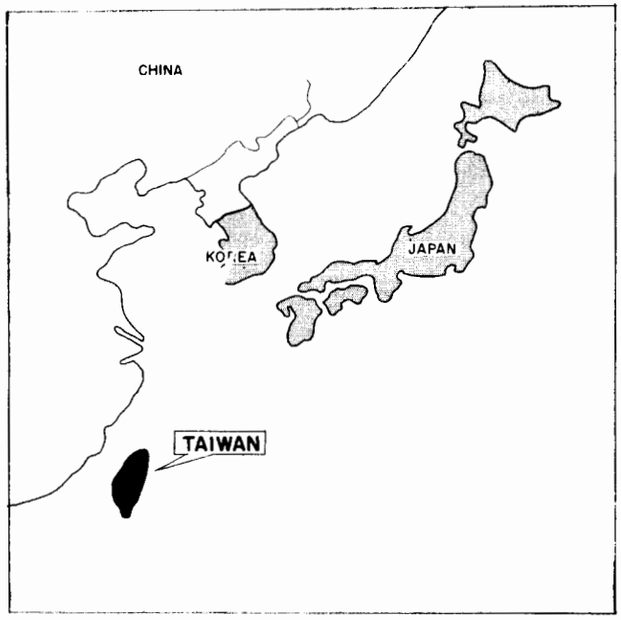
TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
General and Miscellaneous		775	510	15	70	140	40			
Audio-Visual Assistance	C	65	50	15						
Technical Support	C	710	460		70	140	40			
Total Technical Cooperation		2,700	1,300	565	450	345	40			

CHINA (TAIWAN) - GENERAL ECONOMIC DATA



BASIC DATA

Population	11 million
Annual Growth	3.5 percent
Area	14,000 sq. mi.
Agricultural Land	26% of area
Agri. Land per Capita	0.2 acres
Literacy Rate	65 percent

	Taiwan	U. S.
Life Expectancy (*Years*)	55Est.	70
Inhabitants per Physician	2,400	760
Road Miles per 1,000 sq.mi.	700	870
Electric Power per Capita (*KWH per Year*)	290	4,500

Calendar Years

	Unit	1956	1957	1958	1959 Est.
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	930	1,010	1,090	1,150
Per Capita GNP	Dollars	95	100	104	106
PRODUCTION					
Agricul. Prod. Index a/	1952-54=100	110	116	122	124
Per Capita Index a/	"	99	101	103	101
Rice, rough a/	1,000 MT	2,350	2,410	2,490	2,410
Industrial Prod. Index	1952=100	165	187	207	225
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	130	169	164	160
Sugar	"	76	111	85	70
Rice	"	13	21	29	20
Total Imports (c.i.f)	"	236	260	239	252
Trade Balance	"	-106	-91	-75	-92
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	8	9	11	14
Imports from U. S. (f.o.b)	"	106	106	103	108
Trade Balance	"	-98	-97	-92	-94
COST OF LIVING INDEX (Taipei)	1956=100	100	108	111	121

Million Dollar Equivalents -

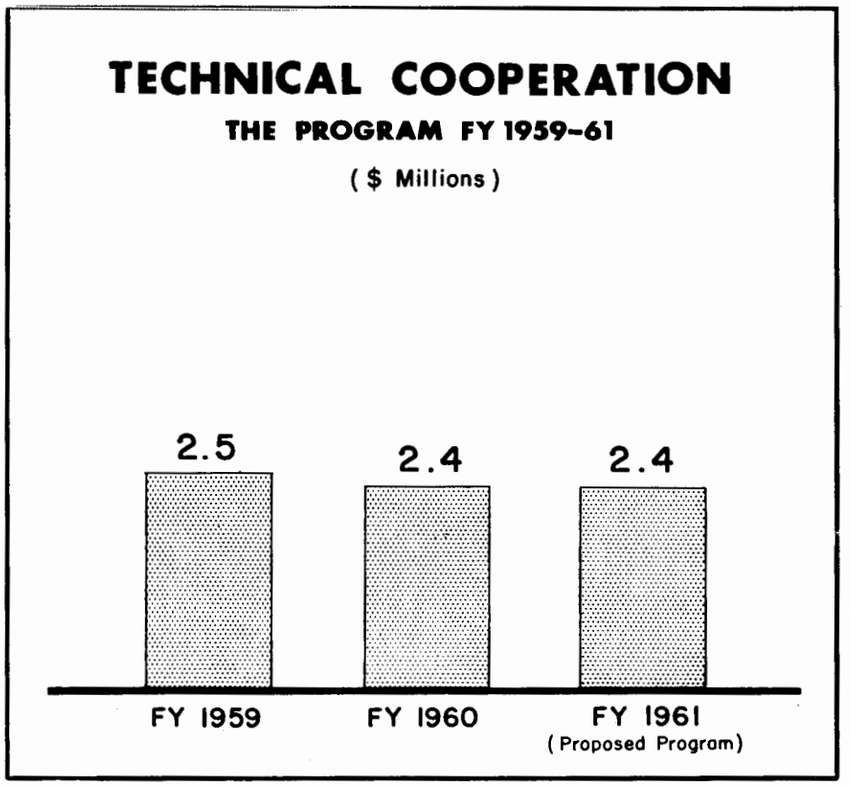
CENTRAL GOVERNMENT FINANCES* FY ending	
Domestic Revenues	
Total Expenditures	
Deficit(-) or Surplus Before All Foreign Aid	
Budget Receipts from Non-U.S. Foreign Aid	
Budget Receipts from U.S. Aid & PL 480	
Remaining Deficit(-) or Surplus(+)	DATA CLASSIFIED
DEFENSE EXPENDITURES - TOTAL	
U.S.-Financed (excl. M.A.P. end-items)	
Defense Expend. as % of Total Gov't Expend.	
Defense Expenditures as % of GNP	
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	
U.S.-Financed	

n.a. - Not available. */ Conversion rate 36.38 NT $ per U.S.$.
a/ Crop year beginning in year stated.

Taiwan is a key post in the U.S. defense perimeter in the Far East. The large, well-trained, and well-equipped armed forces of the Republic of China, supported through the Mutual Security Program, deter Communist aggression and decrease the need for U.S. forces in the area.

There has been no diminution of the Chinese Communist threat in the Taiwan Strait area. Shelling of the offshore islands continues, although at greatly reduced intensity. Communist China continues to threaten war to capture Taiwan and refuses to agree to a renunciation of force in the Taiwan Strait area. A major attack could break out at any time convenient to the Communists. The Chinese on Taiwan have shown restraint in the face of Communist Chinese provocations in the offshore island area. They have confined themselves to retaliatory counter-battery fire and to the interdiction of Communist shipping, but have not weakened in their determination to resist Communist aggression.

Given the rapid growth of the Communist Chinese economy, U.S. interests in the Far East require that this Communist success be matched or surpassed by at least one free Asian nation. In view of its promising economic potential, substantial capital plant, and energetic, well-educated population, Taiwan appears to provide an outstanding opportunity for a concerted Chinese-American effort to achieve rapid economic growth. Acceleration of Taiwan's economic progress not only would have important political repercussions in Asia and in other underdeveloped areas, but also would hasten the termination of U.S. grant assistance to Taiwan. Accordingly, the Administration proposes to give Taiwan priority within the Mutual Security Program.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	2,500	2,892	
Cumulative 6/30/59	19,667	16,069	3,598
Estimate FY 1960	2,400	2,800	
Cumulative 6/30/60	22,067	18,869	3,198
Estimate FY 1961	2,400	2,900	

ECONOMIC SITUATION

Current Economic Situation and Problems

The Taiwan economy continues to show a notable record of achievement. The Island offers one of the most promising long-range prospects among all underdeveloped economies for achieving self-generating and self-sustaining growth. A sound foundation has been provided in the form of power, transportation and communications facilities. The population is literate, energetic and resourceful, and includes a sizeable nucleus of technical and managerial talent. The government is relatively efficient, and its leaders are becoming increasingly aware of the need for economic development to maintain political stability and to demonstrate what can be achieved by a free society in contrast to the oppressive regime on the China mainland.

The basic economic problem of Taiwan continues to be the heavy drain imposed on physical and financial resources by the need to maintain a strong military establishment and to provide for requirements of a population growing at the rate of 3 1/2% per annum. Without U.S. assistance the economy would be unable to generate sufficient growth to cover military and civilian consumption and investment requirements.

Taiwan's natural resources are limited and, with the possible exception of the forests and hydroelectric potential, are almost fully exploited. The island is predominantly dependent upon agriculture as a source of income, employment and exports. The most valuable natural resource is the highly fertile land, but arable land averages only one-fifth of an acre per person.

Although Taiwan is basically agricultural, an increasing proportion of total production comes from industry. About one-fourth of the Gross National Product is currently derived from industrial production. Industrial development is fostered by expanded availability of electric power and efficient labor, reasonably good transportation facilities, and increased experience in production and marketing.

The traditional dependence upon sugar and rice for foreign exchange earnings is gradually giving way to increased diversification of exports. This trend was accelerated in 1958 by a serious slump in the world sugar market which threatened a balance of payments crisis, and by an exchange rate devaluation which made other exports more competitive.

Progress to Date

Taiwan is an example of what can be achieved when external aid is effectively combined with the efforts and resources of a developing economy. In one decade of U.S.-Chinese cooperation, the progress on Taiwan has been outstanding.

When the Government of the Republic of China (GRC) moved to Taiwan ten years ago, the island was in a state of social dislocation and economic exhaustion bordering on collapse. Most production and distribution facilities had been seriously damaged or destroyed by war. The economy lacked the resources to pay for food, fertilizers and other urgently needed imports. Inflation was rampant; unemployment was prevalent; and living standards were barely at the subsistence level. The economic crisis was compounded by the influx of one and a half million civilian and military refugees from the mainland, plus the necessity of erecting a defense against the threatening Communist invasion.

The Chinese, with great effort and self-sacrifice, have transformed the island into an orderly productive economy. GNP has risen over 60% since 1952 (in constant prices). Despite the sharp population increase of 3 1/2% per year - one of the highest rates in the world - the standard of living has increased over 25% since 1952. Industrial output has risen 125%, and agricultural production, despite the acute shortage of arable land, has increased almost 26%. Agricultural yields rank with the world's highest. The "Land-to-the-Tiller" program, considered a model of equitable and efficient land reform, has enabled over 70% of Chinese farmers to cultivate their own land. Health, education and literacy standards are the highest in Asia, outside of Japan.

The rapid growth in the early 1950's was due largely to rehabilitation of industrial and transportation facilities originally constructed by the Japanese, and to recovery of the yield of basic agricultural products - sugar and rice - to former levels. With completion of this initial phase, progress became slower and more expensive. Because of the shortage of arable land, agricultural

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	60.0	73.0	70.4
DLF - Loan Approvals	27.9	11.6	-1.4 1/
P.L. 480, Title I - Country Use	6.0	8.0	12.9
(Total Sales)	(12.1)	(13.4)	(19.0)
P.L. 480, Title II - Obligations			0.3 2/
P.L. 480, Title III - Obligations	5.3	9.3	2.7 2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	99.2	101.9	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

ECONOMIC SITUATION (Continued)

production expanded less rapidly than industrial output. In the period from 1952 to 1959, production of electricity increased 122%, coal 55%, cotton cloth 86%, cement 152%, and aluminum ingots 85%. Over the same years, pineapple production increased 115%, sugar can 49%, and rice 17%.

Production increases have contributed to gains in tax revenues and exports. Between 1952 and 1959, export earnings increased about 33% and government revenues (at constant prices) rose about 80%. Successive steps have brought the exchange rate system close to a unitary free market rate. The foreign investment law was revised in 1959 to simplify investment procedures and provide for unrestricted profit remittances. Although there is as yet no organized securities market, a number of private industrial bond issues have been successfully floated. This investment of local private capital, together with the increase in savings deposits, indicates the much greater current degree of monetary stability compared with the early 1950's.

Assistance from Non-ICA Sources

The Development Loan Fund (DLF) is the major source of U.S. loan assistance to Taiwan. Between July 1958 and the end of January 1960, eight loans and one guarantee of a private bank loan, totaling $38.1 million have been approved by the DLF. One $21.5 million multi-purpose irrigation and power project accounts for more than half of this total; the proceeds of this loan will be paid out during a period of several years. The remaining loans are for the railways, shipyards, fishing industry, several manufacturing plants, and intermediate credit institutions.

Taiwan currently receives no loans from Ex-Im Bank and has never received loans from the IBRD. The U.N. and its specialized agencies contribute technical services.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	2,500	2,400	2,400

TECHNICAL COOPERATION

Role of T.C. Program

Technical Cooperation has played an important role in helping improve Taiwan's human resources and institutions in the fields most closely related to economic progress. It will become even more important in connection with the accelerated development program, the success of which will depend partly on the further development of technical, managerial, professional, and administrative skills and capabilities.

Objectives - Technical Cooperation

(a) To help Taiwan develop the labor and management skills prerequisite to economic growth, by providing technical assistance to improve and expand basic and vocational education, with emphasis on industrial training.

(b) To help increase agricultural production, and improve rural living and health conditions, by furnishing technical and financial support for continuing projects undertaken by the JCRR.

(c) To help Taiwan realize its optimum potential through the incentive program, by providing technical assistance to industry, particularly as related to development of the private sector.

(d) To assist in increasing the efficiency of government operations by providing technical assistance in essential sectors of public administration.

Accomplishments - Technical Cooperation

The work of the Joint Commission on Rural Reconstruction is an outstanding achievement of the Technical Cooperation Program in Taiwan. This Commission has supported over 3,000 rural improvement and development projects which have benefited an estimated 90% of the farm population of Taiwan. These projects vary widely in nature and scope; they include production methods, crop and livestock disease control, irrigation, health, local government, forestry, and agricultural education and extension.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	804	1,002	1,105
Participants	690	801	525
Contractual Services	457	217	445
Supplies and Equipment	458	222	150
Contrib. to Coop. Services			
Other Costs	91	158	175
Total Project Assistance	2,500	2,400	2,400
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	48	55	66
Contract	9	7	12
Total Technicians	57	62	78
Participants (Programmed during year)			
Non-Contract	237	229	166
Contract			6
Total Participants	237	229	172
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	443	455	345
Industry and Mining	319	530	285
Transportation	154	130	70
Labor			
Health and Sanitation	157	205	190
Education	785	380	345
Public Administration	156	160	430
Community Development, Social Welfare and Housing			
General and Miscellaneous	486	540	735
Total by Field of Activity	2,500	2,400	2,400

Technical Cooperation has contributed greatly to technical education, particularly in the fields of vocational and industrial education. One major accomplishment is the improvement of engineering training at Cheng Kung University through the provision of better teaching facilities and physical plant. Cheng Kung is expected to become one of the major centers of engineering education in the Far East.

Technical Cooperation has also achieved notable results in health. ICA furnished most of the supplies and equipment which have helped to reduce the incidence of malaria to the point where the disease is no longer a serious health problem in Taiwan. The tuberculosis death rate has been cut from 285 per 100,000 in 1957 to 55 per 100,000 at present. The incidence of trachoma, venereal disease and plague has also been dramatically reduced.

The China Productivity and Trade Center, established under the Technical Cooperation Program, has been of substantial service to Taiwan industry. It has handled a total of over 3,000 production inquiries from local businessmen.

Composition of 1961 Technical Cooperation - $2,400,000

Technical Cooperation totaling $2.4 million is proposed for Taiwan in FY 1961. The proposal complements the proposed DS incentive program by assisting Taiwan to realize its potential in the fields of industrial and agricultural production. The funds will be apportioned as follows:

(a) $345,000 to help increase agricultural production and improve health and living conditions in the rural areas.

(b) $285,000 to expand industrial production and improve marketing methods, by providing technical advice and commodity support for the China Productivity and Trade Center and the Handicraft Promotion Center, and for participant training in the industrial field.

(c) $70,000 to improve communications and other phases of air transport through specialized training.

(d) $190,000 to help improve sanitation, water supply, hospitals and other health facilities.

(e) $345,000 to assist in providing better equipment and more effective instruction in science and industrial education; to finance a contract with a U.S. university in the field of vocational agriculture; and for equipment, training and travel for overseas Chinese students.

(f) $430,000 to provide the services of experts in the field of budgeting, administration, statistics, etc., to help increase the efficiency of government operations.

The remaining funds will cover the cost of supervisory program personnel, general supplies and equipment, and other program costs which cannot be attributed to individual projects.

The detailed project composition appears in Table E-IV.

Country: CHINA (Taiwan)

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)								LOCAL CURRENCY COST (In thousands of dollar equivalent)	
Agriculture, Forestry and Fisheries		345	180	145			20			
Agriculture and Rural Improvement (JCRR)	C	260	150	95			15			
Land and Water Resources Development (JCRR)	C	40	15	25						
Forestry Development (JCRR)	C	30	15	15						
Fisheries Development (JCRR)	C	15		10			5			
Industry and Mining		285		165	100	20				
China Productivity and Trade Center	C	190		85	100	5				
Handicraft Promotion Center	C	15				15				
General Industrial Training	C	80		80						
Transportation		70	45	25						
Air Transportation Improvement	C	45	45							
General Transportation Training	C	25		25						
Health and Sanitation		190	140	45		5				
Environmental Sanitation	C	55	40	15						
Medical and Para-Medical Education	C	30	10	20						
Mass Health Education	C	20	15			5				
Hospital and Other Health Facilities Improvement	C	85	75	10						
Education		345	125	75	100	5	40			
Trade and Industrial Education	C	25	15	10						
Vocational Agriculture Education	C	140	20	20	100					
Overseas Chinese Education	C	70	30				40			
Education Administration Improvement	C	55	30	20		5				
Science Education	C	55	30	25						

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Country: CHINA (Taiwan)

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Public Administration		430	130	40	245	15				
Public Administration Improvement	C	430	130	40	245	15				
General and Miscellaneous		735	485	30		105	115			
Communications Media	C	80	15	30		30	5			
Overseas Economic Promotion	C	110					110			
Pre-Departure Participant Training	C	35	35							
Technical Support	C	510	435			75				
Total Technical Cooperation		2,400	1,105	525	445	150	175			

INDONESIA - GENERAL ECONOMIC DATA

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP *(In 1958 Prices)*	$ Millions	5,120	5,500	5,148	5,014
Per Capita GNP	Dollars	62	65	59	57
PRODUCTION					
Agricul. Prod. Index a/	1952-54=100	101	107	111	116
Per Capita Index a/	"	96	100	102	104
Rice, rough a/	1,000 MT	11,240	11,290	11,620	12,200
Petroleum, crude	"	12,730	15,470	16,110	15,900
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	882	969	755	830
Rubber	"	353	349	261	390
Petroleum & products	"	225	293	282	240
Total Imports (c.i.f)	"	860	804	514	450
Trade Balance	"	22	165	241	380
Trade with United States *(U.S. Data)*					
Exports to U. S. (f.o.b)	$ Millions	191	200	172	190
Imports from U. S. (f.o.b)	"	143	110	61	63
Trade Balance	"	48	90	111	127
GOLD & FOREIGN EXCHANGE HOLDINGS *(end of year)*	"	321	284	246	310(Nov)
COST OF LIVING INDEX, (Food-Djakarta)	*1953=100*	161	177	258	310

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1957	1958	1959(Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	455	512	501
Total Expenditures	569	785	895
Deficit(-) or Surplus Before All Foreign Aid	-114	-273	-394
Budget Receipts from Non-U.S. Foreign Aid	-	1	1
Budget Receipts from U.S. Aid & PL 480	2	4	9
Remaining Deficit(-) or Surplus(+)	-112	-268	-384
DEFENSE EXPENDITURES - TOTAL	167	281	356
U.S.-Financed	-	-	-
Defense Expend. as % of Total Gov't Expend.	29.3%	35.8%	39.8%
Defense Expenditures as % of GNP	4.6%	5.5%	5.7%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	402	504	539
U.S.-Financed	(2)	(4)	(9)

n.a. - Not available. */ Converted at 45 rupiahs per U.S.$.
a/ Crop year beginning in year stated.

BASIC DATA

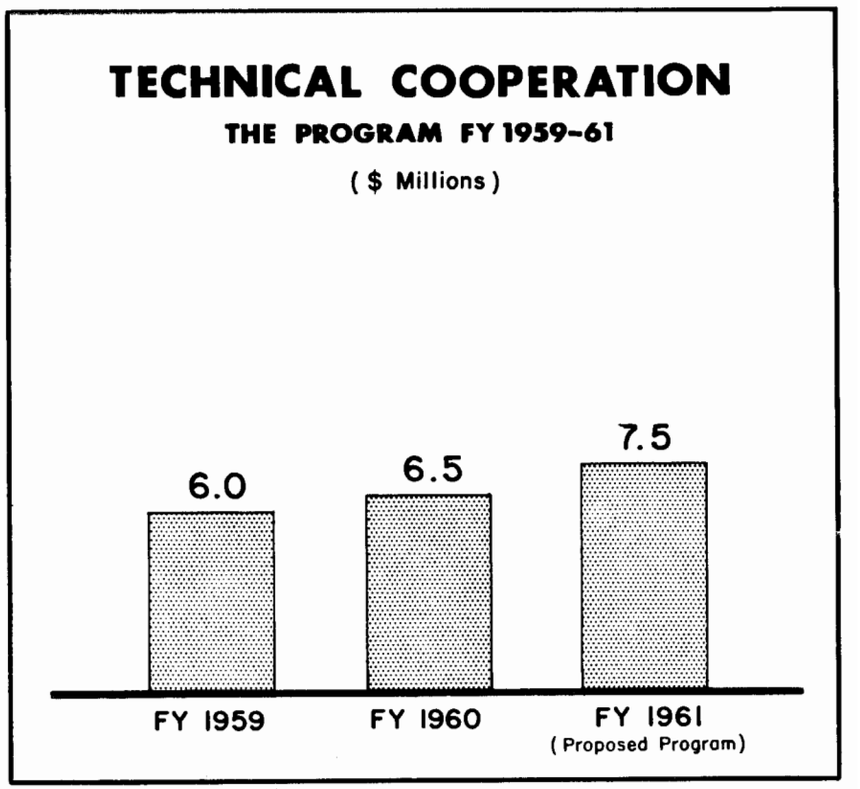
Population	89 million	
Annual Growth	2.1 percent	
Area	576,000 sq. mi.	
Agricultural Land	12% of area	
Agri. Land per Capita	0.5 acres	
Literacy Rate	60 percent	
	Indonesia	U. S.
Life Expectancy (*Years*)	32	70
Inhabitants per Physician	71,000	760
Road Miles per 1,000 sq.mi.	75	870
Electric Power per Capita (*KWH per Year*)	15	4,500

The primary U.S. objective in Indonesia is to strengthen that country's relations with the Free World by helping it to resolve some of its basic economic and social problems, establish necessary governmental institutions, and alleviate the shortage of technical and administrative skills which now impedes progress toward economic viability. U.S. economic and technical assistance has contributed modestly to the country's development and has encouraged Indonesia in moving toward its goal of a more effective government.

During the past two years, political unrest and insurgency have disrupted production and distribution and have necessitated increased expenditures for internal security. While there has been some improvement, dissident activity remains one of Indonesia's most serious problems.

Following a basic reorganization in July 1959, a new government was established under the re-adopted 1945 Constitution with President Sukarno and the Army playing leading roles. However, the well-organized Communist party (PKI) has taken advantage of the economic deterioration to strengthen its influence. Its effectiveness has been abetted by a major Communist bloc economic and military aid program to Indonesia.

In the international sphere, the most significant recent development has been the increasing strain in Indonesian relations with Communist China over the question of the status of the overseas Chinese in Indonesia. Relations between the U.S. and Indonesia, on the other hand, have shown steady improvement.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	6,031	6,115	
Cumulative 6/30/59	38,323	27,063	11,260
Estimate FY 1960	6,500	6,800	
Cumulative 6/30/60	44,823	33,863	10,960
Estimate FY 1961	7,500	7,000	

Country: INDONESIA

ECONOMIC SITUATION

Current Economic Situation and Problems

Although Indonesia has gained its independence, its aspirations to become a cohesive and strong nation are still far from realized. Measures to remove the Dutch from their influential position in the economy have led to widespread dislocation, loss of capital and trained manpower, and disruption of inter-island shipping. More recently measures restricting economic activities of the alien Chinese minority, which controlled major segments of the economy, have further disrupted Indonesia's economic life. Insurgency and internal insecurity continue to contribute to economic deterioration.

Growing obsolescence of transport and communications facilities has been accompanied by a decline in industrial output in 1958 and 1959. Industrial production has been handicapped by a deficiency of technical skills and capital and by shortages of essential raw materials, machinery, and spare parts resulting from the Indonesian Government's stringent control of foreign exchange. Although over-all agricultural production has increased steadily, Indonesia still must import substantial quantities of its basic food, rice.

By very severe restriction of imports and a 10% rise in exports, partially attributable to a high world market price for rubber, Indonesia was able to increase its foreign exchange reserves from a low of $193 million in August 1958 to approximately $310 million in November 1959. The limitation of imports not only has had a stifling effect on the country's level of economic activity but, by reducing revenues from customs duties, has contributed to deterioration of the government's internal budgetary situation.

Government revenues from domestic sources in 1959 are estimated at the equivalent of $501 million, while expenditures rose to the equivalent of $895 million. Of this amount, almost 40% was spent for defense purposes, largely at the expense of developmental expenditures. With expenditures exceeding domestic receipts by approximately 80%, the government was obliged to resort increasingly to large-scale deficit financing. The large increase in money supply and the growing shortage of imported equipment and consumer goods have created serious inflation. Prices doubled between 1957 and 1959.

In August 1959, the government announced a series of anti-inflationary measures: a reduction of 90% in the value of large bank notes, the freezing of 90% of the value of large private bank deposits, and certain forms of compulsory savings. These measures temporarily reduced the money supply, but subsequent expansion of bank credit and a continuing deficit in the government's budget have resulted in renewed inflation.

Progress to Date

Although the Indonesian Government has been preoccupied mainly with the problems created by the insurgency, some significant steps have been taken, with external aid, to correct the chronic deficiency in technical and managerial skills and to make limited improvements in Indonesia's basic capital facilities.

As a result of a national program, literacy has been increased to 60% as compared to 20% when independence was achieved in 1949. More than 1,000 Indonesians go abroad each year for specialized technical training. In-service training facilities have been established for government and industry personnel. University facilities have also been improved to provide professional training in medicine, agriculture, public administration, economics, business and engineering.

Steps have been taken to improve the operational efficiency of government administration and to expand essential public services. Internal security has been somewhat improved and insurgency contained. Finally, controls over foreign trade have been centralized to bring about more effective operation.

Indonesians now manage major sectors of the economy previously under foreign control. Some of the ships withdrawn by the Dutch have been replaced and inter-island commerce partially restored. Ports and harbors are being improved. The first stage of engineering and construction of an irrigation and hydroelectric project near Bandung is almost completed, and a cement plant has been built to reduce Indonesia's dependence on imports of this commodity. Agricultural production, particularly of staple foods

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	21.3	7.2	7.9
DLF - Loan Approvals		9.0	2.6 1/
P.L. 480, Title I - Country Use		24.2	22.2
(Total Sales)		(40.3)	(37.0)
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	0.9	1.3	0.5 2/
EX-IM Bank - Long-term Loans Approved	1.8	11.9	2/
TOTAL	24.0	53.6	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

ECONOMIC SITUATION (Continued)

grown on small farms is expanding but per capita output is still below the pre-war (1935-39) level and insufficient to meet food requirements of the increasing population.

Assistance from Non-ICA Sources

In 1958, the Japanese Government undertook to provide reparations totaling the equivalent of $223 million in 12 annual installments of about $20 million and to encourage private Japanese loans and investments of $400 million over the same period. Deliveries of reparations have begun; the first loans are expected to be negotiated soon and may amount to $45 million during FY 1960.

France, West Germany, Italy and other European countries, which in recent years have provided capital totaling about $130 million, are expected to provide additional credits in the future. Technical assistance valued at about $3.5 million per annum is provided by the U.K., France, West Germany, Canada, Australia and New Zealand, and by various U.N. agencies and private organizations.

A $100 million line of credit extended to Indonesia by the Ex-Im Bank in 1950 has been used almost entirely to improve transportation and power-generating facilities and to build a cement plant. In FY 1959, the Ex-Im Bank approved two additional loans amounting to $11.9 million for procurement of commercial aircraft and additional equipment for the cement plant.

The DLF has made three loans to Indonesia - $3 million to rehabilitate a railway in South Sumatra, $6 million to improve harbor installations, and $2.6 million to establish a plant to produce automotive parts.

In 1956 Indonesia purchased $96.7 million of U.S. surplus agricultural commodities under P.L. 480, Title I. A sales agreement concluded in May 1959, and recent amendments thereto, provide for additional sales of commodities valued at $51.6 million.

Military and economic assistance totaling the equivalent of over $410 million has been provided by the Sino-Soviet bloc between 1954 and 1959; of this total $250 million represents economic aid. While precise data are not available, it is estimated that about $65 million in the form of ships, consumer goods, and capital equipment for various small projects has thus far been delivered.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	6,031	6,500	7,500

TECHNICAL COOPERATION

Role of TC Program

Technical Cooperation is the principal element of ICA assistance to Indonesia and is directed primarily toward helping to establish a practical basis for the country's economic growth. Assistance is concentrated in overcoming institutional deficiencies and shortages of technical skills which now limit Indonesia's ability to make effective use of its own resources as well as of external aid.

Objectives - Technical Cooperation

(a) To strengthen the institutional framework necessary for sustained economic progress by helping to increase the efficiency of government agencies, particularly those concerned with education, health, and internal security.

(b) To help increase agricultural and industrial production and improve transportation services, by encouraging a more effective use of available resources.

(c) To help increase the supply of competent professional, technical and managerial personnel, by providing specialized training in the United States and other Free World nations.

Accomplishments - Technical Cooperation

Close associations between Indonesians and Americans, established as a result of the Technical Cooperation Program, have been an important factor in promoting better understanding between Indonesia and the United States. Although insurgency, other political difficulties, and economic dislocation have served to retard the progress of some Technical Cooperation activities, a number of accomplishments are worthy of note.

Educators and administrators, provided by American universities under contracts financed by ICA, have been particularly effective in assisting the Indonesians to improve educational facilities.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	1,472	1,897	2,150
Participants	1,964	1,690	2,345
Contractual Services	1,805	2,468	2,535
Supplies and Equipment	790	445	470
Contrib. to Coop. Services			
Other Costs			
Total Project Assistance	6,031	6,500	7,500
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	93	100	115
Contract	65	92	100
Total Technicians	158	192	215
Participants (Programmed during year)			
Non-Contract	423	293	393
Contract	37	53	50
Total Participants	460	346	443
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	1,053	1,150	1,165
Industry and Mining	617	430	500
Transportation	294	665	895
Labor	201	145	150
Health and Sanitation	725	280	440
Education	1,307	1,370	1,440
Public Administration	828	1,230	1,690
Community Development, Social Welfare and Housing			
General and Miscellaneous	1,006	1,230	1,220
Total by Field of Activity	6,031	6,500	7,500

At the leading medical school in Djakarta, curricula and teaching methods have been improved, laboratory equipment and books supplied, and instructors trained. As a result, this school now is fully staffed by Indonesians, adequately equipped and capable of graduating 150 doctors each year as compared with 30 before ICA help was provided. This is a significant accomplishment in a country with a population of 89 million, which has only 1,200 doctors and where low health standards seriously impede economic progress.

Through other ICA-financed university contracts, assistance also is being provided to the leading colleges of agriculture, engineering, and science. Progress has been made in development of the Institute of Technology at Bandung, the faculty of science and engineering at Gadjah Mada and the faculty of agriculture at Bogor. At all of these institutions, the standards of instruction and curricula have been improved, laboratories equipped, and training provided to present and prospective Indonesian staff members.

The National Institute of Administration is expanding and improving in-service training in the field of public administration. Nearly 400 national government employees have attended the Institute. Approximately 200 local government personnel also are trained each year. A curriculum in public administration has been established at Gadjah Mada University and improvement and expansion of the Indonesian Merchant Marine Academy has been initiated.

Administration of the Indonesian university system, and of individual universities, has been strengthened as a result of ICA-financed training received abroad by approximately 24 Department of Education and university officials.

Another American university group has contributed to the expansion of vocational education. More than 900 teachers in nearly 500 technical schools have received instruction in the use and maintenance of shop equipment. Training in business practices has been provided for more than 300 teachers. Twelve regional centers for teacher training in home economics have been established with ICA technical advice and more than 800 teachers have received instruction.

A pilot public health training center, which is to serve as a model for similar centers elsewhere in the country, has been established in West Java. Forty Indonesians, trained in the U.S., have returned to serve as the basic staff.

Efforts to increase the supply of technical, professional and managerial personnel, through improvement and expansion of local training facilities, have been supplemented by a program which, since 1951, has enabled 2,000 Indonesians to study abroad. ICA-trained technicians have helped with in-service programs involving more than 7,500 Indonesians.

Improved varieties of crops have been developed through research and extension activities. Progress has been made in strengthening the organization and operation of the National Extension Service. Two pilot fish-processing plants have been constructed and equipped as part of the program to improve the protein-deficient diet of Indonesians. These plants are to serve as models and training centers for similar plants elsewhere in the country.

ICA technicians have helped to enhance the effectiveness of the 120,000-man national police force. Technical know-how has been advanced in all fields, including telecommunications, logistics, investigation, identification and records. Assistance has been particularly effective in improving training operations at the national police academy and at the mobile brigade training center.

Composition of FY 1961 TC Program - $7,500,000

A Technical Cooperation Program of $7.5 million is proposed for FY 1961. The program consists of 22 projects, primarily in the fields of agriculture, transportation, education, and public administration. As in previous years, the program focuses on major deficiencies in skilled manpower and basic institutions which limit Indonesia's prospects for economic progress. Major emphasis is placed on technical advisory services, specialized training of Indonesians, and multi-year contracts between American and Indonesian universities. In order to take advantage of the progress that has been made in establishing cooperative relationships with Indonesian officials, educators and businessmen, it is believed that moderately increased assistance in FY 1961 is necessary in terms of making secure the gains achieved to date and accelerating resolution of some of the problems which are the root cause of the country's economic instability and lack of progress.

The funds requested will be used as follows:

(a) $1,165,000 to help increase agricultural production and to develop marine fisheries, by providing technical advisory services and training to improve the quality of agricultural education.

(b) $500,000 to continue assistance to develop and help expand Indonesian industry and mining through evaluation of the commercial importance of known mineral deposits and identification of hitherto unknown deposits, and by supporting the establishment of a center providing technical, engineering, and management services for industrial enterprises.

(c) $895,000 to strengthen transportation services through development of the Merchant Marine Academy and improvement of the organization and staff of the Department of Public Works and of the national railways.

(d) $150,000 to continue activities to train labor leaders and to assist in the establishment of a workers' education center.

(e) $440,000 to improve health services by helping to establish a rural public health center and by strengthening curricula and teaching staff of the medical school at Surabaya.

(f) $1,440,000 to continue and expand current activities to improve training in science and engineering at the university level, through affiliations with American universities; to strengthen the administrative staff of Indonesian universities; and to improve vocational teacher training education at the secondary level.

(g) $1,690,000 to strengthen public administration and internal security through assistance to the Indonesian national police and National Institute of Administration, and by helping with improvement of national fiscal management and training for local government administration.

The remaining funds will cover the cost of supervisory program personnel, general supplies and equipment, and other program costs which cannot be readily attributed to individual projects; and to support Indonesia's technical information services.

The detailed project composition appears on Table E-IV.

Country: INDONESIA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries		1,165	260	160	640	105				
Development of Agricultural Colleges	C	620			620					
Expansion and Modernization of Fisheries Facilities	C	35	10		20	5				
Agricultural Extension Techniques	C	510	250	160		100				
Industry and Mining		500	165	285		50				
Minerals Development	C	155	100	45		10				
Power Development	C	115	25	80		10				
Industrial Technical Center	C	230	40	160		30				
Transportation		895	345	485	50	15				
Highway Organization and Technical Staff Development	C	145	45	95		5				
Improvement of Railroad Facilities and Operations	C	195	40	150		5				
Maritime Training and Advisory Services	C	555	260	240	50	5				
Labor		150	40	100		10				
Labor Leadership Training	C	150	40	100		10				
Health and Sanitation		440	75	245	100	20				
Rural Public Health Education and Administration	C	195	75	100		20				
Medical Education Development	C	245		145	100					
Education		1,440	65	300	1,045	30				
Vocational Education Teacher Training	C	230	45	160		25				
Development of Higher Education	C	1,210	20	140	1,045	5				

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Country: INDONESIA

TECHNICAL COOPERATION

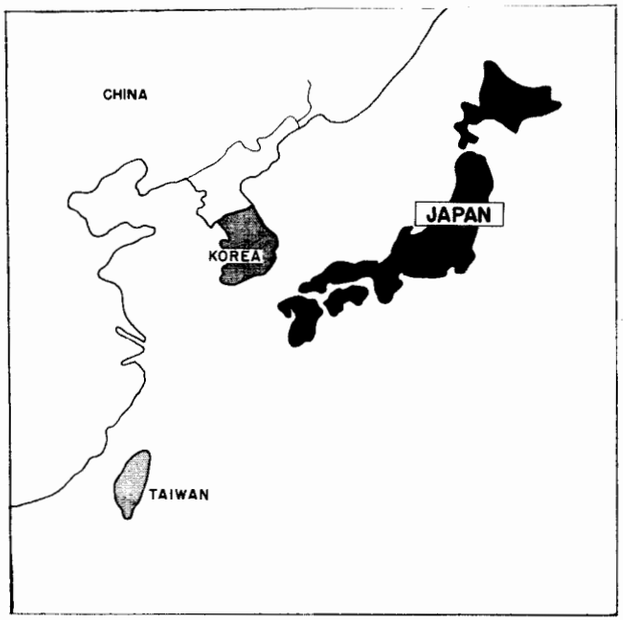
TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
Public Administration		1,690	350	690	625	25				
Public Safety Administration	C	505	260	205	40					
Central Government Administration	C	345	35	300		10				
National Institute of Administration	C	380			380					
Improvement of National Fiscal Administration	C	200			200					
Development of Public Administration Education - Gadja Mada University	C	115	40	65		10				
Local Government Management Training Academy - Malang	C	145	15	120	5	5				
General and Miscellaneous		1,220	850	80	75	215				
Improvement of Technical Information Services	C	140	40	80		20				
Technical Support	C	1,080	810		75	195				
Total Technical Cooperation		7,500	2,150	2,345	2,535	470				

JAPAN - GENERAL ECONOMIC DATA



BASIC DATA

Population	93 million
Annual Growth	1.0 percent
Area	143,000 sq. mi.
Agricultural Land	17% of area
Agri. Land per Capita	0.2 acres
Literacy Rate	95 percent

	Japan	U. S.
Life Expectancy (*Years*)	67	70
Inhabitants per Physician	940	760
Road Miles per 1,000 sq.mi.	630	870
Electric Power per Capita (*KWH per Year*)	930	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	25,420	27,500	27,750	30,240
Per Capita GNP	Dollars	282	303	302	326
PRODUCTION					
Agricul. Prod. Index a/	1952-54=100	120	127	131	136
Per Capita Index a/	"	115	121	124	127
Industrial Prod. Index	1953=100	144	167	169	200
Electric Power	Bill. KWH	72	80	83	86
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	2,501	2,858	2,877	3,457
Cotton fabrics	"	267	317	277	290
Iron and steel	"	223	209	250	250
Total Imports (c.i.f)	"	3,230	4,284	3,033	3,599
Trade Balance	"	-729	-1,426	-156	-142
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	558	601	671	1,020
Imports from U. S. (f.o.b)	"	902	1,234	835	900
Trade Balance	"	-344	-633	-164	+120
GOLD & FOREIGN EXCHANGE HOLDINGS b/ (*end of year*)	"	941	524	861	1,322
COST OF LIVING INDEX	*1953=100*	106	109	108	110

CENTRAL GOVERNMENT FINANCES* FY ending March 31	1958	1959	1960(Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	3,435	3,449	3,938
Total Expenditures	4,397	4,687	5,579
Deficit(-) or Surplus Before All Foreign Aid	-962	-1,238	-1,641
Budget Receipts from Non-U.S. Foreign Aid	-	-	-
Budget Receipts from U.S. Aid & PL 480 c/	20	11	17
Remaining Deficit(-) or Surplus(+)	-942	-1,227	-1,624
DEFENSE EXPENDITURES - TOTAL	425	421	436
U.S.-Financed (excl. M.A.P. end-items)	-	-	-
Defense Expend. as % of Total Gov't Expend.	9.7%	9.0%	7.8%
Defense Expenditures as % of GNP	1.5%	1.5%	1.5%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	3,972	4,266	5,143
U.S.-Financed	(20)	(11)	(17)

n.a. - Not available. */ Converted at 360 yen per U.S.$.

a/ Crop year beginning in year stated. b/ As reported by the Bank of Japan.

c/ Utilization of loans from PL 480 receipts.

Country: JAPAN

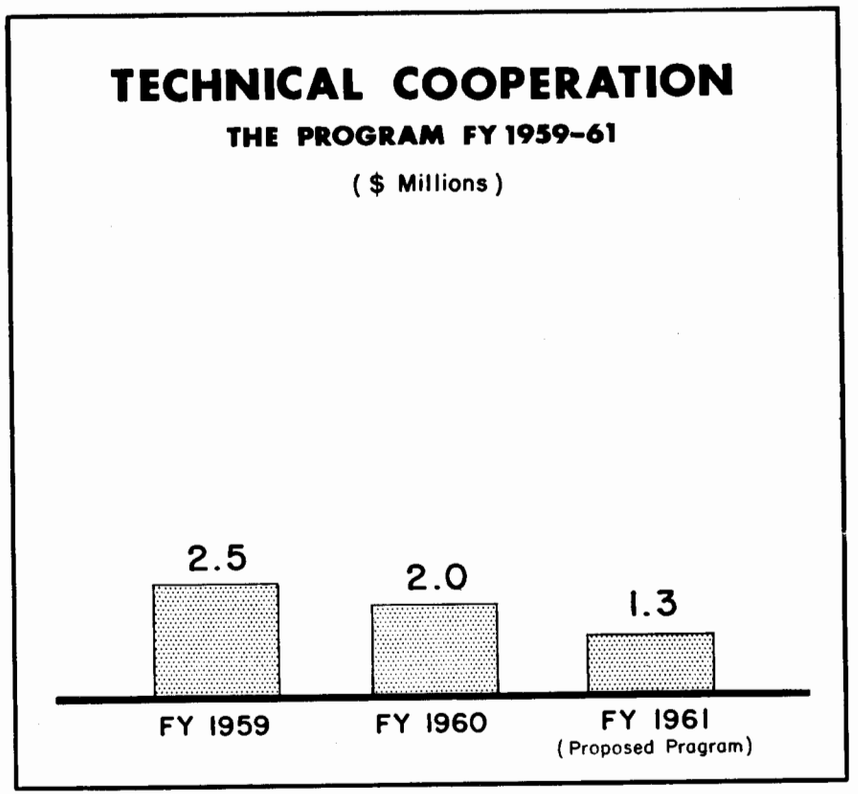
MUTUAL SECURITY PROGRAM

Japan is the fourth major industrial complex in the world. Its alignment with the Free World is, therefore, of particular importance to the defense of the free nations of the Far East against Communist aggression. The U.S. seeks to help Japan remain politically stable, economically strong, and able and willing to resist Communist pressures.

With U.S. assistance, the Japanese since 1950 have developed a military force of more than 210,000 men. A plan, presently under discussion, calls for a very substantial increase in budgetary allocations and in the pace of modernization of the forces during the period 1961-65. Japanese forces are continuing to assume operational responsibility for additional aspects of Japan's defense that formerly were carried out by U.S. forces.

The conservative Liberal-Democratic Party, which controls the present administration under Prime Minister Nobusuke Kishi, advocates close association with the U.S. and the Free World while the opposition Socialist Party favors a neutralist position. Japan is under continuing Communist pressure to disengage itself from the Free World. This pressure is now directed primarily at preventing the ratification of new mutual security arrangements which would strengthen Japan's close association with the United States. Recognition of Communist China has some support in Japan, and there are business pressures for trade with that country. The trade embargo imposed by Communist China in April 1958 to prod the Japanese Government into granting recognition remains in effect.

Responding to increased U.S. business activity, Japan's economy continued a strong upward trend throughout 1959. Industrial activity reached peak levels and investment increased substantially over 1958. Foreign trade expanded and exports to the U.S. increased by about 50%. Japan remains, after Canada, the second best customer of the U.S. Foreign exchange reserves reached a postwar high. Employment remained high, consumption levels increased, and wholesale prices showed a tendency to rise.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	2,491	2,197	
Cumulative 6/30/59	8,633	5,536	3,097
Estimate FY 1960	2,000	2,500	
Cumulative 6/30/60	10,633	8,036	2,597
Estimate FY 1961	1,300	2,200	

Current Economic Situation and Problems

The Japanese economy has continued to make impressive new advances despite the country's basic economic limitations. In 1959, Japan experienced a sharp recovery from the recession of 1957-58. Industrial activity reached new highs, as did incomes and investment. Prices remained stable and employment continued to expand.

Export trade rose to $3.5 billion in 1959 -- 20% above the levels reached in 1957 and 1958. Other income from foreign sources held up well, especially earnings derived from expenditures of U.S. military forces in Japan. These developments, together with Japan's drawings on IBRD and Ex-Im Bank loans, further improved Japan's foreign exchange position. Concurrently, imports also increased, rising about 20% above the 1958 level to $3.6 billion. Total foreign exchange earnings, however, continued to exceed payments. Official reserves reached a level of about $1.3 billion at the close of 1959, as compared to the low of $455 million at the end of September 1957.

Japan's strong recovery and present favorable economic situation have been achieved despite basic external and internal problems which make the economy vulnerable. Japan's primary economic problem is to provide for a large population on limited land not richly endowed with natural resources. The 93 million Japanese are crowded into an area no larger than California, on land so mountainous that only one-sixth is arable. Japan must import 20% of its staple food requirements; it also imports 75% or more of many important basic raw materials for industrial production to meet domestic needs and export demand. To pay for the imports on which the economy increasingly depends, Japan must continue to expand industrial output and exports. Its exceptional dependence on foreign trade makes it unusually susceptible to world market changes.

The loss of Japan's traditional pre-war markets and sources of raw materials on the mainland of Asia has forced the Japanese to develop new markets in Southeast Asia and to expand trade with other Free World areas. Under reparations and settlements of wartime obligations, Japan is committed to provide certain Southeast Asian countries with over $1 billion in grants and more than $700 million in loans and investments over the next 20 years. Japan is also extending loans and credits to India and some of the Middle East countries in order to develop sources of raw materials. Although these various commitments will establish a base for further expansion of economic relations with these countries, the necessary outlays will place a strain on Japan's financial resources. In addition, Japan must service IBRD, Ex-Im Bank and other long-term foreign borrowings, as well as repay P.L. 480 loans.

While Japanese industry as a whole has made rapid progress, small and medium-size industrial enterprises -- which account for about 60% of total industrial output and employ about 70% of the industrial labor force -- have shared only to a limited extent in this advance. This has resulted in such a sharp difference between large modern industrial firms and the more numerous small-scale enterprises that Japan is regarded as having a "dual economy." For the most part, small industrial firms are handicapped by obsolete production and marketing methods and lack adequate capital.

It also has been recognized that the cooperation of Japanese labor is needed to achieve increased industrial productivity. Special efforts, therefore, have been made to encourage the participation of all Japanese trade unions in the productivity movement and their adoption of democratic trade union practices.

Progress to Date

During the post-war period Japan has achieved an impressive record of economic growth. Industrial production almost doubled from 1953 to 1959, primarily as a result of the rapid growth in manufacturing; agricultural production increased by about one-third; and exports almost tripled. Over the past five years, Japan's gross national product has been expanding at a rate of about 9% annually, except during 1958, when GNP rose only 1% as a result of the 1957-58 recession. However, per capita GNP in 1959 is estimated at $326, about one-eighth that of the U.S. and substantially below the economically advanced nations of Western Europe.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	2.5	2.5	2.0
DLF - Loan Approvals			1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			3.9 2/
P.L. 480, Title III - Obligations	3.7	3.9	1.6 2/
EX-IM Bank - Long-term Loans Approved	65.0	20.4	2/
TOTAL	71.2	26.8	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

ECONOMIC SITUATION - (Continued)

Japan's economic gains have been made possible by sound fiscal and economic policies and by technical and financial assistance received from abroad. The Japanese Government has pursued a program to improve and expand essential transportation, power, and primary industrial productive capacity and manufacturing industries. The government and private industry also have made intensive efforts to increase productivity, improve the quality of production, maintain general price stability, and expand markets. In addition, Japanese corporations have sought licensing arrangements with American and European manufacturers in order to obtain the latest techniques and processes.

Japanese Government fiscal policies have established a climate conducive to growth of the economy. Budget deficits have been financed largely through non-inflationary means and the government has not hesitated to take measures, as needed, to check inflationary tendencies or to relax such policies during periods of recession. As a result, the rate of domestic investment - public and private - has been high, averaging approximately 27% of GNP.

Assistance from Non-ICA Sources

Japan has made special efforts to secure loans from Free World sources for the capital needed for basic economic improvements. Through December 1959, Japan had received long-term loans and credits totaling $450.8 million - $302.9 million from the IBRD and $147.9 million from the Ex-Im Bank. These loans and credits were directed toward improvement and expansion of electric power, steel production, and agriculture. Because of its relatively advanced economic status and access to other lending sources, Japan is not eligible for loans from the DLF.

In 1955 and 1956, Japan received loans totaling $105.6 million equivalent in Japanese yen, generated through sales of surplus agricultural commodities under P.L. 480, Title I. These loans have been used primarily for electric power development, irrigation, and land reclamation.

U.S. direct private investments in Japan between 1955 and 1958 totaled approximately $76 million. Numerous contracts covering patents and technological processes have also been concluded between Japanese and foreign firms. As of June 30, 1958 there were 807 such contracts, of which 526 were with U.S. companies.

Japan also has obtained some training grants under the U.N., Fulbright, and International Educational Exchange Services Programs.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	2,491	2,000	1,300

TECHNICAL COOPERATION

Role of TC Program

ICA assistance to Japan, which was begun in FY 1955 and is to be terminated at the end of FY 1961, has been limited to Technical Cooperation. Though modest in size, the program has been a significant element in the total U.S. effort to strengthen Japan's alignment with the Free World. Its principal purpose has been to broaden acceptance of, and internal support for, the concept of rising productivity as a means of helping Japan achieve a viable and expanding economy based on a high level of international trade. This is essential if Japan is to meet the requirements of a growing population and work force, and its large international obligations.

Objectives - Technical Cooperation

In view of the progress already made toward achieving the goal of the ICA program, activities during FY 1961 will be sharply reduced and will be directed toward the following limited objectives to complete U.S. assistance in those specific areas where technical cooperation is still required.

(a) To intensify efforts to overcome the special problems of small business management and operations in Japan, by strengthening the productivity program to the point where the Japan Productivity Center can carry on without ICA support.

(b) To encourage increased participation of Japanese trade unions in the productivity movement, by providing training and advisory services in the field of labor.

(c) To promote the development of upland agriculture and livestock production in Japan, by providing training and advisory services through government and university channels.

(d) To enable the Japan Civil Aviation Bureau to assume effective responsibility for control of domestic and international air traffic, by providing training and a team of specialists from the U.S. Federal Aviation Agency.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	263	280	270
Participants	1,426	1,405	840
Contractual Services	567	135	20
Supplies and Equipment	50		
Contrib. to Coop. Services			
Other Costs	185	180	170
Total Project Assistance	2,491	2,000	1,300
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	19	16	10
Contract	8	12	3
Total Technicians	27	28	13
Participants (Programmed during year)			
Non-Contract	864	823	475
Contract	32		
Total Participants	896	823	475
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	446	270	170
Industry and Mining	1,122	920	435
Transportation	271	200	160
Labor	371	375	310
Health and Sanitation			
Education			
Public Administration			
Community Development, Social Welfare and Housing			
General and Miscellaneous	281	235	225
Total by Field of Activity	2,491	2,000	1,300

Accomplishments - Technical Cooperation

Having experienced a series of serious balance-of-payments deficits, which became particularly acute in 1953, the Japanese Government examined the country's economic situation and means that might be employed to expand exports. The studies emphasized that Japanese industry was seriously handicapped by obsolete equipment and inefficient methods of industrial organization and operation. These conditions were the cause of low productivity and high production costs, despite extremely low wage rates, which made many Japanese products uncompetitive in world markets.

To help meet this situation, the Japanese Government, with the support of ICA, formally launched a program in 1955 through a newly established Japan Productivity Center. This program has been directed toward increasing the basic productivity and efficiency of the Japanese economy through management training, improvement of labor-management relations, and the adoption of modern production and merchandising practices, primarily in industry but also in some phases of agriculture and air transportation.

Obsolete industrial practices have been modified substantially as a result of the visits of Japanese leaders to the U.S. and their participation in industrial seminars in Japan. Highly satisfactory progress has been achieved in the improvement of business organization and operation, cost and quality control, production, marketing and distribution. The ICA program has promoted a wider acceptance of American standards and methods. It also has helped to improve labor-management relations and to bring about a more progressive attitude on the part of Japanese labor groups. Labor leaders have been given an opportunity to observe at first hand the advantages which American labor has gained in a free enterprise system.

Many Japanese technicians in government and private occupations have been trained in American techniques in agriculture, civil aviation, and peaceful uses of atomic energy. Affiliations with American universities have strengthened Japanese university programs and have brought these universities into closer contact with industry, agriculture, and community interests in general.

The ICA program also has strengthened Japanese relations with the U.S. and other free countries of the world. As of September 30, 1959 over 2,400 participants had been sent to the U.S. for training. Under a cooperative arrangement between the U.S. and Japan, over 1,200 Asian participants, financed under ICA programs in third countries, have been trained in Japan. Japan thus has become an important technical training center in Asia. Together with other

free Asian countries, Japan also is exploring the possible establishment of an Asian Productivity Organization for the exchange of Technical information and assistance.

After approximately six years of ICA assistance, the Japanese productivity program has developed substantial internal support and contributions from the Japanese Government and private sources have risen from the equivalent of $634,000 in FY 1955 to $3.7 million in FY 1959. The productivity program is now sufficiently established to be able to carry on independently after the close of FY 1961, when U.S. bilateral technical assistance to Japan is planned to end. The funds proposed for that year are intended to assure the orderly phase-out of ICA-supported activities and transfer of responsibility to the Japanese.

Composition of FY 1961 Technical Cooperation Program - $1,300,000

The $1.3 million requested for FY 1961 will be used for the following purposes:

(a) $435,000 for assistance to the Japan Productivity Center to help it firmly establish domestic productivity programs capable of operating on a self-sustaining basis, with special emphasis on meeting problems in the small business sector. Some 257 participants will observe and study U.S. methods in personnel management, organization, distribution, applied research, preventive maintenance, and labor-management relations.

(b) $310,000 for labor activity assistance, to encourage Japanese labor's support of the productivity program and to promote the development of free and democratic trade unions. In addition to providing technical advisory services, these funds will finance visits to the U.S. for 128 participants, primarily for short-term observation and study.

(c) $170,000 for training and advisory assistance in agriculture, particularly to consolidate activities designed to encourage effective utilization of upland areas through diversified farming and development of dairy and livestock industries. One American technician will provide advisory services and about 60 Japanese participants will visit the U.S. and other countries to observe and study modern agricultural extension techniques, research methods and the development and use of grasslands and forage crops.

(d) $160,000 for assistance to the Japan Civil Aviation Bureau to help establish standardized aeronautical facilities and services essential to domestic and international air transportation. Six FAA civil aviation specialists will serve in Japan and five Japanese technicians will receive specialized training in the U.S.

(e) $45,000 for training in connection with peaceful uses of atomic energy. Some 24 Japanese Government specialists will observe and study U.S. techniques and methods of administering atomic energy programs and operating nuclear reactors.

The remaining funds will cover the costs of American and local personnel, local rentals, general supplies and equipment, and other program costs which cannot be attributed to individual projects.

The detailed project composition appears in Table E-IV.

Country: JAPAN

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries		170	30	110	20		10			
Agricultural Productivity Teams	C	170	30	110	20		10			
Industry and Mining		435	20	400			15			
Japan Productivity Center	C	435	20	400			15			
Transportation		160	105	35			20			
Japan Civil Aviation Bureau	C	160	105	35			20			
Labor		310	35	250			25			
Japan Trade Unions	C	310	35	250			25			
General and Miscellaneous		225	80	45			100			
Peaceful Uses of Atomic Energy	C	45		45						
Technical Support	C	180	80				100			
Total Technical Cooperation		1,300	270	840	20		170			

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KOREA - GENERAL ECONOMIC DATA

BASIC DATA

Population	23 million
Annual Growth	2.1 percent
Area	37,000 sq. mi.
Agricultural Land	21% of area
Agri. Land per Capita	0.2 acres
Literacy Rate	65 percent

	Korea	U. S.
Life Expectancy (*Years*)	47	70
Inhabitants per Physician	3,400	760
Road Miles per 1,000 sq.mi.	240	870
Electric Power per Capita (*KWH per Year*)	74	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	n.a.	2,077	2,227	2,290
Per Capita GNP	Dollars	n.a.	94	99	99
PRODUCTION					
Agricul. Prod. Index a/	1952-54=100	107	118	125	128
Per Capita Index a/	"	101	109	114	114
Cotton cloth	Mill. sq. yds.	147	198	212	230
Electric power	Mill. KWH	1,120	1,320	1,510	1,700
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	25	20	16	19
Tungsten	"	10	5	2	3
Graphite	"	2	3	1	1
Total Imports (c.i.f)	"	380	440	378	338
Trade Balance	"	-355	-420	-362	-319
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	10	4	3	4
Imports from U. S. (f.o.b)	"	193	277	216	135
Trade Balance	"	-183	-273	-213	-131
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	99	116	146	150(Nov)
WHOLESALE PRICE INDEX (Seoul)	1955=100	135	160	149	160

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1957	1958(Budget)	1959(Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	239	304	357
Total Expenditures	456	545	529
Deficit(-) or Surplus Before All Foreign Aid	-217	-241	-172
Budget Receipts from Non-U.S. Foreign Aid	5	1	-
Budget Receipts from U.S. Aid & PL 480	145	190	161
Remaining Deficit(-) or Surplus(+)	-67	-50	-11
DEFENSE EXPENDITURES - TOTAL	150	170	187
U.S.-Financed (excl. M.A.P. end-items)	(64)	(64)	(71)
Defense Expend. as % of Total Gov't Expend.	32.9%	31.2%	35.3%
Defense Expenditures as % of GNP	7.0%	7.6%	7.9%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	306	375	342
U.S.-Financed	(81)	(126)	(90)

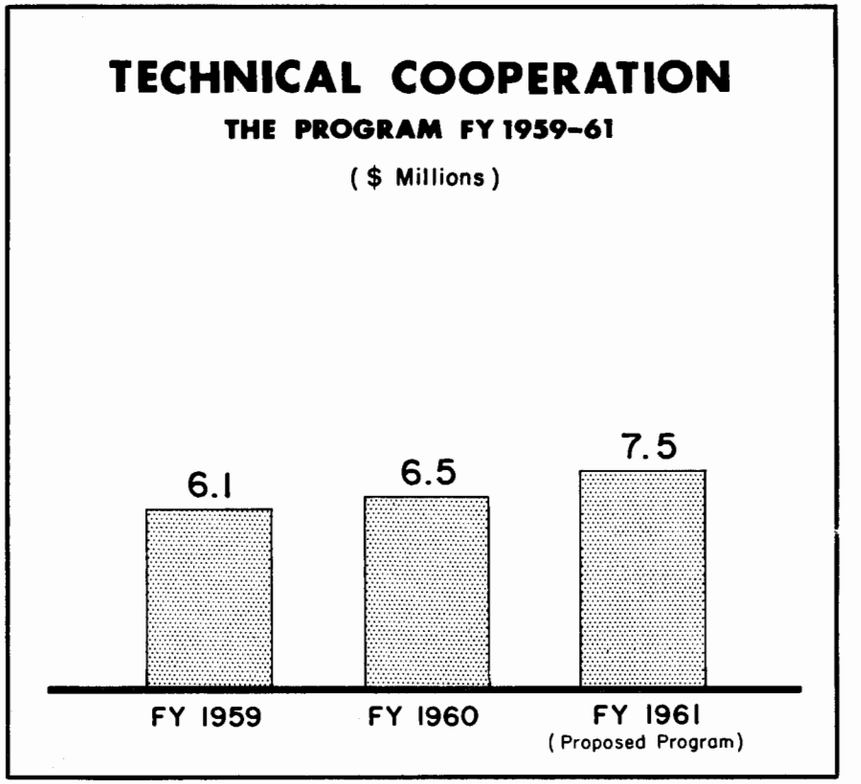
n.a. - Not available. */ Converted at 750 hwan per U.S.$.
a/ Crop year beginning in year stated.

In the absence of a peace settlement, the Government of the Republic of Korea is obliged to maintain large military forces to defend the country against a possible renewal of Communist aggression. U.S. aid helps make it possible for the Korean Government to support an adequate defense establishment, meet the basic needs of the civilian economy, and take the steps necessary to attain progressively greater national economic self-reliance.

Asian Communists have not followed recent tentative Soviet moves toward the relaxation of cold war tensions in Europe. On the contrary, the Communist Chinese and the North Koreans have led the opposition to the U.S. and U.N. formula for a peaceful unification of Korea under a free, democratic and representative government. They continue to demand unceasingly the withdrawal of all U.S. and other U.N. forces from Korea as a prerequisite for a negotiated political settlement, basically between North and South Korea directly.

At the same time the Communists are improving the capabilities of their armed forces in North Korea and adjacent areas, and the threat to the ROK remains as ominous as ever. The North Korean regime, particularly in the last year, has increasingly vaunted its alleged economic recovery and expanding production. Overtly and covertly, North Korea continues its unceasing efforts to infiltrate the south and arouse popular disaffection in military, economic and political circles of the ROK.

Although the ROK, with a much larger population but fewer natural resources than Communist-controlled North Korea, has made considerable progress both in curbing rampant inflation and in improving the standard of living, continued U.S. economic aid is essential if the ROK is to progress toward greater economic self-reliance.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	6,110	5,888	
Cumulative 6/30/59	23,466	12,923	10,543
Estimate FY 1960	6,500	6,900	
Cumulative 6/30/60	29,966	19,823	10,143
Estimate FY 1961	7,500	7,550	

Current Economic Situation and Problems

Although its war-shattered economy has been largely restored, Korea continues to face numerous, grave economic problems. Severely handicapped by a scarcity of natural resources, by deficiencies in managerial and technical skills, and by the inadequacies of its political, social and economic institutions, Korea has had to support one of the Free World's largest military establishments. At the same time, the country has endeavored to broaden its economic base and expand production in order to feed and clothe its increasing population.

Two-thirds or more of Korea's population of 23 million depend on agriculture, which accounts for about 40% of the GNP. However, only 21% of Korea's land is arable and agricultural land averages only one-fifth of an acre per person. Total agricultural production is inadequate to meet the country's needs and has to be supplemented with substantial amounts of food and other U.S. surplus agricultural commodities. However, Korea's principal crop, rice, is now being produced in quantities adequate to meet domestic consumption requirements.

Korea's known mineral resources, consisting principally of coal, tungsten and graphite, make only a small contribution to the economy. Industry is not yet a major factor but is making steady progress, although not at a rate which appreciably increases employment opportunities for Korea's growing labor force. The Koreans are a frugal, industrious people but, except in agriculture, largely unskilled. Between one-fourth and one-third of the 10 million labor force is estimated to be unemployed or underemployed. This large-scale, chronic unemployment is a serious economic and social, as well as a political, problem.

The strain imposed on the Korean economy by the high level of military expenditures is reflected in Korea's inability to allocate adequate resources for development. Korea's 1960 budgeted expenditures are projected at the equivalent of $576 million, of which $198 million or about 35% will be used to meet the cost of defense. The continuing threat of aggression from Communist North Korea militates against a significant reduction of military outlays in favor of capital development. Yet, without a substantial investment in productive facilities, Korea cannot hope to reduce its unemployment or the overwhelming imbalance in its foreign trade position.

Although exports in 1958 totaled only $16 million and in 1959 were estimated to have risen to $19 million, imports during these years have averaged about $358 million. This large volume of imports, about two-thirds of which were financed by ICA, has been instrumental in containing inflation. Nevertheless, the Korean money supply increased by about 9% in 1959 and wholesale prices rose by about 12%.

U.S. economic aid to Korea is substantially lower in FY 1960 than in any previous year. The Korean Government must adjust to these cuts in U.S. aid by making a greater effort to employ the country's resources efficiently. New industrial development must be accelerated and exports stimulated by resumption of trade with Japan, revision of current exchange rates, and other means. In addition, fiscal and tax collection policies will have to be tightened and transportation, power and other publicly-owned industries made self-sustaining through rate increases and greater efficiency of operations.

Progress to Date

Since 1953, Korea has developed and supported strong military forces to deter possible Communist aggression from the North. War-damaged transportation, communications, electric power, and other basic facilities have been substantially rebuilt and modernized. Agriculture and industry have been greatly improved and production expanded, and steps have been taken to develop and increase the supply of skilled manpower.

The success of this rehabilitation and development program may be gauged by the following facts. Between 1953 and 1958 Korea's gross national product increased at an annual rate of about 5%. In 1959, however, the rate of growth declined to less than 3% as compared to a population increase of more than 2%. Fiscal control measures were enacted, and banking and government institutions were established to bring about and preserve financial stability. Rampant inflation, which characterized the early postwar years, was brought under reasonable control in 1957.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	220.7	217.0	194.0
DLF - Loan Approvals	5.6	12.1	1/
P.L. 480, Title I - Country Use	41.0	28.0	29.3
(Total Sales)	(50.0)	(33.0)	(34.5)
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	22.3	16.1	7.2 2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	289.6	273.2	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

ECONOMIC SITUATION (Continued)

Earnings from visible and invisible exports, largely U.S. troop expenditures, approximate $90 million a year, and the adverse balance on goods and services has been reduced from $371 million in 1957 to an estimated $250 million in 1959. Although Korea's foreign exchange reserves now amount to about $150 million, they are adequate to cover less than half of its annual import requirements.

In 1959, agricultural production reached a postwar high despite the fact that Typhoon Sarah destroyed more than 80,000 to 100,000 tons of rice and other crops. Industrial production rose 5% in the first 10 months of 1959 as compared with the same period of 1958, and is now more than double the 1954 average. Coal continued to lead other minerals in production gains, reaching a high of 3.8 million metric tons in 1959 as compared to 889,000 metric tons in 1954. Construction also rose sharply in 1959 to a postwar high.

Assistance from Non-ICA Sources

Postwar Korea has been heavily dependent on external aid to support its military establishment, rebuild its war-damaged economy and finance its development program. Most of this assistance has been made available by the United States.

Korea's principal sources of non-ICA external assistance are P.L. 480 and the DLF. Sales since 1954 of surplus agricultural commodities under Title I of P.L. 480 total $165 million and it is anticipated that further sales will be concluded in FY 1960 and 1961. In addition, P.L. 480, Title III grants through voluntary relief agencies total $95 million to date.

In 1959, assistance estimated at $5 million was provided by other voluntary agencies, mostly American, and the U.N. Korean Reconstruction Agency contributed $1 million before being phased out.

Since early 1958, the DLF has approved loans of $17.7 million to the Korean Reconstruction Bank and to Korea industries. On the other hand, Korea has not been able to secure any loans from the IBRD or the Export-Import Bank. Although Korea urgently needs all the external loan financing it can secure, it is handicapped in its attempts to obtain such capital by its inability to earn the foreign exchange needed to service hard currency loans.

The Korean Government recently has enacted legislation more favorable to private foreign investors, but it is unlikely that private funds will flow into Korea in significant amounts. Under the circumstances and in view of the progressive reduction in ICA aid, Korea will have to depend increasingly on the DLF for development capital.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	6,110	6,500	7,500

TECHNICAL COOPERATION

Role of Technical Cooperation Program

The Technical Cooperation Program supplements Defense Support and other activities financed from external sources by helping Korea improve its governmental and other basic institutions, and develop the technical competence required for more effective use of its resources. Korea's requirements for technical assistance are extensive because of the limited opportunities afforded its people, during 40 years of Japanese occupation, to acquire the knowledge and experience needed for successful conduct of government and business affairs.

Objectives - Technical Cooperation

(a) To help increase Korea's capability for self-support and stimulate economic growth by increasing agricultural and industrial productivity through advisory services and training.

(b) To raise the educational level and increase technical and administrative competence through improvement in basic and higher education and specialized in-service training.

(c) To help provide a stronger foundation for economic and social advancement, through improvement in government organization and operations and development of public services.

(d) To promote the development of private enterprise, both domestic and foreign, through technical surveys, advisory services and training.

Accomplishments - Technical Cooperation

Progress toward the achievement of TC program goals in Korea has been especially noteworthy in the fields of education, public administration, rural improvement and community development.

In education, the technical competence of teachers and administrators for secondary schools and universities has been substantially improved and their numbers increased. Modern teaching methods are being introduced through workshops and formal training, and curricula have been revised to focus more directly on present needs,

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	1,874	2,295	2,905
Participants	1,013	1,300	945
Contractual Services	2,283	2,265	2,765
Supplies and Equipment	548	325	385
Contrib. to Coop. Services			
Other Costs	392	315	500
Total Project Assistance	6,110	6,500	7,500
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	134	142	182
Contract	88	125	140
Total Technicians	222	267	322
Participants (Programmed during year)			
Non-Contract	200	283	223
Contract	67	69	59
Total Participants	267	352	282
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	668	760	820
Industry and Mining	734	1,020	1,080
Transportation		140	120
Labor			
Health and Sanitation	172	315	345
Education	1,277	1,820	1,920
Public Administration	1,189	910	1,365
Community Development, Social Welfare and Housing	410	535	325
General and Miscellaneous	1,660	1,000	1,525
Total by Field of Activity	6,110	6,500	7,500

such as industrial and commercial subjects and basic sciences. ICA-financed contracts between American and Korean universities have served to improve teaching standards in agriculture, engineering, medicine, and public and business administration through exchange of teaching staffs, continuing advisory services, and the provision of professional training in Korea and abroad.

In public administration, the emphasis placed on strengthening the tax system has resulted in substantially increased revenues through new taxes and improved assessment and collection methods.

This additional revenue has enabled the Korean Government to cover a larger share of its military and civil budget expenditures. Improved techniques and procedures for the collection and processing of statistics are being adopted to provide government and business with the basic information needed for planning purposes. Over the past year intensive preparations were made for the 1960 census.

The TC program has been instrumental in bringing about establishment of the Korean Agricultural Bank and improvement of farm and fisheries credit and marketing facilities. Technical guidance has been given to stimulate the development of agricultural cooperatives; improved agricultural engineering techniques have been introduced; and extension and research have been increased and made more effective through expansion and training of personnel. These activities have contributed substantially to agricultural diversification and to a 28% increase in production over the 1952-1954 level. Productivity of the fishing industry has also been raised. In addition to improving the protein-deficient diet, new processing and marketing techniques have contributed to an increase in foreign exchange earnings from exports of shrimp and other fish products.

Continuing efforts to stimulate self-help housing programs have resulted in the completion of about 3,000 permanent homes. Demonstration and training have been employed to advance better health and sanitation practices. Public health services have been extended to a larger number of people through the establishment of additional health centers and an expanded corps of trained public health nurses.

The technical proficiency of workers in many fields of activity has been increased through special training programs. In each of the past two years, industry and mining have accounted for the largest number of participants receiving training in the U.S. and third countries. This training effort is reflected in improved management and increased output of various industries, especially coal mining and electric power.

Composition of FY 1961 Technical Cooperation Program - $7,500,000

The $7.5 million proposed for Technical Cooperation in FY 1961 is needed to sustain progress toward more effective use of domestic and external aid resources through continued training of personnel in technical, managerial, and professional fields. The funds requested will be used as follows:

(a) $1,920,000 for continued support of education at all levels. Emphasis will be placed on improvement of technical instruction and research activities at Seoul National University through a contract with the University of Minnesota. A system of comprehensive high schools is also being initiated on a pilot basis; and the training of teachers in basic and vocational subjects is being accelerated through specialized workshops and additional academic instruction.

(b) $1,365,000 to improve government fiscal management practices and statistical services; to increase the competence of Korean government personnel; to develop the newly established central economic planning agency; and to continue modernization of the national police.

(c) $1,080,000 to increase technical and managerial competence in manufacturing, mining, and geology, and to improve the operation of power and communications systems.

(d) $820,000 to help increase and diversify agricultural production through improved farming methods and practices, by supporting extension and research activities, 4-H clubs, and home economics organizations; and by encouraging development of agricultural purchasing and marketing cooperatives, and agricultural credit institutions.

(e) $345,000 to help improve health conditions which adversely affect economic activity, by helping to control communicable diseases; by initiating health education and environmental sanitation programs; and by expanding public health nursing services.

(f) $325,000 to promote increased self-help activity at the village level by providing guidance in housing finance, planning and construction; by training village leaders; and by demonstrating welfare and rehabilitation counseling techniques.

(g) $270,000 to furnish on-the-job training in architectural design and construction of public works; to improve transportation services, particularly the railways, through training in better management, operation, and maintenance of equipment.

(h) $210,000 to help develop technical information services and an audio-visual center; and to provide English language and other predeparture instruction to participants to be trained in the U.S. and third countries.

The remaining funds will cover the cost of supervisory program personnel, local rentals, general supplies and equipment, and other program costs which cannot readily be attributed to individual projects.

The detailed project composition appears in Table E-IV.

Country: KOREA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
		DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
Agriculture, Forestry and Fisheries		820	565	140	20	95				
Agricultural Extension Development	C	340	285	20	20	15				
Agricultural Research	C	245	160	40		45				
Agricultural Cooperatives Development	C	130	85	30		15				
Agricultural Credit	C	105	35	50		20				
Industry and Mining		1,080	565	330	185					
Mining and Geological Training	C	95	15	80						
Communications Technical Improvement	C	215	20	20	175					
Power System Operations Improvement	C	275	185	80	10					
Industrial Training	C	460	310	150						
Services and Training for Chungju Fertilizer Plant	C	35	35							
Transportation		120	95	25						
Railway Rolling Stock	C	15	15							
KNR Logistic Support	C	90	65	25						
Diesel Locomotives	C	15	15							
Health and Sanitation		345	140	110	70	25				
Disease Control	C	75	20	55						
Environmental Sanitation	C	80	55	15		10				
Nursing Education	C	155	50	25	70	10				
Public Health Education	C	35	15	15		5				
Education		1,920	235	70	1,430	185				
Vocational Education	C	495	120	50	250	75				
Secondary Education	C	100	70	20		10				
Improvement Teacher Training	C	340	10		330					
Higher Education	C	985	35		850	100				

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Country: KOREA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Public Administration		1,365	280	150	910	25				
National Police Modernization	C	155	100	55						
Economic Development Council	C	220		20	200					
Public Service Improvement	C	220	150	45		25				
Improvement Government Fiscal Management and Statistics	C	570	30	30	510					
Improvement Business Administration	C	200			200					
Community Development, Social Welfare and Housing		325	200	100		25				
Community Development Demonstration and Training	C	70	35	30		5				
Community Assimilation and Economic Development	C	65	30	25		10				
Welfare and Rehabilitation Institutions Training and Demonstration	C	50	25	15		10				
Housing Finance, Planning and Construction	C	120	90	30						
ROK Office Building	C	20	20							
General and Miscellaneous		1,525	825	20	150	30	500			
Improvement Technical Information Services	C	115	65	20		30				
Demonstration Audio-Visual Center	C	30	30							
Participants' Predeparture Training	C	65	65							
Design and Construction Engineering Services	C	150			150					
Technical Support	C	1,165	665				500			
Total Technical Cooperation		7,500	2,905	945	2,765	385	500			

LAOS - GENERAL ECONOMIC DATA

BASIC DATA

Population	2 million
Annual Growth	1.5 percent
Area	91,000 sq. mi.
Agricultural Land	8% of area
Agri. Land per Capita	2.4 acres
Literacy Rate	15 percent

	Laos	U. S.
Life Expectancy (*Years*)	30	70
Inhabitants per Physician	55,000	760
Road Miles per 1,000 sq.mi.	20	870
Electric Power per Capita (*KWH per Year*)	2	4,500

Calendar Years

	Unit	1956	1957	1958	1959 Est.
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	97	99	100	102
Per Capita GNP	Dollars	49	50	50	50
PRODUCTION					
Rice, rough a/	1,000 MT	n.a.	500	520	520
Tin (metal content)	"	0.3	0.3	0.3	0.4
Electric power	Mill. KWH	2.59	3.39	3.50	3.50
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	1.3	1.1	1.3	1
Tin ore	"	0.4	0.5	0.4 Est.	0.3
Coffee	"	0.2	0.1	0.1 Est.	0.1
Total Imports (c.i.f)	"	35.3	41.7	26.2	13
Trade Balance	"	-34.0	-40.6	-24.9	-12
Trade with United States (*U.S. Data*) b/					
Exports to U. S. (f.o.b)	$ Millions	Small	Small	Small	Small
Imports from U. S. (f.o.b)	"	3	6	2	2
Trade Balance	"	-3	-6	-2	-2
GOLD & FOREIGN EXCHANGE HOLDINGS c/ (*end of year*)	"	45.0	37.2	25.6	25.7 (Nov)
COST OF LIVING INDEX (Vientiane)	*1953=100*	141	174	187	200 (June)

- Million Dollar Equivalents -

CENTRAL GOVERNMENT FINANCES* FY ending June 30	1958	1959	1960 (Budget)
Domestic Revenues	9.5	8.9	9.4
Total Expenditures	29.6	34.8	44.3
Deficit(-) or Surplus Before All Foreign Aid	-20.1	-25.9	-34.9
Budget Receipts from Non-U.S. Foreign Aid	1.7	4.7	6.3
Budget Receipts from U.S. Aid & PL 480	16.8	21.1	28.6
Remaining Deficit(-) or Surplus(+)	-1.6	-0.1	-
DEFENSE EXPENDITURES - TOTAL	14.2	13.2	18.0
U.S.-Financed (excl. M.A.P. end-items)	(13.3)	(11.2)	(16.0)
Defense Expend. as % of Total Gov't Expend.	48.0%	37.9%	40.6%
Defense Expenditures as % of GNP	14.3%	13.1%	17.5%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	15.4	21.6	26.3
U.S.-Financed	(3.5)	(9.9)	(12.6)

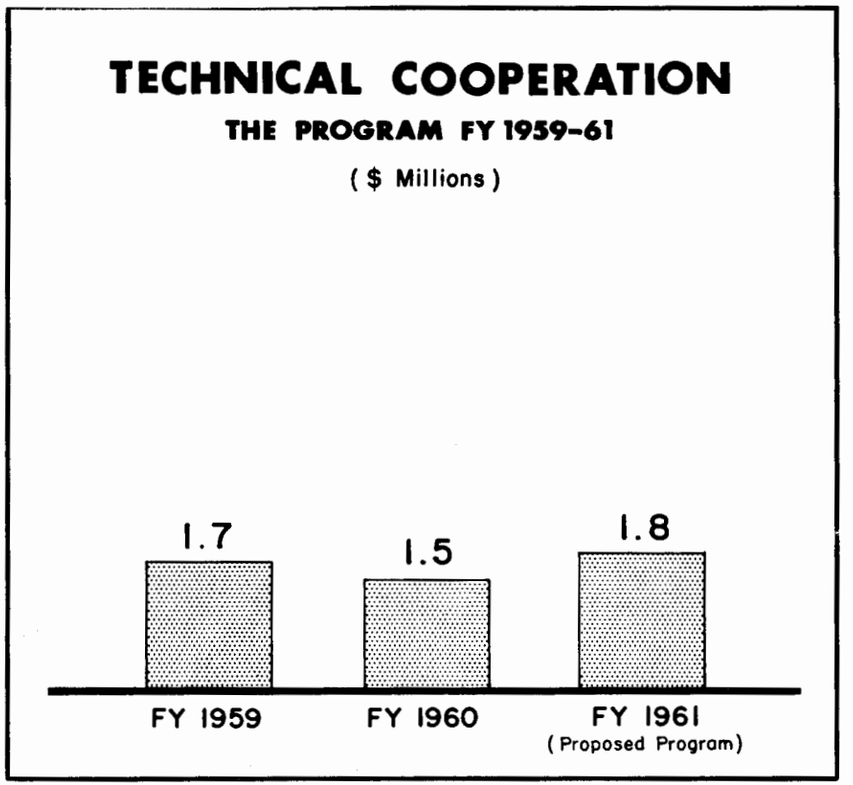
n.a. - Not available. **/ Converted at 80 kip per U.S.$. a/ Crop year beginning in year stated. b/ Laotian customs data for 1956 and 1957. c/ Central Bank.*

The primary U.S. objective is to help Laos maintain its independence. The U.S. also is encouraging Laos to strengthen its ties with the Free World and is helping it achieve political unity, financial stability, and economic progress.

With a common frontier of some 600 miles with Communist China and North Vietnam, Laos serves as an important buffer to Communist encroachment in Southeast Asia. Were it to fall under Communist domination, the neighboring countries of Cambodia, Vietnam and Thailand would immediately become far more vulnerable to Communist penetration.

The difficulties of buttressing Laos against communism are considerable. In addition to its rugged terrain and geographic isolation, Laos is lacking for the most part in known material resources, transportation and communications facilities, institutional development, and skilled manpower. Of particular importance is the scarcity of experienced and competent leadership at all levels.

The Lao Government began to make notable political and economic progress early in 1959, as a result of courageous anti-Communist and reform measures made possible by U.S. aid. Without this assistance Laos could not have maintained its army and police force or taken action to counter the Communist-inspired insurrection in the summer of 1959. U.S. assistance also has enabled the Lao Government to undertake a program to provide the economic and social improvements needed to counteract Communist propaganda.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	1,698	1,391	
Cumulative 6/30/59	5,572	3,857	1,715
Estimate FY 1960	1,500	1,650	
Cumulative 6/30/60	7,072	5,507	1,565
Estimate FY 1961	1,800	1,800	

66
13,472

Country: LAOS

ECONOMIC SITUATION

Current Economic Situation and Problems

Laos' extensive frontier with Communist China and North Vietnam makes it extremely vulnerable to subversion and aggression. To preserve its independence and to resist continuing subversion, Laos must maintain an army, a home guard and police forces, and must improve government administration and services to the people. Lao national resources, however, are inadequate to meet these needs.

Lao annual foreign exchange earnings are sufficient to pay for less than 10% of the foreign goods and services which must be imported. Government revenues total only 20% to 25% of the requirements of the military and civilian budget, and of a few essential development projects. As a result, external aid has been required to maintain internal security and financial stability, and to provide a minimum for future economic improvement.

The problems which must be met in helping the Lao keep their country from falling under Communist control are compounded by the fact that Laos is the most underdeveloped country of Southeast Asia and is not yet an integrated national community. Only about half the population is Lao; the remainder is made up of over 50 different ethnic groups. About 90% of this heterogeneous population lives in approximately 10,000 isolated, largely self-sufficient villages. Rice, the staple crop, is grown by methods unchanged for centuries. Of the few known resources, including rich forests, only tin has been economically exploited. The use of money is largely restricted to urban centers, and such trade as takes place in the rest of the country is carried on principally by barter. Few savings are possible in an economy of this nature, and hence investment and economic progress are at a bare minimum.

Roads and other means of communication either do not exist or require extensive rehabilitation. Under these conditions, public health, education and other basic government services have reached rural areas to a very limited extent. Not more than 15% of the population is literate. The average life span is about 30 years, and virtually the entire population has been weakened by low dietary standards and widespread incidence of debilitating illness. New ideas and improved techniques rarely reach the vast majority of these primitive agricultural people. The extreme lack of trained manpower and institutional development in all fields is a fundamental handicap to economic growth.

Progress to Date

After more than a year of carefully guided operation, monetary reform has proved to be an effective means of creating the orderly financial environment prerequisite to economic stability and to an effective military effort. The major provisions of the reform, which became effective in October 1958, were to make the kip freely convertible at the rate of 80 to one U.S. dollar and to abolish unworkable exchange controls. Although prices rose somewhat in anticipation of the reform, inflation has been controlled since its enactment; and currency speculation, so prevalent in the pre-reform period, has disappeared. Lao foreign exchange reserves have remained reasonably constant, confidence in the kip has been established, and the currency has maintained its value.

Internal political changes in recent months have taken place without violence and within the constitutional framework. Moreover, the Lao Government, which has consistently rejected the approaches of Communist countries, is becoming more closely identified with the Free World.

The Lao Government also has become increasingly aware of its economic and public service responsibilities. Efforts are being made to increase revenues, government expenditures are being held to a minimum, and deficit financing is being avoided. The government now also realizes that its survival will depend to a great extent on the measure of acceptance it can obtain by helping the Lao people and the tribal minorities, who have been special targets for Communist infiltration and propaganda.

Despite the gains made during the past year, the situation in Laos remains precarious.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	31.5	25.4	33.9
DLF - Loan Approvals			1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations			2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	31.5	25.4	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	1,698	1,500	1,800

ECONOMIC SITUATION (Continued)

Assistance from Non-ICA Sources

The most important source of external aid other than the U.S. is France which, since 1955, has contributed $4 to $5 million to Laos annually. Almost half of this aid is used to support the French military training mission. The remainder is directed to economic and cultural activities, primarily in the fields of education, transportation, public health and mining.

Laos has also received technical assistance under the United Nations and the Colombo Plan, although programs to date have been quite small. However, the U.N. is taking greater interest in Laos, thus encouraging other Free World nations to participate more fully in the development of Laos.

TECHNICAL COOPERATION

Role of TC Program

The absence of national unity, the generally low level of education, the lack of technical and administrative skills, and the virtual non-existence of governmental and professional institutions magnify the importance of the TC Program in Loas. By helping the Lao Government strengthen the educational system and by accelerating the improvement of government administration and public services, the TC Program provides a stimulus to economic development and helps to create a greater sense of national cohesion and purpose.

Objectives - Technical Cooperation

(a) To increase agricultural and mineral production by furnishing surveys, technical advice and training directed toward fuller use of known Lao physical resources, and identification and development of new resources.

(b) To assist in raising the levels of basic education, health, and technical knowledge of the Lao people by furnishing professional guidance, demonstration commodities, and training for improvement of national public health and education services.

(c) To promote improved governmental administrative practices, with particular emphasis on customs, taxation and budget formulation, by providing expert advice to the Lao Government.

Accomplishments - Technical Cooperation

With TC assistance, the administrative capacities of the Lao Government have been improved over the past few years. New vocational centers have been established to train workers and technicians needed by the economy. Agricultural demonstration and experiment stations have expanded their services and are providing Lao farmers with the information and technical advice they require to increase production. Improved varieties of poultry and swine were also made available for breeding purposes.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	866	1,090	1,180
Participants	187	160	195
Contractual Services	412	135	170
Supplies and Equipment	232	80	195
Contrib. to Coop. Services			
Other Costs	1	35	60
Total Project Assistance	1,698	1,500	1,800
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	58	54	66
Contract	15	11	15
Total Technicians	73	65	81
Participants (Programmed during year)			
Non-Contract	215	101	119
Contract			
Total Participants	215	101	119
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	270	180	230
Industry and Mining	215	80	280
Transportation			
Labor			
Health and Sanitation	61	75	155
Education	280	250	195
Public Administration	203	310	325
Community Development, Social Welfare and Housing	105	130	140
General and Miscellaneous	564	475	475
Total by Field of Activity	1,698	1,500	1,800

Two educational centers were inaugurated in 1959. ICA technicians played an important part in planning these centers and in training their administrative and instructional staffs. The new National Teacher Training Center is now providing instruction for the elementary school teachers needed to reduce illiteracy, awaken national consciousness, and provide an educational basis for the improvement of technical skills. A nurses aide training school has been established to provide the specialized training required to support nation-wide efforts to reduce debilitating illness.

As a result of ICA technical guidance, governmental administrative practices have been considerably improved and the level of efficiency of government operations raised. More orderly procedures have been adopted by the foreign exchange, credit policy, accounting, and personnel sections of the Lao National Bank and more effective purchasing procedures have been put into effect by the Government Purchasing Office. Preliminary plans for the first national census have been completed. When compiled, this census will provide up-to-date statistics, the absence of which now severely handicaps all government operations.

Over 100 self-help village projects were undertaken in 1959, including the development of access roads, trails, dispensaries, and small irrigation facilities. These activities have contributed to improved living standards and have served to bring about better utilization of local resources.

Composition of FY 1961 Technical Cooperation Program - $1,800,000

The $1.8 million proposed for Technical Cooperation in FY 1961 is required to continue activities which have proven successful in prior years and to permit a moderate expansion of U.S. technical staff for supervision of certain projects. These funds will provide the necessary financing for technical advisory services, and for training and demonstrations to support and complement Defense Support Program activities. The specific purposes for which the funds will be used are:

(a) $510,000 (28%) to increase agricultural and mineral production by stimulating crop, livestock and poultry, and forestry development and by expanding the scope of the aero-geological survey initiated in FY 1960.

(b) $470,000 (26%) to help improve Lao Government administrative procedures and practices by providing technical guidance in various fields of public finance (especially budget analysis, taxation, accounting, banking and statistics), civil police

administration, and the administration of national and provincial community development and farmers' cooperatives programs.

(c) $350,000 (20%) to raise the levels of national education and health by increasing the supply of elementary teachers, particularly for rural areas, and by training nurses' aides and sanitarians.

The remaining funds will cover the costs of U.S. and third-country personnel (e.g., Thai, Filipinos), local rentals, general supplies, equipment and transportation services, and other program costs which cannot be readily attributed to individual projects.

The detailed project composition appears in Table E-IV.

Country: LAOS

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
		DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
Agriculture, Forestry and Fisheries		230	120	45		65				
Agricultural Extension	C	75	40	25		10				
Livestock and Poultry Development	C	50	20	10		20				
Crop Development	C	60	40			20				
Forest Resources Development	C	45	20	10		15				
Industry and Mining		280	60	15	150	35	20			
Mining and Minerals Survey	C	210	20	10	130	30	20			
Industry Development	C	70	40	5	20	5				
Health and Sanitation		155	40	35	20	60				
Community Health	C	20	20							
Training of Health Workers	C	135	20	35	20	60				
Education		195	110	60		25				
Teacher Training	C	110	60	50						
General Education Development	C	50	30			20				
National Rural Training Center	C	35	20	10		5				
Public Administration		325	275	40		10				
Civilian Police Administration	C	195	155	40						
Improvement of Budget and Fiscal Management	C	40	40							
Improvement of Central Banking Operations	C	20	20							
Expansion of Customs Service	C	20	20							
Improvement of Government Purchasing Office Operations	C	20	20							
Statistical Services and Census Techniques	C	30	20			10				

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Country: LAOS

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
Community Development, Social Welfare and Housing		140	140							
Rural Development	C	140	140							
General and Miscellaneous		475	435				40			
Cooperatives Survey	C	5	5							
Technical Support	C	470	430				40			
Total Technical Cooperation		1,800	1,180	195	170	195	60			

PHILIPPINES - GENERAL ECONOMIC DATA

BASIC DATA

Population	24 million
Annual Growth	3.0 percent
Area	116,000 sq. mi.
Agricultural Land	28% of area
Agri. Land per Capita	0.8 acres
Literacy Rate	65 percent

	Philippines	U. S.
Life Expectancy (*Years*)	35	70
Inhabitants per Physician	9,400	760
Road Miles per 1,000 sq.mi.	165	870
Electric Power per Capita (*KWH per Year*)	80	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	4,990	5,170	5,230	5,330
Per Capita GNP	Dollars	220	222	218	215
PRODUCTION					
Agricul. Prod. Index a/	1952-54=100	121	123	129	126
Per Capita Index a/	"	112	111	113	107
Manufacturing Index	1953=100	147	158	170	187 b/
Mining Index	"	113	126	125	140 b/
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	453	432	494	505
Coconut products	"	176	173	181	190
Sugar	"	101	83	116	120
Total Imports (f.o.b.)	"	506	614	562	500
Trade Balance	"	-53	-182	-68	+5
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	257	262	274	320
Imports from U. S. (f.o.b)	"	332	369	292	275
Trade Balance	"	-75	-107	-18	+45
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	225	140	146	161
COST OF LIVING INDEX (Manila)	*1953=100*	100	102	105	104

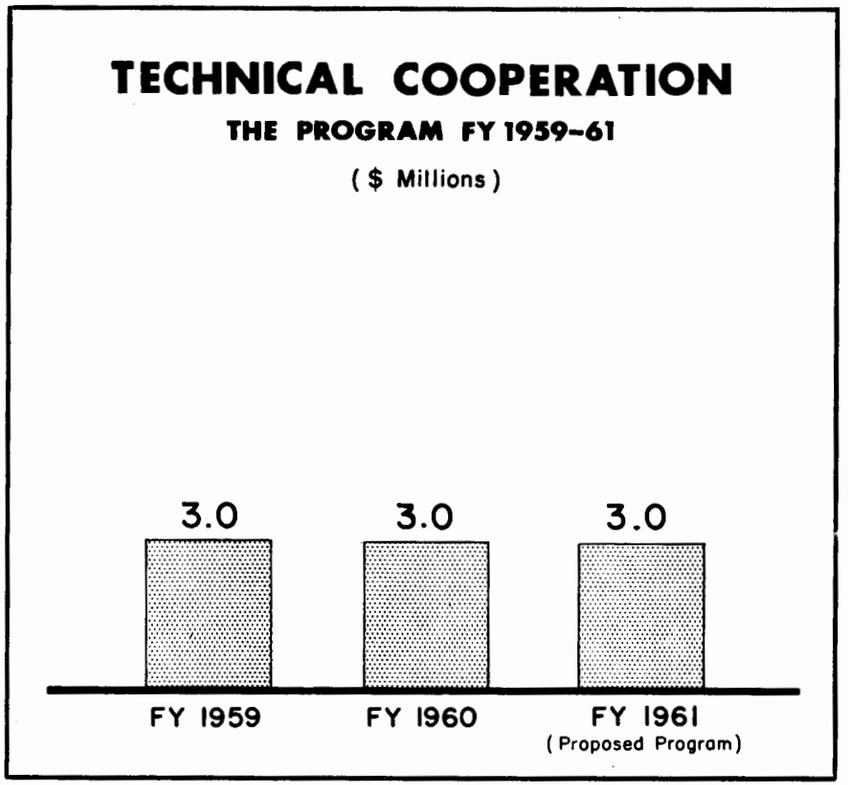
CENTRAL GOVERNMENT FINANCES* FY ending June 30	1957	1958	1959(Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	489	509	492
Total Expenditures	589	618	583
Deficit(-) or Surplus Before All Foreign Aid	-100	-109	-91
Budget Receipts from Non-U.S. Foreign Aid	8	19	26
Budget Receipts from U.S. Aid & PL 480	19	33	18
Remaining Deficit(-) or Surplus(+)	-73	-57	-47
DEFENSE EXPENDITURES - TOTAL	71	90	85
U.S.-Financed (excl. M.A.P. end-items)	(3)	(12)	(6)
Defense Expend. as % of Total Gov't Expend.	12.1%	14.6%	14.5%
Defense Expenditures as % of GNP	1.5%	1.8%	1.6%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	518	528	498
U.S.-Financed	(16)	(21)	(12)

n.a. - Not available. */ Converted at 2 pesos per 1 U.S. $. a/ Crop year beginning in year stated. b/ January-June average.

U.S.-operated bases in the Philippines form an essential part of the Western Pacific security system. The Mutual Security Program helps to develop Philippine military forces capable of assuring internal security while contributing to the defense of the Philippines itself and the Pacific area. Negotiations regarding amendment of the 1947 Bases Agreement are under way and some progress has been made. However, serious differences over criminal jurisdiction remain to be resolved.

During its 13 years of independence the Philippines has maintained its historically close alliance with the U.S. It is firmly opposed to communism, and has avoided diplomatic and commercial relations with Communist countries. It has taken a leading role in the United Nations and is an active member of SEATO. Philippine units participated in the Korean war and the Philippines has supported the U.S. determination to defend Taiwan and the Pescadores.

The previously vigorous rate of economic growth slackened in 1958 and 1959 and is now below the rate of population growth. Although foreign exchange reserves have increased during the past year, accelerated economic development, which is necessary for internal economic and political stability as well as for an improved Philippine military posture, will depend upon continued assistance from the United States.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	2,995	4,488	
Cumulative 6/30/59	33,075	28,712	4,363
Estimate FY 1960	3,000	4,000	
Cumulative 6/30/60	36,075	32,712	3,363
Estimate FY 1961	3,000	3,200	

Country: PHILIPPINES

ECONOMIC SITUATION

Current Economic Situation and Problems

The Philippine economy showed some improvement in 1959 but, in the aggregate, progress was more limited than during the period prior to 1957. Production of rice, the basic crop, rose above the level achieved in 1958-59 and was adequate to meet domestic consumption requirements. For the first time since the war the country had a trade surplus, due largely to the restriction of imports; and gold and foreign exchange reserves increased. Inflationary pressures, which normally might arise from curtailment of imports, were contained by a series of credit, tax and budgetary measures, including the imposition of a 25% surcharge or "margin" on most Central Bank sales of foreign exchange. Price and cost-of-living indices averaged little, if any, more than in 1958.

On the other hand, the increase in the gross national product in 1959, as in 1958, was not sufficient to prevent a slight decline in per capita GNP. Unless ways and means can be found to stimulate a rate of growth in excess of the rate of population increase, serious political and economic difficulties may ensue.

The Philippine economy is confronted by several fundamental problems. At the official rate of exchange, the peso is seriously over-valued. A minimum level of foreign exchange reserves is maintained only by reliance upon a complicated system of import, export and exchange controls. A further source of difficulty and an obstacle to economic development is the so-called "Filipino First" policy, which is reflected in the administration of government regulations and controls. Certain official statements with respect to this policy have been disturbing to American and other foreign business enterprises in the Philippines and have served to discourage private foreign investment.

Even if the Philippines were to obtain considerably more external assistance in the form of grants, loans, and private foreign investment than appears probable, effective ways must be found to increase domestic capital formation if annual gross investment is to be increased to the level now required for sustained economic growth.

Progress to Date

Despite economic difficulties which have become somewhat more serious during the years 1957-59, the Philippines has made remarkably good progress during the post-war period as a whole. Extensive war damage has been repaired, and Manila and other badly wrecked cities have been largely rebuilt. By 1959, per capita GNP in real terms was about 30% higher than before the war. Total agricultural production in 1959 is estimated to have been about 75%, and per capita production about 10%, higher than pre-war. Since 1949, when the Philippines adopted policies to stimulate industrial growth, manufacturing output has increased at an average rate of more than 10% a year. The general price level, although high relative to pre-war, has increased relatively little since 1959.

Assistance from Non-ICA Sources

Under an agreement signed in 1956, Japan is committed to reparations payments to the Philippines totaling the equivalent of $550 million. These payments are to be made over a 20-year period at the rate of $25 to $30 million a year. In 1959, Japan signed agreements to loan an additional $48 million for telecommunications improvement and for a multi-purpose hydroelectric project. The IBRD has made one loan to the Philippines for a power dam, and is now reviewing loan applications for other hydroelectric projects. The U.N. and Colombo Plan programs provide annually about $700,000 of assistance covering commodities and the services of about 30 specialists in numerous fields of activity, principally public health and agriculture.

U.S. assistance, other than from ICA, is provided under P.L. 480 and by the DLF and the Ex-Im Bank. To date, P.L. 480, Title I assistance has totaled $14.4 million; these surplus agricultural commodities were supplied under sales agreements signed in FY 1957 and FY 1958. In 1959, the DLF approved $50 million for loans to the Philippines; at the end of 1959 loan agreements totaling $38.1 million had been concluded. In 1958, the Ex-Im Bank authorized a $75 million line of credit to the Philippines. By the end of 1959, $53 million of this credit remained unallotted.

During 1959, the Philippines received $23.9 million from the U.S. in settlement of its claim based on the U.S. gold revaluations of 1934. An additional $73 million was requested in the President's Budget Message of January 1960 for final settlement of Philippine war damage claims.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	19.5	18.0	18.0
DLF - Loan Approvals		50.0	1/
P.L. 480, Title I - Country Use	1.0		
(Total Sales)	(4.1)		
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	8.3	7.5	3.1 2/
EX-IM Bank - Long-term Loans Approved		73.4 3/	2/
TOTAL	28.8	148.9	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

3/ Does not include $1.6 million assumed by private banks.

Country: PHILIPPINES

TECHNICAL COOPERATION

Role of TC Program

As a result of the long, close ties between the U.S. and the Philippines, that country has obtained considerable technical "know-how" and is much better prepared than most underdeveloped countries of the Far East to continue to make economic and social progress. Nevertheless, the Philippines still has need for U.S. technical guidance and training.

The Technical Cooperation Program demonstrates the willingness and desire of the U.S. to continue to help the Philippines acquire the additional technical knowledge which it requires to make increasingly effective use of its resources. The TC program also serves to create and cement close relationships, not only with present Philippine leaders in business, government and the professions, but also with younger professionals who may be expected to assume positions of increasing responsibility in Philippine private and public life.

Objectives - Technical Cooperation

(a) To help the Philippines achieve rising standards of living, by providing the managerial and technical advisory services and training required for development of the skills and institutions essential to social and economic progress.

(b) To help strengthen the effectiveness of Philippine Government administration and public services, by introducing modern administrative methods and procedures and by encouraging progressive policies and legislative action which promote improved organization and operations.

Accomplishments - Technical Cooperation

The relatively rapid increase in Philippine industrial production in recent years is attributable in part to the ICA-sponsored Industrial Development Center (IDC), which has helped private industry expand production and increase productivity. ICA has provided experts in industrial management and specialists in logging, veneer and plywood, and textile manufacturing. Hundreds of Filipino businessmen and technicians have received specialized training in the United States or have participated in training programs sponsored by the IDC.

The Philippine Government also has given the Center the responsibility for reviewing industrial loan applications for expansion of existing or establishment of new enterprises, and for screening requests for foreign exchange needed to pay for imports of industrial machinery and equipment. In this manner, limited foreign exchange and local resources have been conserved and more balanced industrial expansion has been achieved.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	2,995	3,000	3,000

In view of its rapidly growing population, increased agricultural productivity is of vital importance to the Philippines. Inadequate farm production and low productivity have been attacked in a variety of ways. Through an ICA-financed contract between Cornell University and the College of Agriculture of the University and the College of Agriculture of the University of the Philippines, the curriculum and teaching methods have been improved and this important institution has been strengthened in other ways. Under another project, scheduled to continue through FY 1964, assistance has been provided to the Philippines Agricultural Extension Service, enabling it to increase its staff and to conduct thousands of field demonstrations. Other TC projects have helped to improve government services responsible for water resource planning and development, soil conservation, and crop development and diversification. With the help of American advisors, cooperative marketing and agricultural credit facilities have been established and expanded.

ICA assistance also has helped to increase the efficiency with which the Philippines utilizes its extensive mineral and other natural resources. Surveys of the country's mineral resources have located deposits of metallic minerals such as chromite, iron and laterite, and of non-metallic minerals such as limestone, feldspar, and ceramic clays. The administration of the Philippine Bureau of Mines has been improved.

Forests are one of the Philippines great natural resources. Logs, timber, plywood and veneer are now the third most important Philippine export. Projects in forestry have demonstrated how the Philippines could use its forest resources in a rational and scientific manner in keeping with sound conservation practices. The Philippine Bureau of Forestry has been strengthened, and the College of Forestry has been expanded and improved with the assistance of a team of specialists from the New York State College of Forestry.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	1,429	1,386	1,346
Participants	932	1,325	1,092
Contractual Services	495	125	250
Supplies and Equipment	129	164	312
Contrib. to Coop. Services			
Other Costs	10		
Total Project Assistance	2,995	3,000	3,000
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	81	77	75
Contract	35	37	18
Total Technicians	116	114	93
Participants (Programmed during year)			
Non-Contract	256	343	303
Contract	2		
Total Participants	258	343	303
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	751	571	600
Industry and Mining	522	571	635
Transportation	195	169	110
Labor	96	112	70
Health and Sanitation	244	219	225
Education	549	628	585
Public Administration	272	314	345
Community Development, Social Welfare and Housing	122	124	155
General and Miscellaneous	244	292	275
Total by Field of Activity	2,995	3,000	3,000

Support has been given to Philippine efforts to restore and develop port facilities, to improve civil aviation, and to extend and improve the highway system. American experts and specialists, notably engineers from the Bureau of Public Roads, have helped to improve significantly the administration of highway construction and maintenance programs. Assisted by American advisors, the Philippines has developed plans for future improvement of its highways and other transportation facilities.

The notable progress which the Philippines has made in recent years in the field of public health is attributable in substantial part to ICA aid. The incidence of malaria has been greatly reduced. Decentralization of the Philippine public health service is helping to extend the benefits of preventive medicine to the provincial towns and rural areas. ICA assistance to the Philippine Government's well drilling program has been instrumental in increasing the rate at which new wells and springs are being developed, and adequate supplies of potable water should be available to practically the entire population by 1962.

Continuing efforts are being made with ICA help to improve the techniques and practices of public administration, to develop local government, and to raise the quality of governmental personnel. Philippine Government wage and position classification procedures have been improved; the organization of government departments has been strengthened; budgetary practices have been modernized; government purchasing procedures and organization have been streamlined; and governmental statistical services, including the Census Bureau, have been strengthened. Technical advice and instruction are also provided to the Philippine National Bureau of Investigation and to municipal police forces on the maintenance of internal security.

With the help of American advisors, Philippine education, from the elementary grades through graduate levels of instruction, has been oriented toward the most pressing economic and social needs of the country. The vocational school system has been greatly improved and strengthened as a result of a contract with Stanford University. The 34 specialized trade and agriculture schools have been modernized and are now deemed capable not only of providing training for various agricultural and industrial positions, but also of keeping the entire public school system adequately staffed with teachers of these subjects.

Composition of FY 1961 Technical Cooperation Program - $3,000,000

A total of $3 million is required for FY 1961 to continue the Technical Cooperation Program. It will provide financial support

for 39 projects - 6 new and 33 continuing - in agriculture, industry, and other fields of activity. The funds requested will be used for technical advisory services, specialized training of Philippine technicians, and limited quantities of demonstration and training equipment and supplies.

The total $3 million requested is now programmed as follows:

(a) $635,000 to help develop and expand Philippine industry and mining through assistance in connection with surveys of mineral resources, improvement of instruction and training in geology and mining, applied scientific research, and support of the Industrial Development Center - the focal point of the country's efforts to stimulate private enterprise and investment in the industrial sector of the economy.

(b) $600,000 for continued expansion and diversification of agriculture through projects relating to water resource planning and development, soil conservation, crop diversification, agricultural credit, forest management, land tenure problems, and the development of an effective nation-wide extension service.

(c) $585,000 for improving public elementary and secondary education; vocational education; the quality and distribution of textbooks; and the academic and administrative policies and procedures of the University of the Philippines.

(d) $345,000 to strengthen public administration, internal security, and the management of Philippine monetary and fiscal affairs, by providing assistance to the National Bureau of Investigation, the Census Bureau, the General Accounting Office, the Budget Commission and the Civil Service Commission.

(e) $225,000 for public health programs to reduce the incidence of communicable diseases and to control epidemics through improved water supplies and environmental sanitation.

(f) $155,000 for community development activities to encourage people in the rural areas to take a more active role in community improvement and to accept a greater measure of civil responsibility.

The remaining funds will be used in part to provide training in highway equipment maintenance, improvement of labor-management relations, and peaceful uses of atomic energy; and in part to cover the costs of supervisory program personnel, supplies and equipment, and other program costs which cannot be attributed to individual projects.

The detailed project composition appears in Table E-IV.

Country: PHILIPPINES

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
		DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
Agriculture, Forestry and Fisheries		600	198	249	80	73				
Agricultural Extension	C	90	36	42		12				
Water Resources Planning and Development	C	55	20	24		11				
Soil Conservation	C	40	16	17		7				
Land Tenure and Development	C	45	17	20		8				
Irrigation Services	C	65	41	24						
Crop Development and Diversification	C	40	15	18		7				
Agricultural Economics	C	45	17	20		8				
Agricultural Credit and Cooperatives	C	30	18	12						
Forestry Management Improvement	C	65	18	37		10				
College of Forestry	C	125		35	80	10				
Industry and Mining		635	231	214	170	20				
Non-Metallic Minerals Survey	C	30	17	13						
Strategic Minerals Survey	C	55	36	19						
Bureau of Mines Administration Improvement	C	45	26	19						
Geology Curriculum Improvement	N	50	39	6		5				
Industrial Development Center	C	415	98	142	170	5				
Industrial Research	C	40	15	15		10				
Transportation		110	89	21						
Highway and Equipment Maintenance	N	110	89	21						
Labor		70	28	38		4				
Labor Education Center	C	5		3		2				
Labor Productivity	C	25	12	13						
Manpower Development and Utilization	C	40	16	22		2				

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Country: PHILIPPINES

TECHNICAL COOPERATION

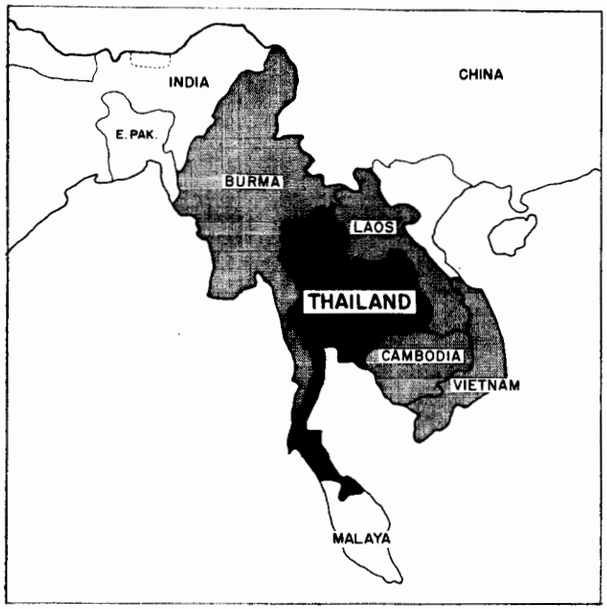
TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
Health and Sanitation		225	83	121		21				
Filaria Control	C	10		10						
Disease Intelligence Center	N	40	14	25		1				
Water Supply (Wells and Springs)	C	35	18	11		6				
Environmental Sanitation	C	30	17	11		2				
Health Training	C	65	17	37		11				
Medical Education Improvement	N	45	17	27		1				
Education		585	260	255		70				
Vocational Education	C	150	80	55		15				
University of Philippines	C	210	90	100		20				
General Education	C	205	70	100		35				
Textbook Production	C	20	20							
Public Administration		345	204	107		34				
Police Improvement	C	85	35	40		10				
Local Government Improvement	N	40	19	16		5				
National Auditing Improvement	C	35	19	11		5				
General Services Improvement	N	45	23	13		9				
Census Techniques	C	60	53	7						
Public Administration Improvement	C	80	55	20		5				
Community Development, Social Welfare and Housing		155	68	57		30				
Community Development	C	155	68	57		30				
General and Miscellaneous		275	185	30		60				
Atomic Energy Training	C	40		30		10				
Technical Support	C	235	185			50				
Total Technical Cooperation		3,000	1,346	1,092	250	312				

THAILAND - GENERAL ECONOMIC DATA



BASIC DATA

Population	22 million
Annual Growth	2.0 percent
Area	198,000 sq. mi.
Agricultural Land	15% of area
Agri. Land per Capita	0.9 acres
Literacy Rate	60 percent

	Thailand	U. S.
Life Expectancy (*Years*)	40	70
Inhabitants per Physician	7,400	760
Road Miles per 1,000 sq.mi.	30	870
Electric Power per Capita (*KWH per Year*)	14	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	2,230	2,170	2,190	2,300
Per Capita GNP	Dollars	108	103	102	105
PRODUCTION					
Agricul. Prod. Index a/	1952-54=100	124	96	113	119
Per Capita Index a/	"	117	89	103	106
Rice, rough a/	1,000 MT	8,300	5,740	7,120	7,500
Tin ore (metal content)	"	13	14	8	9
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	361	392	307	340
Rice	"	139	176	143	120
Rubber	"	74	68	64	105
Total Imports (c.i.f)	"	358	404	386	390
Trade Balance	"	3	-12	-79	-50
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	97	86	57	92
Imports from U. S. (f.o.b)	"	53	68	52	63
Trade Balance	"	44	18	5	29
GOLD & FOREIGN EXCHANGE HOLDINGS b/ (*end of year*)	"	305	316	316	318 (Sept)
COST OF LIVING INDEX (Bangkok)	*1953=100*	111	118	124	121

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1957	1958	1959 (Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	251	267	283
Total Expenditures	313	310	353
Deficit(-) or Surplus Before All Foreign Aid	-62	-43	-70
Budget Receipts from Non-U.S. Foreign Aid	7	4	10
Budget Receipts from U.S. Aid & PL 480	15	14	33
Remaining Deficit(-) or Surplus(+)	-40	-25	-27
DEFENSE EXPENDITURES - TOTAL	84	86	85
U.S.-Financed (excl. M.A.P. end-items)	(4)	(7)	(8)
Defense Expend. as % of Total Gov't Expend.	26.8%	27.7%	24.1%
Defense Expenditures as % of GNP	4.1%	3.9%	3.8%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	229	224	268
U.S.-Financed	(11)	(7)	(25)

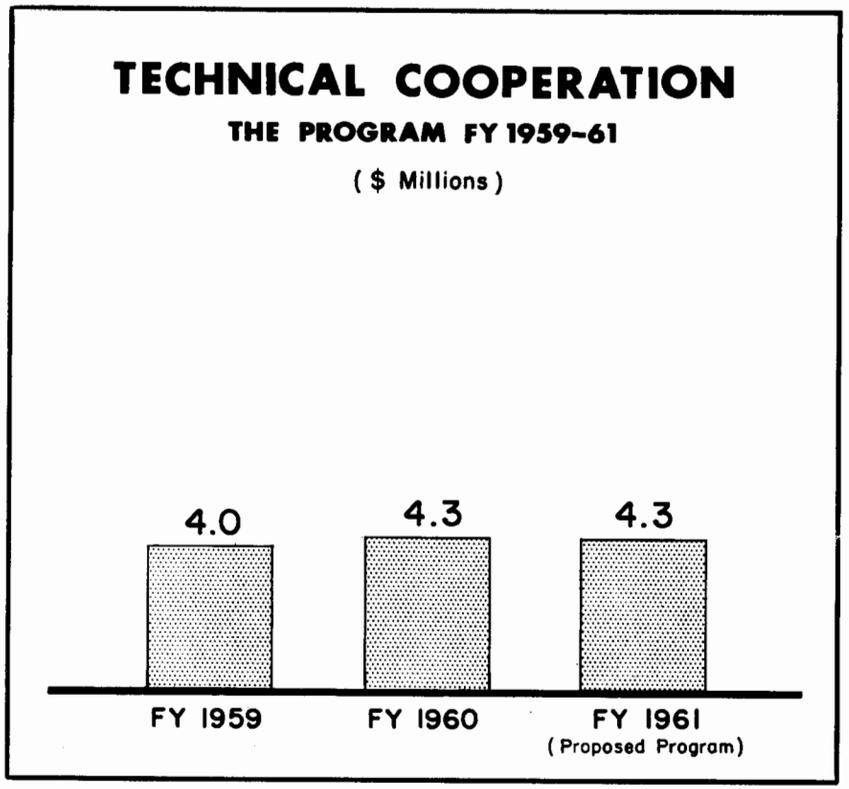
n.a. - Not available. */ Converted at 21 baht per U.S.$.

a/ Crop year beginning in year stated. b/ Central Bank and the Exchange Fund.

The U.S. objective is the maintenance of an independent, stable Thailand, able and willing to continue effective collaboration in the defense and progress of the Free World. Thailand is the Asian cornerstone of SEATO and the Thai Government's firm support of SEATO is illustrative of its consistent alignment in all matters with the Free World. During the recent crisis in Laos, Thai leaders expressed publicly their support of Laos and their willingness to go to its aid if necessary.

The Thai Government has been a staunch supporter of the U.S. in international councils. It has also helped to promote regional economic and technical development. U.S. aid to Thailand demonstrates the continued interest of the U.S. in the welfare and economic progress of its people and enables the Thai Government to resist Communist pressures and to continue its contribution to the defense of Free Asia.

Thailand continues to devote a considerable portion of its budgetary revenues to strengthening its armed forces, whose over-all capabilities have been enhanced by U.S. military training and equipment. The heightened Communist threat in Laos and the generally aggressive policy of Communist China throughout the area underscore the need for continued improvement in Thailand's defense posture. In spite of large military expenditures Thailand has succeeded in maintaining financial stability, due in part to U.S. economic assistance and loan financing of development projects by the IBRD, Export-Import Bank and the DLF.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	4,000	5,261	
Cumulative 6/30/59	27,181	20,473	6,708
Estimate FY 1960	4,300	4,750	
Cumulative 6/30/60	31,481	25,223	6,258
Estimate FY 1961	4,300	4,500	

Country: THAILAND

ECONOMIC SITUATION

Current Economic Situation and Problems

Thailand's resources of arable land, water, forests and minerals have been ample thus far to meet the requirements of its population of 22 million. Not only do the Thai grow enough food for themselves but they are a leading exporter of rice, principally to other Asian countries. On the other hand, an enervating climate, a generally poor diet, and various debilitating diseases reduce average life expectancy to about 40 years and restrict per capita production. Inadequate highways, railways and power facilities, and shortages of skilled manpower and capital are serious obstacles to efficient utilization of national resources.

Unlike the situation in neighboring countries, the Thai economy has been relatively stable in recent years. The Thai unit of currency, the baht, has maintained its value in the international money market. Internal price levels have not increased by more than 5% annually from 1954 through 1959. Per capita GNP, in real terms, has remained virtually unchanged at a level equivalent to about $105. While progress has been made in some sectors of the economy in recent years, the failure of per capita GNP to increase is indicative of deficiencies which must be overcome if the Thai economy is to expand at a rate in excess of population growth.

Large, recurrent deficits in the government budget are one manifestation of weakness in the Thai economy. To a large extent, these deficits are symptomatic of the strain imposed on Thai resources by maintenance of a high level of defense expenditures, which in 1959 amounted to $85 million or 24% of the total budget, and the increasing outlays required for expansion of public services and development of basic facilities. In an effort to meet these deficits, the Thai Government has raised internal taxes and in 1959 increased total revenues by about 6%, primarily by raising customs duties 10%.

Another weakness is apparent in Thailand's growing dependence on imports of manufactured goods and its continued heavy reliance on the production of a few commodities for export earnings. With rice, rubber and tin accounting for more than 70% of export income, the Thai economy is highly vulnerable to changes in output and world prices of these products. For example, the poor 1957-58 rice crop, weakness in world prices for rubber and tin, and rising imports resulted in a substantially larger deficit in the Thai balance of trade in 1958 than in 1957. Despite a 65% increase in rubber exports, Thailand's trade deficit was only moderately reduced in 1959, largely because of a further decline in rice export earnings.

The solution to this problem lies in increased diversification of agricultural production and more rapid development of industry so that a larger proportion of Thailand's import needs can be met from domestic production. The Thai Government's awareness of the need to remedy the existing imbalance in the country's economy is becoming increasingly evident in actions taken to encourage domestic and foreign private investment. By curtailing government-owned industrial activities, by supporting the establishment of an industrial bank to assist small and medium-size private enterprises, and by taking measures to improve its regulatory practices, the Thai Government is beginning to provide the additional incentives to private enterprise which will stimulate investment and growth.

Progress to Date

Although Thailand's over-all economic growth in recent years has been adequate merely to compensate for population increase, the basic structure of the economy has been strengthened. Progress has been made in restoring railroad operating efficiency, in planning and constructing a more adequate highway system, and in increasing the nation's electric power production. In 1959, agricultural production was about 19% above the 1952-54 average, due largely to an expansion of crop acreage and a more than 40% increase since 1955 in the amount of farm land irrigated. Rice output was 10% higher and rubber production about 50% higher than in the 1952-54 period. However, the older and less productive rubber trees have not been replaced on an adequate scale.

Increases in agricultural production have been achieved in part as a result of a concentrated effort to eradicate malaria which has opened new areas to cultivation and has increased the output of millions of Thai people living in malarious areas. The annual incidence of malaria has been reduced by 80%, as a result of

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	24.1	24.0	22.8
DLF - Loan Approvals	1.8	20.8	1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	0.1	0.1	0.1 2/
EX-IM Bank - Long-term Loans Approved		14.0	2/
TOTAL	26.0	58.9	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

ECONOMIC SITUATION (Continued)

measures taken to spray the homes of about 14 million people and treatment of approximately two million cases.

As indicated in the preceding section, increasing emphasis has been placed on industrial development and measures have been taken by the Thai Government to stimulate both domestic and foreign private investment. Some progress in this direction has already been made. Thailand is now meeting the major portion of its cement requirements from domestic production, and two pharmaceutical plants and a meat packing plant are being built with foreign capital.

Assistance from Non-ICA Sources

The IBRD has been the major source of non-ICA assistance to Thailand. Since 1951 the IBRD has authorized loans totaling approximately $107 million for irrigation, railroads and port development, and for construction of the multi-purpose Yan Hee Dam. In 1963 the $66 million Yan Hee hydroelectric power project, now under way, will add 140,000 KW to present Thai power production of 35,000 KW. When all generating units are installed in 1975, Yan Hee will produce 560,000 KW.

Since the power shortage in Bangkok is particularly serious and the full output from Yan Hee will not be available for some time, the Thai Government has obtained assistance for construction of additional power generating capacity. A $14 million Ex-Im Bank loan is being used for a 75,000 KW thermal generating plant in Bangkok and a $20 million loan from the Development Loan Fund is being used to construct a power distribution system in the Bangkok area. The DLF also has loaned $1,750,000 to the Bangkok Port Authority for a dredge and $750,000 to a private Thai firm for construction of a slaughterhouse in Bangkok.

In settlement of certain Thai claims, Japan has provided $15 million in sterling since 1955 and is expected to furnish an additional $27 million in goods and services. UN technical assistance is expected to continue at a level of about $500,000 per year, principally in the form of technical advisors in agriculture, education and health. The UN Special Fund is financing a survey of siltation in Bangkok Harbor.

From 1956 to 1959, P.L. 480, Title I sales to Thailand have amounted to $4.6 million, principally in the form of tobacco and dairy products. Thailand, as a food exporting country, can absorb only very limited quantities of U.S. surplus agricultural commodities.

In 1959, Thailand accepted a cobalt medical therapy unit valued at $25,000 from the Russian Red Cross. Thailand has refused all other assistance offered by the Sino-Soviet bloc.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	4,000	4,300	4,300

TECHNICAL COOPERATION

Role of TC Program

The Technical Cooperation Program provides evidence of U.S. interest in Thailand's economic development. By helping to raise technical and administrative standards and skills, and by fostering the development of basic institutions, the TC program provides a stimulus to the economic growth of the nation.

Objectives - Technical Cooperation

(a) To help increase agricultural and industrial production through improved agricultural practices and expanded services to industry.

(b) To increase the efficiency of Thailand's labor force and raise living standards through vocational education, training of medical personnel, and improvement of village sanitation.

(c) To help bring about more effective use of domestic resources through improvements in government organization and administrative practices, and by encouraging the development and adoption of sound economic policies.

(d) To train Thai personnel to plan and administer a highway development and maintenance program, by providing technical advisors and training to the Thai Highway Department.

(e) To help increase power output and improve the power distribution system by furnishing consultant engineering services.

Accomplishments - Technical Cooperation

One of the most encouraging developments during 1959, attributable in part to effective ICA-financed advisory services, was the Thai Government's recognition of the need for sound economic development planning and of the potential benefits to Thailand of increased foreign and domestic private investment. A National Economic Development Council, chaired by the Prime Minister, has been established to help bring about a more rational use of Thailand's manpower skills and resources.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	1,371	1,722	1,901
Participants	978	1,019	1,188
Contractual Services	1,333	952	731
Supplies and Equipment	318	607	480
Contrib. to Coop. Services			
Other Costs			
Total Project Assistance	4,000	4,300	4,300
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	111	115	115
Contract	118	78	51
Total Technicians	229	193	166
Participants (Programmed during year)			
Non-Contract	416	332	366
Contract	105	78	
Total Participants	521	410	366
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	525	693	842
Industry and Mining	242	390	564
Transportation	616	457	392
Labor			
Health and Sanitation	346	595	561
Education	811	880	637
Public Administration	727	394	403
Community Development, Social Welfare and Housing	18	55	107
General and Miscellaneous	715	836	794
Total by Field of Activity	4,000	4,300	4,300

To increase the inflow of foreign capital and technology, the Thai Government has adopted a new policy which provides increased incentives to private foreign investors, including (1) certain tax exemptions, (2) guarantees against government competition, and (3) the right to repatriate capital and profits. A Board of Investment has been established to administer the new policy and to take the steps necessary to stimulate private investment. As a result of its efforts, about 30 agreements have already been concluded with private foreign investors.

Other government operations have been strengthened as a result of technical advisory services directed toward improving statistical procedures and fiscal management. Recently adopted fiscal management methods, facilitating the control of public funds, will contribute to more effective use of government revenues.

Increases in agricultural production may be attributed in part to ICA assistance in improving Thai extension services, establishing college-level extension training at Kasetsart University, developing eight provincial extension centers, and organizing 4-H clubs as part of a rural youth program.

With a view toward diversifying agriculture, ICA has helped to promote development of the livestock industry. Over 500 cattle and swine have been imported into Thailand to help improve breeding stock; a low-cost means of storing feed has been introduced; and new facilities, including a nutrition and forage station, 10 veterinary laboratories, and 6 livestock breeding stations have been established. Improved breeding stock is now being distributed to selected farmers and rinderpest has been eradicated. These and other advances of the livestock industry have been instrumental in bringing about the condition which made it possible for the DLF to extend a loan in 1959 for construction of a modern meat packing plant in Bangkok. The new plant will increase the supply and improve the quality of meat in the Bangkok area.

Vocational and academic education also has benefited from ICA assistance. More than 6,400 students in 15 vocational fields are being trained at the ICA-aided Bangkok Technical Institute and its branches; about one-fourth of these students will be graduated in 1960. As part of a national education improvement program, 11,000 teachers have been trained in 12 regional training centers constructed with U.S. assistance. During 1959, more than 5,800 teachers, administrators, and Ministry of Education officials received in-service training partially financed by ICA.

A center built with ICA help has provided in-service and pre-service training to over 1,700 public health workers from all parts of Thailand. A postgraduate refresher course for the medical staffs of rural hospitals also has been carried out successfuly. Village health committees are being formed in rural areas to provide leadership for clean-up campaigns. Sanitary facilities and over 100 wells have been built in demonstration areas. Two schools of medical technology, constructed and equipped with ICA help, are serving as training centers and laboratories for the two teaching hospitals in Bangkok. Preventive medicine and pediatric training facilities have also been established with ICA help.

An ICA-assisted minerals testing center was instrumental in the development of three tungsten and tin mines which now produce $1 million of ores each year for export. ICA technical guidance also enabled a private Thai firm to develop two mines - one producing gypsum and the other highgrade manganese - which give promise of becoming an important source of foreign exchange earnings.

Since 1957, ICA has financed training in the U.S. and third countries for 1,900 Thai technicians in such fields as public health, agriculture, education, and public administration.

Composition of FY 1961 Technical Cooperation Program - $4,300,000

The $4.3 million proposed for FY 1961 will be used to continue 29 projects, largely in agriculture, education, public administration and public health. The funds requested will be used as follows:

(a) $842,000 to help increase and diversify agricultural production, by supporting activities to expand extension and rural youth training services; increase livestock production; train agricultural specialists at the university level; improve water and soil conservation and use, seed production, and crop management; control agricultural pests; and foster more adequate rural credit and marketing facilities.

(b) $637,000 for continued support of the Thai educational program with emphasis on teacher training and vocational education.

(c) $564,000 to help expand Thai industry and mining by providing consultant engineering services to increase power production and improve its distribution; by supporting the establishment of an industrial development center to augment present Thai Government efforts to stimulate private investment; and by assisting Thailand in exploiting its mineral resources through surveys and the development of new mines.

(d) $561,000 for improvement of public health, by assisting in the establishment of a provincial medical training center and by helping to reduce the incidence of disease in rural areas through improved sanitation.

(e) $403,000 to help improve government fiscal management, economic development planning, and statistical services and to raise the quality of training in public administration.

(f) $392,000 to help improve the Thai transportation system by providing assistance in highway planning, design, construction and maintenance methods, and by helping to improve aeronautical services and facilities.

(g) $107,000 to encourage and increase the effectiveness of village self-help efforts, by providing technical advisory services and training in community development.

The remaining funds will be used for the most part to cover the costs of supervisory program personnel, general supplies and equipment, and other program costs which cannot be attributed to individual projects.

The detailed project composition appears in Table E-IV.

29-204
37-152
66-021

Country: THAILAND

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
		DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)								
Agriculture and Natural Resources		842	390	312		140				
Agricultural Extension	C	220	120	65		35				
Improvement of Kasetsart University	C	100	15	75		10				
Agricultural Resources Use and Conservation	C	110	60	25		25				
Agronomic Development	C	120	60	35		25				
Livestock Industry Development	C	90	45	25		20				
Plant Protection	C	67	30	27		10				
Agricultural Credit and Marketing	C	100	60	25		15				
Agricultural Leader Training ✓	C	35		35						
Industry and Mining		564	132	143	242	47				
Mining Development	C	145	90	33		22				
Power Services and Training	C	219	42	60	112	5				
Industrial Development Center	C	200		50	130	20				
Transportation		392	197	95	100					
Highway Department Operations	C	210	60	50	100					
Aeronautical Ground Services Improvement	C	152	117	35						
Meteorological Services Improvement	C	30	20	10						
Health and Sanitation		561	128	251		182				
Medical Education	C	435	53	200		182				
Village Health and Sanitation	C	126	75	51						
Education		637	265	175	177	20				
Improvement Agricultural Vocational Education	C	115	75	20		20				
SEATO Skilled Labor	C	157			157					
General Education Development	C	340	165	155	20					
Education Technical Assistance Regional Pool	C	25	25							

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Country: THAILAND

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
Public Administration		403	60	130	212	1				
Bangkok-Thonburi City Planning	C	45	30	15						
Modernization of Government Fiscal Management	C	45		45						
Economic Policy and Planning	C	136	15	40	80	1				
Public Administration Institute of Thammasat University	C	57			57					
Government Statistical Services	C	120	15	30	75					
Community Development, Social Welfare and Housing		107	30	52		25				
Community Development	C	107	30	52		25				
General and Miscellaneous		794	699	30		65				
Audio-Visual Services and Training	C	94	79			15				
Atomic Energy Training	C	25		25						
Ground Water Exploration	C	35	30	5						
Technical Support	C	640	590			50				
Total Technical Cooperation		4,300	1,901	1,188	731	480				

VIETNAM - GENERAL ECONOMIC DATA

BASIC DATA

Population	13 million
Annual Growth	2.0 percent
Area	66,000 sq. mi.
Agricultural Land	35% of area
Agri. Land per Capita	1.1 acres
Literacy Rate	20-40 percent

	Vietnam	U. S.
Life Expectancy (*Years*)	35	70
Inhabitants per Physician	22,600	760
Road Miles per 1,000 sq.mi.	110	870
Electric Power per Capita (*KWH per Year*)	20	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	1,912	1,863	1,920	1,970
Per Capita GNP	Dollars	157	150	152	153
PRODUCTION					
Agricul. Prod. Index a/	1952-54=100	n.a.	151	166	174
Per Capita Index a/	"	n.a.	131	142	146
Rice, rough a/	1,000 MT	3,400	3,200	3,600	3,800
Rubber	"	70	70	72	74
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	45	81	55	70
Rice	"	0.4	20	14	22
Rubber	"	39	48	35	46
Total Imports (c.i.f)	"	218	289	232	215
Trade Balance	"	-173	-208	-177	-145
Trade with United States (*U.S. Data*) b/					
Exports to U. S. (f.o.b)	$ Millions	8	11	5	12
Imports from U. S. (f.o.b)	"	61	66	62	56
Trade Balance	"	-53	-55	-57	-44
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	138	148	170	174(Oct)
COST OF LIVING INDEX (Saigon)	1955=100	112	107	105	107

CENTRAL GOVERNMENT FINANCES* FY ending					
			- *Million Dollar Equivalents* -		
Domestic Revenues					
Total Expenditures					
Deficit(-) or Surplus Before All Foreign Aid					
Budget Receipts from Non-U.S. Foreign Aid					
Budget Receipts from U.S. Aid & PL 480					
Remaining Deficit(-) or Surplus(+)					
DEFENSE EXPENDITURES - TOTAL					
U.S.-Financed (excl. M.A.P. end-items)					
Defense Expend. as % of Total Gov't Expend.					
Defense Expenditures as % of GNP					
NON-DEFENSE GOV'T EXPENDITURES - TOTAL					
U.S.-Financed					

DATA CLASSIFIED

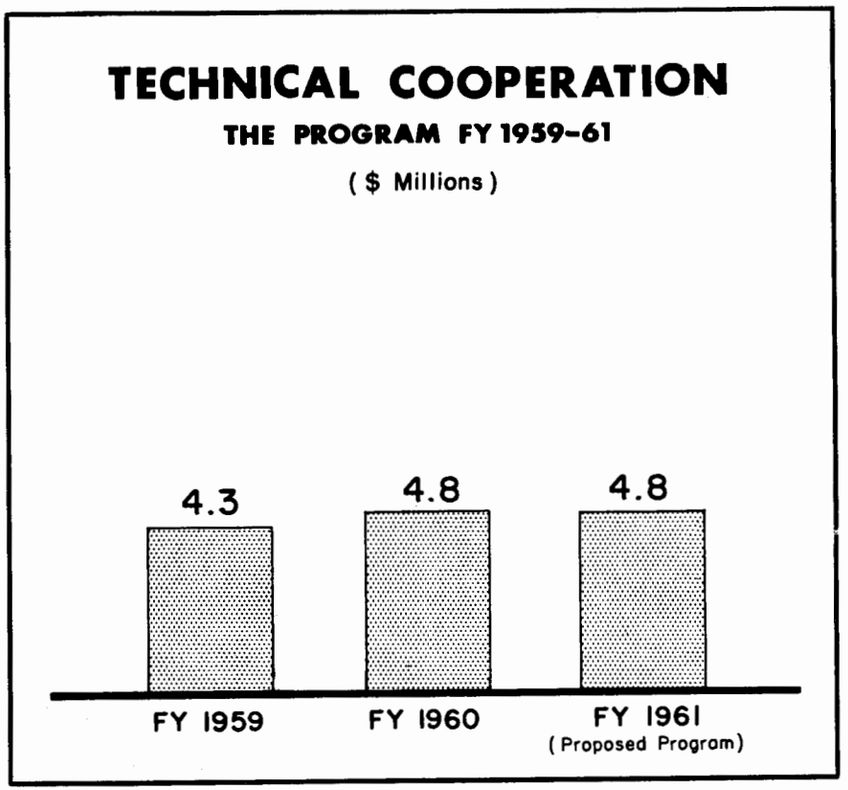
n.a. - Not available. */ Converted at 35 Piastres per U.S.$. a/ Crop year beginning in year stated. b/ Vietnamese Customs data for 1956 and 1957.

Vietnam has been strongly on the side of the Free World since it won its long struggle for independence - a struggle which left it in a weakened, seriously disrupted economic condition. The Armistic Agreement, which divided the country, left under Communist control the northern part which possesses the bulk of the natural resources. That Agreement further imposed conditions which limited Vietnam's ability to defend itself.

Despite these difficulties, Vietnam has developed in the span of five years into a stable, anti-Communist country, whose military and economic strength is becoming increasingly important in a relatively underpopulated and fertile area that borders on the territory of the aggressive Chinese Communists. This heartening progress, which is being closely watched by other Asian nations, is the result of courageous leadership, the industry of its people, and generous American aid. Vietnam's strength and steadfastness will be a major factor in preserving the independence of the nations of Southeast Asia.

With agricultural production appreciably restored, Vietnam is now meeting most of its food requirements and is slowly increasing exports of farm and plantation products such as rice and rubber. The country's adequate land resources are being developed rapidly. Further, light industry production is being increased to diversify the economy and to reduce import requirements. U.S. economic aid has contributed to these gains while preventing the inflation which might have vitiated the efforts necessary to achieve them.

Vietnam has been able to devote increasing attention to the kinds of activity which will promote economic development, and it has been possible to reduce American aid very substantially. Yet the costs of armed forces large enough to discourage the Communists, added to the political necessity of maintaining a reasonable rate of economic progress, are beyond the present capacity of the nation's economy. Vietnam still requires grant assistance to strengthen its basic economic structure and to enable it to maintain the minimum forces essential to its continued security.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	4,300	2,611	
Cumulative 6/30/59	16,215	7,845	8,370
Estimate FY 1960	4,800	4,300	
Cumulative 6/30/60	21,015	12,145	8,870
Estimate FY 1961	4,800	4,900	

Current Economic Situation and Problems

Predominantly agricultural, Vietnam has attained a somewhat higher standard of living than Cambodia and Laos, largely because of extensive development of its rice culture and rubber planations. Rice production has now been restored to approximately prewar (1935-40) levels. However, milled rice exports - over one million tons before the war - amounted to only 240,000 tons in 1959, largely because of increased domestic consumption. On the other hand, rubber production, mostly for export, exceeds prewar output by more than 40%.

Industrial production in Vietnam remains insignificant and, by Asian standards, production costs are high. The country continues to depend on imports for most manufactured items, although its export earnings are inadequate to finance these imports. The deficit in the balance of payments is very substantial and can be reduced only by increasing agricultural exports and by meeting a larger share of present import requirements from domestic production. The current level of new capital investment, however, falls far short of the amount that could be invested advantageously in the manufacture of consumer goods and the processing of agricultural products.

Much of the extensive war damage sustained by Vietnam's transportation and communication facilities and other essential public works has been substantially repaired and no longer consititues a major obstacle to further economic advance. This improvement has contributed to the determination of the Vietnamese Government to accelerate economic development by diversifying agriculture, increasing rice and rubber exports, and undertaking new development projects which will serve to reduce imports and save foreing exchange.

The Vietnamese Government also has announced a more vigorous tax collection policy which should result in an increase of tax receipts sufficient to offset the loss of revenue resulting from the reduction of U.S.-financed imports. Nevertheless, the attainment of economic viability is remote, primarily because of the need to maintain a 145,000-man military establishment to deter aggression by the larger Sino-Soviet-aided North Vietnamese forces.

Although the present military burden transcends the country's capabilities, Vietnam is assuming a greater share of total defense costs and U.S. support of the Vietnamese military budget is being scaled down. Military expenditures have been steadily reduced from the 1956 level of $200 milion, but they still constitute a large portion of the total budget. The Vietnam budget for 1959, originally planned to be in balance, is now expected to be in deficit despite substantial U.S. aid.

The heavy demands on limited Vietnamese resources are also reflected in sizable trade deficits. These deficits averaged $190 million yearly between 1955 and 1958 but fell substantially in 1959 because of an increase in exports and a moderate decline in imports, attributable in part to increased domestic production of textiles.

Progress to Date

An assessment of Vietnam's progress to date must take into account the competition between North and South Vietnam for the allegiance of the Vietnamese people. South Vietnam has responded to this challenge. The Vietnamese armed forces have been reorganized and trained and are now a deterrent to aggression from the North. Internal political stability has been substantially achieved. The inflationary pressures generated by large expenditures for defense and reconstruction have been contained.

The rehabilitation of war-damaged facilities has proceeded satisfactorily and more than 650,000 civilian refugees from the Communist North have been resettled. More than 100 new villages have been established either for resettlement of these refugees or to open new areas to cultivation as part of a broad land development program. Principal highways, railways, and ports have been rehabilitated or reconstructed and 120 water control systems, serving almost half a million farmers, have been restored. Agricultural and industrial production has been expanded. Import requirements have been reduced through development of certain light industries. Nevertheless, measured against the needs for development in agriculture and industry, much remains to be done. Deficiencies of skilled manpower and management remain acute,

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	178.8	181.3	
DLF - Loan Approvals		19.5	1/
P.L. 480, Title I - Country Use	3.0		4.4
(Total Sales)	(6.0)		(8.7)
P.L. 480, Title II - Obligations		3/	2/
P.L. 480, Title III - Obligations	5.2	6.1	2.7 2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	187.0	206.9	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

3/ Less than $50,000.

ECONOMIC SITUATION (Continued)

and Vietnamese capital resources must be marshalled more effectively to meet the economy's needs.

Assistance from Non-ICA Sources

Despite the predominance of ICA aid, contributions from other sources are filling important gaps in assistance needs. The equivalent of $55.6 million is to be provided by the Japanese in accordance with the terms of a reparations agreement concluded in late 1959. Of this total, an estimated $12 million equivalent in commodities is expected to be delivered in FY 1961.

Under a five-year $14 million program ending in FY 1961, France is providing important assistance in education and land reform. Colombo Plan aid is estimated at $3.9 million for the period 1959-1961. This assistance consists of capital equipment, technical services, and overseas training. International organizations, such as UNESCO and FAO, have provided an average of $256,000 in technical assistance for the past two years but aid from these sources is expected to decline to about $108,000 in FY 1961.

The DLF has agreed to make a loan of $19.5 million for improvement of the Saigon-Cholon water supply system. No loan assistance is anticipated from the Ex-Im Bank or the IBRD.

From their own resources, U.S. voluntary agencies provided a total of $2.5 million in 1959 and 1960 and are expected to contribute $2 million in 1961. Additionally, they distribute annually surplus agricultural commodities under P.L. 480, Titles II and III. P.L. 480, Title I sales have amounted to $6 million and additional sales are expected in FY 1960 and FY 1961.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	4,300	4,800	4,800

TECHNICAL COOPERATION

Role of TC Program

The Technical Cooperation program in Vietnam assists that government's efforts to develop the necessary corps of trained administrators and to improve essential public services. The program also assists the Vietnamese to overcome existing deficiencies in technical skills and to strengthen the facilities and institutions basic to sound economic planning and increased economic self-reliance.

Objectives - Technical Cooperation

(a) To increase the competence and effectiveness of government by providing training in the U.S. for top administrators and in-service training in Vietnam for other personnel, and by encouraging the development and improvement of central government agencies.

(b) To provide a basis for sound economic planning, by helping to develop basic statistical data and procedures for their continued compilation.

(c) To help improve basic technical skills and techniques by assisting in the establishment of educational facilities, and by providing guidance and training in specialized fields.

(d) To stimulate domestic and foreign private investment by improving the banking system, developing industrial credit facilities, and financing advisory services and surveys related to industrial development.

Accomplishments - Technical Cooperation

The increasing effectiveness of Vietnam's Government is due in no small part to the technical assistance provided by ICA. When Vietnam became independent late in 1954, it was faced with tremendous problems of security, finance, administration, and innumerable other difficulties created by the war. At the same time it was handicapped by the scarcity of trained and experienced personnel.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	671	895	850
Participants	1,491	2,140	2,315
Contractual Services	1,934	1,105	850
Supplies and Equipment	149	470	785
Contrib. to Coop. Services			
Other Costs	55	190	
Total Project Assistance	4,300	4,800	4,800
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	48	56	63
Contract	50	30	20
Total Technicians	98	86	83
Participants (Programmed during year)			
Non-Contract	314	407	431
Contract	31	34	20
Total Participants	345	441	451
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	1,178	695	700
Industry and Mining	707	395	275
Transportation	20	155	155
Labor	7	15	15
Health and Sanitation	134	260	285
Education	951	1,895	2,370
Public Administration	1,091	550	520
Community Development, Social Welfare and Housing		15	15
General and Miscellaneous	212	820	465
Total by Field of Activity	4,300	4,800	4,800

Financial and technical assistance has been provided for establishment of the National Institute of Administration and development of its curriculum for civil service training. The new National Institute of Statistics is developing a professional staff and a program to compile basic statistics which are urgently needed for economic planning. A Central Purchasing Authority also has been established and is functioning efficiently.

Appreciable progress has been made in the field of education. Polytechnic, trade, and apprentice schools have benefited from teacher-training courses and assistance in curriculum development. About 150,000 school textbooks in health and civics and approximately 60,000 books on other subjects have been written, printed, and distributed. About 700 teachers have received in-service training at annual summer seminars.

Progress in agriculture also is noteworthy and is especially important in light of Vietnam's predominantly agricultural base. The National Agricultural College graduated its first class in July 1958. Participants sent abroad for training have returned to join the college faculty, and enrollment has more than doubled since 1957. The agricultural extension service, established in 1955, now has 70 agents working in the rural areas.

The Handicraft Development Center is carrying out a country-wide program of financial, technical, design, and marketing assistance to local artisans and small industries. The handicraft display center in Saigon has helped Vietnam earn more than $100,000 in foreign exchange during the past two years.

Composition of FY 1961 Technical Cooperation Program - $4,800,000

A total of $4.8 million is proposed for FY 1961 to continue to improve Vietnam's administrative efficiency, develop technical skills, and prepare the way for economic growth.

The funds requested are programmed as follows:

(a) $1.3 million to help establish two new normal schools and strengthen university facilities by training teachers and administrators in the U.S. and other countries, by supplying audio-visual and laboratory equipment, and by furnishing technical advisory services through a contract with an American university. This assistance supports the government's efforts to expand facilities for higher education, to which it has already contributed $7.8 million equivalent from Vietnam's own resources.

(b) $1.3 million to help improve Vietnam's technical-vocational school system by providing technical literature, training, and the supplies and equipment needed to put the schools' shops in operation; to develop a good nursing service by providing expanded opportunities for training, particularly in the U.S.; and to establish a substantial corps of specialists in such fields as economics, business administration, and engineering through university-level training in the U.S.

(c) $850,000 to improve public administration, specifically tax collection, banking and insurance, by furnishing advisory services and training; to expand government informational services through training and technical advice; and to finance training in nuclear science.

(d) $700,000 to foster improvements in agricultural techniques and to promote agricultural diversification, by financing U.S. university contract services for the Agricultural College and by providing technical services, training, and some commodity support for agricultural extension and for the economics-statistics service.

(e) $450,000 to assist in the development of small industries and the improvement of railway administration, by providing advisory services and specialized training.

The remaining funds cover the cost of ICA non-contract personnel engaged in technical planning and training functions relating to several TC projects.

The detailed project composition appears on Table E-IV.

Country: VIETNAM

ICA ASSISTANCE

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries		700	90	260	245	105				
Agricultural Extension Service	C	100	60	15		25				
Agricultural Education	C	490		200	245	45				
Livestock Development	C	75	15	25		35				
Improvement of Agricultural Economics and Statistics	C	35	15	20						
Industry and Mining		275	90	185						
Telecommunications Development	C	70	15	55						
Industrial Development Center	C	80	60	20						
Development of Small Industry	C	15	15							
Sugar Technician Training	C	110		110						
Transportation		155	15	50	90					
Railway Administration Improvement	C	155	15	50	90					
Labor		15		15						
Labor Leader Training	C	15		15						
Health and Sanitation		285	60	175		50				
Nursing and Allied Education	C	285	60	175		50				
Education		2,370	195	1,235	345	595				
Expansion and Improvement of Technical and Vocational Education	C	520	60	360		100				
Expansion and Improvement of Teacher Training and Higher Education	C	1,330	135	355	345	495				
Scholarships for Leadership Training	C	520		520						

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TECHNICAL COOPERATION

Country: VIETNAM

ICA ASSISTANCE

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
Public Administration		520	115	255	115	35				
In-Service Training Development	C	85		70		15				
Banking, Insurance and Taxation Improvement	C	200	55	70	75					
Development of the National Institute of Statistics	C	70	45	15		10				
Civil Service Agency Improvement	C	150		100	40	10				
Standardization of Procurement Specifications and Regulations	N	15	15							
Community Development		15		15						
Community Development Training	C	15		15						
General and Miscellaneous		465	285	125	55					
Government Information Facilities	C	140	60	25	55					
National Radio Network	C	25	25							
Atomic Energy Training	N	100		100						
Technical Support	C	200	200							
Total Technical Cooperation		4,800	850	2,315	850	785				

Country: FAR EAST - REGIONAL AND UNDISTRIBUTED

TECHNICAL COOPERATION

(In thousands of dollars)

Function	Program		
	Actual FY 1959	Estimate FY 1960	Proposed FY 1961
Technical Cooperation	397	500	700

OBLIGATIONS AND EXPENDITURES

(In thousands of dollars)

Project Assistance	Obligations	Expenditures	Unliquidated
Actual FY 1959	397	347	
Cumulative 6/30/59	2,334	2,018	316
Estimate FY 1960	500	473	
Cumulative 6/30/60	2,834	2,491	343
Estimate FY 1961	700	510	

Country: FAR EAST - REGIONAL AND UNDISTRIBUTED

TECHNICAL COOPERATION

Role of Regional Program

The Regional Technical Cooperation Program supplements Far East country programs through advisory services and group training to help improve basic technical skills and management techniques. These activities generally benefit two or more countries and for this reason are not chargeable to individual country programs. There is an increasing awareness among Far East countries of the advantages to be obtained through the interchange of ideas and a concerted approach to common problems. The beneficial effects of this approach have been felt throughout the region and have engendered a substantial measure of cooperation and good will, and more effective use of resources for the region as a whole.

Accomplishments - Technical Cooperation

Increasing use of regional training facilities and wider participation in regional workshops have strengthened economic and cultural ties among the free countries of Asia. The facilities which have been made available in Japan, the Philippines and Hawaii for reception, orientation, and training of participants have placed emphasis on the development of increased technical cooperation in the fields of agriculture, education, public administration, housing and labor, as well as in certain industrial activities. By the end of FY 1960 it is anticipated that approximately 3,500 third-country participants will have been processed through these three service facilities.

During the past year, a series of regional conferences has been held providing technical guidance and special services related to livestock improvement, rural youth leadership, home economics and seed improvement. The first livestock improvement workshop in the Far East, which took place in Tokyo in 1959, was attended by 51 delegates and observers from nine countries and a representative of the FAO (Food and Agriculture Organization of the U.N.). These technical workshops have helped to stimulate planning for improvement of the livestock industry. While livestock production on an intensive basis is not yet widely practiced in the Far East, improved breeding and feeding practices are beginning to take hold. The growing interest in livestock improvement is based in part on the realization that otherwise unproductive land can be utilized to increase food supplies and improve the diet.

Early in 1959 the second Seed Improvement Workshop for the Far East was co-sponsored by ICA and the Government of Japan. It was attended by 51 delegates, advisors and observers from seven Far East countries. As a result of these workshops, all of the participating countries have developed plans for seed improvement - ranging from the establishment of testing laboratories and experiment stations in Taiwan, Thailand and Vietnam to institution of a four-year seed improvement program in the Philippines. Improvement of seed varieties and establishment of an effective system for the distribution of superior strains are basic agricultural requirements in the Far East.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	397	500	700

The Regional TC Program has also made it possible for a limited number of representatives from Far East countries to attend area conferences or to participate in observation tours while in the U.S. Typical of this type of activity are the study tours in the U.S. which are sponsored and financed jointly by ICA and the United Nations Expanded Program of Technical Assistance (UNTA). ICA finances travel and subsistence expenses associated with the tour which are incurred in the U.S. The United Nations bears all external costs, as well as those of the study group while at the U.N. headquarters in New York.

One of the activities financed in part by the Regional TC Program during the past year was a five-week stay in the U.S. of a group studying mineral resources and development. The group consisted of 16 participants from 12 Asian nations which are members of the U.N. Economic Commission for Asia and the Far East (ECAFE), and one official of the ECAFE Secretariat, all of whom are specialists in mining, engineering or geology. Three of the team members are world-renowned in their respective fields. All agreed that the information gained and contacts established during their visit to the U.S. would be helpful in their future work.

To assist in increasing the availability of technical and scientific literature, the regional program has continued to support activities of the U.S. Book Exchange (USBE). The Far East again has had a notable increase in member libraries over the past year, from 208 to 261. The number of items shipped to libraries increased from 205,726 to 337,187 during the past 12 months. Comments received point up the valuable service rendered through the exchange of technical literature.

Country: FAR EAST - REGIONAL AND UNDISTRIBUTED

TECHNICAL COOPERATION

TABLE E-1-A

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	117	173	165
Participants		45	75
Contractual Services	190	160	185
Supplies and Equipment	2	2	15
Contrib. to Coop. Services			
Other Costs	88	120	260
Total Project Assistance	397	500	700
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	7	7	7
Contract	12	12	14
Total Technicians	19	19	21
Participants (Programmed during year)			
Non-Contract		18	15
Contract			
Total Participants		18	15
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	38	70	90
Industry and Mining		15	
Transportation			
Labor	10	10	
Health and Sanitation			
Education			
Public Administration	30	5	
Community Development, Social Welfare and Housing	4		
General and Miscellaneous	315	400	610
Total by Field of Activity	397	500	700

Composition of FY 1961 Technical Cooperation Program - $700,000

Project aid in the amount of $700,000 is proposed for FY 1961 to continue support for:

(a) The operation of training, orientation, and reception center facilities in Japan, the Philippines and Hawaii.

(b) Workshops in the field of agriculture.

(c) Dissemination of technical and scientific literature through U.S. Book Exchange facilities.

(d) Establishment of the Asian Productivity Organization (APO), which will provide a regional framework for the exchange of technical information and assistance among the free nations of Asia.

(e) Technical services at the regional level for general and surplus property coordination. This service facilitates the procurement of surplus U.S. property located in the Far East for use in country programs, thus effecting substantial savings of appropriated funds.

Country: FAR EAST - REGIONAL AND UNDISTRIBUTED

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries		90	50				40			
Fertilizer Workshop	C	20	10				10			
Irrigation Workshop	N	20	10				10			
Crop and Seed Workshop	C	20	10				10			
Seed Testing Seminar	N	10	10							
Credit and Cooperatives Workshop	C	20	10				10			
General and Miscellaneous		610	115	75	185	15	220			
Tokyo International Training Center (TITC)	C	95	50				45			
U.S. Book Exchange (USBE)	C	85			85					
Hawaii Training Center	C	80			80					
Philippine Regional Training Services	C	110	25				85			
Regional Surplus Property Coordination	C	20	10				10			
Asian Productivity Organization (APO)	C	200	15	75	20	15	75			
Regional General Services	C	20	15				5			
Total Technical Cooperation		700	165	75	185	15	260			

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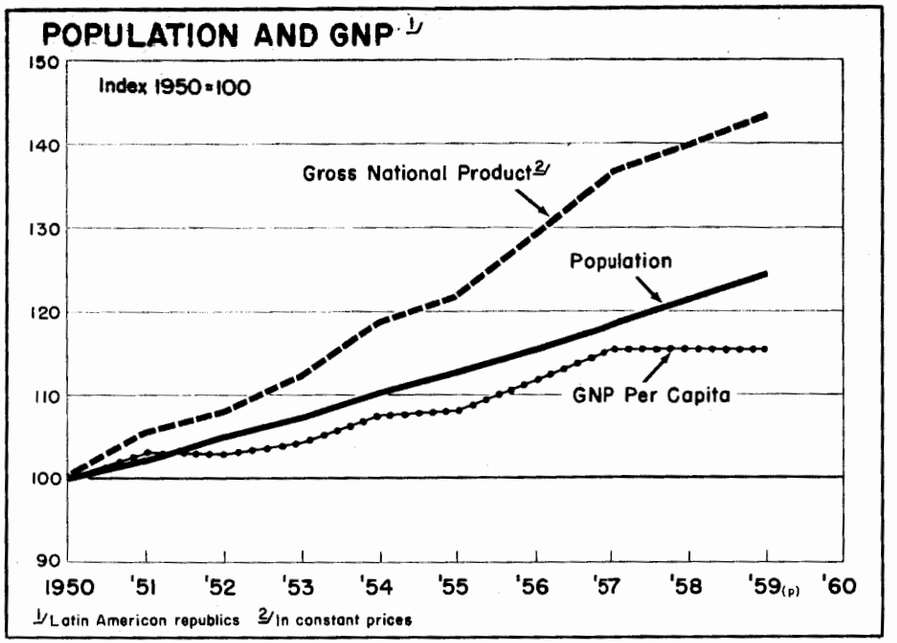
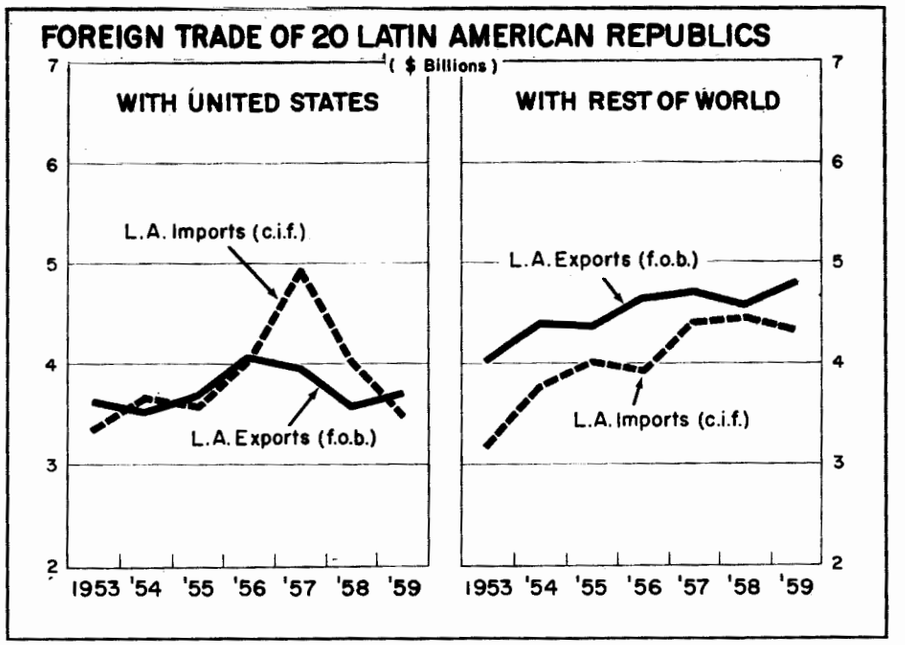
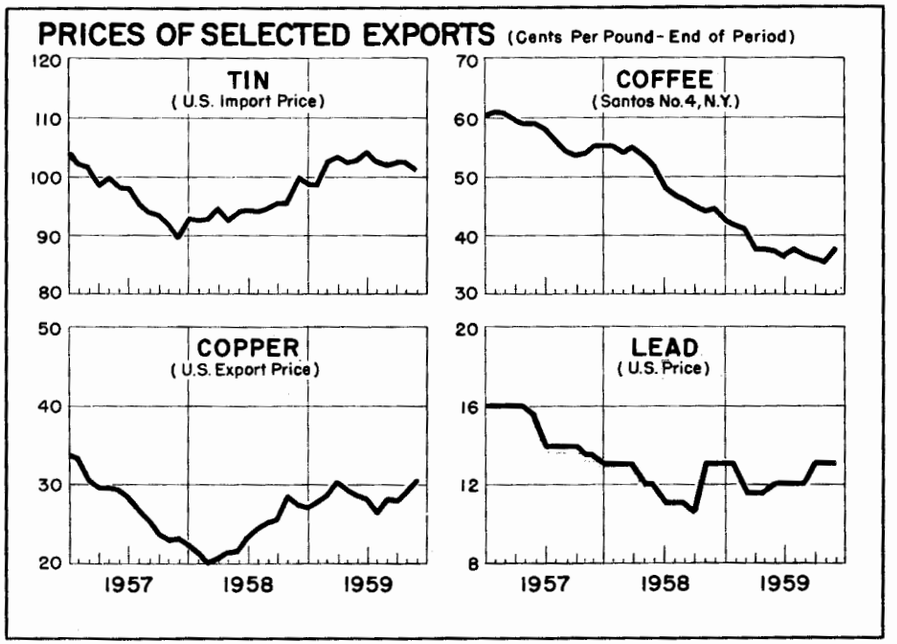
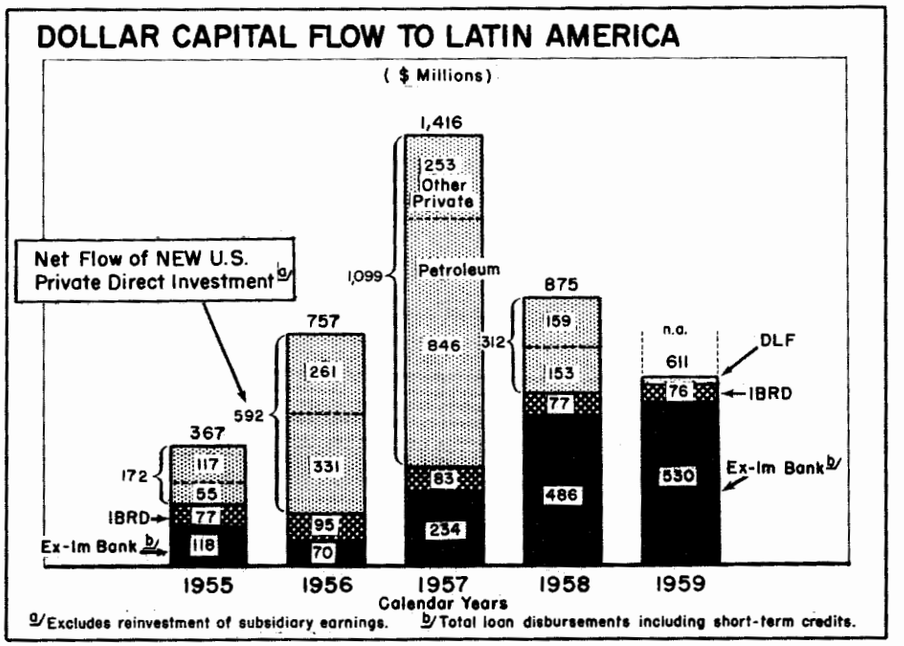
LATIN AMERICA - ECONOMIC DATA

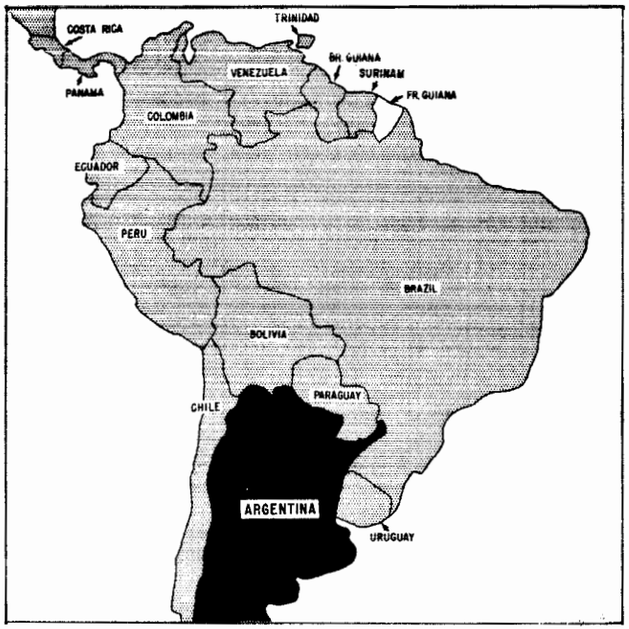








ARGENTINA - GENERAL ECONOMIC DATA



BASIC DATA

Population	20.6 million
Annual Growth	2.0 percent
Area	1,084,000 sq.mi.
Agricultural Land	52% of area
Agri. Land per Capita	18 acres
Literacy Rate	86 percent

	Argentina	U. S.
Life Expectancy (*Years*)	59	70
Inhabitants per Physician	764	760
Road Miles per 1,000 sq.mi.	85	870
Electric Power per Capita (*KWH per Year*)	434	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	3,503	3,641	3,731	3,619
Per Capita GNP	Dollars	180	183	185	176
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	101	109	112	104
Wheat	1,000 MT	5,250	7,130	5,810	6,392
Meat	1,000 MT	2,857	2,856	2,881	2,250
Industrial Prod. Index	1953=100	117	121	125	115
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	944	975	994	1,030
Wheat	"	155	159	126	170
Meat and products	"	241	257	295	260
Total Imports (c.i.f)	"	1,128	1,310	1,233	960
Trade Balance	"	-184	-335	-239	+70
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	133	129	133	140
Imports from U. S. (f.o.b)	"	212	282	249	240
Trade Balance	"	-79	-153	-116	-100
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*) (Central Bank only)	"	382	286	129	221(Aug)
COST OF LIVING INDEX (Buenos Aires)	*1953=100*	132	165	217	463

CENTRAL GOVERNMENT FINANCES* FY ending Oct. 31	1959(Rev. Bud)	1960(Budget)
	- *Million Dollar Equivalents* -	
Domestic Revenues	844	970
Total Expenditures	1,441 b/	1,350 b/
Deficit(-) or Surplus Before All Foreign Aid	-597 b/	-380 b/
Budget Receipts from Non-U.S. Foreign Aid	-	-
Budget Receipts from U.S. Aid & PL 480	-	c/
Remaining Deficit(-) or Surplus(+)	-597	-380
DEFENSE EXPENDITURES - TOTAL	184	n.a.
U.S.-Financed	-	
Defense Expend. as % of Total Gov't Expend.	12.8%	
Defense Expenditures as % of GNP	3.5%	
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	1,257	n.a.
U.S.-Financed	-	

n.a. - Not available. */ Converted at 85 pesos per U.S.$.
a/ Crops harvested in crop-year ending in year stated. b/ Includes deficits of state enterprises (R.R. etc.) amounting to $382 million in FY 1959, and $315 million in FY 1960.
c/ Prospective receipts from DLF and PL 480 loans have not been budgeted.

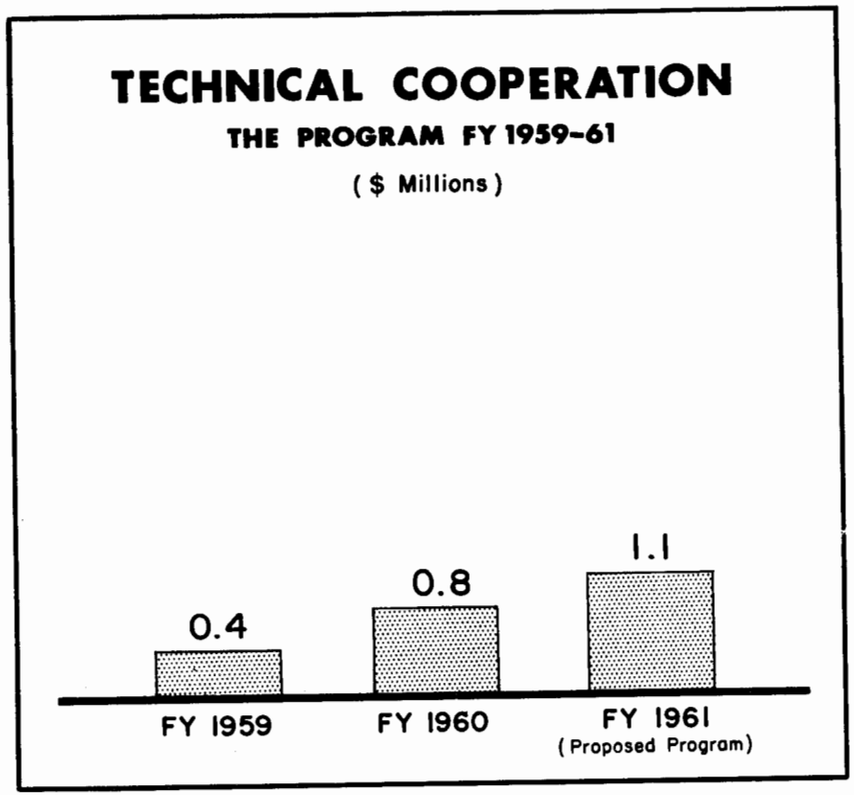
Argentina's position within the inter-American community invests its policies, its actions, and its state of political and economic health with special interest for the entire hemisphere. Its resources and geographic location likewise establish it as a nation of strategic importance. Attainment of stability and prosperity in Argentina would consequently serve not only Argentina, but also broad hemispheric interests; and U.S. assistance to support the Frondizi Government's own efforts to achieve these goals is clearly indicated.

Our prime interests in Argentina are to: Assist Argentina in establishing a sound economy, encourage maintenance of a favorable climate for private investment and support of U.S. international policies, preserve traditional friendly relations, help Argentina maintain political stability, encourage Argentina to combat international communism and obtain its cooperation in collective defense of the hemisphere.

The Argentine Government, headed by President Arturo Frondizi, continues to face economic, social, and political problems whose roots are in large measure traceable back to the Perón era. It is, however, demonstrating resolution and courage in meeting these difficulties in realistic fashion by taking self-reliant steps of its own. During the past year the Government continued to implement a forward-looking economic program. The stabilization plan adopted in Dec. 1958, following consultation with the International Monetary Fund, has begun to show encouraging results, and financial assistance in support of the economy has been made available from the IMF, DLF, Ex-Im Bank, private U.S. banks, and European sources. The U.S. carries on a modest but expanding program which serves to identify the U.S. with Argentina's aspirations toward continued economic progress.

While we have no mutual defense assistance agreement with Argentina, we maintain a U.S. Air Force Training Mission and a U.S. Naval Advisory Group in the country at the request of the Argentine Government. Argentine armed forces are supporting the efforts of the Frondizi Government to establish political and economic stability.

The Frondizi Government has weathered a series of political crises, and its over-all internal political position has improved. The USSR continues to seek economic and cultural influence in Argentina, but Argentine authorities recently took steps toward outlawing both the Communist Party and the neo-Peronist Justicialista Party through legal action.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	363	163	
Cumulative 6/30/59	704	252	452
Estimate FY 1960	820	606	
Cumulative 6/30/60	1,524	858	666
Estimate FY 1961	1,130	784	

Country: ARGENTINA

ECONOMIC SITUATION

Current Economic Situation and Problems

Argentina is one of the world's leading producers and exporters of grains and meats and represents potentially a large market for U.S. agricultural, industrial, and transportation equipment.

From 1943 to 1955 the Argentine economy entered a period of steady decline as a result of policies followed by the Peron Government. The succeeding Provisional Government had limited time and power to establish a program of recovery. The present administration under President Frondizi, in spite of serious internal political difficulties, has shown determination and resourcefulness in following a path of economic stabilization, however difficult. The problems faced were formidable: (1) Between 1948 and 1958 the cost of living in the Buenos Aires area had risen by 876% and official holdings of gold and convertible foreign exchange had fallen from $1,733 million to $129 million; (2) in 1958 salaries of employees of the Federal, Provincial and Municipal Governments absorbed 80% of Government revenues; (3) the transportation system had degenerated to the point of collapse; (4) an ill-planned industrial plant with deteriorated equipment and out-of-date production methods, striving for survival, was further hampered by labor problems and insufficient electric power; and (5) costs for continued support of inefficient government-owned enterprise had mounted to where it was a principal cause of the budget deficit.

Progress to Date

On December 29, 1958, the Argentine Government's stabilization program was initiated, involving far-reaching financial reforms. It is receiving the support of IMF, Ex-Im Bank, Treasury, DLF, and private financial institutions. Progress to date under the stabilization program has consisted of government action to reduce the budget deficit, severe restrictions on credit, control of wage increases, exchange reforms including the freeing of the peso, elimination of import prohibitions and import licensing. Improvement in the investment climate is indicated by settlement of the American & Foreign Power Company dispute, the conclusion of agreements for petroleum development with foreign oil companies, and similar arrangements for industrial expansion in various fields by private capital sources from several countries. On December 22, 1959, the Argentine Government signed with the United States Government an Investment Guaranty Agreement (protecting U.S. investors with respect to the convvertibility of local currency receipts into dollars), which will further stimulate U.S. private investment in Argentina.

Assistance from Non-ICA Sources

Argentina's $329 million stabilization program announced on December 29, 1958, was made possible by $100 million from the Ex-Im Bank for purchases of U.S. goods and services for expansion or development of electric power, production of cement, pulp and paper, rubber, petrochemicals and meat. A 1959 credit of $24.8 million from the Development Loan Fund provided foreign exchange to help finance transportation, electric power and industrial projects. On December 22, 1959, the Argentine Government announced that this would be bolstered by an additional stand-by package of $300 million from the International Monetary Fund, private banks in the U.S. and Western Europe, and the U.S. Treasury which are needed to cover part of the Government budgetary deficit and credit requirements of the private sector, and to permit a further liberalization of imports.

Argentina has signed three sales agreements for purchase of $62.3 million in surplus agricultural commodities under P.L. 480; of the local currency sales proceeds, $18.2 million has been loaned to Argentina for development projects through 6/30/59. The U.N. Technical Assistance Program in Argentina in FY 1960 provides for a five-year program of Management Development and Training of Supervisory and Skilled Personnel to be carried out by the International Labor Organization and for which $904,800 will be contributed from the U.N. Special Fund and $717,000 by the Argentine Government. This is in addition to the regular UNTA program in Argentina, estimated at $403,000 in FY 1960 and involving 42 experts in the general fields of transportation and communications, industrial productivity, agricultural production, vocational training and technical education.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	0.1	0.4	0.8
DLF - Loan Approvals		24.8	1/
P.L. 480, Title I - Country Use		16.5	
(Total Sales)		(33.0)	
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations			2/
EX-IM Bank - Long-term Loans Approved		129.2	2/
TOTAL	0.1	170.9	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Country: ARGENTINA

TECHNICAL COOPERATION

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	363	820	1,130

Role of Program

The basic purpose of the ICA's Technical Cooperation Program in Argentina is furtherance of Argentina's effort to achieve financial stabilization and economic rehabilitation. This will include measures which will contribute to the development of a democratic free-enterprise system and the allocation and management of resources for priority purposes including the attraction of domestic and foreign private capital.

Objectives - Technical Cooperation

Technical Cooperation is being made available as a vehicle for the communication of modern techniques and methods, through demonstration and training, for furthering economic development. The program aims at improving the investment climate and facilitating the flow and effective use of needed capital.

Accomplishments - Technical Cooperation

The General Agreement for Technical Cooperation was signed with Argentina on June 3, 1957. A program was initiated during the first year for assistance in civil aviation. Also training in the U.S. was provided for selected Argentine technicians in the fields of industry and mining (including atomic energy), as well as civil aviation. On February 26, 1959, the Argentine Government established in the Office of the President, a National Commission for the Administration of the Fund to Support Economic Development (CAFADE).

The Argentine Government is encountering numerous problems in its efforts to bring about economic recovery; solutions to many of these problems are being sought through CAFADE in cooperation with ICA.

Composition of 1961 Technical Cooperation Program $1,130,000

ICA's Technical Cooperation is furthering President Frondizi's program for economic development and monetary stabilization through projects designed to assist:

Agriculture: (a) Rehabilitation of the livestock industry, and foreign exchange earnings through restoration of Argentina's traditional European markets; and (b) Modernization of agriculture courses in Argentine universities.

Industry: (a) Rehabilitation and expansion of the industrial sector of the economy, including attraction of foreign private capital; and (b) Modernization of business management courses in the University of Buenos Aires.

Transportation: Development of the national civil aviation system.

Other: Training of Argentine technicians in various fields, including atomic energy, natural sciences, geology and mining, labor and public administration.

Country: ARGENTINA

TECHNICAL COOPERATION

TABLE E-1-A

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	63	184	270
Participants	207	299	370
Contractual Services		240	415
Supplies and Equipment	60	65	26
Contrib. to Coop. Services			
Other Costs	33	32	49
Total Project Assistance	363	820	1,130
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	4	8	12
Contract		10	12
Total Technicians	4	18	24
Participants (Programmed during year)			
Non-Contract	97	114	134
Contract		10	25
Total Participants	97	124	159
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	14	200	286
Industry and Mining	60	266	438
Transportation	204	220	201
Labor		21	40
Health and Sanitation			
Education	1	15	20
Public Administration	14	24	30
Community Development, Social Welfare and Housing			
General and Miscellaneous	70	74	115
Total by Field of Activity	363	820	1,130

Country: ARGENTINA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		286	116	100	70					
Livestock Improvement	C	216	116	100						
UBA (Soils, Pastures, Animal Nutrition, etc.)	C	35			35					
Univ. of LaPlata - Veterinary Medicine and Animal Husbandry	C	35			35					
Industry and Mining - Total		438	26	65	345		2			
Geology and Mining Training	C	55	10	45						
Industrial Management and Productivity	C	53	16	20	15		2			
Columbia University - UBA Industrial Engineering	C	200			200					
Columbia University - UBA Business Administration	C	130			130					
Transportation - Total		201	75	100		23	3			
Development of National Bureau of Civil Aviation	C	201	75	100		23	3			
Labor - Total		40	5	35						
Labor Union Training	C	40	5	35						
Education - Total		20	5	15						
Improvement of Natural Sciences Training Facilities	C	20	5	15						
Public Administration - Total		30		30						
Participant Training in Government Organization and Administration	C	30		30						
General and Miscellaneous - Total		115	43	25		3	44			
Atomic Energy	C	36	8	25		3				
Technical Support	C	79	35				44			
Total Technical Cooperation		1,130	270	370	415	26	49			

BOLIVIA - GENERAL ECONOMIC DATA

BASIC DATA

Population	3.4 million
Annual Growth	1.2 percent
Area	424,000 sq. mi.
Agricultural Land	2.0% of area
Agri. Land per Capita	1.6 acres
Literacy Rate	31 percent

	Bolivia	U. S.
Life Expectancy (*Years*)	n.a.	70
Inhabitants per Physician	4,000	760
Road Miles per 1,000 sq.mi.	29	870
Electric Power per Capita (*KWH per Year*)	127	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	217	221	202	207
Per Capita GNP	Dollars	66	66	60	61
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	84	83	93	97
Meat	1,000 MT	n.a.	94	109	109
Petroleum	"	417	465	450	410
Tin	"	27	28	18	19
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	81	74	51	55
Tin (c.i.f.)	"	59	57	36	42
Lead and zinc (c.i.f.)	"	13	14	9	8
Total Imports (c.i.f)	"	84	92	80	70
Trade Balance	"	-3	-18	-29	-15
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	42	16	9	7
Imports from U. S. (f.o.b)	"	49	34	29	24
Trade Balance	"	-7	-18	-20	-17
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	6.8	9.5	7.8	11.6 July
COST OF LIVING INDEX (La Paz)	*1953=100*	1,120	2,410	2,500	2,680

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1957	1958	1959 (Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	20	25	23
Total Expenditures	40	45	44
Deficit(-) or Surplus Before All Foreign Aid	-20	-20	-21
Budget Receipts from Non-U.S. Foreign Aid	-	-	-
Budget Receipts from U.S. Aid & PL 480	11	13	18
Remaining Deficit(-) or Surplus(+)	-9	-7	-3
DEFENSE EXPENDITURES - TOTAL	3	4	5
U.S.-Financed	-	-	-
Defense Expend. as % of Total Gov't Expend.	7.5%	8.9%	11.4%
Defense Expenditures as % of GNP	1.4%	2.0%	2.1%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	37	41	39
U.S.-Financed	(11)	(13)	(18)

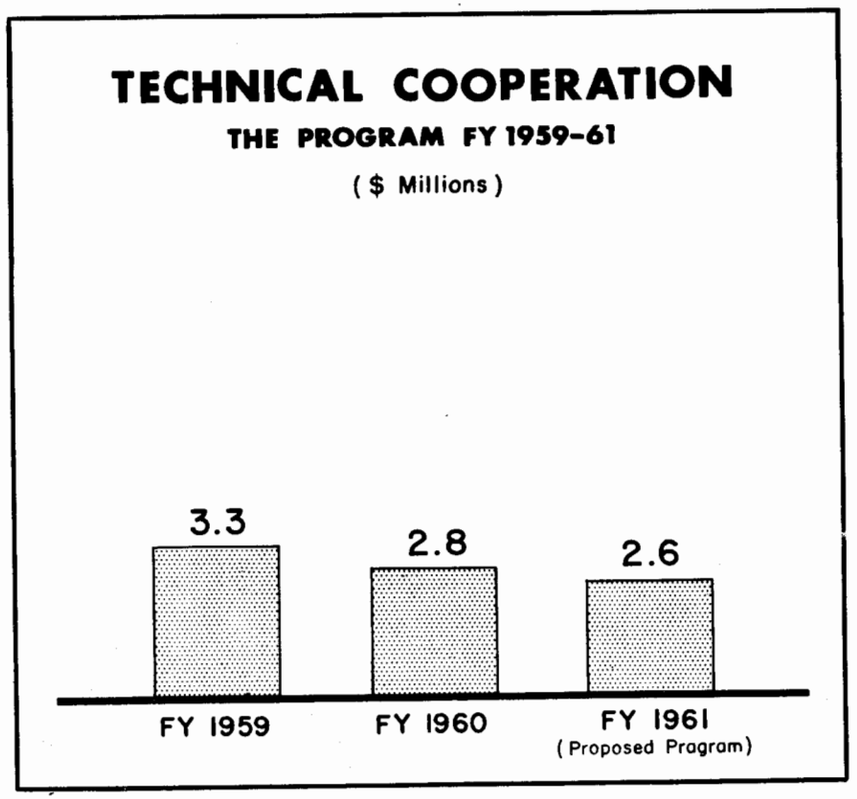
n.a. - Not available. */ Converted at 9,500 bolivianos per U.S. $.
a/ Crops harvested in crop-year ending in year stated.

Bolivia is an underdeveloped country experiencing the most profound social revolution in South America. Its economy is precariously dependent upon production and export of minerals, preponderantly tin. It is in our interests to prevent in Bolivia economic chaos and political anarchy. We have backed the legitimate aspirations of the Bolivian Government, but there is danger that Communists and other anti-American elements may be able to exploit the country's severe economic distress and its political instability so as to achieve increasing influence over the people and the Government.

The Bolivian Government's capacity to maintain law and order and promote internal stability in the face of challenges by extremist leaders has been impaired by the weakness of the uniformed forces. At the request of the Bolivian Government the U.S. is carrying out modest training programs to assist in remedying this weakness.

The U.S. aid program is designed to help the Government forestall economic chaos and resolve its major economic problems. It has contributed significant balance of payments and budgetary support coupled with Development Loan Fund loans, while a technical aid program is assisting the Government to make better use of its resources. The monetary stabilization program we have been supporting is now in its third year. While there has been some success in maintaining price stability, this program has not been able fully to contain inflationary forces in the face of heavy decline in Bolivia's earnings from tin exports, capital flight and continuing strikes and other social pressures. Nor has it yet been able to provide a basis for economic development. Both for these failures and for the austerity it requires, the stabilization program has become unpopular politically. The Government, however, recognizes that the program is essential and continues to support it.

Politically, the Government party continues to predominate but after seven years in power it is splitting sharply between extreme leftist and moderate elements. This split will be dramatized, and possibly resolved, in the presidential elections due in 1960. Our programs are a major factor in helping non-Communist leaders to face the country's economic problems and to demonstrate to them and to the people the constructive value of American friendship.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	3,337	3,041	
Cumulative 6/30/59	19,552	17,891	1,661
Estimate FY 1960	2,730	2,744	
Cumulative 6/30/60	22,282	20,635	1,647
Estimate FY 1961	2,550	2,800	

ECONOMIC SITUATION

Current Economic Situation and Problems

Bolivia's low per capita gross national product figures are indicative of an extremely low economic productivity, consequent profound national economic weakness and, in human terms, low living standards and widespread poverty. The estimated per capita gross product of Bolivia in 1957 was approximately $66 per annum. The 1958 per capita GNP estimates show that there has been a further 10% decline to $60 per annum, largely due to the serious general reduction in mineral prices, the large number of strikes in the industrial and mining sectors, and consequent curtailment of output. The current status of the economy, both public and private, may be succinctly described as bordering upon bankruptcy. On the surface, conditions should have been much better in 1959 than in 1958; the price of tin on the world market has risen appreciably (up roughly 10 cents to over $1.00 per lb.) since the last quarter of 1958, the Bolivian export quotas for the year have been raised by the International Tin Council and, in addition, Bolivia has, with ITC permission, concluded tin barter deals involving a substantial extra amount of tin exports for 1959.

Nevertheless the exchange situation has not improved. Estimates of the 1959 foreign exchange receipts (excluding U.S. grants and payments) foresee a deficit of about $23 million. Principal assumptions are that net receipts from mineral concentrates exports in 1959 will be somewhat less than in 1958. The national budget provides only $3.75 million for foreign debt service during the year, whereas about $8.5 million fall due. The demand of the private sector for dollars continues heavy. A major deterrent to the attraction of private foreign capital has been the absence of a settlement with the former private mining companies. The Government's position, which is disputed by former owners, is that redemption payments, amounting to $19 million to date, exceed the book value of the properties in 1952.

There has been little incentive for either foreign or local entrepreneurs to invest in new enterprises (except for petroleum where a liberal investment code has attracted foreign capital). Existing industries have been decapitalized. Saddled by high operating costs resulting from labor and social legislation adopted in the first flush of the 1952 revolution, even the present modest plant capacities are not being satisfactorily utilized. Bolivia's main foreign exchange earner, the Mining Corporation (COMIBOL) shows a downward trend in earnings, and further deterioration may well be experienced in 1960 and 1961. Agricultural production rose in 1959 after years of general decline or stagnancy following the 1952 agrarian reform.

The main factors influencing the current economic and financial distress are: (a) shortcomings in implementation of the Stabilization Program, (b) a series of decisions by the government on policy and administrative matters which are resulting in uneconomic utilization of human and material resources, and (c) a long-term problem of basic deficiencies in human and material resources.

Progress to Date

ICA cash grants made in support of the Stabilization Program have checked rampant inflation, and to a lesser extent corrected the imbalance of the foreign exchange budget. Less progress has been made in eliminating costly social benefit legislation and other uneconomic practices. The adoption of the Petroleum Code has attracted foreign investments: the local costs of petroleum exploration brought approximately $11 million into the economy in 1959 alone; expenditures are expected to remain near this level for several years. The present administration has recently submitted a private investment and a mining code to the Congress, which if approved, will improve the climate for other foreign private investment.

Assistance from Non-ICA Sources

A British Consortium has granted COMIBOL a credit of $5.6 million and DLF has authorized two loans to Bolivia in FY 1959 amounting to $4 million. Venezuela has granted credits amounting to $2 million. The major portion of these credits will be utilized for imports of refined petroleum products. Apart from U.N. Technical Assistance, no other outside assistance of any magnitude has been given.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	22.4	20.5	16.1
DLF - Loan Approvals		4.0	1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations		0.4	0.2 2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	22.4	24.9	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Role of Program

The purpose of technical assistance in Bolivia is to encourage a favorable climate for economic development through foreign and domestic individual enterprise. Although technical assistance programs serve to alleviate the basic problems of Bolivia, their primary purpose is to teach the people the means by which they themselves may remedy those problems. Technical cooperation may be said to be an instrument by means of which a favorable foundation is laid to attract direct or indirect capital and enable its effective use for progressive economic expansion.

Objectives - Technical Cooperation

Special Assistance and Technical Cooperation are integral activities; Special Assistance being designed for emergency needs and Technical Cooperation to meet longer range objectives. The American staff of technicians made available to the TC program in the fields of agriculture, roads, health and education are developing a foundation upon which the Bolivian Government will be able to maintain not only political stability but improved social and economic progress which are necessary to achieve a sound economy. Through Technical Cooperation, Bolivia is assisted to improve managerial and technical skills, reduce illiteracy, improve health, promote social, economic and monetary stability, increase agricultural and industrial productivity and strengthen the corresponding governmental and private institutions.

Accomplishments - Technical Cooperation

The Technical Cooperation Program through selected project assistance has done much in laying the groundwork for future economic advances. The success of many individual projects (examples of which are cited below) can be labeled outstanding but tend to become obscured in the generally depressed social and economic atmosphere of present-day Bolivia.

As an indication of growing U.S.-Bolivian cooperation, and of increasing determination on the part of top Bolivian officials to attack their main economic problems, the Minister of Economy and the Director of the ICA Mission now work closely in the continuous review of all U.S. aid projects. This cooperation has established a base upon which future economic advances can be made.

Through the efforts of the technician assigned to the development of cooperatives, a cooperative law was written by the USOM and enacted into legislation by the Bolivian Government. Its adoption opened the doors for the creation of farmer cooperatives which have increased the production of rice, introduced grading and improved marketing. Some of the cooperatives through the facilities of the supervised agriculture credit program have acquired new and better

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	3,377	2,730	2,550

quality seed, rice shellers and fertilizer. Continued expansion of cooperatives will be highly beneficial to the increased production of many crops. Sugar production has already been increased substantially.

A reform program in the Customs Administration has been approved by the Government and enacted into law. Its adoption will eliminate previous irregular practices and substantially increase the percentage of revenue collections. Much of the success of this program is directly attributed to the U.S. technician who has been guiding the Bolivian officials in this significant development. The acceptance of sound custom tax practices and the desire for improved Government management give hope to the general adoption of sound administrative practices throughout the various ministries of Government. The acceptance of this idea is in itself an accomplishment.

The network of roads improved by the ICA Roads Servicio has stimulated agricultural development, increased local trade, reduced travel time, and cut vehicle repair costs substantially. Prior to the inauguration of a regular Servicio maintenance program, many of the roads were difficult in the dry season and impassable during the rainy season.

Composition of FY 1961 Technical Cooperation Program - $2,550,000

The Agriculture Servicio will be reorganized in FY 1961 to facilitate the subsequent transfer of certain activities to the Ministry of Agriculture, specifically the Agricultural Engineering and Agricultural Economics divisions of the Servicio.

In the Industrial and Mining Programs, the Minerals Survey project will make available a U.S. technician to assist the Department of Mineral Deposits Development of the Ministry of Mines, in the performance of reconnaissance surveys for areas of low grade mineral deposits suitable for large-scale mining. This work has been neglected since the nationalization of the mines in 1952. The advisor will also provide technical advice to the private mines in the fields of production and management.

Transportation projects will continue the work of the Roads Servicio and the Civil Aviation Advisory Group. The work of the aviation technician will be of prime importance during FY 1961 with

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	1,603	1,007	1,020
Participants	215	365	347
Contractual Services	257	175	120
Supplies and Equipment	54	105	73
Contrib. to Coop. Services	865	725	625
Other Costs	343	353	365
Total Project Assistance	3,337	2,730	2,550
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	74	49	51
Contract	12	9	7
Total Technicians	86	58	58
Participants (Programmed during year)			
Non-Contract	180	116	110
Contract	4	4	4
Total Participants	184	120	114
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	1,148	815	733
Industry and Mining	171	147	146
Transportation	549	562	576
Labor	18	50	47
Health and Sanitation	337	199	238
Education	430	387	324
Public Administration	209	190	176
Community Development, Social Welfare and Housing	18		
General and Miscellaneous	457	380	310
Total by Field of Activity	3,337	2,730	2,550

the construction of the El Alto Airport serving La Paz. A loan from DLF has made it possible to construct a runway suitable for larger aircraft.

Labor training and short-term labor consultants will be continued, as will the Health and Sanitation and Education programs.

Public Administration activities will continue advisory services on Government Management Assistance, Financial Advisory Services, and to finance a U.S. University contract for the improvement of the School of Public Administration.

Country: BOLIVIA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry & Fisheries - Total		733	404	62	50		42	175		
Cooperative Service	C	175						175		
Cooperative Service Administration	C	112	99	4			9			
Research and Technical Services	C	108	83	15			10			
Agricultural Extension	C	105	78	15			12			
Supervised Agricultural Credit	C	65		15	50					
Agricultural Engineering	C	123	108	7			8			
Agricultural Economics	C	45	36	6			3			
Industry and Mining - Total		146	66	67		4	9			
Mineral Survey	C	111	50	50		4	7			
Industrial Development	C	35	16	17			2			
Transportation - Total		576	178	78			70	250		
Equipment Operators	C	10		10						
Civil Aviation	C	45	25	17			3			
Cooperative Service	C	250						250		
Cooperative Service Administration	C	105	63	6			36			
Road Maintenance and Betterment	C	166	90	45			31			
Labor - Total		47	10	35			2			
Labor Training and Advisory Program		47	10	35			2			
Health and Sanitation - Total		238	100	28			10	100		
Cooperative Service	C	100						100		
Cooperative Service Administration	C	29	20	5			4			
Control of Specific Diseases	C	8		8						
Operation of Health Facilities	C	42	40				2			
Health Education and Social Welfare	C	32	20	10			2			
Environmental Sanitation	C	27	20	5			2			
Education - Total		324	150	51			23	100		
Cooperative Service	C	100						100		
Cooperative Service Administration	C	37	28				9			
Rural Education	C	92	58	26			8			
Industrial Education	C	60	33	25			2			
Vocational Agricultural Education	C	35	31				4			

Country: BOLIVIA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION (Continued)

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart'	P.L. 480 Administered by ICA
Public Administration - Total		176	50	26	70	5	25			
Government Management Assistance	C	56	20	26		5	5			
Financial Advisory Services	C	50	30				20			
School of Public Administration	C	70			70					
General and Miscellaneous - Total		310	62			64	184			
Audio Visual Center	C	60	20			4	36			
Technical Support	C	250	42			60	148			
Total Technical Cooperation		2,550	1,020	347	120	73	365	625		

BRAZIL - GENERAL ECONOMIC DATA

BASIC DATA

Population	64.2 million	
Annual Growth	2.4 percent	
Area sq. mi.	3.3 million	
Agricultural Land	15% of area	
Agri. Land per Capita	5 acres	
Literacy Rate	49 percent	
	Brazil	U. S.
Life Expectancy (*Years*)	53	70
Inhabitants per Physician	3,439	760
Road Miles per 1,000 sq.mi.	87	870
Electric Power per Capita (*KWH per Year*)	295	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	11,608	12,130	12,699	13,207
Per Capita GNP	Dollars	194	198	202	206
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	110	112	120	124
Corn	1,000 MT	6,604	7,747	7,366	7,700
Electricity	Million KWH	15,447	17,000	18,500	n.a.
Iron and Steel	1,000 MT	3,669	3,919	4,300	4,500
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	1,482	1,392	1,243	1,350
Coffee	"	1,030	846	688	720
Cocoa	"	67	70	89	70
Total Imports (c.i.f)	"	1,234	1,488	1,353	1,450
Trade Balance	"	+248	-96	-110	-100
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	746	700	572	670
Imports from U. S. (f.o.b)	"	309	482	532	430
Trade Balance	"	+437	+218	+40	+240
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	671	509	481	505(Sep)
COST OF LIVING INDEX (Sao Paulo)	*1953=100*	172	206	238	320

CENTRAL GOVERNMENT FINANCES* b/ FY ending Dec. 31	1957	1958	1959
	- Million Dollar Equivalents -		
Domestic Revenues	858	1,178	n.a.
Total Expenditures	1,293	1,520	n.a.
Deficit(-) or Surplus Before All Foreign Aid	-435	-342	
Budget Receipts from Non-U.S. Foreign Aid	-	-	
Budget Receipts from U.S. Aid & PL 480	- c/	- c/	
Remaining Deficit(-) or Surplus(+)	-435	-342	
DEFENSE EXPENDITURES - TOTAL	346	409	n.a.
U.S.-Financed (excl. M.A.P. end-items)	-	-	
Defense Expend. as % of Total Gov't Expend.	26.8%	26.9%	
Defense Expenditures as % of GNP	3.3%	3.2%	
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	947	1,111	n.a.
U.S.-Financed	-	-	

n.a. - Not available. * Converted at 100 cruzeiros per U.S.$. a/ Crops harvested in crop-year ending in year stated. b/ Excludes coffee support and miscellaneous subsidies financed from foreign exchange profits. c/ PL 480 and Ex-Im Bank loans went directly to the Development Bank and are not in the general budget of the central government.

Country: BRAZIL

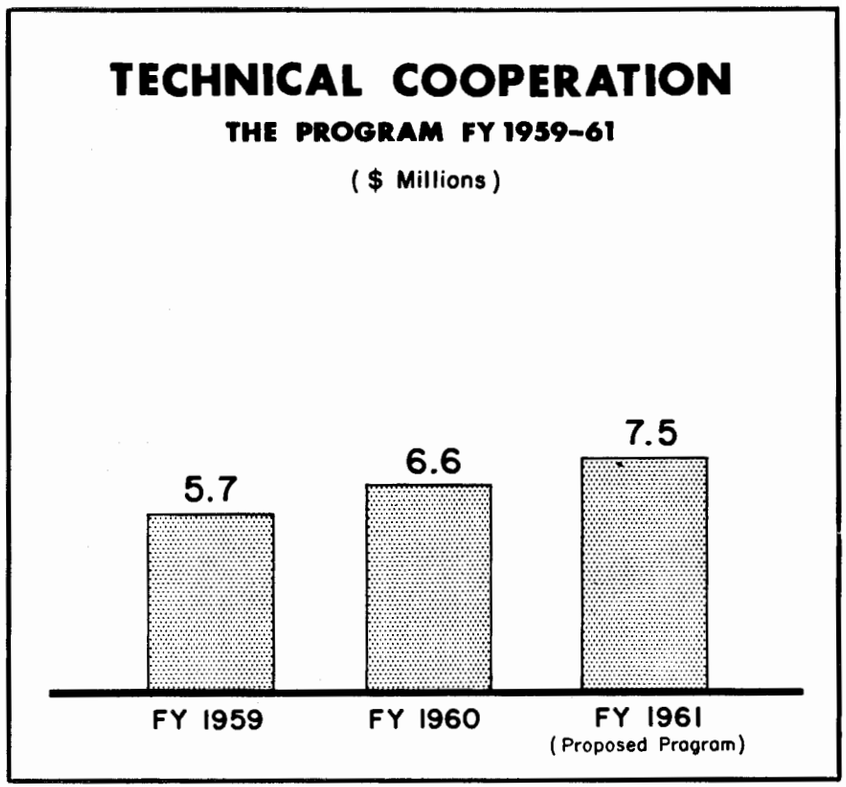
Brazil's size, natural resources, lengthy coastline (4,800 miles) and strategic location make its orientation and political and military cooperation of special significance to the United States. U.S. private investment in Brazil approximates $1.5 billion. Trade between the two countries is more than $1 billion annually. Brazil's rapid industrialization program is causing serious economic and social strains and has contributed to chronic inflation and balance of payments deficits. Rising nationalism, which is being exploited by the Communist Party to drive a wedge between Brazil and the United States, poses problems in relations with this country which may be expected to continue for some time to come.

Brazil's economic frustrations tend to promote resentment against her traditional friend and ally, the United States. This is complicated by the Brazilian feeling that the U.S. has neglected its South American allies while concentrating its attention on other areas. The rapid spread of this feeling indicates that during 1960, a Brazilian presidential year, U.S.-Brazilian relations may face their most difficult test to date.

The MSP is designed: (a) to assist in the country's economic development through technical cooperation; (b) to assist in the development of military units which Brazil has committed for hemispheric defense; (c) to ensure the degree of Brazilian cooperation necessary to maintain required U.S. military facilities in Brazil.

On the technical assistance side, the program continues to emphasize assistance to sectors of the economy lacking the institutional framework that Brazil needs as a foundation for its efforts to develop rapidly. The program is proposed in the belief that it will serve as a catalyst, and by example point the way to progressive change. It works toward this end by the methods of Technical Cooperation; sending U.S. technicians to Brazil to work with Brazilian institutions, and in training selected Brazilians in the United States or other countries.

Grant military assistance provided Brazil in FY 1959 and FY 1960 consisted of material in fulfillment of a U.S. agreement in 1957, providing for transfer of designated amounts and types of U.S. material over a four-year period. The U.S. has a Military Assistance Agreement with Brazil. In recent years, Brazilian armed forces have pursued a policy of defending constitutional government, including free elections from encroachments by elements seeking power by nonconstitutional methods.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	5,679	4,295	
Cumulative 6/30/59	28,286	23,359	4,927
Estimate FY 1960	6,600	5,616	
Cumulative 6/30/60	34,886	28,975	5,911
Estimate FY 1961	7,500	6,930	

Country: BRAZIL

ECONOMIC SITUATION

Current Economic Situation and Problems

Brazil occupies an area that is approximately one-half the land mass of South America and has a fast-growing population of 64.2 million. In spite of rapid industrial growth in several coastal cities, the country is underdeveloped. The agricultural sector of the economy accounts for one-third of the gross national product and engages 58% of the labor force. Exports of coffee, cotton and cacao earned nearly 70% of the foreign exchange in 1958, with coffee accounting for about 56% of total exports.

Economic development has not been balanced. Agricultural raw materials production and transportation facilities, for example, have not kept pace. Productive capacity of both industrial and agricultural workers remains low. The demand for imports of raw materials and capital equipment exceeds available foreign exchange and strains Brazil's balance of payments.

Brazil has chronic foreign exchange shortages, aggravated in recent years, largely by falling coffee prices. A need for additional external financing is a continuous possibility. Brazil's external financial position is directly related to artificial exchange controls and other financial practices adopted in response to domestic political considerations and to the Government's optimistic economic development program. Currently, Brazil's ability to borrow from international financial institutions is curtailed by her unwillingness to accept an IMF stabilization program.

Progress to Date

One of the most spectacular developments is the Government's urgent program for building the new capital of Brasilia in a frontier area 600 miles northwest of Rio de Janeiro.

President Kubitschek's "Program of Goals" provides for a total expenditure of over 300 billion cruzeiros ($3 billion equivalent) in critical sectors during the five years 1957 through 1961. About 45% is for power, 31% for transportation, 16% for basic industry (such as steel), 4% for education and about 3% for food supply. Steel output has already increased from 1.2 million tons in 1955 to 1.7 million tons in 1958.

Brazil has borrowed abroad to help finance this investment program and, in addition, there has been an important inflow of private foreign capital.

Assistance from Non-ICA Sources

Total U.S. direct private investments in Brazil are now estimated at nearly $1.5 billion; total foreign private capital investment is approximately $3 billion. Private capital flow to Brazil has increased substantially over the past few years, up from $33 million in 1955 to $238 million in 1958.

In addition to the P.L. 480 program shown in the table below, the U.S. has made available in FY 1955-56 $178 million in surplus agricultural commodities for local currency sale to Brazil. Of the sales proceeds, $148 million is available for development loans to Brazil. Assistance to Brazil from international organizations includes IBRD loans of $267 million through December 31, 1959, for purposes of electric power and communications development, rehabilitation and highway maintenance; net outstanding drawings on IMF of $92 million as of November 30, 1959; and International Finance Corporation loans to private industry of $7 million as of June 30, 1959. Two DLF loans totaling $800,000 have been approved since FY 1959. United Nations technical assistance during CY 1960 will involve 51 experts and an expenditure of more than $500,000. United Nations Special Fund assistance during CY 1960 will be $974,000.

Although the Soviet Union and Brazil do not maintain formal diplomatic relations, they concluded a trade pact on December 9, 1959. There have been no grant aid or technical assistance programs from Iron Curtain countries.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	4.0	5.8	7.0
DLF - Loan Approvals		0.5	-0.3 1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	3.6	2.9	0.6 2/
EX-IM Bank - Long-term Loans Approved	18.7	123.6	2/
TOTAL	26.3	132.8	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Country: BRAZIL

TECHNICAL COOPERATION

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	5,679	6,600	7,500

Role of Program - Technical Cooperation

Technical Cooperation is the primary vehicle for ICA assistance to Brazil's economic development. This cooperation is strengthening Brazil's efforts to develop democratic institutions capable of keeping pace with the country's rapid growth and emergence as a world power.

Objectives - Technical Cooperation

To indicate U.S. support of Brazil's efforts to develop a modern, dynamic, competitive economy that can provide a higher standard of living for its people, better utilize its wealth of natural resources, and form a solid basis for a strong democratic nation by:

(a) Assisting Brazil in providing the institutional framework necessary for the functioning of a modern society, and training the technicians and administrators needed to man it.

(b) Assisting Brazil in improving the educational base for developing fundamental technical and administrative skills.

(c) Encouraging the flow of private foreign capital into Brazil by surveys to identify basic resources.

Accomplishments - Technical Cooperation

Agriculture: During CY 1958, almost 2,500 agricultural technicians received approximately 200,000 hours of training under the servicio programs in such fields as nutrition, farm management, extension soil conservation and irrigation. Thirteen states have now established extension service organizations which reach nearly 200 counties in Brazil. A 4-H Club movement has been started and active members number 2,000. The U.S.-Brazil cooperative service now participates in 44 active projects with which over 70 federal, state and private agencies are cooperating in 16 states and territories of Brazil. An important step toward improving agricultural education was the signing in February 1959 of an agreement for U.S. assistance, through a contract with Purdue University, to develop the Rural University of Vicosa, Minas Gerais, into a pilot institution to train (a) extension workers and (b) professors in agricultural sciences and research. This University, in July 1959, organized in Brazil, an equivalent of the U.S. Land Grant College Association.

Industry and Mining: ICA technicians from the Interior Department have been assisting the Brazilian Government in conducting geological studies and mapping surveys which are creating the necessary base and stimulus for mineral development and investment. A survey of iron ore deposits in Minas Gerais now covers an area of 7,000 square kilometers and will be completed in FY 1960. Up to 1959, a total of $4.5 million had been spent in this area by private investors in follow-up work. Surveys of manganese deposits in Amapa have led to investments of more than $60 million and the saving of over $35 million annually in foreign exchange. Manganese deposits surveyed in Matto Grosso have attracted $10 million of investment funds. Other surveys of lead, zinc and copper are now under way. A program to develop university geology faculties has commenced.

Transportation: An Air Traffic Control Master Plan, completed in FY 1958, has been approved by the Brazilian Government and the aviation industry and is now being implemented. A model air navigation operation has brought about an increase in both safety of flight operations and volume of air traffic. Brazilian personnel gaining experience on this project will be qualified to expand the program throughout Brazil.

Labor: The visits of Brazilian labor union leaders and officials to the United States have been of considerable influence in promoting Brazilian-American understanding in this area.

Health and Sanitation: The joint Brazilian-U.S. organization, Special Service of Public Health (SESP), now has 15 regional programs and operates 300 health units and 20 hospitals. It provides preventive and curative services to eight million Brazilians in 600 communities covering an area of three million square miles. Among other accomplishments, SESP has turned over to local organizations more than 100 functioning water systems and nine hospitals to other Federal Government agencies. SESP began as a predominantly American organization with over 90% of its staff and finances furnished by the United States. Now it is 97% financed by Brazil and staffed almost completely by Brazilians. It operates under a U.S.-Brazil agreement extending to December 31, 1960. Substantial progress has been made toward establishment in 1960 of a permanent Brazilian public health service agency which will absorb the major projects currently being carried out by SESP. Legislation establishing SESP as a "Foundation" connected with the Ministry of Health is presently being considered by the Brazilian Congress.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	1,869	2,774	2,528
Participants	1,047	1,486	1,679
Contractual Services	1,494	829	1,594
Supplies and Equipment	150	190	353
Contrib. to Coop. Services	695	688	581
Other Costs	424	633	765
Total Project Assistance	5,679	6,600	7,500
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	113	122	135
Contract	16	50	57
Total Technicians	129	172	192
Participants (Programmed during year)			
Non-Contract	361	439	503
Contract	4	51	30
Total Participants	365	490	533
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	1,372	1,473	1,597
Industry and Mining	441	619	715
Transportation	215	396	262
Labor	216	225	280
Health and Sanitation	748	804	912
Education	601	897	1,267
Public Administration	1,575	1,456	1,739
Community Development, Social Welfare and Housing	37	92	117
General and Miscellaneous	474	638	611
Total by Field of Activity	5,679	6,600	7,500

Education: In elementary education, a model demonstration center has been established at Belo Horizonte where approximately 100 teacher educators from normal school staffs in Brazil have received semester courses. Another 75 educators have been trained at Indiana University to serve as teacher educators. A model industrial education demonstration center has been established and has trained 80 persons in 8-month teacher training and shop courses. In October 1958, the "Training within Industry" program was turned over to a Brazilian agency after training 27,000 supervisors and foremen and providing consultant services to over 1,200 companies.

Business and Public Administration: Technical assistance provided through a contract with Michigan State University aided the Getulio Vargas Foundation in establishing the School of Business Administration in Sao Paulo, the first 4-year curriculum in Business Administration in Latin America. U.S.-trained Brazilian professors have taken over the conduct of the undergraduate 4-year course as well as the intensive 13-week courses for businessmen.

The University of Minas Gerais was aided in developing a 4-year curriculum in Public Administration, thus providing the university system of Brazil with its first formal Public Administration instruction. Assistance has also been provided to the Brazilian Federal Government in improving its public administration through the Central Management Agency (DASP), whose responsibilities encompass Federal budget, civil service and general services administration.

Composition of 1961 Technical Cooperation Program - $7,500,000

Technical cooperation for Brazil in FY 1961 is projected at a level which is $900,000 above the FY 1960 program. This increase will be used primarily to finance expanded assistance needed by Brazilian universities to turn out more and better professional personnel in demand for Brazilian development programs. These university projects are in the fields of agriculture, business and public administration, engineering and geology. U.S. universities are providing most of this assistance under contracts with ICA.

Agriculture: In FY 1961 ICA will continue assisting Brazil to increase farm productivity so as to feed a growing population, supply its industry with raw materials, and provide additional tropical exports to help cover international payments deficits. The ICA program emphasizes helping the Brazilians to strengthen their institutions for promoting better farming practices, as well as developing programs to improve output of certain products.

Industry and Mining: The U.S. plans to provide 8 geology professors for 5 universities having newly established geology courses in order to train Brazilian faculties. Assistance will be continued in the fields of industry and management training, mineral resources investigations and mineral resources development.

Transportation: An ICA Civil Aviation Assistance Group will continue to assist in improving the reliability and safety of Brazil's air transportation systems.

Health and Sanitation: It is expected that in FY 1961 the U.S.-Brazil Cooperative Public Health Service (SESP) will be made a permanent national foundation, and that ICA technical assistance will continue with the purpose of aiding the smooth transition from a cooperative health program to an exclusively Brazilian operation. The work of establishing and expanding the scope of federal, state and local health services, new public health concepts, in-training of health personnel, and health education of the public will be continued through U.S. advisory services to the new Brazilian organization.

Education: The program in this sector will continue to concentrate on improving teacher training systems in all fields of education by means of assistance to normal schools, establishment of demonstration centers for teacher training, and participant training in the U.S. Assistance will continue to broaden the engineering curriculum of the Aeronautical Institute of Technology and to establish marine engineering courses under a University of Michigan contract.

Business and Public Administration: The program will continue assistance to improve the operating effectiveness of the Central Management Agency of the Federal Government, to develop schools of public and business administration in Brazilian universities through contracts with two American universities, and to improve industrial productivity and management through seminars, advisory service and orientation studies in the U.S.

Other Activities: Limited amounts of technical cooperation will continue to be provided in FY 1961 in the fields of participant training for labor union leaders, community development participant training and advice, communications media systems development and peaceful use of atomic energy.

Country: BRAZIL

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		1,597	738	252	150		157	300		
Cooperative Service	C	300						300		
Cooperative Service Administration	C	107	55				52			
Agricultural Research, Education and Extension	C	453	220	53	150		30			
Land and Water Resources	C	251	171	54			26			
Crop and Livestock Development	C	292	177	91			24			
Home Economics and Rural Youth	C	107	69	21			17			
Agricultural Economics, Farm Organization and Agricultural Credit	C	87	46	33			8			
Industry and Mining - Total		715	400	182	50	14	69			
Geological Education Project	C	239	203	36						
U.S. Geological Survey Mineral Resources Investigations (Non-ferrous Project)	C	128	62	36		12	18			
U.S. Geological Survey Mineral Resources Investigations (Ferrous Project)	C	143	105			1	37			
Mineral Resources Development	C	28	15	10		1	2			
Assistance to Industry and Management Training	C	177	15	100	50		12			
Transportation - Total		262	133	97		6	26			
Railroad Shop and Maintenance Training	C	106	52	45			9			
Air Navigation Aids and Air Traffic Control	C	138	81	34		6	17			
Aero-Photogrammetry Training (IAGC)	C	18		18						
Labor - Total		280		264			16			
Labor Union Leader Training	C	280		264			16			
Health and Sanitation - Total		912	375	222		221	94			
Public Health Administration	N	140	97				43			
Public Health Methods Development	N	658	228	210		174	46			
Industrial Hygiene	N	114	50	12		47	5			

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2,736
250
3,548,000

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Country: BRAZIL

TECHNICAL COOPERATION

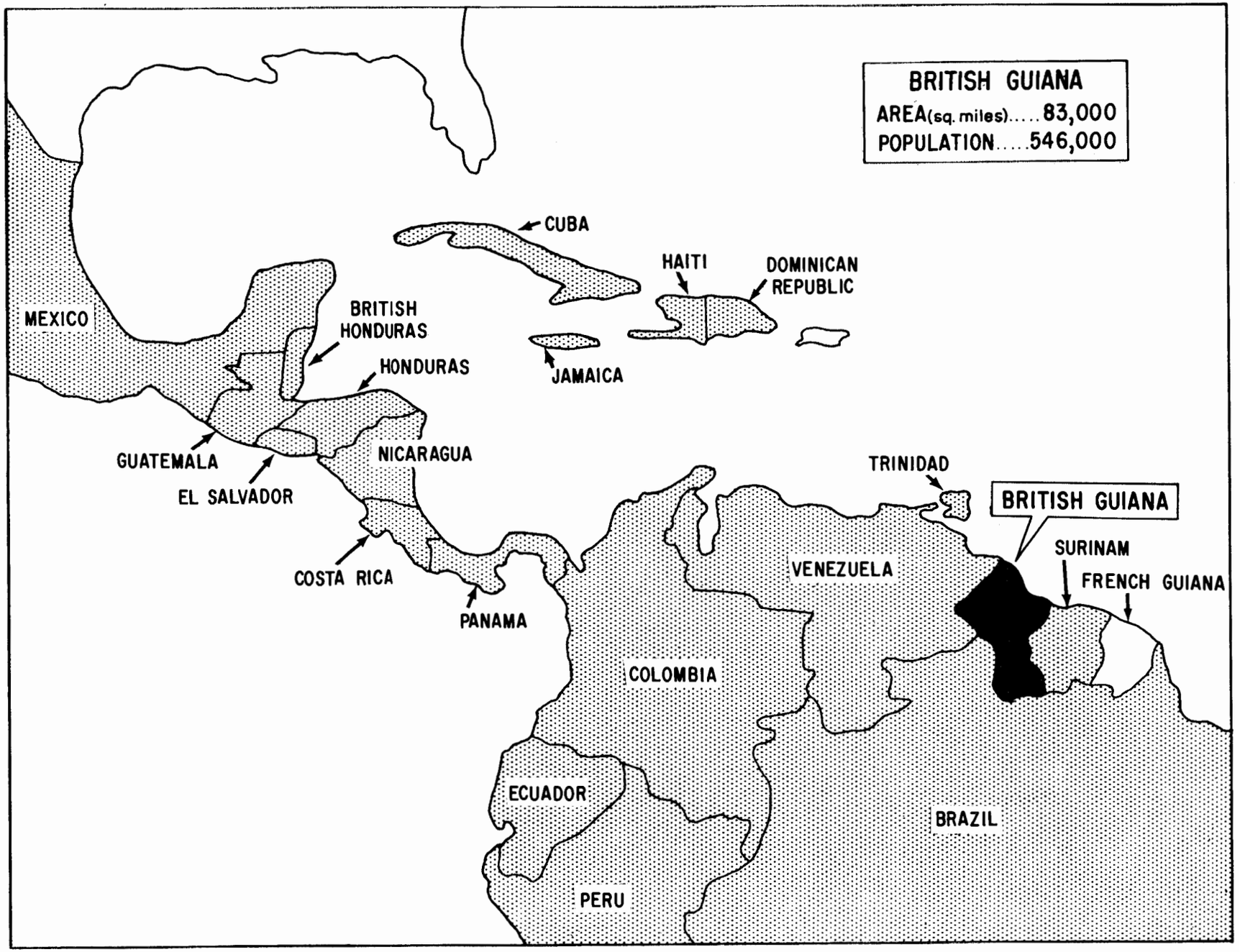
TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION (Continued)

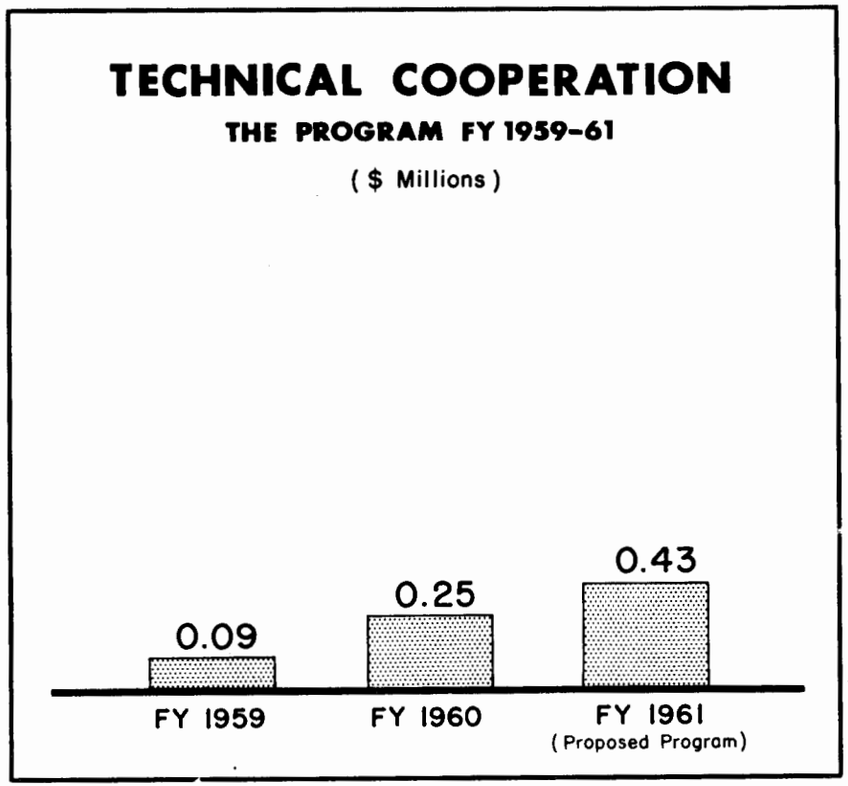
Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Education - Total		1,267	411	257	250	25	43	281		
Aeronautical Engineering	C	256		40	200	15	1			
Marine Engineering and Naval Architecture	C	72		12	50	10				
Cooperative Service - Industrial	C	70						70		
Cooperative Service Administration	C	79	56				23			
Industrial Education Teaching Training Project	C	121	101	15			5			
Coordinating Project for Training Industrial Personnel	C	102	55	45			2			
Cooperative Service --Elementary	C	61						61		
Elementary Education	C	185	103	75			7			
Cooperative Service - Secondary	C	150						150		
Secondary Education	C	171	96	70			5			
Public Administration - Total		1,739	271	241	1,124		103			
Improvement of Government Administration Practices	C	545	266	191			88			
Development of Institutes of Business Administration	C	223			223					
Improvement of Institutions of Public and Business Administration Education	C	901			901					
Economic Development Training	C	70	5	50			15			
Community Development, Social Welfare and Housing - Total		117	13	100			4			
Area Community Development	C	117	13	100			4			
General and Miscellaneous - Total		611	187	64	20	87	253			
Communications Media Technical Support	C	133	70			2	61			
Communications Media Systems Development (AV Supplies)	C	133	15	34	20	44	20			
Peaceful Use of Atomic Energy	C	61	30	30			1			
Technical Support	C	284	72			41	171			
Total Technical Cooperation		7,500	2,528	1,679	1,594	353	765	581		

BRITISH GUIANA



The United States has strategic, political and economic interests in British Guiana. The U.S. holds leases on two bases in the country which are inactive at present but may be required in the event of conflict. The U.S. political interest is due both to the fact that British Guiana is a colony in Latin America and as such is an issue in our relations with Latin American countries and with the British, and to the fact that the present popular leaders of the country have communist backgrounds. Economically, the United States is interested in bauxite, of which British Guiana is a large producer, and manganese which is now being exploited. The modest technical cooperation program in the area is designed to contribute to economic development with a view to giving the people hope for the future without turning to totalitarian government, and to demonstrate the friendship of the U.S. for the people of the country with a view to retaining their friendship and cooperation in forwarding our mutual interests.

During the past year there have been no new developments of consequence in British Guiana. Cheddi Jagan and his wife, Janet, both of whom occupy key cabinet-level positions, still command the major popular following in British Guiana. While they have followed the Communist line in the past, they have acted like responsible leaders since their election to office in 1957. Although there have been some defections from Jagan's party during the past year, the opposition remains weak. A Hungarian trade mission visited British Guiana recently and Jagan has speculated publicly about the possibility of a loan from the Soviet Union but there has been no additional evidence of new Communist infiltration into the country or of closer ties with the bloc. It is in the U.S. interest to discourage the development of such ties.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	88	66	
Cumulative 6/30/59	355	310	45
Estimate FY 1960	250	211	
Cumulative 6/30/60	605	521	84
Estimate FY 1961	430	334	

Country: BRITISH GUIANA

ECONOMIC SITUATION

Current Economic Situation and Problems

British Guiana's economy is based on the production of sugar, rice, and bauxite. The major trading partners are the UK and Canada, which between them take the entire sugar crop. Sugar, molasses, and rum account for about 50% of total exports, bauxite 30%, and rice 10%. Imports of flour and heavy machinery from the U.S. are of major importance and with the lifting of exchange restrictions U.S. goods are appearing in quantity. The mining industry, principally bauxite, accounts for about 15% of the Government's revenues. U.S. private investment in bauxite and manganese extraction industries are sizable. The majority of the rapidly growing population, as well as the colony's productive activity is confined to the narrow coastal plain. The potentialities of the inaccessible interior are relatively unknown.

This colonial economy is subject to the explosive pressure and demands of a rapidly growing population. Seventeen per cent of the labor force is unemployed and a still larger percentage is underemployed. Much of the food which could be produced locally is now being imported. Since agricultural land is limited, new areas must be brought into production and crop diversification is essential. Transportation, especially as regards roads, is a major limiting factor to increasing production. There is a serious absence of light industries and crafts required for balanced economic progress. The vocational educational system cannot provide the numbers and types of trained manpower required to meet development needs. The Colony's development program for 1960-1964 calling for investment of $66 million equivalent is an attempt to solve some of the problems outlined above with major emphasis on increasing agricultural production through improved drainage and irrigation. The elected leadership has shown dissatisfaction with the UK's limitation on its grant funds of $13 million equivalent and a loan ceiling of $53 million. It is possible that British Guiana may approach the DLF for a loan for road development.

The Government's revenues have shown a small but continous annual increase; expenditures have been kept slightly lower.

Progress To Date

Economic progress continues at a slow pace. The United Kingdom is currently providing loans of about $35 million equivalent to enable the present development program to be carried on. In agriculture, which has the highest priority in terms of development needs, extensive land settlement schemes and drainage and irrigation projects are being planned to bring more land into production. A credit corporation is functioning to provide credit to the farmer and to small industry. A central experiment station has been established for new crop research, and plans are being made to expand the agricultural extension service. In the field of transport, the Government has taken steps to establish a roads division and is now attempting to complete its organization and staffing. The Government is actively seeking loan funds from abroad to carry out its full program for the British Guiana Credit Corportation and irrigation and drainage. Despite the shortage of entrepreneurial experience and trained manpower, the Government is now actively concerned with the development of light industry and handicrafts. The new Ministry of Trade and Industry has made plans for the establishment of an industry division and, under the guidance of the new Industrial Development Council, is considering the establishment of an industrial development corporation. The recent manganese mining operation, the alumina plant, the chipboard factory, and the proposed pulp projects are bringing some new industrial activity and employment opportunities to the country.

Assistance from Non-ICA Sources

The UK is providing substantial assistance to the colony in the form of grants and loans, and British Guiana is now seeking additional loan funds for development from the IBRD. The UN Special Fund is considering a survey project for needed harbor improvements at Georgetown and New Amsterdam.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	0.1	0.1	0.2
DLF - Loan Approvals			1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	0.1	0.1	0.1 2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	0.2	0.2	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Country: BRITISH GUIANA

TECHNICAL COOPERATION

Role of ICA Programs

United States technical cooperation aside from producing tangible technical improvements, provides the necessary medium to demonstrate to the leaders of British Guiana, and to the people already largely friendly to the United States, the interest of the United States in the improvement of economic and social conditions of their country.

Objectives - Technical Cooperation

The ICA program in British Guiana is designed to accomplish the following:

(a) Through advisory services, training, and demonstration, strengthen institutions and develop skills necessary to fully implement and accelerate development efforts and utilize available developmental resources both external and domestic.

(b) For the accomplishment of the above, provide U.S. experience and special technical competence not available from other external sources.

(c) To concentrate U.S. efforts on priority aspects of the 5 year Development Program where U.S. assistance will stimulate or support developments in the private sectors of the economy.

Accomplishments - Technical Cooperation

From 1954 to October 1957 the program was largely carried out by the University of Maryland under an ICA university contract. During that period there were a number of gratifying results in the program.

Soils surveys were carried out in the Courantyne and Boerasirie areas in addition to the coastal reconnaissance survey. Pork production was increased through improved breeding methods and feeding arrangments. Feed mixing and new handling methods resulted in increased products of poultry and eggs. The 4-H movement was expanded. Housing personnel and surveyors have been trained. Aided self help techniques were introduced and pilot projects in Community Development were established at Golden Grove and Nabaclis. The Roads Division has been strengthened and new road building techniques introduced. Out-of-country training was provided to upgrade technical personnel.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	88	250	430

With the expiration of the University of Maryland contract in 1957 on the eve of local elections, the program continued on a much reduced basis awaiting the settling in of the new government and its expression of its intentions as to future development. This amounted to the continued services of the roads and the Community Development Advisors and limited out-of-country training. During the latter part of 1958 negotiations were resumed relative to the reactivation and reorientation of the ICA program on the basis of local needs.

Composition of 1961 Technical Cooperation Program - $430,000

The reorientation of the TC program in British Guiana has taken into account ICA's earlier experiences in the colony, current British Guiana development plan, and available resources. Implementation of the revised program, begun in FY 1960, will be in full operation during FY 1961 accounting for the increase in the program as compared with FY 1960. Major emphasis is being placed on the development of agriculture, particularly livestock, marketing, rural youth work, agricultural credit, and vocational agriculture. Other activities include advisory assistance on road building, a pilot-demonstration project on the control of filariasis - British Guiana's number one health problem - assistance in vocational education to provide needed skills and trained manpower for British Guiana development projects, and assistance to the Government in the development of small industry. The foregoing projects may be supported by the proposed British Guiana American Joint Technical Fund with each party contributing equal amounts. The Fund would provide necessary demonstration and training equipment, materials, and services to expedite the implementation and operations of the technicians on their respective projects. Out-of-country training will be provided in the U.S., Puerto Rico and elsewhere for approximately 30 Guianese.

Country: BRITISH GUIANA

TECHNICAL COOPERATION

TABLE E-1-A

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	39	102	175
Participants	37	24	86
Contractual Services		6	
Supplies and Equipment	2	36	54
Contrib. to Coop. Services		50	75
Other Costs	10	32	40
Total Project Assistance	88	250	430
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	2	5	12
Contract			
Total Technicians	2	5	12
Participants (Programmed during year)			
Non-Contract	16	10	30
Contract			
Total Participants	16	10	30
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	30	76	102
Industry and Mining	6	50	31
Transportation	19	8	58
Labor	1	8	
Health and Sanitation		5	35
Education		5	30
Public Administration	5		
Community Development, Social Welfare and Housing	13		
General and Miscellaneous	14	98	174
Total by Field of Activity	88	250	430

Country: BRITISH GUIANA

TECHNICAL COOPERATION

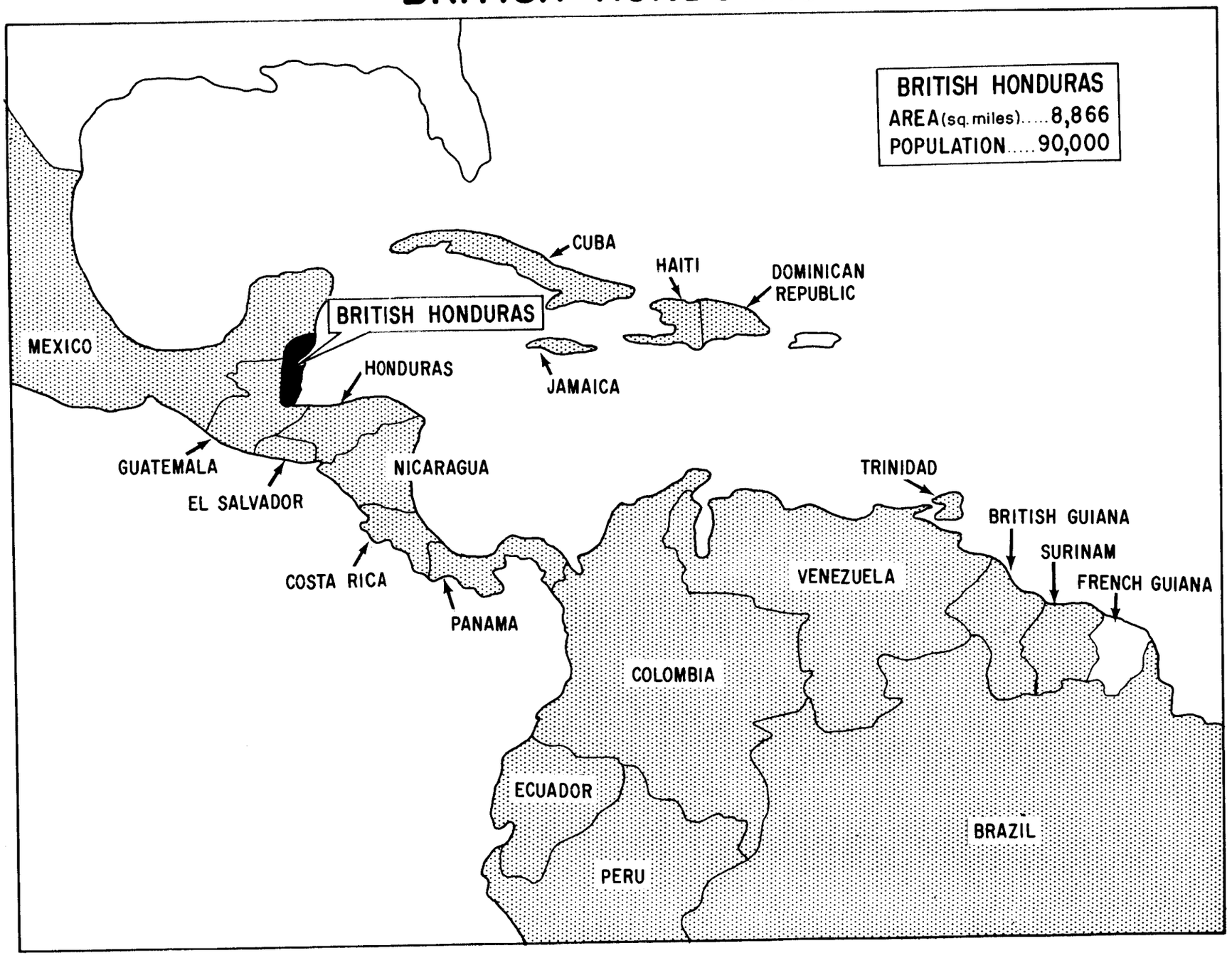
TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

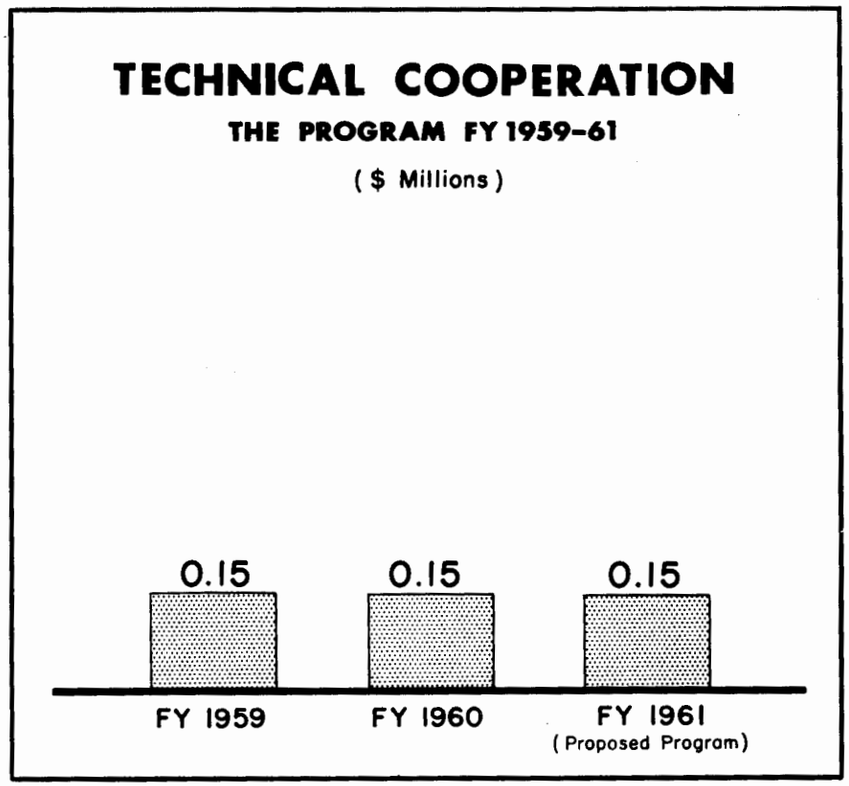
Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture - Total		102	64	23			15			
Agricultural Development	C	102	64	23			15			
Industry and Mining - Total		31	21	10						
Industrial Development	C	31	21	10						
Transportation - Total		58	45	10			3			
Transportation Development	C	58	45	10			3			
Health and Sanitation - Total		35	25	8			2			
Filariasis Control	C	35	25	8			2			
Education - Total		30	20	5			5			
Vocational Education	C	30	20	5			5			
General and Miscellaneous - Total		174		30		54	15	75		
Government Information Service Trng.	C	30		30						
Technical Support	C	69				54	15			
Joint Technical Fund	C	75						75		
Total Technical Cooperation		430	175	86		54	40	75		

BRITISH HONDURAS



The existence of the colony of British Honduras creates political issues for the U.S. in maintaining the delicate balance as between the anti-colonial Latin Americans and the British. The 100-year-old dispute between Guatemala and Great Britain concerning sovereignty over the colony occasionally involves the United States, and we would like to see it settled Although the British have made studies with respect both to constitutional advance and to economic development during the past year, there have been no new developments of importance.

Our principal interests in British Honduras and in the other dependent underdeveloped territories in the area are in retaining the traditional friendship for the United States among the inhabitants as they move closer to self-government and in encouraging the creation of a climate conducive to American investment A small technical cooperation program is maintained in the country with these ends in view.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	150	113	
Cumulative 6/30/59	354	247	107
Estimate FY 1960	150	153	
Cumulative 6/30/60	504	400	104
Estimate FY 1961	150	154	

Country: BRITISH HONDURAS

ECONOMIC SITUATION

Current Economic Situation and Problems

British Honduras, which is roughly the size of New Hampshire with less than nine persons per square mile, has an extremely limited economy. Over half the land is in forests; lumbering is the principal industry. Depletion of hard woods, however, poses a need for reforestation over the next century. Also, a reorientation of the economy toward development of agriculture and other industries is required. Although citrus fruits, sugar and coconuts are being exported, staple food production must be expanded in order to reduce present large food imports requiring expenditure of scarce foreign exchange. Industrial development has been impeded by a shortage of power, lack of trained labor, scanty facilities for technical training and no sources for long or intermediate term development credit. Lack of roads leaves many areas inaccessible. Poverty and poor social and health conditions prevail. Government operating costs total $3 to $3.5 million equivalent annually. Government development schemes financed by the British amount to $1 to $2 million equivalent annually. Under these plans foundations have been laid for the future.

Progress to Date

Forest regeneration is proceeding satisfactorily. Roads are being built or improved in the forest and sugar areas. Cacao and coconut planting is being promoted with government encouragement. Sugar and citrus production is being increased by improving yields. Pasture grass trials are providing information that will permit livestock development. Loss of a large part of the rice crop from the hoja blanca disease was a serious setback but plans are being laid to field-test resistant strains from within the country and from nearby countries that already have research programs in progress.

From a long-term standpoint, the awakening of the government to the need for better public institutions is heartening. There are being programmed rapid expansion of an agricultural extens. service, assistance of aided self-help housing groups and better economic planning. The economy's transition from stagnation to growth depends to a great extent on how rapidly the programmed economic institutions can be put into action This is particularly true of the proposed national economic development planning institution which embraces financing for agriculture, industry and housing. Long-range U.S. interests can be best served by continued cooperation with the government in the encouragement of those economic institutions that will permit the people to grow in self reliance. Some increase in emphasis on the technical aspects of agricultural research may prove beneficial to both British Honduras and the United States. Private investment by U.S. agricultural interests which will provide their own management would be a useful stimulus to economic progress, both by providing immediate employment and by visible demonstration of modern approaches to agricultural production.

Assistance from Non-ICA Sources

The United Kingdom provides $1 to 2 million equivalent annually for capital development, about $500,000 a year for technical and teaching personnel in schools, health, research and social welfare. UNESCO and Catholic Relief Societies annually distribute about 650,000 pounds of dry milk under P.L. 480 Title III. UNICEF, WHO, and the Pan American Sanitary Bureau have aided in the antimalaria and other health improvement programs to the extent of $15,000 annually and also offer two scholarships for n nurses The U.K. offers various types of scholarships abroad.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	0.1	0.2	0.2
DLF - Loan Approvals			
P.L. 480, Title I - Country Use (Total Sales)			1/
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	0.1	0.1	3/ 2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	0.2	0.3	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

3/ Less than $50,000

Country: BRITISH HONDURAS

TECHNICAL COOPERATION

Role of ICA Program

U.S. technical cooperation in British Honduras provide an opportunity to demonstrate U.S. interest in the improvement of economic and social conditions in the country, to strengthen and develop local institutions necessary for economic development and to provide technical experience in fields in which the U.S. has specific competence.

Objectives - Technical Cooperation

(a) To assist in the development of a more stable economy by providing U S technical experience to complement and accelerate development plan efforts

(b) To encourage sound economic development by assisting in increasing agricultural production, especially of foodstuffs now imported but which could be produced locally, thus conserving foreign exchange for high priority development needs.

(c) To assist in the creation of a favorable climate for private investment and to encourage private enterprise in the colony by assisting in the development of managerial talent and a skilled labor force and by encouraging adequate credit facilities.

Accomplishments - Technical Cooperation

The Mutual Security Program in British Honduras dates from June 1955, with the signing of the bilateral Program Agreement for Technical Cooperation. The program has concentrated on a few activities for developing an agricultural extension service, an improved agricultural credit system, and a program in aided self-help housing. In addition, emphasis has been placed on upgrading the trades and management skills of selected people through out-of-country training and by training within the country.

In agricultural credit, ICA technicians have completed a study of the workings of the old Agricultural Credits Fund (ACF) and of the problems likely to be encountered in setting up an improved system. Pursuant to Mission suggestion, the ACF has employed a manager and four fieldmen, who have been sent to the U.S. for special short courses in agricultural credit. In-service training has also been provided. ICA has recently presented in detail a plan for a new agricultural credit system for which the U.K. is being asked to provide foundation capital. At the suggestion of an ICA economist, the government of British Honduras is now considering the idea of broadening its agricultural credit fund into a national economic development bank.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	150	150	150

In agricultural extension, USOM set up a pilot extension project, beginning toward the end of 1958, using local Department of Agriculture personnel, to test, adapt, and demonstrate agricultural extension methods and techniques for application in British Honduras. As a result, the Government of British Honduras has decided to institute a national extension service, and has requested U.S. assistance in developing plans. The Government of British Honduras has requested special funds from U.K. sources to add a Director of Extension to the staff of the Department of Agriculture, and for strengthening the staff to backstop the extension workers.

Short-term technician help was made available through USOM during FY 1957 and FY 1958 to provide training in management, both for industry and government, at the middle levels, as well as the top levels. In addition, a course for surveyors was provided, to upgrade the abilities of personnel in various departments, and in private industry, for work of this type. Both were highly successful not only in upgrading skills, but as demonstrations. At the request of the Government of British Honduras, management technical assistance is being provided again for developing teachers to conduct their own within-industry courses.

British Honduras has taken advantage of the training offered under the Caribbean Training Program carriedon in Puerto Rico. Eighty participants were sent to the island for training. These trained technicians are beginning to have a noticeable effect in the improvement of operations in a number of government departments and private establishments.

Composition of 1961 Technical Cooperation Program - $150,000

The program proposed is to continue at the same level as in FY 1960 with emphasis on Agriculture Credit and Extension, and advisory services for aided self-help housing. Provision is made for advisory consulting services and training to support the Government of British Honduras efforts in establishing a national planning organization.

Country: BRITISH HONDURAS

TECHNICAL COOPERATION

TABLE E-1-A

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	61	65	76
Participants	62	62	51
Contractual Services	9	5	4
Supplies and Equipment		2	4
Contrib. to Coop. Services			
Other Costs	18	16	15
Total Project Assistance	150	150	150
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	4	4	4
Contract			
Total Technicians	4	4	4
Participants (Programmed during year)			
Non-Contract	23	21	18
Contract			
Total Participants	23	21	18
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	84	62	60
Industry and Mining	25	35	28
Transportation			
Labor	2		
Health and Sanitation			
Education		6	6
Public Administration			10
Community Development, Social Welfare and Housing	12	23	20
General and Miscellaneous	27	24	26
Total by Field of Activity	150	150	150

Country: BRITISH HONDURAS

TECHNICAL COOPERATION

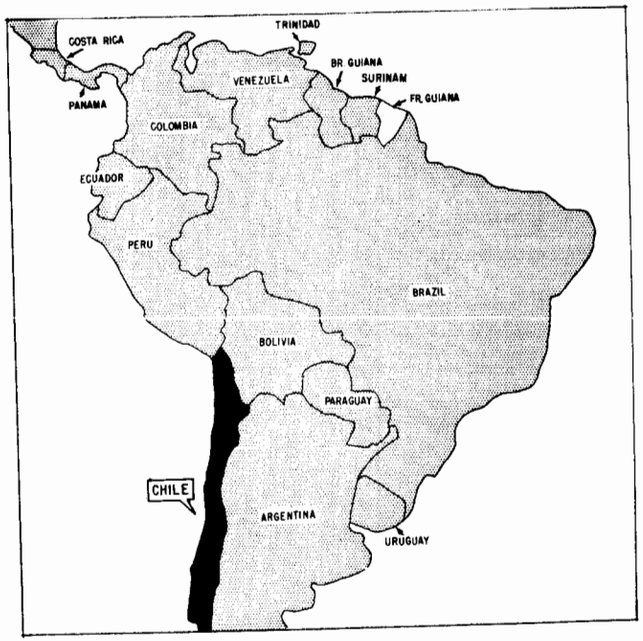
TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture - Total		60	40	18		1	1			
Agriculture Development	C	60	40	18		1	1			
Industry and Mining - Total		28		24	4					
Industrial Training	C	28		24	4					
Education - Total		6	3	3						
Vocational Education	C	6	3	3						
Public Administration - Total		10	7	3						
National Economic Development	N	10	7	3						
Community Development & Housing-Total		20	16	3			1			
Housing Development	C	20	16	3			1			
General and Miscellaneous - Total		26	10			3	13			
Technical Support	C	26	10			3	13			
Total Technical Cooperation		150	76	51	4	4	15			

CHILE - GENERAL ECONOMIC DATA



BASIC DATA

Population	7.5 million
Annual Growth	2.5 percent
Area	286,000 sq. mi.
Agricultural Land	18% of area
Agri. Land per Capita	5 acres
Literacy Rate	80 percent

	Chile	U. S.
Life Expectancy (*Years*)	52	70
Inhabitants per Physician	1,870	760
Road Miles per 1,000 sq.mi.	106	870
Electric Power per Capita (*KWH per Year*)	590	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	2,691	2,769	2,818	2,950
Per Capita GNP	Dollars	388	389	386	393
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	101	107	114	115
Wheat	1,000 MT	1,048	988	1,214	1,120
Mining Prod. Index	1953=100	119	121	119	130
Copper, refined	1,000 MT	460	451	440	590
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	542	455	386	500
Copper ores and bars	"	389	301	232	330
Nitrates	"	49	44	42	42
Total Imports (c.i.f)	"	354	441	415	400
Trade Balance	"	+188	+14	-29	+100
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	237	196	156	215
Imports from U. S. (f.o.b)	"	158	195	148	130
Trade Balance	"	+79	+1	+8	+85
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	96.4	58.8	74.4	120.0(Nov)
COST OF LIVING INDEX (**Santiago**)	*1953=100*	471	627	752	1,050

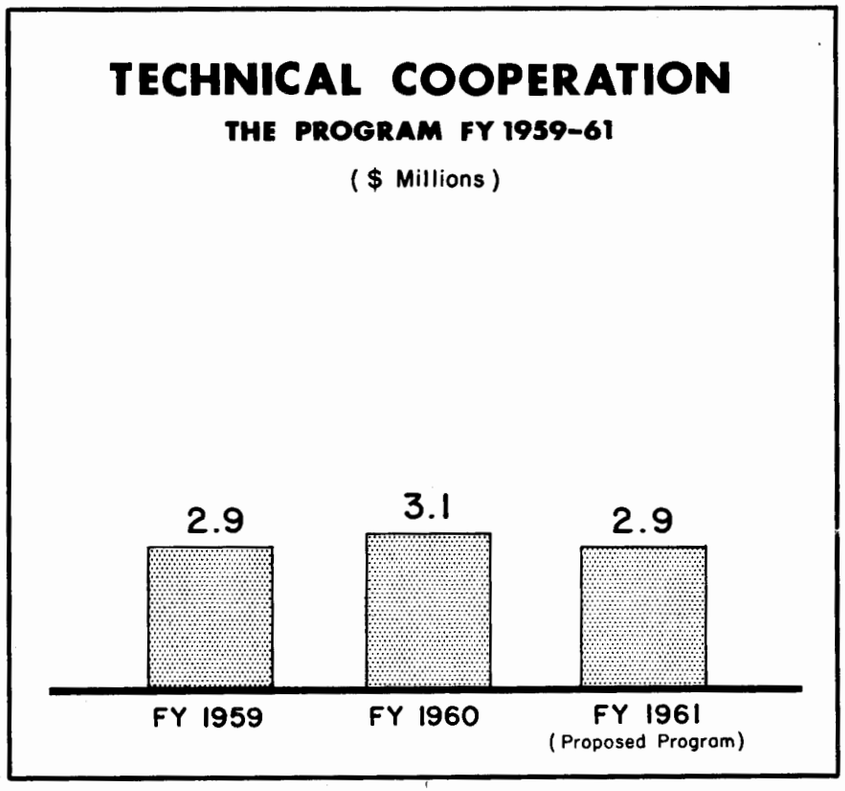
CENTRAL GOVERNMENT FINANCES*b/ FY ending **Dec. 31**	*- Million Dollar Equivalents -* 1958	1959(Bud)
Domestic Revenues	366	547
Total Expenditures	453	646
Deficit(-) or Surplus Before All Foreign Aid	-87	-99
Budget Receipts from Non-U.S. Foreign Aid	-	-
Budget Receipts from U.S. Aid & PL 480	16c/	35d/
Remaining Deficit(-) or Surplus(+)	-71	-64
DEFENSE EXPENDITURES - TOTAL	98	n.a.
U.S.-Financed (excl. M.A.P. end-items)	-	
Defense Expend. as % of Total Gov't Expend.	21.6%	
Defense Expenditures as % of GNP	3.5%	
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	355	n.a.
U.S.-Financed	(16)	(35)

n.a. - Not available. */ Converted at 1,000 pesos per U.S.$. a/ Crops harvested in crop-year ending in year stated. b/ Excludes transactions of semi-autonomous government agencies. c/ PL 480 loans. d/ PL 480 loans of $6 million plus EX-IM and MSP loan of $29 million for public works programs.

Chile is an important free world partner of the U.S. by virtue of its prestige among Latin American countries, its devotion to the principles of democratic, constitutional government, its hospitable atmosphere for U.S. private investment, and its strategic position. It is in the interest of the U.S. that Chile enjoy a sound and prosperous economy to support its vigorous democratic tradition. The U.S. technical assistance program in Chile is making important contributions towards increasing Chilean productivity and improving living and working conditions. The U.S. military assistance program is aiding Chile in the development of a capability to play a significant role in hemispheric defense. An important aspect of this role is anti-submarine warfare defense of the strategically important inter-American maritime routes along the extensive coast of Chile.

Following years of severe economic deterioration, the Alessandri administration, Chile's first conservative government in 20 years, has effected a remarkable restoration of confidence in Chile in only one year. Considerable progress has been made towards improving public administration and finances, stimulating production, and liberalizing foreign trade within the framework of a predominatly free enterprise system. Despite this marked progress, the government has so far been unable to curb inflationary pressures. The continuing rise in the cost of living provides a fertile field for agitation by the Communist Party and its allies. Internal Communist activities have increased considerably following the repeal last year of an anti-Communist law which had kept the party underground for ten years, and Chile recently has been receiving preferential attention from the Communist countries eager to increase their influence in Chile and Latin America generally. A major target of Communist propaganda has been Chile's financial stabilization agreement with the International Monetary Fund.

Chile's economy continues to be excessively vulnerable to fluctuations in the price of copper, and the U.S. technical cooperation program is helping Chile to develop and increase productivity in other sectors. Chile's political complexion for many years to come will probably be determined by the success of the Alessandri administration in dealing with Chile's basic economic problems.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	2,870	2,609	
Cumulative 6/30/59	15,783	12,344	3,439
Estimate FY 1960	3,100	3,098	
Cumulative 6/30/60	18,883	15,442	3,441
Estimate FY 1961	2,895	3,080	

ECONOMIC SITUATION

Current Economic Situation and Problems

Chile has a long history of persistent, acute inflation, the fight against which constitutes today the number one problem in the economy. The second paramount economic problem is the slow rate of increase in real gross national product in the face of a rapidly expanding population, the primary cause being Chile's low rate of new capital formation. Other major economic problems are inadequate agricultural production for Chile's consumption needs, a low rate of productivity in the industrial sector, lack of adequate exploration of mineral resources, inadequate transportation facilities, lack of adequate education and training facilities, a serious shortage of housing, and an unstable trade union movement.

Copper and nitrate, both encountering considerable marketing difficulties, still form the backbone of Chile's exports. Revenue derived from these exports still contributes the largest share of total fiscal receipts.

The Chilean social fabric suffers from inequality in the distribution of wealth and income. The low living standards of a large sector of the rural and urban population provide a fertile breeding ground for agitators. Chile is confronted with a slow, gradual evolution of rising expectations. These expectations will have to be fulfilled in the near future, the only way being an increase in national income and a more equitable pattern of income distribution. Otherwise, Chile may witness a change from the present "evolution of rising expectations" to a "revolution of risen and unfulfilled expectations" and its consequences.

Progress to Date

There is an unmistakable air of confidence in the Chilean business community as well as international confidence in the new government. If the Government can break the inflationary spiral, the prospects for Chile's immediate economic future appear reasonably bright. The Alessandri administration is dedicated to the task of economic development, and the fight against inflation occupies the first position in its present concerns. The Chilean Congress has granted the Government extraordinary economic powers which the administration seems determined to use in a constructive manner, with the realization that it may fall if substantial economic progress is not made. Although the stand-by agreement with the IMF expired at the end of 1959, the administration has firmly committed itself to fiscal and monetary policies recommended by the IMF. The budgetary deficit has been narrowed and inflationary financing of the remaining deficit through the Central Bank has been excluded. Foreign loans have been negotiated which cover the budget deficit and will serve to equilibrate the balance of payments.

A new public housing program has been developed, which should lift the construction industry from its present slump and provide essential low-cost housing.

Assistance from Non-ICA Sources

Cumulative United States direct private investment as of December 31, 1958 was $736 million. In FY 1959 a loan of $300,000 was approved by the DLF to finance the preparation of detailed designs, plans, specifications and cost estimates for a new international airport at Santiago and other commercial airport sites. In FY 1960 the IBRD made a loan of $32.5 million for electric power development. Total IBRD loans as of December 31, 1959 were $106.6 million.

P.L. 480 sales to Chile total $38.9 million, of which $30.6 in local currency sales proceeds has been loaned to Chile for economic development projects as of June 30, 1959.

The proposed program of the United Nations and its affiliated agencies for CY 1960 amounts to $392,000 (47 technicians). The U.N. Special Fund has budgeted $1.6 million for Chile in CY 1960, consisting of $990,300 for a mineral survey, and $612,500 for hydrometric and hydrometeorological stations.

The Rockefeller Foundation has made grants in Chile in the fields of agriculture, medicine, and the natural sciences. Voluntary relief programs are being carried out under the auspices of various U.S. religious groups.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	12.8	2.9	3.1
DLF - Loan Approvals	-	0.3	- 1/
P.L. 480, Title I - Country Use	-	-	2.2
(Total Sales)	-	-	(5.0)
P.L. 480, Title II - Obligations	-	-	- 2/
P.L. 480, Title III - Obligations	15.0	11.6	3.2 2/
EX-IM Bank - Long-term Loans Approved	15.0	29.0	1.9 2/
TOTAL	42.8	43.8	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Country: CHILE

TECHNICAL COOPERATION

Role of Program

ICA assistance to Chile at present consists exclusively of technical cooperation. The program has been directed toward assisting Chile's economic development through practical demonstration and training of Chilean personnel in the application of modern methods and techniques, and encouragement in the improvement of the investment climate.

Objectives - Technical Cooperation

(a) To assist Chile in increasing its productivity by more efficient use of existing natural and human resources.

(b) To assist in the development of skilled managerial and technical personnel by providing training in the host country and abroad.

(c) To assist in the improvement of higher educational institutions by providing U.S. university guidance in the organization of teaching and research facilities and training of Chilean professors.

(d) To encourage an increase in the rate of capital formation by providing assistance in attracting foreign investment, in promoting the regurn of flight capital through profitable and useful investment programs, and in the productive use of existing credit facilities.

Accomplishments - Technical Cooperation

In several fields of activity, Chilean technical competence has developed to a point where a reduction in the number of U.S. technicians is foreseen, and the program will be reduced in FY 1961. Specific instances of areas in which U.S. assistance is being phased out are included in the narrative below.

Five years ago there was no such thing as a Chilean Management Association. Now the Chilean Institute of Management (ICARE), established with ICA assistance, is a full-fledged organization with a membership of approximately 300 enterprises and 700 individuals members. It is affiliated with international management associations in which it is playing an active role. ICA has brought U.S. experts and business men to Chile to lead ICARE seminars and conferences in various fields of scientific management. The number of these programs assisted by ICA has gradually decreased, the majority of seminars now being led by Chilean experts. In 1959, 27 seminars were held and led by Chilean personnel, while only 2 were led by U.S. experts. To date, over 3,000 executives and middle management personnel have taken part in courses and seminars sponsored by ICARE. U.S. consultants have also given

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	2,870	3,100	2,895

assistance to many specific industries, and consultation in such fields as marketing, production and accounting. Industrial technical aids have also been provided, and a large number of Chileans have been brought to the United States for industrial training.

Six years ago there was little if any interest on the part of Chilean universities in exploring and developing means whereby curricula and teaching methods could best serve the interests of a country moving rapidly into the modern industrial age. Today ICA has university-to-university programs in Chile enthusiastically being carried forward through a contract with the Council of Rectors of the seven Chilean universities, as well as individual projects with six of the universities. United States academic methods and standards are or have been represented in Chile by the National Academy of Sciences, the University of California, Stanford University, the University of Chicago, the University of Pittsburgh, and Cornell University.

The university project which has been in operation longest is the University of Chicago contract with Catholic University in the field of economics. Through this contract, a total of 21 outstanding young Chilean economists have been sent to the University of Chicago; the majority have excelled in their graduate studies, and four have been given full-time positions within the Faculty of Economics at Catholic University. With the assistance of University of Chicago faculty members, these professors have almost completely transformed the Faculty of Economics, introducing new curricula, new teaching methods, and new selection processes for students.

In the field of agriculture, two phrases have become widely and favorably known throughout the country. They are "Punto Cuatro" (Point Four) and "Plan Chillan". The Plan Chillan has had outstanding success as an area development operation demonstrating that different governmental agencies can work together effectively to introduce modern farming methods and techniques. The plan has been so successful that the Chilean Government has now established similar plans in six other regions of Chile, based on the experience gained through the Plan Chillan. Discussions are now under way to turn over to the Chileans the complete management and financing of the activities of the Plan Chillan.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	856	1,049	895
Participants	584	679	680
Contractual Services	550	475	471
Supplies and Equipment	231	162	120
Contrib. to Coop. Services	344	328	275
Other Costs	305	407	454
Total Project Assistance	2,870	3,100	2,895
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	51	50	50
Contract	7	15	14
Total Technicians	58	65	64
Participants (Programmed during year)			
Non-Contract	248	193	207
Contract	5	30	15
Total Participants	253	223	222
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	885	917	853
Industry and Mining	591	585	521
Transportation	254	273	259
Labor	250	364	370
Health and Sanitation	196	203	108
Education	25		
Public Administration	177	203	134
Community Development, Social Welfare and Housing	139	154	203
General and Miscellaneous	353	401	447
Total by Field of Activity	2,870	3,100	2,895

Composition of 1961 Technical Cooperation Program - $2,895,000

The agricultural program continues to account for approximately 30% of the proposed FY 1961 program for Chile, with internal shifts in emphasis toward greater concentration on extension, agricultural credit and management. In the technical fields, livestock, forestry, fruits and fisheries will receive more attention. The phasing out of the Plan Chillan will continue, to be replaced by increased efforts to extend the area development experience on a national scale.

The industry program will continue to offer training to top and middle management, with major emphasis given to small and medium enterprises. In addition, assistance will be provided in the establishment of industrial consulting services by the Manufacturers Association, and in the stimulation of new industrial and expansion of existing industries.

The geology program will begin a downward trend as compared with FY 1960. The Geology Institute will require less technical assistance, but the university program more recently initiated to develop a School of Geology will continue at the same level.

In the field of transportation, the civil aviation program will have passed its peak and a number of continuing activities will be virtually completed by the end of FY 1961. Emphasis will be on the development of a federal aviation organization along the lines of F.A.A. and an enlargement of the inadequate airport network. The roads program emphasizes the establishment of a permanent training institution at the national level - an outgrowth of the pilot training plant in Chillan.

In the labor field, the labor participants will continue to be a significant part of the program. The university contracts for worker skill training and the Institute of Industrial Relations will be in full operation by FY 1961.

The health program, the oldest activity of the ICA in Chile, will be further reduced and phased out in an orderly manner. Specialized technical help, however, will continue to be provided to support the role of Chile in its increasing program of third country training.

Activities in housing will include training in modern methods in the areas of home building, savings and loan associations, housing cooperatives, and housing planning and research.

In public administration assistance will be provided in university training programs in the fields of public and/or business administration. In addition, technical advice will be given to various government agencies.

Projects in communications media will include communications support for all ICA activities and assistance to the University of Concepcion in a pilot fundamental education program for rural adult populations.

The proposed program shows an increasing use of university contracts to introduce advanced U.S. teaching methods in the Chilean universities.

Country: CHILE

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		853	314	125	60		79	275		
Water Resources	C	23	15		8					
Agricultural Credit	C	12		12						
Cooperative Service	C	275						275		
Division Administration	C	133	78				55			
Agricultural Extension	C	107	47	51	2		7			
Chillan Agricultural Center	C	49	34	12			3			
Soil Conservation and Drainage	C	29	16		10		3			
Livestock Improvement	C	60	32	6	20		2			
Agricultural Production	C	27	14	12			1			
Agriculture Economics	C	60	26	10	20		4			
Forest Conservation and Management	C	50	34	12			4			
Fisheries Development	C	28	18	10						
Industry and Mining - Total		521	191	155	90	16	69			
Geology		266	130	44	55	6	31			
Management Association Assistance Program (ICARE)	C	53	17	12	20		4			
Manufacturers Association Cooperation Program (FOMENTO FABRIL)	C	80	19	24		10	27			
Technological Development	C	70	11	55			4			
Chilean Development Corporation Assistance Program	C	52	14	20	15		3			
Transportation - Total		259	124	78	10	13	34			
Air Transportation and Civil Aviation Development	C	143	66	52		3	22			
Road Development	C	116	58	26	10	10	12			

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Country: CHILE

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION (Continued)

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Labor - Total		370	22	149	189		10			
Industrial Training Program	C	116			116					
Labor Division	C	254	22	149	73		10			
Health and Sanitation - Total		108	58	20	20		10			
Cooperative Health Program	C	108	58	20	20		10			
Public Administration - Total		134	27	40	50		17			
Public Administration	C	134	27	40	50		17			
Community Development, Social Welfare and Housing - Total		203	61	67	28	17	30			
Housing	C	192	61	56	28	17	30			
Social Sciences and Anthropology	C	11		11						
General and Miscellaneous - Total		447	98	46	24	74	205			
Communications Media	C	111	41				70			
University of Concepcion, Communications Media	C	57	12	21	15	9				
Peaceful Uses of Atomic Energy	C	34		25	9					
Technical Support	C	245	45			65	135			
Total Technical Cooperation		2,895	895	680	471	120	454	275		

COLOMBIA - GENERAL ECONOMIC DATA

BASIC DATA

Population	13.8 million
Annual Growth	2.3 percent
Area	440,000 sq.mi.
Agricultural Land	36% of area
Agri. Land per Capita	7 acres
Literacy Rate	62 percent

	Colombia	U. S.
Life Expectancy (*Years*)	46	70
Inhabitants per Physician	3,072	760
Road Miles per 1,000 sq.mi.	36	870
Electric Power per Capita (*KWH per Year*)	211	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	2,521	2,462	2,493	2,554
Per Capita GNP	Dollars	195	187	185	185
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	110	112	115	121
Sugar	1,000 MT	249	228	240	236
Petroleum	"	6,102	6,340	6,485	7,400
Electricity	Million KWH	2,600	2,620	2,850	3,100
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	599	511	461	475
Coffee	"	475	390	355	360
Petroleum	"	70	72	65	75
Total Imports (c.i.f)	"	657	483	400	415
Trade Balance	"	-58	+28	+61	+60
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	410	383	333	340
Imports from U. S. (f.o.b)	"	323	241	185	200
Trade Balance	"	+87	+142	+148	+140
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*) (Central Bank only)	"	131	145	160	179(Oct)
COST OF LIVING INDEX (Bogota)	*1953=100*	115	132	151	162

CENTRAL GOVERNMENT FINANCES*b/ FY ending Dec. 31	1958	1959	1960
	- Million Dollar Equivalents -		
Domestic Revenues	252	267	n.a.
Total Expenditures	257	270	n.a.
Deficit(-) or Surplus Before All Foreign Aid	-5	-3	
Budget Receipts from Non-U.S. Foreign Aid	n.a.	n.a.	
Budget Receipts from U.S. Aid & PL 480	1	-	
Remaining Deficit(-) or Surplus(+)	-4	-3	
DEFENSE EXPENDITURES - TOTAL	54	61	n.a.
U.S.-Financed (excl. M.A.P. end-items)	-	-	
Defense Expend. as % of Total Gov't Expend.	21.0%	22.6%	
Defense Expenditures as % of GNP	2.2%	2.2%	
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	203	209	n.a.
U.S.-Financed	(1)	-	

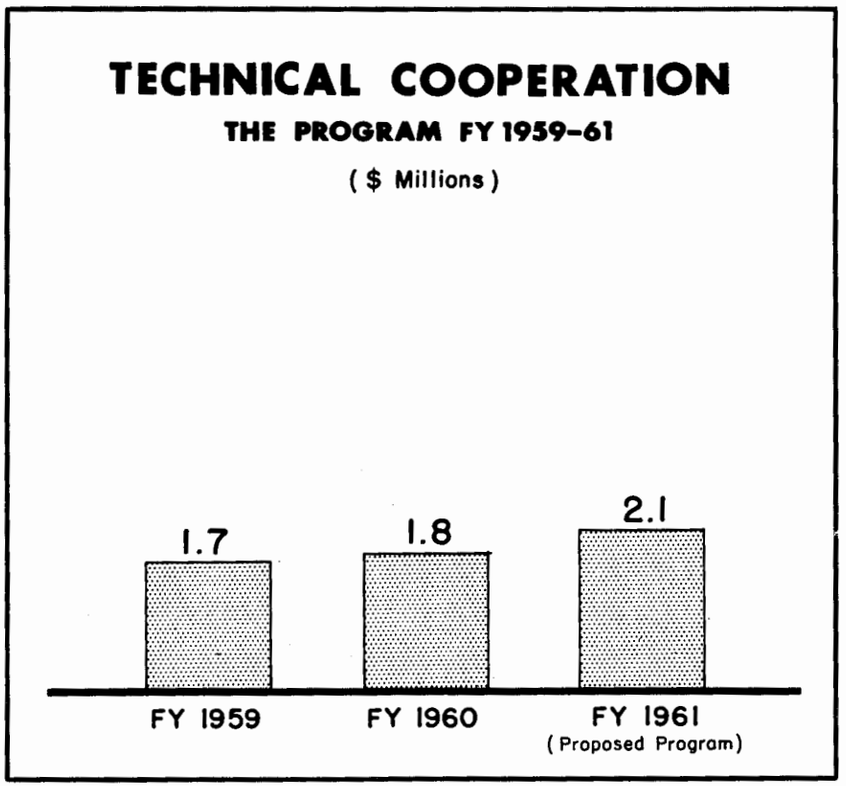
n.a. - Not available. */ Converted at 6.5 pesos per U.S.$.
a/ Crops harvested in crop-year ending year stated.
b/ Excludes the finances of numerous semi-autonomous government agencies.

Country: COLOMBIA

MUTUAL SECURITY PROGRAM

Colombia is one of the most democratic nations in the hemisphere and has a long record of cooperation with the U.S. It was aligned with the U.S. throughout the last war; it has labored earnestly to further the development of an effective inter-American system. Its leaders are opposed to the advance of international Communism, it supports the U.N. efforts to combat aggression; it was the only Latin American country to send land and sea forces to support U.N. action in Korea, and again contributed troops in the Suez crisis. Under the mutual defense assistance agreement with Colombia the U.S. is assisting selected military units in developing a capability to contribute to hemisphere defense. In the field of technical cooperation the Mutual Security Program helps Colombia to increase agricultural production, to improve health and sanitation and to raise the level of popular education.

During the past year Colombia has successfully put into effect its new experiment in government in which the two traditional political parties divide the principal offices and responsibilities equally between them. It has also gone far toward liquidating the heavy commercial debt accumulated by the Rojas administration and placing Colombia's finances on a sound basis. There are, however, elements in the situation that cause concern. The guerrilla warfare that devastated much of the country for a decade has degenerated into banditry in some sections. While it has diminished considerably in intensity, banditry is still responsible for between 100 and 200 deaths per month. This situation has resulted in large settlements of refugees in the suburbs of many cities, which pose a major problem. Labor troubles and public demonstrations and riots with an economic background have become more frequent. While Colombia has no diplomatic relations with any Soviet bloc countries and consular relations with none except Czechoslovakia, the Communist Party, previously outlawed, now operates without restriction, and has repeatedly taken advantage of strikes and disputes to further its own ends. The population of Colombia is increasing very rapidly and there is widespread and severe poverty--a social situation that easily lends itself to effective Communist exploitation.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	1,683	1,502	
Cumulative 6/30/59	9,087	8,066	1,021
Estimate FY 1960	1,800	1,546	
Cumulative 6/30/60	10,887	9,612	1,275
Estimate FY 1961	2,100	1,810	

ECONOMIC SITUATION

Current Economic Situation and Problems

Basically an agricultural country, Colombia's economy is largely dependent upon coffee exports which produce about 80% of the country's foreign exchange. Colombia is far from making full use of its potentialities in other branches of agriculture and imports large quantities of agricultural products which could be produced locally. The country has considerable mineral wealth which is largely unexploited.

During the period from 1945 to 1955 Colombia's industrial development was remarkably rapid. This trend was halted rather abruptly in recent years when coffee prices fell, with resultant drastic reduction of foreign exchange revenues. Owing to the mismanagement of the country's economy during the Rojas regime, which fell in 1957, the present government inherited a $470 million backlog of foreign debts which it is repaying gradually. Since further deterioration of coffee prices may be expected, Colombia may face increasing difficulties in meeting payments on her indebtedness and paying for her imports. The long-term problem facing Colombia is the need to find new foreign exchange resources or means of reducing drastically the need to import or both. In order to achieve a satisfactory rate of economic growth Colombia will require additional capital, both domestic and foreign. The restrictive measures of the austerity program now in effect, if continued for any length of time, will eventually have a detrimental effect on the country's economic growth.

Another serious problem facing the government, which could easily lead to a social explosion, is the widespread poverty of large masses of the population, exacerbated in recent years by chronic violence, which continues to have a disruptive effect on Colombia's economy. Other factors inhibiting economic growth are inadequate basic educational facilities, lack of transportation facilities, low standards of health and sanitation and a paucity of technical, scientific and management know-how.

Progress to Date

Since the fall of the Rojas Government, Colombia has acted with vigor and integrity in attacking her fiscal problems. The Government has reduced the country's commercial debt by some $280,000,000, putting the country in a relatively strong credit position. To enable service of this indebtedness, severe import and credit restrictions have been imposed and government spending has been reduced.

Agriculture has not as yet shown expected gains due to a prolonged period of drought. However, longer range prospects for agriculture are encouraging, with sugar, cotton and rice production likely to reach all-time highs in the near future.

Major objectives of the government's social and economic program are administrative reform in government, coordinated economic planning, and the stimulation of agricultural production, export industries, and increased private investment. Colombia has started a rehabilitation program in five "violence areas" involving health, education and farm-to-market road construction, and has drawn up a nationwide plan to improve education.

Assistance from Non-ICA Sources

Cumulative U.S. direct private investment as of December 31, 1958 was $289 million. An IMF stand-by credit of $25,000,000 extended in 1957 was augmented by an additional stand-by agreement of $41.25 million negotiated in October 1959. During FY 1960, an exchange credit of $25 million was extended by the Export-Import Bank to provide dollar exchange, and applications for credits for specific projects and export transactions are currently under consideration.

IBRD loans as of December 31, 1959 totaled $130.6 million. P.L. 480 sales agreements amounted to $38.3 million; $24.4 million in local currency sales proceeds have been loaned to Colombia for economic development purposes. The program of the U.N. Technical Assistance proposed for CY 1960 is in the amount of $405,000 (36 technicians). The U.N. Special Fund has budgeted $540,800 for a project in vocational training and $370,500 for a soils survey. UNICEF contributes $600,000 a year to the Malaria Eradication program. The Rockefeller Foundation spent $497,000 during the past year in agricultural research and provided training grants in medical education, as did the Kellogg Foundation. CARE and the National Catholic Welfare Conference have distributed large amounts of foodstuffs, clothing and tools.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	1.3	1.7	1.8
DLF - Loan Approvals	-	-	- 1/
P.L. 480, Title I - Country Use	3.1	-	15.8
(Total Sales)	(6.5)	-	(31.6)
P.L. 480, Title II - Obligations	-	-	- 2/
P.L. 480, Title III - Obligations	7.4	4.0	1.2 2/
EX-IM Bank - Long-term Loans Approved	83.7	-	25.0 2/
TOTAL	95.5	5.7	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Country: COLOMBIA

TECHNICAL COOPERATION

Role of Program

Since its inception, the ICA program in Colombia has been limited to technical cooperation. The solution of several of Colombia's major problems is well beyond the reach of technical assistance alone. However, technical assistance is an effective catalyst in the improvement of production and educational methods and procedures, in increasing productivity, in introducing new concepts, and in gradually providing an economic climate which will make it possible for Colombia to make the best possible use of its natural and human resources as well as its domestic and foreign capital resources.

Objectives - Technical Cooperation

(a) To increase productivity by demonstrating improved skills and techniques and creating institutions which will facilitate increased agricultural and industrial production, improved health standards, a higher level of basic education, more efficient business and public administration, and better communications facilities.

(b) To encourage the diversification of Colombia's economy by providing technical advice in the development of potential agricultural, industrial, mineral and other resources which have not been fully exploited.

(c) To assist in the technical development of Colombia's human resources by providing training, in the host country and abroad, in all fields related to Colombia's economic and social development.

(d) To stimulate the investment of private capital and the expansion of private enterprise by providing guidance toward the creation of a favorable investment climate.

Accomplishments - Technical Cooperation

During the past year increasing attention has been paid to the field of education which currently has the full attention of the Colombian authorities. The demonstration program in primary education and vocational training in industry and agriculture in the Cauca Valley, which was initiated in 1958, is now well under way. As a result of the accomplishments of this project, it is expected that the Colombian Government may wish to expand this program to other areas.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	1,683	1,800	2,100

In the field of agriculture, emphasis remains on increasing agricultural production to feed a rapidly growing population. Assistance to the newly-organized nationwide extension service has been augmented and U.S. technicians, formerly assigned to regional extension projects, are now working directly with the Ministry of Agriculture at the national level. A significant number of the Colombians assigned to the National Agricultural Extension staff were trained by ICA. With the assistance of U.S. technicians, 16 extension zones have been organized and 49 county extension offices established.

A successful management seminar conducted in 1958 by five experienced U.S. industrialists constituted a milestone in introducing better management techniques at the higher levels of Colombian industry. Out of this initial effort came the establishment in 1959 of the Colombian Institute of Administration, patterned after the American Management Association, and the establishment of a School of Industrial Management in the city of Medellin.

Since the introduction of sound monetary and fiscal policies can have a tremendous influence upon a country's over-all productivity, priority has been given to providing high level Colombian economists and financiers with additional technical training and experience. As a first step in this direction five top businessmen and economists received training in the United States in 1959 in advanced business and economic subjects.

Composition of 1961 Technical Cooperation Program - $2,100,000

The increase of $300,000 over the aid level for FY 1960 has been proposed in order to render increased technical assistance to the Lleras Government in its efforts to maintain economic and political stability and to provide effective support for the Government's programs designed to raise the standard of living of the Colombian masses. In view of the emphasis being placed by the Colombian Government on increased agricultural production and its determination to devote more attention to the education of the masses almost two-thirds of the funds requested for the technical assistance program will be used for activities in these fields.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	667	880	927
Participants	485	258	440
Contractual Services	104	132	194
Supplies and Equipment	10		
Contrib. to Coop. Services	354	425	425
Other Costs	63	105	114
Total Project Assistance	1,683	1,800	2,100
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	44	53	55
Contract	1	1	
Total Technicians	45	54	55
Participants (Programmed during year)			
Non-Contract	161	73	129
Contract			
Total Participants	161	73	129
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	524	675	776
Industry and Mining	65	87	110
Transportation	131	105	110
Labor	90	25	85
Health and Sanitation	459	350	300
Education	352	505	584
Public Administration	23	15	90
Community Development, Social Welfare and Housing			
General and Miscellaneous	39	38	45
Total by Field of Activity	1,683	1,800	2,100

In agriculture, emphasis will be given to projects designed to increase and diversify agricultural production. Current activities in agricultural economics, cacao development, forest resources, supervised agricultural credit, and agricultural engineering will continue. Subject to the favorable outcome of preliminary investigations currently under way as to the economic feasibility of the production of kenaf in Colombia, technical assistance in kenaf development may be provided during FY 1961. Assistance in the improvement and strengthening of the Agricultural Extension Service of the Ministry of Agriculture will continue to be the largest project in terms of technicians and funds. A new project to be initiated in FY 1961 will involve technical advice to livestock producers in the improvement of management methods and increased production.

In education, the activities of the pilot projects in the Cauca Valley area will continue. These projects involve assistance in the improvement of curriculum and teaching methods, development of educational materials, and training of teachers and instructors both in the host country and abroad.

The program in health and sanitation will continue at approximately the same level. The decrease in funds is due to the phasing out of a university contract project in medical education. Activities in this field will include training in the administration of nursing services, health education, technical assistance in the establishment of a center for the study of bacterial diseases, and the reorganization of the National Institute of Hygiene. The possibility of a project in hospital planning will depend on the degree to which the Colombian authorities implement recommendations made by a hospital survey team sent to Colombia early this year.

Greater emphasis will be given to the industrial management program which will consist of a series of training courses to be given in Colombia in the fields of labor relations, production, marketing and accounting, and continued assistance to the newly established School of Industrial Management. The coal resources project will be phased out during FY 1961.

Current projects in civil aviation will continue with emphasis in air navigational aids and safety controls.

Country: COLOMBIA

To counteract Communist infiltration of the labor movement, an increase in funds for the training of selected labor leaders is proposed. In addition to the continuation of training-observation programs in the United States and Puerto Rico in the organization of free labor unions, it is contemplated that assistance will also be rendered to the Colombian Government in providing local training to labor leaders. This aspect of the program will depend on the outcome of current plans of the Government to establish a Labor Leaders' Institute.

In the field of public administration, a U.S. consultant will be furnished to formulate and guide the curriculum to be established in the contemplated professional School of Civil Service. Training in personnel management, organization and methods is proposed, as well as increased emphasis on training key economists.

In addition to training in the United States in the above fields, training programs are contemplated in highway construction and maintenance, cartography, and the peaceful uses of atomic energy.

Country: COLOMBIA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		776	443	71	73		39	150		
Cooperative Service	C	150						150		
Cooperative Service Administration	C	57	48				9			
Agricultural Program Planning	C	51	29	12	8		2			
Cacao Development	C	26	17	5	3		1			
Forest Resource Development	C	71	44	8	15		4			
Supervised Agricultural Credit	C	42	37	3			2			
Agricultural Engineering and Farm Machinery Assistance	C	105	80	7	11		7			
Kenaf Development	C	26	15	4	6		1			
National Agricultural Extension - Advisory Staff	C	196	152	32			12			
Livestock Improvement	N	52	21		30		1			
Industry and Mining - Total		110	27	12	61		10			
Coal Resources Development	C	10	10							
Industrial Management Program	C	100	17	12	61		10			
Transportation - Total		110	60	45			5			
Training - Highway Construction and Maintenance	C	15		15						
Civil Aviation Technical Assistance	C	95	60	30			5			
Labor - Total		85		85						
Observation Program - Labor Unions	C	85		85						

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Country: COLOMBIA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION (Continued)

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Health and Sanitation - Total		300	143	72			10	75		
Tulane - University Medical Contract	C	27		27						
Cooperative Service	C	75						75		
Cooperative Service Administration	C	35	31				4			
Administration of Nursing Services	C	19	12	6			1			
National Classification Center for Enterobacteriacea	C	19	19							
Samper-Martinez Institute	C	25	18	6			1			
Health Education Campaign	C	65	30	33			2			
Hospital Planning	C	35	33				2			
Education - Total		584	244	115			25	200		
Cooperative Service	C	200						200		
Cooperative Service Administration	C	43	36				7			
Primary Education	C	75	70				5			
Vocational Agriculture Education	C	75	70				5			
Trade and Industrial Education	C	76	68				8			
Training-Education Service	C	115		115						
Public Administration - Total		90		30	60					
Public Administration	C	90		30	60					
General and Miscellaneous - Total		45	10	10			25			
Technical Support	C	35	10				25			
Miscellaneous Training		10		10						
Total Technical Cooperation		2,100	927	440	194		114	425		

COSTA RICA - GENERAL ECONOMIC DATA

BASIC DATA

Population	1.1 million
Annual Growth	4 percent
Area	19,700 sq. mi.
Agricultural Land	19% of area
Agri. Land per Capita	2 acres
Literacy Rate	88 percent

	Costa Rica	U. S.
Life Expectancy (*Years*)	60	70
Inhabitants per Physician	2,828	760
Road Miles per 1,000 sq.mi.	96	870
Electric Power per Capita (*KWH per Year*)	336	4,500

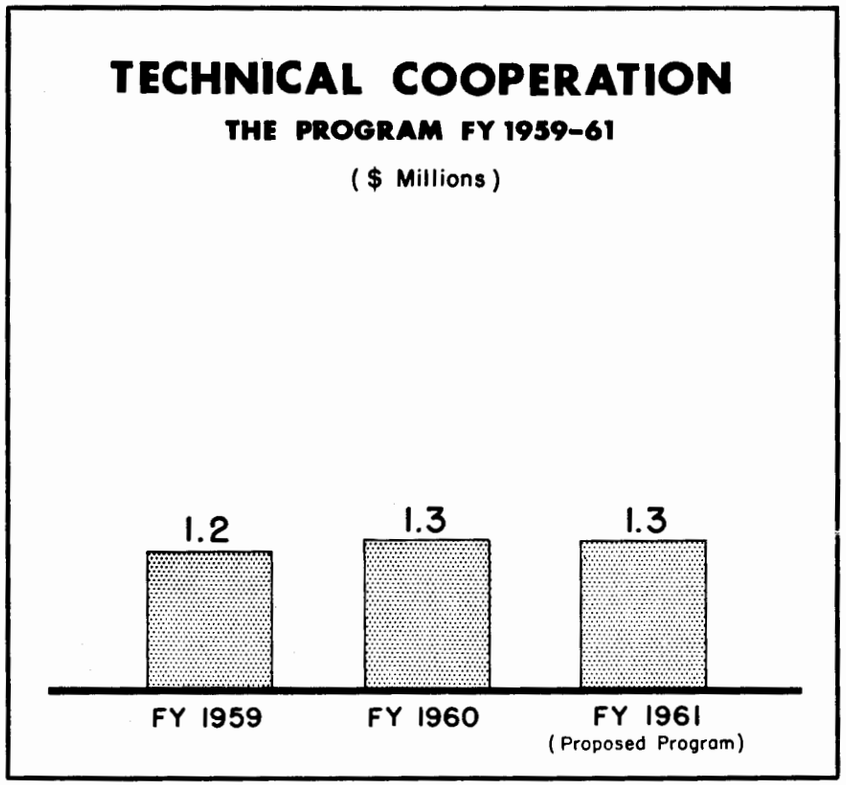
	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	385	408	442	464
Per Capita GNP	Dollars	390	395	412	414
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	91	92	105	120
Cocoa	1,000 MT	10	9	9	9
Coffee	"	25	36	45	55
Sugar, centrifugal	"	24	30	40	42
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	67	83	92	90
Bananas	"	26	32	26	30
Coffee	"	34	41	51	40
Total Imports (c.i.f)	"	91	103	99	95
Trade Balance	"	-24	-20	-7	-5
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	19	28	36	35
Imports from U. S. (f.o.b)	"	43	48	42	40
Trade Balance	"	-24	-20	-6	-5
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	15.9	16.3	24.9	20.9(Oct)
COST OF LIVING INDEX (San Jose)	*1953=100*	107	110	113	113

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1958	1959(prel.)	1960
	- Million Dollar Equivalents -		
Domestic Revenues	70	73	n.a.
Total Expenditures	76	74	n.a.
Deficit(-) or Surplus Before All Foreign Aid	-6	-1	
Budget Receipts from Non-U.S. Foreign Aid	-	1	
Budget Receipts from U.S. Aid & PL 480	7	8	
Remaining Deficit(-) or Surplus(+)	+1	+8	
DEFENSE EXPENDITURES - TOTAL	2	2	n.a.
U.S.-Financed	-	-	
Defense Expend. as % of Total Gov't Expend.	2.6%	2.7%	
Defense Expenditures as % of GNP	0.5%	0.4%	
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	74	72	n.a.
U.S.-Financed	(7)	(8)	

n.a. - Not available. */ Converted at 5.6 colones per U.S.$.
a/ Crops harvested in crop-year ending in year stated.

It is an important goal of U.S. policy in Costa Rica, a country with a long tradition of political democracy, to promote continued political stability in that country and to insure that Costa Rica does not become a base of operations for those interests opposed to U.S. objectives. A pertinent consideration is Costa Rica's proximity to the Panama Canal and to other points in the Caribbean area of vital strategic importance to the United States. Friendship and cooperation with the United States has been a cornerstone of Costa Rican foreign policy. In international councils, such as the U.N. and the OAS, Costa Rica has consistently supported U.S. objectives. It is in the U.S. interest to preserve these close ties. The Mutual Security Program has given vital assistance in implementing U.S. objectives in Costa Rica by helping Costa Rica achieve its economic and social objectives within the framework of a stable democratic political system and by contributing to the effectiveness of its public safety forces.

The Echandi Administration, which took office in May 1958, has thus far been plagued with the fiscal problem of stretching its limited revenues to finance the rapidly expanding demands for more social and public services. Technical cooperation projects in Costa Rica are directly related to expanding the economic resources of the country and to increasing the efficiency of its fiscal management. A second major problem has been to assert effective control over the large number of political exiles from other Latin American countries, some of whom abuse the haven granted by Costa Rica and attempt to promote revolutions in their countries of origin, thereby creating serious international problems for Costa Rica, especially with Nicaragua. While respecting the traditional policy of giving haven to political exiles, Echandi has acted resolutely and with considerable success in enforcing restraint on such exile activities. In meeting this major problem, the Mutual Security Program through the Army Mission, has provided valuable training assistance to the public safety forces of the country.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	1,148	1,024	
Cumulative 6/30/59	7,408	6,679	729
Estimate FY 1960	1,290	976	
Cumulative 6/30/60	8,698	7,655	1,043
Estimate FY 1961	1,290	1,048	

Country: COSTA RICA

ECONOMIC SITUATION

Current Economic Situation and Problems

The Costa Rican economy is predominantly agricultural (55% of the population is engaged in agriculture) and greatly dependent upon coffee as the most important source of foreign exchange. The dominance of coffee in the local economy makes the country very vulnerable to price fluctuations of coffee on the international market. Through efficient methods of cultivation, the Costa Ricans produce a very high grade of coffee which is used for blending with cheaper South American and African grades. Although the falling price of coffee recently has caused considerable concern, the ability of the Costa Ricans to produce a high quality product at a relatively low price has enabled them to compete satisfactorily up to the present.

While Costa Rica has limited exchange control and there is a dual exchange rate, including an "official" rate which is granted on certain staple exports and a somewhat more favorable "free" rate for items the production of which the government desires to stimulate. In 1958, coffee provided approximately 50% of foreign exchange earnings, and banana exports 35%. The principal imports were machinery and vehicles. Trade with the Sino-Soviet bloc has been insignificant.

Costa Rica maintains no army but has a small national police force. In 1958, the largest budget item was spent for education. While 88% of the population is literate, an unusually high percentage for Latin America, more training is needed in the vocational fields as opposed to the classical and academic. The public debt outstanding was approximately $57,000,000 in 1958, of which 62% was internal, and 38% external. Customs revenues provided 52% of government revenues in 1958; income and excise taxes produced 21%.

The 4% annual population increase, highest in Latin America, puts a considerable strain upon the Costa Rican economy in attempting to maintain a parallel increase in the production of food and other necessities, and to provide social services. Diarrheal diseases pose one of the serious health problems with which the government is endeavoring to cope. Experienced management is very scarce in both government and business circles. The lack of roads to some of the potentially productive areas constitutes a serious problem retarding further economic development.

Progress to Date

In many respects Costa Rica enjoys a position in Latin America not unlike that of Switzerland in Europe, with a hard-working, homogeneous, literate population, a democratic and stable government, and a relatively prosperous economy that has attracted considerable amounts of foreign capital. Despite the dominance of coffee, some progress has been achieved in expanding other sectors of the agricultural economy. Although Costa Rica has a good agricultural credit system, its effectiveness is limited by the lack of capital. The lack of raw materials substantially limits the possibilities of diversification. No substantial mineral resources other than bauxite have been discovered in Costa Rica, although active exploration for oil and other minerals is being carried on. Costa Rica has the highest installed electric generating capacity (110,000 kw.) of any of the five Central American countries. Costa Rica's National Production Council has had some success in encouraging diversification in agriculture and promoting new industries. An investment guaranty agreement has been signed with Costa Rica covering convertibility and expropriation.

Assistance from Non-ICA Sources

Apart from assistance shown in the table below, the World Bank made a loan of $3,000,000 for agriculture, machinery and capital goods in 1956 and one for $3,500,000 for agricultural development and light industries in 1959. The Development Loan Fund made a loan of $300,000 in FY 1959 to assist resettlement and agricultural development in the Italian colony in southern Costa Rica. Private U.S. investments in Costa Rica are estimated at approximately $80,000,000, and include banana plantations and power generating and distribution facilities. There has also been some British and European capital invested in Costa Rica. The U.N. Technical Assistance Program has a budget of $121,000 for Costa Rica in 1959 which includes 10 technicians, most of them on a short-term basis.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	1.1	1.1	1.3
DLF - Loan Approvals		0.3	1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	0.3	0.1	2/
EX-IM Bank - Long-term Loans Approved		5.0	2/
TOTAL	2.7 3/	8.2 3/	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

3/ Included in total is $1.3 million FY 1958 and $1.7 million in FY 1959 for the Inter-American Highway.

Country: COSTA RICA

TECHNICAL COOPERATION

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	1,148	1,290	1,290

Role of ICA Program

Through the Technical Cooperation Program ICA endeavors to maintain and strengthen the present attitude of friendship between Costa Rica and the United States. By means of technical assistance ICA endeavors to help Costa Rica raise the standard of living and encourage the development of institutions which will create a climate favorable for private enterprise.

Objectives - Technical Cooperation

(a) To lessen the country's dependence upon a two-crop economy and its vulnerability to fluctuations in the foreign exchange earnings of coffee by a technical assistance program to encourage a more diversified agriculture, and diversified or expanded industries.

(b) To encourage the further development of Costa Rican education, labor, and government administration in accordance with democratic traditions by providing technical assistance and training in these fields.

(c) To encourage the development of improved roads, ports, and airports by a technical assistance program of demonstration and training.

(d) To bring about improvement in health conditions by technical assistance rendered in cooperation with the Ministry of Health, the University of Costa Rica, and individual public hospitals.

Accomplishments - Technical Cooperation

The Technical Assistance Program in Costa Rica has been very well received and the Costa Rican people are quick to assimilate new ideas. The agricultural extension program in Costa Rica, turned back to the local government for operation several years ago after nine years of ICA assistance, is one of the most highly developed in all of Latin America.

Meat exports have increased threefold in the past three years, partly through ICA help. Assistance with cacao production has proven that yields can be doubled or quadrupled at relatively minor expense through better management practices. The ICA rubber development project has been completed and the Goodyear Rubber Company is now financing the continued collection of data on production from disease-resistant, high-yielding trees developed through this project. Since the ICA health program has been in operation, the death rate in Costa Rica has dropped from 11.7 per thousand in 1951 to 10.1 per thousand in 1957, and health conditions continue to improve. Greater public interest is being focused upon the importance of improving health conditions. ICA has assisted in training the Ministry of Health personnel in hospital design and administration, and in building sanitary water systems. The Costa Rican Government now has in operation a program under which 20 new water systems per year are built in small communities. Construction has started on a Children's Hospital in the capital, partly financed through an ICA loan. ICA has assisted with an over-all city plan for streets, water, sewerage and zoning, for San Jose and the surrounding communities. A feasibility study has been prepared under contract which will be used as the basis to secure bids on construction and financing of a municipal water system. The Board of Governors of the national hospital system was so impressed with the work of the private U.S. hospital consulting firm employed by ICA that the Board decided to continue the contract without ICA financing.

The Industry program has helped the Government of Costa Rica organize an industrial development center to assist local businessmen in improving their methods and encourage new industries to come to Costa Rica. A very successful top management seminar, attended by more than 100 business and academic leaders, was conducted in which such aspects of business as cost accounting and inventory control were considered. Considerable increased efficiency has resulted from visits of short-term technicians to local saw mills, clothing factories and retail stores.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	495	540	553
Participants	247	268	316
Contractual Services	115	120	137
Supplies and Equipment	70	101	57
Contrib. to Coop. Services	162	190	150
Other Costs	59	71	77
Total Project Assistance	1,148	1,290	1,290
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	33	34	35
Contract	8	16	11
Total Technicians	41	50	46
Participants (Programmed during year)			
Non-Contract	77	106	92
Contract	2		2
Total Participants	79	106	94
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	380	366	323
Industry and Mining	104	103	107
Transportation	16	26	25
Labor	30	37	38
Health and Sanitation	268	320	331
Education	164	218	243
Public Administration	73	86	88
Community Development, Social Welfare and Housing	40	43	42
General and Miscellaneous	73	91	93
Total by Field of Activity	1,148	1,290	1,290

ICA has given assistance to a Costa Rican aircraft maintenance company, SALA. SALA is now one of the few FAA approved repair stations in Latin America, handling repair of both commercial and private aircraft from many Central and South American countries. Considerable improvement has taken place as the result of assistance provided to the host government in organization and management. The Career Civil Service, instituted with ICA help, has passed without serious disruption through a major political election which placed a new party in power.

The University of Costa Rica, highly respected in Latin American educational circles, has shown a real interest in technical assistance in education, economics, agronomy and medicine, which is expected to develop into a most significant cooperative program. Costa Rica continues to show an increasing interest in the ICA program and each year assumes a larger proportion of the program costs. Since 1952 more than 526 Costa Ricans have been sent to U.S. universities and thousands more have received on-the-job training locally.

Composition of FY 1961 ICA Economic Program

Technical Cooperation - $1,290,000

Greater use of short-term technicians will be stressed throughout the program. Since agriculture will continue to be the basis upon which the Costa Rican economy is built, assistance will be carried on in this field at a slightly increased tempo, with emphasis on research. The industry program will be expanded somewhat, stressing human resources, and assisting the Costa Rican Government and private groups to employ more efficient production and business methods. The principal area of expansion continues to be the cooperative endeavor with the University of Costa Rica in the field of medical education and teacher training. These projects should have a significant effect upon the country as a whole in view of the prestige which the University of Costa Rica enjoys.

The Government of Costa Rica has for some time been interested in assistance in the field of economic planning to coordinate the public works and other national programs being undertaken to assist in the economic development of the nation. Planning will be continued for a project in this field which will also assist in developing the basis for loan proposals related to the sewer and water system of the metropolitan area of the capital city of San Jose.

Country: COSTA RICA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		323	167	43			13	100		
Development of College of Agriculture	C	17		16			1			
Cooperative Service	C	100						100		
Cooperative Service Administration	C	50	45	1			4			
Agricultural Research and Education	C	80	63	13			4			
Agricultural Development and Production	C	76	59	13			4			
Industry and Mining - Total		107	27	19	54	4	3			
Industrial Development	C	107	27	19	54	4	3			
Transportation - Total		25	14	11						
Ministry of Public Works Assistance	C	6		6						
Civil Aviation Assistance Project	C	18	14	4						
Cooperative Activities with Inter-American Geodetic Survey	C	1		1						
Labor - Total		38	14	23			1			
Ministry of Labor and Labor Leader Training	C	38	14	23			1			
Health and Sanitation - Total		331	109	78	65	20	9	50		
Cooperative Service	C	50						50		
Cooperative Service Administration	C	49	39	5			5			
Control of Specific Diseases	C	19	13	5			1			
Environmental Sanitation	C	23	14	8			1			
Hospital Improvement and Development	C	56	30	25			1			
Medical Education (University of Costa Rica Medical School)	C	105		20	65	20				
Training - Public Health	C	29	13	15			1			

Country: COSTA RICA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION (Continued)

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
Education - Total		243	128	80	1	31	3			
Vocational Education	C	79	53	15		10	1			
University of Costa Rica Technical Assistance	C	21		20		1				
Ministry of Education Assistance (Normal Education Elementary)	C	112	75	25		10	2			
Development of Basic Sciences, including Physical and Biological - University of Costa Rica	C	31		20	1	10				
Public Administration - Total		88	32	45	9	1	1			
Government-Wide Organization and Management	C	87	32	45	9	1				
Police Safety, Police Administration Training	C	1					1			
Housing - Total		42	26	6	8	1	1			
Housing and City Planning	C	42	26	6	8	1	1			
General and Miscellaneous - Total		93	36	11			46			
Atomic Energy Training	C	1		1						
Technical Support	C	82	36				46			
Assistance to National Production Council	C	10		10						
Total Technical Cooperation		1,290	553	316	137	57	77	150		

CUBA - GENERAL ECONOMIC DATA

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP *(In 1958 Prices)*	$ Millions	2,427	2,765	2,569	2,520
Per Capita GNP	Dollars	388	431	397	382
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	101	117	119	121
Corn	1,000 MT	170	180	178	155
Nickel	"	15	20	18	n.a.
Electricity	Million KWH	2,000	2,020	2,300	2,500
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	695	845	776	700
Sugar	"	524	654	588	520
Tobacco	"	44	48	50	50
Total Imports (c.i.f)	"	714	894	855	700
Trade Balance	"	-19	-49	-79	0
Trade with United States *(U.S. Data)*					
Exports to U. S. (f.o.b)	$ Millions	457	482	528	490
Imports from U. S. (f.o.b)	"	519	618	546	420
Trade Balance	"	-62	-136	-18	+70
GOLD & FOREIGN EXCHANGE HOLDINGS *(end of year)*	"	506	461	387	309(Oct)
COST OF LIVING INDEX (Havana)	*1953=100*	97	97	n.a.	n.a.

CENTRAL GOVERNMENT FINANCES* FY ending June 30	1957	1958	1959
	- Million Dollar Equivalents -		
Domestic Revenues	381	391	400
Total Expenditures b/	478	472	554
Deficit(-) or Surplus Before All Foreign Aid	-97	-81	-154
Budget Receipts from Non-U.S. Foreign Aid	-2	-3	-
Budget Receipts from U.S. Aid & PL 480	-	-	-
Remaining Deficit(-) or Surplus(+)	-99	-84	-154
DEFENSE EXPENDITURES - TOTAL	62	67	94
U.S.-Financed (excl. M.A.P. end-items)	-	-	-
Defense Expend. as % of Total Gov't Expend.	13.0%	14.2%	17.0%
Defense Expenditures as % of GNP	2.4%	2.5%	3.7%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	416	405	460
U.S.-Financed	-	-	-

n.a. - Not available. */ Converted at 1 peso per U.S.$.
a/ Crops harvested in crop-year ending in year stated.
b/ Includes extrabudgetary capital outlay.

BASIC DATA

Population	6.6 million	
Annual Growth	2.0 percent	
Area	44,000 sq. mi.	
Agricultural Land	51% of area	
Agri. Land per Capita	2 acres	
Literacy Rate	76 percent	
	Cuba	U. S.
Life Expectancy (*Years*)	n.a.	70
Inhabitants per Physician	1,650	760
Road Miles per 1,000 sq.mi.	188	870
Electric Power per Capita (*KWH per Year*)	406	4,500

The present Cuban Government has in recent months taken an increasingly anti-American line with top government figures and the official press attempting to picture the United States as being opposed to Cuba's aspirations for freedom, economic independence and improved living standards. At the same time, Cuba has adopted a "neutralist" posture in its foreign affairs, and high Cuban officials have expressed a willingness to establish commercial or diplomatic relations with the Soviet bloc.

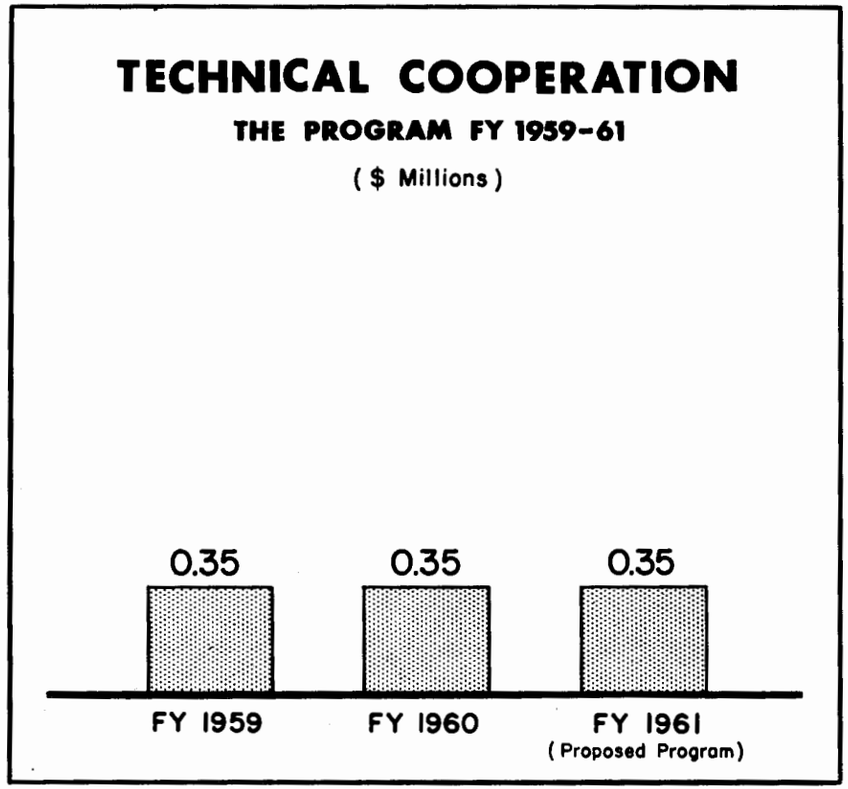
United States business interests in Cuba have encountered a progressively more hostile atmosphere. The bulk of American-owned agricultural properties are faced with expropriation in the immediate future, and American firms are finding it increasingly difficult to continue operations. Attempts by the United States to negotiate a solution to the problems faced by U.S. investors in Cuba have met with little cooperation from the Cubans.

The Soviet Union in 1959, as in the past few years, has bought substantial amounts of sugar from Cuba and endeavored to foster anti-American attitude in public pronouncements supporting the present Cuban regime. Communist efforts in Cuba continue to be a potential threat to U.S. interests.

Cuba normally supplies about 1/3 of our annual sugar requirements and is an important source of nickel and a potential source of significant quantities of cobalt. The U.S. Naval Base at Guantanamo Bay is vital to the defense of the Carribean area.

The early return to the friendly and understanding relationship which we have always had with Cuba is a basic policy objective of the United States, and the technical cooperation program is one of the most effective means of demonstrating our sincere desire to assist the Cubans to improve the economic well-being of their country.

In view of the present political situation in Cuba, the provision of U.S. military assistance has been suspended.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	351	395	
Cumulative 6/30/59	2,621	2,514	107
Estimate FY 1960	350	312	
Cumulative 6/30/60	2,971	2,826	145
Estimate FY 1961	350	346	

Country: CUBA

ECONOMIC SITUATION

Current Economic Situation and Problems

The situation in Cuba during 1959 was far from normal, and it seems likely that 1960 will also see a continuation of the highly charged atmosphere of stress and strain. The major pressures are highly political, but the policies of the Castro administration have affected virtually all parts of Cuban national life, including the economy.

The importance of sugar in the Cuban economy is well known, both as a foreign exchange earning export commodity and as a major source of internal income. Sugar accounts for about 75% of Cuba's total exports. Other significant products include tobacco, beef, coffee, fruits, corn, rice and minerals. Tourism had developed substantially in recent years. The national income for Cuba (about $382 per capita per year) is above average for Latin America. However, there is much extreme poverty and living standards are low, particularly in remote rural areas. Public services in education, rural health, and government administration have been inadequate. The sugar economy has traditionally maintained a favorable trade balance for Cuba, and inflation has not been a particular problem. Cuba has been an important location for U.S. private investment, the total of U.S. holdings amounting to an estimated $860 million.

During the last year, the Castro administration, through the National Land Reform Institute (INRA), has embarked on an ambitious program of land reform that affects every phase of economic activity. Nationalization as well as "intervention" of private properties has occured. Land reform has increasingly taken the form of cooperatives rather than land distribution and INRA has injected itself into marketing as well as industry.

Capital flight, reduced inflow of investment, sharply decreased tourism earnings and related disruptions have combined to reduce substantially Cuba's normally adequate foreign exchange holdings, forcing imposition of controls. Reduction in private business activity has occurred, but this has been partially replaced by government projects. In addition to the ambitious INRA program, the Government has made commitments for rural housing, public works and tourist facility expansion, all of which have placed considerable strain on the government budget and created inflationary pressures. Unemployment continues to be a serious problem due in part to the seasonal nature of agricultural production and to rent reduction laws which have dried up private construction. Mineral production became a question mark near the end of 1959, due to the new tax schedules on production and on export.

On the more favorable side must be noted the prospects for a reasonably satisfactory sugar crop in 1960, plus the fact that so far this industry has been relatively little affected by INRA. Also of significance is the energy, enthusiasm for progress, and integrity which has been generated to an unprecedented degree in the Cuban Government.

Progress to Date

It is difficult to comment on the present Cuban situation in terms of progress made. Many activities of the Castro administration have created real economic problems. On the other hand, the Cuban economy is productive and has vitality. It is not realistic to anticipate an early collapse of the economy, regardless of present policies. Cuba-U.S. relations are based on long continued close personal contacts, and the reserves of friendship are not easily exhausted.

Assistance from Non-ICA Sources

Outside financing in Cuba has, in the past, been largely supplied from private sources, mainly the U.S. and Canada, in such fields as agriculture, utilities, mining, trade, manufacturing, insurance and banking, petroleum, and smelting. U.S. private investment totals $860 million.

The Export-Import Bank made a long-term loan of $16.3 million in Cuba in FY 1958. Cuba has obtained private credits for the purchase of equipment, from Western Germany, Czechoslovakia, Canada, the Netherlands, and the U.S. A commercial agreement was recently signed with the United Arab Republic.

Technical assistance from 8 U.N.experts, at a cost of $74,000, has been proposed for 1960. A Title III, P.L. 480 food distribution program is being carried out by various U.S. religious groups.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	0.5	0.4	0.4
DLF - Loan Approvals			
P.L. 480, Title I - Country Use (Total Sales)			1/
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations		3/	0.6 2/
EX-IM Bank - Long-term Loans Approved	16.3		2/
TOTAL	16.8	0.4	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

3/ Less than $50,000

Country: CUBA

TECHNICAL COOPERATION

Role of Program

The ICA program is small and probably insufficient to have any substantial impact on over-all Cuban Government policy. Nevertheless, the program demonstrates to the Cuban people as well as to government officials, the basic U.S. attitude of friendship, helpfulness and sympathy with Cuba's legitimate desires for economic development.

Objectives - Technical Cooperation

The TC projects in Cuba are in response to requests by the Cuban Government to meet specific problems in the Cuban economy. The projects are generally advisory in nature, and in many cases, contribute directly to U.S. as well as immediate Cuban interests. It is worth while to note that the cooperation and support received from the Cuban Government in these projects have been excellent. In more specific terms, the objectives are:

(a) To assist in increasing food supplies and decrease dependence on sugar, by giving technical assistance to agricultural experiment stations and farm credit institutions;

(b) To demonstrate possibilities of increased employment, economic diversification and increased usefulness of a university to its community by assisting the University of Santa Clara develop improved vocational education curriculm and courses;

(c) To improve air safety, air traffic control, and airways communications by demonstrating effective techniques and providing related assistance to the Cuban Civil Aviation Authority.

(d) To encourage modern business methods and the advantages of a free market economy by assisting the Cuban Executives' Association in the conduct of Management Training Seminars;

(e) To provide more complete and accurate statistical data of all kinds, by assisting in training of personnel for the new Statistical Training Center.

Accomplishments - Technical Cooperation

In agriculture, progress has been made in developing new and improved crop strains and in reducing the threat of destructive pests, such as nemotodes. The experimental decorticating machine for kenaf fiber, which is the brainchild of a U.S. technician, is reaching a final stage of development and refinement. In civil aviation, U.S. technicians have directly assisted with installation of improved communications facilities, which will contribute to air safety. A minerals project, which helped with the establishment of a minerals laboratory, was completed during the past year. Two seminars in Sales Management were conducted in collaboration with the Cuban Executives' Association, the directors of the course being two U.S. consultants supplied by ICA. Approximately 80 Cuban executives and business leaders attended.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	351	350	350

Composition of 1961 Technical Cooperation Program - $350,000

Substantial progress has been made in helping improve the work of the experiment station outside Habana. This work will be continued by in-service training for Cuban personnel, by applied research, and by the assignment of short-time consultants to solve specific technical problems, such as the excessive destruction of various crops by nemotodes. The Cuban agricultural bank will continue to receive assistance from U.S. specialists in establishment of a rural credit program.

Advisory and demonstration assistance will be given the Cuban Government Civil Aviation Authority to help solve problems of air safety and airways communications. Both local and international aviation is involved.

A small labor project is designed to provide a small amount of participant training in apprenticeship programs.

Assistance will continue to be provided to the University of Santa Clara in developing curriculums in vocational education and vocational agriculture. A study by the U.S. advisor of the area's needs for vocational education was very well received and widely praised.

To improve the quantity and quality of available economic data, a Statistics Training Center has been established with the aid of a U.S. census specialist. Continued advisory assistance to this project is proposed. The Cubans have also requested U.S. assistance for a young group in the Government charged with developing a modern civil service and personnel system.

Country: CUBA

TECHNICAL COOPERATION

TABLE E-1-A

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	285	265	258
Participants	18	50	63
Contractual Services			
Supplies and Equipment	3	5	2
Contrib. to Coop. Services			
Other Costs	45	30	27
Total Project Assistance	351	350	350
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	15	13	14
Contract			
Total Technicians	15	13	14
Participants (Programmed during year)			
Non-Contract	10	23	27
Contract			
Total Participants	10	23	27
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	146	155	148
Industry and Mining	24	5	
Transportation	67	75	77
Labor		7	15
Health and Sanitation			
Education	50	35	25
Public Administration	32	35	52
Community Development, Social Welfare and Housing			
General and Miscellaneous	32	38	33
Total by Field of Activity	351	350	350

Country: CUBA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		148	118	20		2	8			
Agricultural Investigation Commission	C	125	100	15		2	8			
Agricultural Economics (Farm Management)	C	23	18	5						
Transportation - Total		77	62	10			5			
Civil Aviation	C	77	62	10			5			
Labor - Total		15	1	14						
Labor Training	C	15	1	14						
Education - Total		25	18	5			2			
University Central (Santa Clara)	C	25	18	5			2			
Public Administration - Total		52	40	10			2			
Public Administration (Personnel Management)	C	21	15	5			1			
Statistics Training Center	C	31	25	5			1			
General and Miscellaneous - Total		33	19	4			10			
Atomic Energy	N	7	3	4						
Technical Support	C	26	16				10			
Total Technical Cooperation		350	258	63		2	27			

DOMINICAN REPUBLIC - GENERAL ECONOMIC DATA

BASIC DATA

Population	2.9 million
Annual Growth	3.4 percent
Area	18,815 sq. mi.
Agricultural Land	26% of area
Agri. Land per Capita	1.1 acres
Literacy Rate	43 percent

	Dominican Republic	U. S.
Life Expectancy (*Years*)	n.a.	70
Inhabitants per Physician	5,200	760
Road Miles per 1,000 sq.mi.	136	870
Electric Power per Capita (*KWH per Year*)	102	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	560	629	650	660
Per Capita GNP	Dollars	214	233	232	228
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	115	118	124	127
Cocoa	1,000 MT	27	36	35	34
Coffee	"	37	28	39	25
Sugar, centrifugal	"	702	754	787	862
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	125	161	137	125
Coffee	"	33	25	24	12
Sugar	"	58	89	61	60
Total Imports (c.i.f)	"	126	136	149	150
Trade Balance	"	-1	+25	-12	-25
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	60	63	72	70
Imports from U. S. (f.o.b)	"	70	74	76	65
Trade Balance	"	-10	-11	-4	+5
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	49	54	52	49(Sep)
COST OF LIVING INDEX (Ciudad Trujillo)	*1953=100*	99	104	102	102

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1957	1958	1959(Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	132	150	154
Total Expenditures	130	147	155 b/
Deficit(-) or Surplus Before All Foreign Aid	+2	+3	-1
Budget Receipts from Non-U.S. Foreign Aid	-	-	-
Budget Receipts from U.S. Aid & PL 480	-	-	-
Remaining Deficit(-) or Surplus(+)	+2	+3	-1
DEFENSE EXPENDITURES - TOTAL	30	30	39 b/
U.S.-Financed (excl. M.A.P. end-items)	-	-	-
Defense Expend. as % of Total Gov't Expend.	23.1%	20.4%	25.2%
Defense Expenditures as % of GNP	4.7%	4.6%	5.8%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	100	117	116
U.S.-Financed	-	-	-

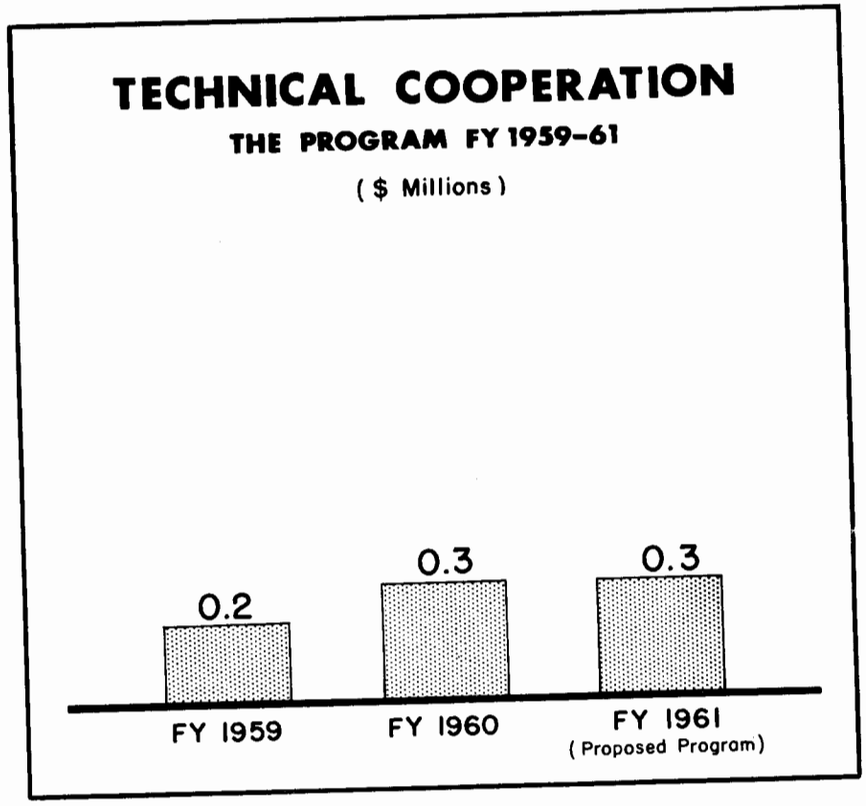
n.a. - Not available. */ Converted at 1 peso per 1 U.S. $.
a/ Crops harvested in crop-year ending in year stated.
b/ Excludes $50 million of extraordinary defense expenditures appropriated in Sept. 1959.

The Dominican Government has generally followed a policy of cooperation with the U.S. With few exceptions it has supported the U.S. in international problems. It also granted us a site on its territory at no cost to us for a communications repeater station linking the long-range proving ground for missile testing. We consider it in the interest of the Dominican Republic and the United States to maintain friendly relations, cooperate in hemispheric defense, prevent the spread of communism, and encourage political and economic stability in the Caribbean.

Recent political disturbances in the Caribbean area have resulted in excessive military expenditures by the Dominican Republic. This fact, coupled with low prices for Dominican export crops during 1959, has contributed to some economic deterioration, believed responsible in part, for discontinuation by the Dominican Government in October 1959 of its share of financial support of the U.S. Naval Mission there. The Naval Mission was subsequently withdrawn.

We have a Military Assistance Agreement with the Dominican Republic and through the MAP we have been assisting the Dominican Navy in developing an anti-submarine warfare capability for hemispheric defense. Due to political tensions in the Caribbean area, shipments of materiel to the Dominican Republic have been suspended.

The small technical cooperation program, to which the Dominicans contribute substantially, is designed primarily to assist the Dominicans in providing rural education and teacher training.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	219	208	
Cumulative 6/30/59	1,828	1,780	48
Estimate FY 1960	280	232	
Cumulative 6/30/60	2,108	2,012	96
Estimate FY 1961	280	256	

Country: DOMINICAN REPUBLIC

ECONOMIC SITUATION

Current Economic Situation and Problems

The Dominican Republic is predominantly an agricultural country, with about 60% of its population dependent upon agriculture. Sugar, the main cash crop, normally accounts for 40% to 50% of the country's foreign exchange earnings and is the base of its export economy. However, coffee, cocoa, tobacco and bananas are becoming increasingly important. Improved living standards will come from increased agricultural production. This in turn requires the solution of such problems as adequate water supply, seasonal scarcity or surplus of labor, and reliance on a limited variety of products to be sold in world markets. About 50% of Dominican imports come from the United States, and in turn the United States is the chief market for Dominican exports. Exports to and from the Soviet bloc countries in recent years have been virtually nil. Educational progress has been hampered by a lack of teachers and inadequate facilities especially in the rural areas. Mineral resources are limited, but efforts are being made toward their development. Fuel resources are also limited, and the potential hydro-electric power is as yet little developed. The Dominican Republic's principal industrial activity is sugar grinding. Manufacturing for local consumption, increasing over the past decade, includes such industries as food processing, beverages, tobacco, textiles, shoes and apparel, and furniture. Other industries include salt mining, coffee depulping, lumbering, glass, sisal bagging, and the production of cement. The current critical Caribbean situation, heavy defense expenditures, and internal consumption tax varying from 5% - 15% on a wide range of manufactured goods, the drop in world prices for sugar, coffee and cacao are together having a serious adverse effect on the country's economy. This is reflected in a recent downward trend in foreign exchange receipts, a marked decline in local business transactions, and a further decline in tourism.

Progress To Date

The government and the people are anxious for improvements in the economic, social and cultural fields; material progress has been made during the past twenty years in those areas. Although no comprehensive development plan for the country has been announced, the country's leaders have definite objectives with respect to developing and utilizing the country's natural resources. The government has vigorously pushed forward with development activities in agriculture, industry, public health, power and natural resources, highways and lateral roads and related fields. However, the unstable Caribbean situation has caused the government to cut back drastically on these programs.

The need for trained personnel and skilled manpower in support of economic development programs remains great in the fields of industry, agriculture, public health, public administration and transportation. This is especially true in the field of education, where the need for the professional training of teachers has never been fully realized. Of the 10,000 teachers in all types of schools, public and private, only a small percentage have had special training for teaching. Of the 5,600 teachers in the rural and village schools, about 500 have had training in normal schools for the education of teachers.

Assistance from Non-ICA Sources

The government is being assisted by U.N. organizations, such as FAO in agricultural production, ICAO in training technicians for the new airport, UNESCO in psychological testing of students, UNICEF in health, UNTAA in agriculture and WHO in malaria and communicable disease control. This assistance approximated $200,000 for FY 1959. U.S. private investment is estimated at $100 million.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	0.2	0.2	0.3
DLF - Loan Approvals			1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations			2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	0.2	0.2	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Country: DOMINICAN REPUBLIC

TECHNICAL COOPERATION

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	219	280	280

Role of Program

The present and proposed FY 1961 ICA Technical Cooperation Program in the Dominican Republic is designed primarily to assist in the promotion of better United States-Dominican relations through the combined influence and technical value of technical advisory services, in-service training and demonstration, and training in the United States, in those activities where U.S. experience can make a major contribution to economic development.

Objectives - Technical Cooperation

To assist in the further economic development of the country by strengthening and broadening the base of its educational system.

Accomplishments - Technical Cooperation

The current technical cooperation program in education was started in 1951 with the establishment of the Educational Servicio. Its work included projects in vocational education, industrial arts and rural elementary education. The National Arts and Crafts School began operation in 1951 and to date, has turned out over 200 graduates in various skills required by industry. This vocational education project was completed and was turned over to the host government in September 1958.

In the past year there has been steady progress towards program goals in rural education and industrial arts, even though the national budget for education constitutes only 7% of the total Dominican budget. Seven new experimental rural schools were put into operation and the two pilot schools advanced to the point of readiness for serving as observation centers. Interest on the part of the Dominican Government and public in training the 5,000 untrained rural teachers in the secondary and primary schools is growing; the Ministry of Education, on its own initiative, has established "pedagogical centers" throughout the country and set up a series of summer courses for the purpose of re-training. This increase of activity has resulted from the general interest in teacher training which has been stimulated by the Servicio for Education.

In 1959 new industrial arts departments were established with the result that at least half of the upper grade students in Dominican public schools may now receive instruction in this field. The supervision given by the ICA and servicio staff, the flow of needed supplies, the preparation of course content and stimulation of better teaching methods, the in-service training given in workshops and on-the-job, the selection of promising new staff members - in all these respects definite progress has been made.

A commendable feature of the ICA and the Cooperative Education Servicio Program is the excellent team work between the ICA and Dominican staffs of the two projects. The U.S. technician for Industrial Arts is providing technical supervision of the industrial arts work in the rural normal and pilot schools and is actively participating in the workshops of the Rural Education Section; and on their part, the staff members of the Rural Education Section have served on the staff of the workshop sponsored by the Industrial Arts Section.

Composition of FY 1961 Technical Cooperation Program - $280,000

This small program is proposed at the same level as in previous years. Its primary focus continues to be in the fields of rural education and industrial arts. U.S. technicians will continue to develop the pilot rural normal schools, to upgrade teacher training and to advise and assist with the expansion and operation of the industrial arts program.

Country: DOMINICAN REPUBLIC

TECHNICAL COOPERATION

TABLE E-1-A

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	131	167	158
Participants	14	23	32
Contractual Services			
Supplies and Equipment			
Contrib. to Coop. Services	40	50	45
Other Costs	34	40	45
Total Project Assistance	219	280	280
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	10	10	10
Contract			
Total Technicians	10	10	10
Participants (Programmed during year)			
Non-Contract	4	5	8
Contract			
Total Participants	4	5	8
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries			
Industry and Mining			
Transportation			
Labor			
Health and Sanitation			
Education	176	233	238
Public Administration		5	
Community Development, Social Welfare and Housing	43	42	42
General and Miscellaneous			
Total by Field of Activity	219	280	280

Country: DOMINICAN REPUBLIC

TECHNICAL COOPERATION

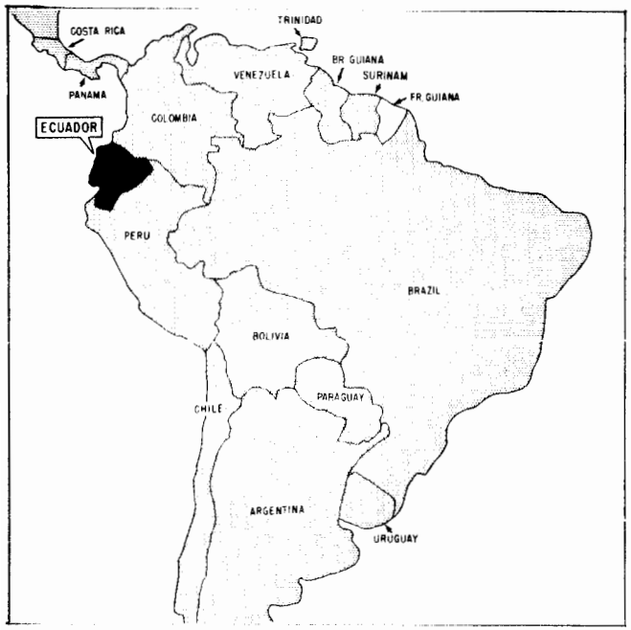
TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart.	P.L. 480 Administered by ICA
Education - Total		238	141	32			20	45		
Cooperative Service	C	45						45		
Cooperative Service Administration	C	36	33				3			
Industrial Arts	C	20	10	8			2			
Rural Education	C	137	98	24			15			
General and Miscellaneous - Total		42	17				25			
Technical Support	C	42	17				25			
Total Technical Cooperation		280	158	32			45	45		

ECUADOR - GENERAL ECONOMIC DATA



BASIC DATA

Population	4.2 million
Annual Growth	2.9 percent
Area	112,000 sq. mi.
Agricultural Land	12.2% of area
Agri. Land per Capita	2 acres
Literacy Rate	60 percent

	Ecuador	U. S.
Life Expectancy (*Years*)	52	70
Inhabitants per Physician	2,900	760
Road Miles per 1,000 sq.mi.	63	870
Electric Power per Capita (*KWH per Year*)	86	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	745	784	792	820
Per Capita GNP	Dollars	196	201	198	195
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	109	129	129	137
Coffee	1,000 MT	22	32	31	33
Sugar, centrifugal	"	74	73	80	80
Petroleum	"	451	421	406	385
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	116	133	137	145
Bananas	"	60	69	77	95
Coffee	"	29	30	26	15
Total Imports (c.i.f)	"	108	107	100	100
Trade Balance	"	+8	+26	+37	+45
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	53	58	56	58
Imports from U. S. (f.o.b)	"	46	51	47	47
Trade Balance	"	+7	+7	+9	+11
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*) **(Central Bank only)**	"	31.6	39.1	35.3	40.7(Oct)
COST OF LIVING INDEX (Quito)	*1953=100*	101	102	104	104

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1957	1958 Est.	1959 Est
	- Million Dollar Equivalents -		
Domestic Revenues	73	78	91 b/
Total Expenditures	76	77	95 c/
Deficit(-) or Surplus Before All Foreign Aid	-3	+1	-4
Budget Receipts from Non-U.S. Foreign Aid	-	-	-
Budget Receipts from U.S. Aid & PL 480	-	-	-
Remaining Deficit(-) or Surplus(+)	-3	+1	-4
DEFENSE EXPENDITURES - TOTAL	19	19	20
U.S.-Financed (excl. M.A.P. end-items)	-	-	-
Defense Expend. as % of Total Gov't Expend.	25.0%	24.7%	21.0%
Defense Expenditures as % of GNP	2.4%	2.3%	2.4%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	57	58	75
U.S.-Financed	-	-	-

n.a. - Not available. */ Converted at 15 sucres per U.S. $.
a/ Crops harvested in crop-year ending in year stated.
b/ Includes proposed transfers of $13.3 million from the "National Securities Commission."
c/ Includes extraordinary capital outlay to be financed by the "National Securities Commission."

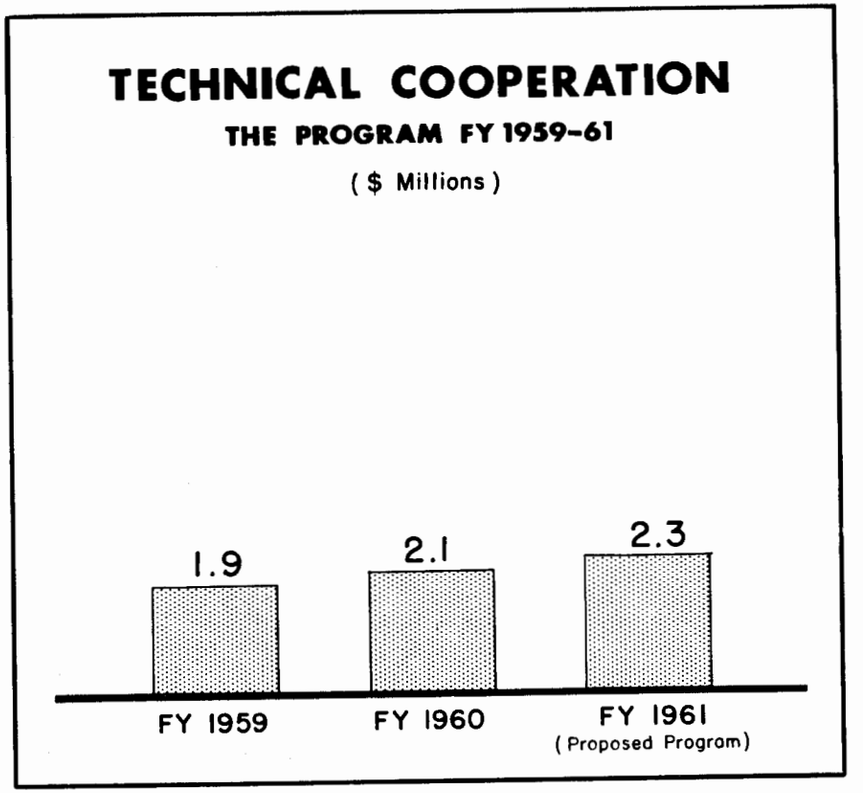
Although one of the less developed South American countries, Ecuador's economic stability and growth have been noticeable in recent years. Development Loan Fund loans for highway constructions have been designed to assist this growth. A sound monetary policy and moderate rate of industrialization have helped maintain a stable currency for the past thirteen years and avoid serious inflation.

Ecuador has strategic significance because of its proximity to the Panama Canal. The United States had military bases on Eduadoran territory in World War II. Ecuador signed a Military Assistance Agreement with the United States in 1952, under which limited materiel has been supplied. U.S. Army, Navy and Air Force training missions are maintained in Ecuador at present. It is friendly toward the United States and has supported us in international organizations.

It is in the United States interest to maintain its traditionally friendly relations with Ecuador, encourage the continuance of Ecuadoran political and economic stability, combat Communist influence -- particularly among student and labor groups, foster continued Ecuadoran support of U.S. world and regional policies and support cooperation in hemisphere defense. Our Mutual Security Program in Ecuador is designed to help us achieve these objectives.

The democratic, constitutional Government of Ecuador is headed by President Ponce, a Conservative elected in 1956 with only 29% of the votes cast. Never popular, the Ponce administration has experienced increasing difficulties during the past year as political tensions heighten with the approach of the 1960 presidential elections. The Communists, although small in number, constitute a legal party in Ecuador and have not only continued to be influential among students but control the principal labor federation. International and Ecuadoran Communists announced early in 1959 their intent to disrupt the Eleventh Inter-American Conference originally scheduled to be held at Quito in February 1960, but subsequently postponed. Toward that end, they have exploited student and labor unrest in Guayaquil. The Ponce Government has shown moderation but has been firm when necessary to maintain order.

Over half of Ecuador's foreign trade is with the United States. Ecuador encourages private foreign investment and has signed an Investment Guaranty Agreement with the United States.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	1,932	2,082	
Cumulative 6/30/59	11,969	11,312	657
Estimate FY 1960	2,075	1,886	
Cumulative 6/30/60	14,044	13,198	846
Estimate FY 1961	2,300	2,000	

Country: ECUADOR

ECONOMIC SITUATION

Current Economic Situation and Problems

Ecuador's long-term economic prospects are good, despite a three-year record of declining per capita GNP. The economy is largely agricultural and the country has only recently begun to develop light industry. The potential is promising for expansion in agricultural production for export, primarily in bananas, which at present account for approximately 65% of the country's foreign exchange earnings, and cacao which furnishes another 15%. Increased diversification of agriculture to decrease dependency on these primary crops is necessary. Production of agricultural products for domestic consumption is rising. Much needs to be done, however, to improve agricultural technology and the agricultural credit system. There is great need for a more adequate transportation system before additional land can be brought into cultivation.

Rural land distribution in Ecuador is uneven. An estimated half of the rural population do not own land; and of those who are owners, 1% own about two-fifths of the land. Subsistence farming with primitive methods is widespread. Low educational standards lack of technical skills hamper Ecuador's economic development. Nearly half of the population is illiterate. Poor health and inadequate sanitation facilities, such as water and sewage systems, contribute to frequent illness and low productivity of workers. Lack of a skilled managerial class also is an important problem. Improved productive skills and increased mobility of labor are imperative.

The increasing political tensions due to the approaching national elections to be held in June 1960 and installation of a new government in September may be an upsetting factor throughout the entire year.

Ecuador's trade balance has been increasingly favorable for the past four years, owing primarily to increased banana exports as a result of the technical advances in disease control made possible by the ICA program.

Progress to Date

Although the present Government inherited serious financial problems, these have been confronted firmly and with a considerable degree of sucess. Sound financial policy by the Central Bank has played a major part in making the economy one of the most promising in Latin America.

As new lands are opened up and developed through road building programs, Ecuador's agricultural production is increasing. Continuing improvements in education and technical knowledge have led to a better use of existing resources and the development of new resources. The large foreign loans already negotiated and those presently under negotiation point to a steady rise in the rate of investment and production. Official borrowing from foreign sources has been used to finance basic capital development projects, including highways and power plants.

An Industrial Encouragement Law was passed in mid-1957 to encourage national and foreign investment in industrial production. Exemptions are granted from import duties on equipment and raw materials, as well as certain other tax exemptions. An investment guaranty program agreement covering convertibility and expropriation of U.S. private investments has been signed with the United States.

Present and future economic development will be enhanced by an expanded construction program, land development activities, new cacao plantings and quality improvements in this crop, and greater control over Sigatoka, the banana disease. On the other hand, Ecuador would face economic problems of major proportions with any simultaneous decline in the demand for two or three of her principal export products.

Assistance from Non-ICA Sources

To date IBRD has made loans totalling $45 million; Ex-Im Bank development loans in FY 1959 were $1.1 million. In FY 1959 and FY 1960 DLF has approved loans totalling $10 million for highway construction. P.L. 480 sales agreements of surplus agricultural commodities in the amount of $9.4 million have been signed; $6.6 million in local currency sales proceeds have been loaned to Ecuador. Dutch banks in 1959 made $3.6 million available for telecommunications equipment and technical assistance. The United Nations organization will conduct technical assistance projects utilizing 35 technicians and $1,573,000 during 1960. Direct U.S. private investment during 1960 is expected to total almost $4 million.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	4.1	1.9	2.5
DLF - Loan Approvals		4.7	5.3 1/
P.L. 480, Title I - Country Use	0.9		
(Total Sales)	(1.8)		0.2
P.L. 480, Title II - Obligations			(0.5) 1/
P.L. 480, Title III - Obligations	0.5	0.8	0.2 2/
EX-IM Bank - Long-term Loans Approved		1.1	2/
TOTAL	5.5	8.5	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Country: ECUADOR

TECHNICAL COOPERATION

Role of Program

The ICA Program in Ecuador is primarily a technical cooperation program, consisting of demonstration and training designed to encourage balanced economic, social and political development. Communication of U.S. ideas and technology is considered of prime importance in the mutual effort of developing and strengthening Ecuadoran institutions, as well as improving the investment climate for needed development capital from both private and public sources.

Objectives - Technical Cooperation

(a) To encourage the development of a sound and stable economy through diversification and expansion of agricultural production, stimulation of a more favorable investment climate, adoption of better and more systematic fiscal and monetary policies, and expansion of existing industries and creation of new ones.

(b) To encourage development and improvement of human resources through development of technical skills and techniques, improvement and expansion of basic educational facilities, improvement of health and sanitary conditions, assistance to the Government in developing administrative structures and procedures which will provide an effective and stable public administration, and encouragement of responsible free trade union movements and labor-management relations.

Accomplishments - Technical Cooperation

The Technical Cooperation Program, together with local currency loans from P.L. 480 of Title I, dollar loans from the DLF, and domestic resources, contributes to Ecuador's economic and social development. The following items are selected as examples of notable accomplishments:

The spectacular rise in importance of banana exports, from about 4% of the total exports in 1947 to over 65% in 1959, is an outstanding example of ICA technical assistance. This increase coincided with the drop in exports of coffee and cacao, and virtually saved the country from economic chaos. ICA technicians assisted the banana industry in developing methods to control Sigatoka disease, using inexpensive materials which are, for the most part, locally produced. These methods have been widely adopted in other countries. The widespread benefit of the program is shown by the fact that small farmers supply about 80% of the export production.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	1,932	2,075	2,300

Outstanding success has been achieved by the Health Program in the control of yaws. Since the initiation of the program in 1950, the incidence of the disease has been reduced from 14.4 per 1,000 to 0.2 per 1,000 in 1958. The success of the program has been such that in 1960 the National Health Service of Ecuador will assume complete responsibility for its continuation.

In the field of teacher training for rural areas the number of teachers being graduated is now sufficient to permit badly needed expansion of the school system.

The lack of development credit (as distinguished from commercial credit) has been a serious deterrent to Ecuador's economic growth. An important step in the solution of this problem has been the complete reorganization of the laws governing the National Development bank, reorganization of the banking operations, and replacement of unqualified personnel with men trained in banking. This reorganization came as a result of advice and guidance furnished by ICA specialists. This is potentially a big step forward in agricultural and industrial development.

In the newly organized Public Administration program considerable progress has been made in budgetary reorganization and ICA technicians, working through the Directorate of the Budget, have implemented a program whereby the various government ministries and agencies are required to make uniform, detailed presentations of their financial needs. Opportunities for important economies have been brought to light and the technical basis for considerable tightening of program and administrative expenditures in the future has been established.

Composition of 1961 Technical Cooperation Program - $2,300,000

The proposed FY 1961 program is essentially a continuation of FY 1960 activities but with greater emphasis in certain fields of development. Recent salutary trends in Ecuadoran Government administration, such as sound fiscal policies, forthright attitudes in controlling inflation, plus the recognition of basic problems in the economy, have encouraged ICA to extend technical assistance in the solution of these problems. This increase will permit expanded activity in such areas as industrial development, public

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	861	928	1,016
Participants	192	332	392
Contractual Services	12	57	164
Supplies and Equipment	178	74	81
Contrib. to Coop. Services	440	439	432
Other Costs	249	245	215
Total Project Assistance	1,932	2,075	2,300
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	52	53	49
Contract		2	5
Total Technicians	52	55	54
Participants (Programmed during year)			
Non-Contract	88	121	148
Contract			
Total Participants	88	121	148
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	763	525	572
Industry and Mining	88	200	380
Transportation	58	70	95
Labor	44	193	158
Health and Sanitation	447	325	324
Education	232	342	315
Public Administration	83	207	237
Community Development, Social Welfare and Housing			
General and Miscellaneous	217	213	219
Total by Field of Activity	1,932	2,075	2,300

administration, and labor advisory services and training. Certain modifications are expected to occur through phasing out or transfer of some activities to their respective Ministries.

The Public Safety Program, initiated in FY 1960, will continue in FY 1961. Emphasis will be in the area of organization, administration and continued training of Ecuadoran police agencies to place such agencies in a better position to provide internal stability and security.

In the agriculture program efforts are being increased to place the Extension Service completely under government control. Thus projects in horticulture, plant protection, agronomy and soil conservation and agricultural information have been separated from the Agricultural Extension project. Their transfer piecemeal to the local government will be accomplished more easily than as a unit.

The industry program is being reoriented to inaugurate activities which will have greater national economic significance. This project directs assistance to basic industry through industrial development centers, which will unite local and foreign capital interested in investment and productive enterprises.

Labor advisory services are being expanded to assist the labor movement in freeing itself from Communist domination and to create a climate for the growth of a free and democratic trade union movement. An important segment of the labor project will be to provide training in the field of trade union leadership to large numbers of workers and labor leaders.

Country: ECUADOR

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		572	330	73			29	140		
Cooperative Service	C	140						140		
Cooperative Service Administration	C	72	60	2			10			
Agricultural Extension	C	107	90	12			5			
Tropical Agricultural Research	C	87	70	12			5			
Livestock Improvement Program	C	80	60	15			5			
Farm Mechanization Assistance	C	17	10	7						
Agronomy & Soil Conservation Asst.	N	49	40	5			4			
Horticultural & Spec.Crops Imp.Prog.	N	10		10						
Plant Protection Program	N	5		5						
Agricultural Information Service	N	5		5						
Industry and Mining - Total		380	140	40	110		10	80		
Cooperative Service	C	80						80		
Cooperative Service Administration	C									
Manual Arts	C	20	20							
Industry Development	C	180	120	40	10		10			
Chem.Eng.Assist.to Univ.of Guayaquil	N	100			100					
Transportation - Total		95	55	20	15	3	2			
Civil Aviation Assistance	C	89	55	14	15	3	2			
Inter-American Geodetic Survey	C	6		6						
Labor - Total		158	20	76	17	5	40			
Labor Advisory Services	C	158	20	76	17	5	40			
Health and Sanitation - Total		324	135	66	1		22	100		
Cooperative Service	C	100						100		
Cooperative Service Administration	C	57	44	3			10			
Environmental Sanitation	C	46	30	11			5			
Adv. Services to Health Facilities and Control Campaigns	C	63	35	25	1		2			
Health and Nursing Education	C	58	26	27			5			

Country: ECUADOR

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION (Continued)

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
Education - Total		315	134	55			14	112		
Cooperative Service	C	112						112		
Cooperative Service Administration	C	36	33				3			
Teacher Training & School Constr.	C	102	61	35			6			
Vocational and Technical Education	C	65	40	20			5			
Public Administration - Total		237	140	54	21		22			
Public Safety Administration	C	75	60	10			5			
Public Adm. Advisory Services	C	137	80	36	6		15			
Pub. Adm. Asst. to Cent. Univ. of Ecuador	N	20		8	10		2			
Business Adm. Advisory Services	N	5			5					
General & Miscellaneous - Total		219	62	8		73	76			
Mass Communications Media	C	57	24			12	21			
Atomic Energy	C	12		8		1	3			
Technical Support	C	150	38			60	52			
Total Technical Cooperation		2,300	1,016	392	164	81	215	432		

EL SALVADOR - GENERAL ECONOMIC DATA

BASIC DATA

Population	2.5 million
Annual Growth	3.5 percent
Area	8,200 sq. mi.
Agricultural Land	58% of area
Agri. Land per Capita	1.2 acres
Literacy Rate	43 percent

	El Salvador	U. S.
Life Expectancy (*Years*)	51	70
Inhabitants per Physician	6,146	760
Road Miles per 1,000 sq.mi.	591	870
Electric Power per Capita (*KWH per Year*)	95	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	n.a.	520	520	538
Per Capita GNP	Dollars		221	214	214
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	115	128	128	135
Corn	1,000 MT	150	188	178	178
Coffee	"	75	90	83	90
Sugar, centrifugal	"	38	48	45	54
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	113	138	116	120
Coffee	"	87	110	84	80
Cotton	"	18	16	18	20
Total Imports (c.i.f)	"	105	115	108	100
Trade Balance	"	+8	+23	+8	+20
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	49	56	49	40
Imports from U. S. (f.o.b)	"	50	50	45	38
Trade Balance	"	-1	+6	+4	+2
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	44.1	46.2	48.0	43.7(Nov)
COST OF LIVING INDEX (main cities)	*1953=100*	107	102	107	107

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1957	1958	1959(Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	79	69	64
Total Expenditures	82	78	72
Deficit(-) or Surplus Before All Foreign Aid	-3	-9	-8
Budget Receipts from Non-U.S. Foreign Aid	4	2	0
Budget Receipts from U.S. Aid & PL 480	-	-	-
Remaining Deficit(-) or Surplus(+)	+1	-7	-8
DEFENSE EXPENDITURES - TOTAL	7	7	7
U.S.-Financed	-	-	-
Defense Expend. as % of Total Gov't Expend.	8.5%	9.0%	9.7%
Defense Expenditures as % of GNP	1.3%	1.3%	1.3%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	75	71	65
U.S.-Financed	-	-	-

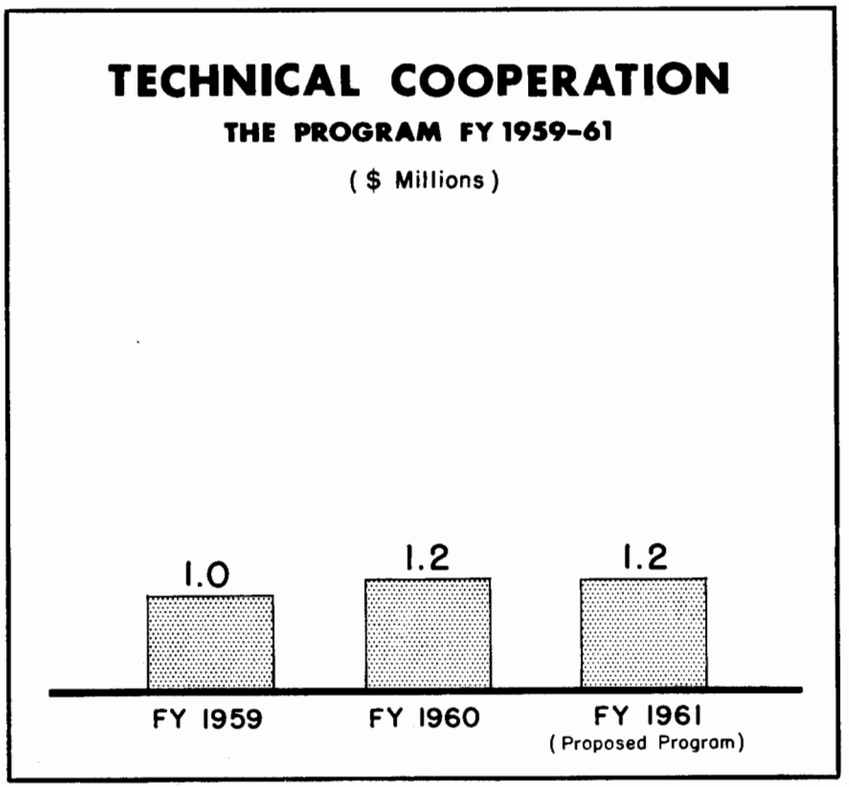
n.a. - Not available. */ Converted at 2.5 colones per U.S. $.
a/ Crops harvested in crop-year ending in year stated.

As one of the more stable countries politically and as one of the more advanced economically, El Salvador enjoys a position of leadership in Central America which is a significant factor in any assessment of the value of its friendly attitude toward the U.S. It has sought United States advice and technical assistance in carrying out its economic programs.

El Salvador has traditionally been a reliable friend of the United States, and has repeatedly demonstrated its friendship for us by supporting our policies in the UN, the OAS and other international bodies.

Though presently stable and relatively prosperous, El Salvador is beset by pressing problems of serious unemployment, acute overpopulation, a glaringly unequal distribution of wealth and a dangerously vulnerable one-crop economy. These conditions are ideal for the spread of communism, and the Salvadoran communist apparatus has recently increased the scope and vigor of its activities in that country. The Salvadoran Government, thoroughly anti-communist, recognizes the dangers inherent in this situation, and has taken many enlightened and progressive measures to ameliorate present conditions.

Eleven years of political stability, together with high coffee prices, have made it possible for El Salvador to move forward economically at a fairly rapid rate. Within the past two years, however, the price of coffee has fallen sharply which has converted a government budgetary surplus into a deficit. The Government has taken steps to broaden the base of the economy by building roads and power facilities, and by attempting to encourage industrialization, diversification of agriculture, and an increased tourist trade. Also, it has moved ahead in the fields of housing, education, health and welfare. By providing technical assistance through our MSP program, we have contributed significantly to the success of these projects.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	1,030	833	
Cumulative 6/30/59	6,226	5,714	512
Estimate FY 1960	1,200	1,032	
Cumulative 6/30/60	7,426	6,746	680
Estimate FY 1961	1,200	1,280	

Country: EL SALVADOR

ECONOMIC SITUATION

Current Economic Situation and Problems

El Salvador continues to experience fairly stable economic conditions, and is keeping inflationary pressures within bounds. The cost of living index has shown no increase over the last two-year period. The balance of payments has remained favorable. Although noticeable efforts are being made to diversify the economy, the exportation of coffee still is the primary source of Government revenues. With a progressive reduction in domestic revenues, El Salvador has reduced Government expenditures to minimize budgetary deficits. It is anticipated that the present administration will continue to apply the measures necessary to maintain a stable economy and a favorable balance of payments in the face of mounting population pressures and limited natural resources.

The annual population growth continues at a high level of 3.5% and per capita income has leveled off at $214 during the past two years. With only 1.2 acreas of available agricultural land per capita, urban centers are absorbing the country's population increases. Urban employment opportunities, however, are inadequate and living conditions are sub-standard especially for the underpriviledged groups.

Progress to Date

To enhance its economic development, El Salvador continues to seek from abroad the technical knowledge and skills not available locally. External borrowing, almost exclusively from the IBRD, has been resorted to for carrying out sound and well-planned economic development projects. Per capita electric power reported to be 95 KWH per year appears to be comparatively low. However, for a small country of only 8,200 square miles, and a comparatively large population of 2.5 million, progress to date in hydroelectric power development increases in significance. In 1959 a $3.0 million loan was obtained from the IBRD for a fourth power generating unit on the Lempa River in addition to those already installed with the financial assistance of a $12.5 million IBRD loan in 1950. To further exploit agricultural lands made accessible by a 200 mile Pacific Coast Highway for which a $11.1 million loan from IBRD was negotiated in 1954, an additional loan of $5.0 million was granted by IBRD in 1959 for constructing farm-to-market roads in this area. In addition to making its remaining limited agricultural lands readily available by means of an accelerated road construction program and application of improved agricultural practices, El Salvador has requested technical assistance from ICA for establishing farmers' cooperatives and for administering a program in supervised agricultural credit at reasonable rates to farmers of moderate means. To broaden and diversify its economy, El Salvador continues to encourage industrial development. El Salvador's relatively stable political and economic situation provides a favorable investment climate. In addition to tax exemptions for new industrial enterprises for periods up to ten years, a further incentive is now provided to the investment of foreign capital through an Investment Guaranty Agreement recently negotiated between the governments of El Salvador and the United States. The headquarters of the Organization of Central American States are located in El Salvador, and this small country is providing outstanding leadership in the current regional plans for the economic integration of Central America.

Assistance from Non-ICA Sources

For the period 1950 to 1959 a total of $31.6 million in loans has been obtained from the IBRD for hydroelectric power development and for the construction of highways and access roads. In 1959 a request was made by the Government to the ICA Mission for FAA technical assistance in surveying and lay-out of an improved International Airport to accommodate jet air transport traffic. External financing is now being sought for its construction.

Moderate amounts of assistance are extended to El Salvador by various United Nation agencies. The current UNTA program provides 12 experts at a total aid level of $112,000.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	1.0	1.0	1.2
DLF - Loan Approvals			1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	0.1	0.1	2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	1.1	1.1	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Role of Program

Following the pattern established in prior years, technical cooperation is the only ICA program being implemented in El Salvador. Its function is to express continued U.S. interests in the progressive development of this friendly government, which enjoys a significant position of leadership in Central America. Emphasis is being given to training and improving technical administrative and professional skills needed for dealing with growth problems, illiteracy, and substandard conditions affecting the majority of El Salvador's rural and urban populations. Techniques acquired in the various functional fields of the ICA program are being employed by El Salvador in its efforts to diversify and maintain its economy and to preserve political stability.

Objectives - Technical Cooperation

The Technical Cooperation program is directed towards:

(a) Broadening the economic base through diversification of agricultural and industrial enterprises, development of natural resources, and strengthening private enterprise;

(b) Assistance in improvement of living standards through technical cooperation programs directed towards the creation and strengthening of such economic and social institutions as agricultural credit and farm cooperatives, public health and sanitation, rural and urban education institutions up to and including the National University, public safety, public administration, and free labor unions.

Accomplishments - Technical Cooperation

El Salvador is employing an enlightened approach towards solving the problems created largely by its traditional one-crop agricultural economy. Improved techniques acquired through the cooperative agricultural program have brought about increased per acre production of improved hybrid corn varieties, a commodity that is basic to domestic consumption. Agricultural production in general has increased by approximately 8.5% over the last 5-year period. Phases of the Cooperative Extension Service have now reached a stage of such maturity and proficiency that the Ministry of Agriculture will no longer require the assistance of a U.S. extension technician. Demonstrational research functions in four basic agricultural sciences were

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	1,030	1,200	1,200

absorbed by the Ministry of Agriculture in FY 1960, and the Cooperative Service will direct greater emphasis to the dissemination of information to farmers and the application of improved practices that have been predetermined as feasible through research techniques.

The cooperative program in technical labor services has assisted the Ministry of Labor in effecting a reorganization plan to provide more effective operations. A national employment service for nonagricultural workers has been established and a system has been developed for analyzing basic labor statistics.

Major accomplishments in the cooperative health and sanitation program cannot be quantitatively enumerated. Progress is continuing in strengthening related institutions and in the training of personnel in sanitary engineering, laboratory facilities and services, nursing education, and statistics. Five basic science departments have been established in the Medical School, and all but two are now headed up by trained nationals.

The Public Safety program for training an effective police force has been successful in effecting a reorganization in major functional operations. A postgraduate school for specialized training has been established for Police Academy graduates.

Composition of 1961 Technical Cooperation Program - $1,200,000

The proposed FY 1961 program provides for continued emphasis and assistance to El Salvador in developing its human and natural resources. Personnel will be assisted in acquiring technical and administrative skills through in-service training and by sending participants to the U.S. and third countries for special training not available locally.

The Cooperative Agricultural program will undergo modification during FY 1961. Demonstrational research activities in agronomy, horticulture, entomology, and plant pathology will be absorbed by the Ministry of Agriculture and administered by local national technicians adequately trained through the Cooperative servicio arrangement. Such additional assistance as

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	507	594	591
Participants	320	367	371
Contractual Services		40	47
Supplies and Equipment	6	3	6
Contrib. to Coop. Services	141	125	120
Other Costs	56	71	65
Total Project Assistance	1,030	1,200	1,200
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	31	32	32
Contract			
Total Technicians	31	32	32
Participants (Programmed during year)			
Non-Contract	112	116	115
Contract			
Total Participants	112	116	115
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	389	466	459
Industry and Mining	21	68	66
Transportation	14	16	9
Labor	24	62	65
Health and Sanitation	287	245	245
Education	93	84	76
Public Administration	131	143	143
Community Development, Social Welfare and Housing	13	43	62
General and Miscellaneous	58	73	75
Total by Field of Activity	1,030	1,200	1,200

might be required will be provided through intermittent short-term assignments of U.S. specialized technicians.

Only one U.S. technician is assigned to the USOM staff to assist in El Salvador's accelerated program for Industrial Development. Guidance and assistance will be provided in selecting highly specialized U.S. consultants on short-term assignments in the various technical fields of industry.

The Ministry of Labor will be provided with the services of one U.S. technician in technical labor services to assist in conducting seminars in industrial safety, workers' education, and labor statistics. U.S. technicians in labor specialty fields will be employed as required on a short-term basis.

A small staff of U.S. technicians will continue to assist the Ministry of Health in problems of health and sanitation. Specific fields of activity include the improvement of public health services and centers, medical education, sanitary engineering, laboratory services, nursing education and statistics.

The cooperative program in Education provides for the improvement of administrative, supervisory, and teaching personnel in specific areas of public education. Based on recently indicated interest expressed by officials of the University, it is anticipated that a request will be made for assistance from a U.S. nongovernment institution in making a survey of the University's program and facilities in order to determine the most appropriate type of technical cooperative assistance required.

The Cooperative Public Safety program in El Salvador is being very successfully implemented with the assistance of only two U.S. technicians. The National Police force of approximately 2,300 men is receiving training and is becoming increasingly more effective in maintaining order and security. Police Academy graduates are now receiving three months of intensive and practical training prior to being assigned to duty throughout the country.

A U.S. technician assists the Ministry of Finance in the field of Public Administration. Training is provided to agencies of the government in organization methods and procedures. Assistance is provided to the National School of Public Administration in improving its program for the training of government employees in administrative skills

One U.S. Social Welfare Advisor is assisting El Salvador in improving the services of children's institutions of the Division of Social Welfare. A social service dedicated to child and family protection is receiving in-service training.

Country: EL SALVADOR

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		459	271	103		1	4	80		
Crops and Livestock Development	C	95	67	27		1				
Agricultural Education & Extension	C	93	66	27						
Cooperative Service	C	80						80		
Cooperative Service Administration	C	36	32				4			
Land and Water Resource Development	C	71	56	15						
Agricultural Technical Information	C	22	18	4						
Agricultural Credit and Cooperatives	N	62	32	30						
Industry and Mining - Total		66	17	32	17					
Industry Advisory Services	C	66	17	32	17					
Transportation - Total		9		9						
Transportation Training	C	9		9						
Labor - Total		65	17	30	17	1				
Technical Labor Services	C	65	17	30	17	1				
Health and Sanitation - Total		245	134	69		2		40		
Cooperative Service	C	40						40		
Cooperative Service Administration	C	22	22							
Public Health Services	C	94	60	34						
Medical Education	C	89	52	35		2				
Education - Total		76	49	25		2				
Education Advisory Services	C	50	33	15		2				
Engineering Education	C	26	16	10						
Public Administration - Total		143	64	66	13					
Public Safety	C	78	48	30						
Public Administration	C	65	16	36	13					
Community Development, Social Welfare and Housing - Total		62	25	37						
Community Self-Help Services	C	7		7						
Social Services	C	55	25	30						
General and Miscellaneous - Total		75	14				61			
Technical Support	C	75	14				61			
Total Technical Cooperation		1,200	591	371	47	6	65	120		

GUATEMALA - GENERAL ECONOMIC DATA

BASIC DATA

Population	3.7 million
Annual Growth	3.1 percent
Area	42,042 sq. mi.
Agricultural Land	19% of area
Agri. Land per Capita	2 acres
Literacy Rate	28 percent

	Guatemala	U. S.
Life Expectancy (*Years*)	37	70
Inhabitants per Physician	6,000	760
Road Miles per 1,000 sq.mi.	190	870
Electric Power per Capita (*KWH per Year*)	80	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	613	652	660	655
Per Capita GNP	Dollars	186	186	189	177
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	101	107	115	113
Coffee	1,000 MT	67	75	85	81
Industrial Prod. Index b/	1953=100	115	128	140	145
Electricity	Million KWH	218	248	285	325
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	122	114	107	95
Bananas	"	15	15	13	10
Coffee	"	92	82	77	70
Total Imports (c.i.f)	"	138	147	150	130
Trade Balance	"	-16	-33	-43	-35
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	79	74	66	55
Imports from U. S. (f.o.b)	"	83	81	79	65
Trade Balance	"	-4	-7	-13	-10
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	72.9	75.7	50.0	41.0(Nov)
COST OF LIVING INDEX (Guatemala City)	*1953=100*	105	104	105	105

CENTRAL GOVERNMENT FINANCES* FY ending June 30	1958	1959	1960Est.
	Million Dollar Equivalents -		
Domestic Revenues	91	90	95
Total Expenditures	122	116	115
Deficit(-) or Surplus Before All Foreign Aid	-31	-26	-20
Budget Receipts from Non-U.S. Foreign Aid	6	1	-1
Budget Receipts from U.S. Aid & PL 480	13	10	11
Remaining Deficit(-) or Surplus(+)	-12	-15	-10
DEFENSE EXPENDITURES - TOTAL	10	10	10
U.S.-Financed (excl. M.A.P. end-items)	-	-	-
Defense Expend. as % of Total Gov't Expend.	8.2%	8.6%	8.7%
Defense Expenditures as % of GNP	1.5%	1.5%	n.a.
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	112	106	105
U.S.-Financed	(13)	(10)	(11)

n.a. - Not available. */ Converted at 1 quetzal per U.S.$.
a/ Crops harvested in crop-year ending in year stated. b/ Excludes mining.

Country: GUATEMALA

MUTUAL SECURITY PROGRAM

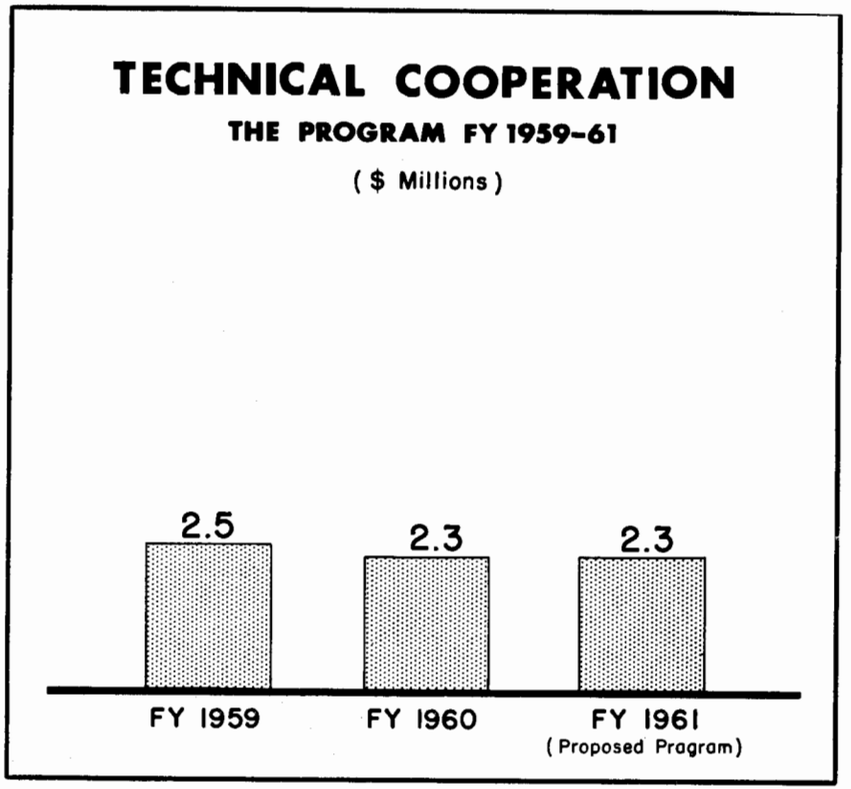
Guatemala is the one country of Latin America which has been controlled by a Communist-oriented regime. This regime was overthrown in 1954. It is therefore in our particular interest that Guatemala continue to subscribe to the democratic process. We have a large stake in seeing the defeat of current efforts by Communists, both in and out of the country, to regain dominance.

Guatemala was the recipient of substantial grant aid from the U.S. following the overthrow of the Arbenz regime in 1954. Precipitant curtailment of U.S. grant aid and the decline in the world price of coffee, one of Guatemala's major export products, have contributed to serious balance of payments and related budgetary problems. In addition to funds now provided by the U.S. for technical cooperation programs, Guatemala desires and needs economic assistance in the form of developmental credits.

The popularly elected President, General Miguel Ydigoras, took over on March 2, 1958, a country wracked by social and political tensions. On December 6, 1959, he won a Congressional majority which will make constructive planning easier. The non-Communist leftist party had considerable popular support, but the extremist-backed candidates relatively little. Ydigoras can be credited with developing a temperate mood in the country which it is in the interests of the United States and world democracy to strengthen.

We have a military assistance agreement with Guatemala and the Guatemalan army continues to be a stabilizing force and a bulwark against possible subversive incursions from abroad.

Much remains to be done before there can be real social and political stability. The economic base must be broadened, the social structure improved and the legitimate aspirations of the masses satisfied. Our technical cooperation program, concentrating on specialized fields in agriculture, health and sanitation, education, community development, social welfare and housing is making a very real contribution to Guatemala's efforts to meet these problems.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	2,545	2,789	
Cumulative 6/30/59	11,398	9,893	1,505
Estimate FY 1960	2,300	2,475	
Cumulative 6/30/60	13,698	12,368	1,330
Estimate FY 1961	2,300	2,480	

Country: GUATEMALA

ECONOMIC SITUATION

Current Economic Situation and Problems

At the close of 1959 the economic situation in Guatemala was precarious, and in need of corrective action to prevent further deterioration. Deficit spending by the Central Government has been consistent, the trade balance was unfavorable, and foreign exchange holdings have dwindled.

A combination of factors account for the downward trend in Guatemala's over-all economy and balance of payments situation. Some are of a long-standing nature, such as the preponderant position in the economy of the production and export of coffee, and the depressed living standards of two-thirds of its population. Other adverse factors, temporary in nature and subject to corrective measures, involve political instability, unbalanced budgets, and a lack of adequate external financing for accelerated programs of economic development.

Progress to Date

During the past year Guatemala has undergone periods of unrest and readjustment under a new administration. Periodic changes in various Ministries of the Government have had deleterious effects on economic development programs designed to broaden the economic base of Guatemala's economy through diversification. However, subsequent to a reappraisal of the U.S.-Guatemalan cooperative programs in July 1959 by the President, his Cabinet, and U.S. officials, progress is now regaining momentum within the framework of a friendly and cooperative atmosphere.

Progress is being made in the diversification of Guatemala's one-crop coffee economy subsequent to the approval of a DLF loan for establishing natural rubber plantings on large and medium-size farms assisted by highly specialized U.S. technical advisors. To effect savings in foreign exchange and further diversify its agriculture, Guatemala sought and secured a DLF loan to produce and process kenaf fiber into coffee bags with the cooperative advisory assistance of an ICA technician. Late in 1959, an Export-Import Bank loan was made for improvement and expansion of small and medium private industrial enterprises.

In a move to integrate more of its population into the market economy, unexpended balances of prior year grant aid funds have been reprogrammed for aided self-help construction of schools, and extension of environmental sanitation on a country-wide basis under the guidance and supervision of the Education and Health Servicios. Reprogrammed funds will provide for the resettlement of some 4,000 subsistence farm families on small acreages of nationally-owned lands.

Guatemala only recently started imposing restrictive tariffs on imported luxury goods, and is now seeking the assistance of the International Monetary Fund to alleviate its more immediate and pressing balance of payments problems.

Assistance from Non-ICA Sources

Total foreign investment in Guatemala is estimated at $200 million, of which major U.S. private investments are valued at about $150 million. U.S. oil companies expended about $12 million during the past year for oil exploration activities in the Peten Region. Repayments began in the second half of 1959 on the only loan the Government has obtained from the IBRD (1955) in the amount of $18.2 million for highway construction and maintenance. DLF loans approved to date total $5.4 million; $5.0 million for rubber development and $400,000 for kenaf fiber production and a bag factory. Late in 1959 a loan of $5.0 million for Industrial Development was extended by the Export-Import Bank. Other loans (both short- and long-term) from the Export-Import Bank for the private sector amounted to $2.4 million from 1955 to 1958 for agricultural equipment and machinery required for a new cement plant. The International Finance Corporation has invested $200,000 in a flour mill, and Guatemala has obtained a $900,000 loan from a U.S. private bank for extending the Guatemala City Airport to accommodate jet aircraft. Various United Nations activities in 1960 are estimated at $195,000 implemented by 23 U.N. experts. The U.S. has provided about $1.4 million in surplus agricultural commodities as P.L. 480, Title II grants.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	12.6	2.6	2.4
DLF - Loan Approvals		5.4	1/
P.L. 480, Title I - Country Use (Total Sales)			2/
P.L. 480, Title II - Obligations	0.2	0.3	0.1 2/
P.L. 480, Title III - Obligations			5.0 2/
EX-IM Bank - Long-term Loans Approved	17.5	11.8	XXXX
TOTAL 3/			

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

3/ Incl. in total is $4.7 mil. in 1958 and $3.5 mil. in FY 1959 for IIAA and highways.

Country: GUATEMALA

TECHNICAL COOPERATION

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	2,545	2,300	2,300

Role of Program

The Technical Cooperation Program is specifically directed towards assisting Guatemala in diversification of its agricultural economy and industrial development, and has been intensified and expanded to assist Guatemala in incorporating more of its people into the market economy through educational, health, and economic development projects. The role of the program is continuously directed towards the improvement and development of institutions, and creation of a favorable climate conducive to further development of free enterprise and democratic processes.

Objectives - Technical Cooperation

(a) To assist Guatemala to improve its educational system, agricultural development, and health conditions.

(b) To assist in the establishment and improvement of institutions through cooperative efforts in applied public administration techniques and other practices to enhance capital formation, savings, and an improved climate for private investment.

(c) To assist in broadening Guatemala's economic base by applying knowledge gained through technical cooperation programs leading to industrial development and diversification of its agricultural production.

Accomplishments - Technical Cooperation

Accomplishments flowing from the TC Program are in part related to the implementation of projects financed from SA funds made available during the years 1955 through 1958. In consequence of these complementary activities a start has been made towards diversification of the economic base of Guatemala.

With completion of main arterial highways bisecting the country from the Atlantic to the Pacific, technical cooperation programs are assisting in the construction of access roads and bridges to facilitate exploitation of Guatemala's agricultural and natural resources. Subsistence farmers are continuing to become land owners along the Pacific slopes of Guatemala through the Area Development and Resettlement Program. An Aided Self-Help School Construction Program and an Environmental Sanitation Program under the direction of Cooperative Services are additional evidence of Guatemala's efforts towards internal economic integration and development.

Technical cooperative support has enabled the Aided Self-Help Housing Program to gain momentum in construction on project sites in Guatemala City, and to expand its activities into other urban centers of the country. Some 600 low-income families now occupy new homes they helped to build with their own labor.

The Cooperative Education Service continues to operate a successful program with enthusiastic support of the Ministry and newly inaugurated PTA groups. A number of sub-projects have been completed in the Rural and Urban Education programs and have been turned over to the Ministry for continued operation without further assistance.

The Public Administration Program has provided training to over 1,200 Guatemalan Government employees in such fields as office management, filing, typing, stenography, administrative reporting or principles of public administration in the demonstration secretarial-clerical Training School.

Composition of 1961 Technical Cooperation Program - $2,300,000

The FY 1961 Technical Cooperation Program continues as conceived and reoriented in part by the President of Guatemala, his Cabinet, and U.S. officials in July 1959 and as implemented in FY 1960. A limited number of U.S. technicians will serve as advisors in specialty fields of extension, research, agricultural mechanization, rubber and complementary crops development to assist Guatemala in diversification of its agricultural economy.

A small staff of U.S. technicians will assist the Ministry of Health in country-wide programs of Health Advisory Services and Environmental Sanitation. The Cooperative Health Service will administer the expanded Environmental Sanitation Program for which the President of Guatemala requested the transfer of unexpended balances of prior year grant aid funds. A more comprehensive and wider field of training will be provided government employees with the assistance of U.S. staff technicians and short-term consultants.

Country: GUATEMALA

TECHNICAL COOPERATION

TABLE E-1-A

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	958	940	799
Participants	201	316	338
Contractual Services	241	72	95
Supplies and Equipment	10		8
Contrib. to Coop. Services	950	800	900
Other Costs	185	172	160
Total Project Assistance	2,545	2,300	2,300
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	60	47	45
Contract	34	22	18
Total Technicians	94	69	63
Participants (Programmed during year)			
Non-Contract	82	84	95
Contract		6	
Total Participants	82	90	95
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	1,131	688	594
Industry and Mining	61	60	60
Transportation	16	15	15
Labor			
Health and Sanitation	416	432	458
Education	624	826	859
Public Administration	108	83	120
Community Development, Social Welfare and Housing	71	91	90
General and Miscellaneous	118	105	104
Total by Field of Activity	2,545	2,300	2,300

As functional phases are completed, new ones and additional responsibilities are added. With a low national literacy rate of only 28%, the President of Guatemala has requested the Cooperative Education Service to administer a country-wide aided self-help school construction program financed with $1.5 million in reprogrammed prior year grant aid funds. As new schools are built, new teachers will have to be trained to staff them. The new Vocational Trade School will move from temporary quarters to its new building at the start of FY 1961.

Country: GUATEMALA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		594	145	90	50		9	300		
Agricultural Extension Services	C	223	30	26			2	165		
Agricultural Research	C	96	51	41			4			
Agricultural Mechanization	C	17	17							
Rubber and Complementary Crops Development	C	208	47	23			3	135		
Rural Development	C	50			50					
Industry and Mining - Total		60	21	7	20		12			
Industrial Development		60	21	7	20		12			
Transportation - Total		15		15						
Inter-American Geodetic Survey School	C	15		15						
Health and Sanitation - Total		458	174	64			20	200		
Health Advisory Services	C	87	43	37			7			
Cooperative Service	C	200						200		
Cooperative Service Administration	C	59	47	6			6			
Environmental Sanitation	C	112	84	21			7			
Education - Total		859	313	124			22	400		
Vocational Education	C	171	126	40			5			
Cooperative Service	C	400						400		
Cooperative Service Administration	C	56	48				8			
Rural Education	C	105	59	42			4			
Urban Education	C	127	80	42			5			
Public Administration - Total		120	64	20	25		11			
Public Administration	C	120	64	20	25		11			
Community Development, Social Welfare and Housing - Total		90	66	18			6			
Housing Program	C	90	66	18			6			
General and Miscellaneous - Total		104	16			8	80			
Technical Support	C	104	16			8	80			
Total Technical Cooperation		2,300	799	338	95	8	160	900		

HAITI - GENERAL ECONOMIC DATA

BASIC DATA

Population	3.5 million
Annual Growth	1.3 percent
Area	10,700 sq. mi.
Agricultural Land	31% of area
Agri. Land per Capita	0.6 acres
Literacy Rate	10 percent

	Haiti	U. S.
Life Expectancy (*Years*)	n.a.	70
Inhabitants per Physician	11,000	760
Road Miles per 1,000 sq.mi.	187	870
Electric Power per Capita (*KWH per Year*)	18	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	300	239	266	229
Per Capita GNP	Dollars	91	70	78	65
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	110	92	103	90
Coffee	1,000 MT	44	28	42	30
Sisal	"	33	34	32	27
Sugar, centrifugal	"	58	57	54	54
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	42	34	39	22
Coffee	"	30	21	29	15
Sisal	"	6	6	5	5
Total Imports (c.i.f)	"	50	39	41	28
Trade Balance	"	-8	-5	-2	-6
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	15	18	23	15
Imports from U. S. (f.o.b)	"	37	24	25	22
Trade Balance	"	-22	-6	-2	-7
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	10.4	4.7	2.2	2.3 July
COST OF LIVING INDEX (Port-au-Prince)	*1953=100*	110	112	114	n.a.

CENTRAL GOVERNMENT FINANCES* FY ending Sept. 30	1957	1958	1959(Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	26	29	26
Total Expenditures	42	39	39
Deficit(-) or Surplus Before All Foreign Aid	-16	-10	-13
Budget Receipts from Non-U.S. Foreign Aid	-	-	-
Budget Receipts from U.S. Aid & PL 480	-	1	9
Remaining Deficit(-) or Surplus(+)	-16	-9	-4
DEFENSE EXPENDITURES - TOTAL	6	6	7
U.S.-Financed (excl. M.A.P. end-items)	-	-	-
Defense Expend. as % of Total Gov't Expend.	14.3%	15.4%	17.9%
Defense Expenditures as % of GNP	2.5.%	2.3%	2.8%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	36	33	32
U.S.-Financed	-	(1)	(9)

n.a. - Not available. */ Converted at 5 gourdes per U.S.$.
a/ Crops harvested in crop-year ending in year stated.

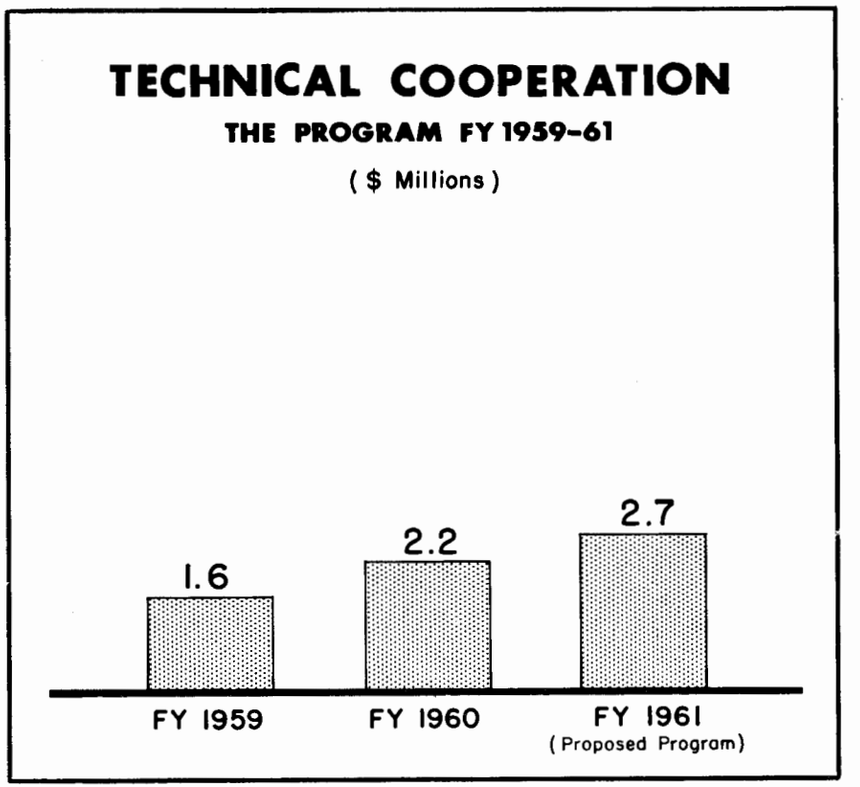
Political instability and economic stagnation, characteristic of Haiti's history, have been seriously aggravated in recent years by rapidly increasing population pressures. Haiti epitomizes economic and social underdevelopment. Its closeness to our shores, its long history of friendship with the United States, and the fact it is the only negro republic in this hemisphere can make it a conspicuous example in the eyes of other colored peoples, especially in Africa, of the effectiveness of United States assistance.

Prior to the inauguration of President Duvalier in October 1957, five successive governments within 10 months had brought Haiti to the verge of political chaos. During the following two years political stability gradually returned. In 1959 a financial and economic crisis developed precipitated by the smallest coffee harvest in recent Haitian history and declining world prices. To avert economic and political breakdown, in conjunction with IMF stand-by credits, the United States granted special emergency assistance. This assistance provided budget support and enabled Haiti to maintain convertibility of its currency, and bring in essential imports. DLF loans during 1959 provided investment capital to supplement grant funds. During the most critical period of the year Haiti was invaded for the second time in two years by a foreign based filibustering expedition and the possibility of further attacks from abroad remains an unsettling factor.

At the request of the Haitian Government, we maintain a U.S. Naval Mission in Haiti including marine corps personnel engaged exclusively in performing technical advisory and training functions. We also have a Military Assistance Agreement with Haiti, and through the MAP are assisting the Haitian navy in developing a collective defense capability.

The trend toward stability has continued despite the economic crisis, and Haiti although still in a precarious economic position is now able to devote its energies more fully to basic economic development and improvement of the subsistence level of existence of the Haitian masses.

Haiti continues to cooperate closely with the U.S. and the Free World in international political and security matters. Haiti banned the Communist Party in 1950 and there is little overt Communist activity.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	1,634	1,587	
Cumulative 6/30/59	8,829	8,063	766
Estimate FY 1960	2,200	1,960	
Cumulative 6/30/60	11,029	10,023	1,006
Estimate FY 1961	2,745	2,401	

Country: HAITI

ECONOMIC SITUATION

Current Economic Situation and Problems

Haiti has one of the lowest standards of living in the Western Hemisphere. Per capita income averages about $71 per year. The country is predominately agricultural and primitive production methods are used. Rural Haiti is characterized by the scarcity of roads, schools, sanitary and health facilities, and by the absence of many of those institutions needed for a growing, modern economy. With 10% literacy, there is an acute shortage of trained manpower.

Overcrowding has forced tilling of unsuitable land and destructive soil and timber practices have seriously eroded the land. It is doubtful that production of food is keeping up with the increasing population. There is almost no industrialization and job opportunities are few. Consequently, human resources are greatly underutilized and there is much unemployment. Chronic political instability and extremely limited natural resources inhibit solution of these problems.

A periodic short-range problem results from biennial fluctuations in coffee production. As a result of poor farming methods, coffee production is unusually erratic, producing a good crop one year and a poor crop the next. Coffee is a principal money crop of the economy, the prime source of foreign exchange earnings and government revenues. Even in good years export earnings are barely adequate to provide the minimum imports needed to maintain the economy. In 1959, coffee earnings were about half those in 1958. As a result, foreign reserves approached zero and government revenues fell below the minimum needed to sustain even routine operations. Loss of currency convertibility, reduction of imports below the minimum essential level, and possible economic and political chaos were avoided by a special ICA grant of $5.5 million for balance of payments and budget support and by drawings on the IMF in conjunction with a stabilization program.

In 1960, coffee exports may reach 600,000 bags, almost double the 1959 level. With a continued austerity budget under the IMF stabilization program, U.S. budget support is not contemplated, and some small build-up of exchange reserves may be possible. The backlog of debt precludes any real accumulation of government reserves. In 1961, however, another poor crop must be anticipated and many of the 1959 problems may be repeated.

The ultimate solution to this problem appears to be elimination of extreme fluctuations in coffee production through better cultivation and improved marketing and processing methods and development of other sources of income, particularly export products.

Government revenues in recent years have fluctuated between $25 million and $30 million. Even if these limited funds were spent at a peak of efficiency, the sums available would be grossly inadequate for the tremendous economic job which needs to be done.

Progress to Date

During 1959, the most significant achievement was maintenance of political and economic stability despite almost continuous crises. The balance of payment problem was met, currency convertibility maintained, and the dangerous gap between government revenues and expenditures reduced. Continuation of an austerity budget through 1960 promises to bring some order into chaotic government finances. Connected with the emergency grant of ICA funds was a sizable project in Public Administration. Budget and fiscal controls have been imposed, and a project to review and improve departmental administration has been started. Groundwork has been laid for improvements in food production and in crop diversification, particularly in two areas - Cap Haitien and the Artibonite Valley.

Assistance from Non-ICA Sources

The IMF maintains a one-man mission in Haiti in connection with its stabilization program and stand-by agreement. In FY 1959 the DLF approved a loan of $4.3 million for development in the Artibonite Valley. In FY 1960 DLF loans have been approved for $3 million for a sugar mill and $300 thousand for a road survey, and additional loan applications are under consideration. An IBRD road maintenance loan of $2.6 million was made in 1956. There have been new private investments in bananas and sisal. Various private religious and charitable groups have programs in Haiti. U.N. Technical Assistance in 1960 will include 14 experts at an estimated cost of $195,000.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	3.5	7.1	9.2
DLF - Loan Approvals		4.3	3.3 1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	0.5	1.3	0.6 2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	4.0	12.7	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

ountry: HAITI

TECHNICAL COOPERATION

Role of Program

Through technical assistance, the ICA program seeks through training and demonstration to develop necessary management and technical personnel and to stimulate formation of the organizations and institutions necessary for economic growth.

Objectives - Technical Cooperation

The over-all objectives of Technical Cooperation in Haiti include the following:

(a) Provide technical personnel and advisory services in the utilization of local currency generated by Special Assistance funds. General improvement in administration, organization, budgetary, and fiscal controls in the Government of Haiti by a broad Technical Cooperation Advisory Program in Public Administration.

(b) Increase in food production by dissemination of knowledge of improved agricultural methods, primarily through a national extension service.

(c) Improvement in rural living standards by training personnel and assisting with organizations to bring to rural Haiti more and better education, health facilities, water supplies, roads and small irrigation systems.

(d) Improvement in number and quality of trained high-level and middle management administrative, technical, and management personnel, for which a shortage exists in almost every field.

(e) Demonstration of national growth potentials and encouragement to local initiative, by the establishment of concentrated area development activities.

Accomplishments - Technical Cooperation

A broad Public Administration Project has been undertaken, in connection with the IMF stabilization program and the emergency budget support provided by ICA. Improved budget and fiscal controls have been achieved and increasing Haitian interest in improved administration has resulted. A National Economic Council has been established and is assisted by an ICA advisor. In addition, a new cooperative Haitian-U.S. development organization has been established, to make an integrated attack on economic development problems. The new organization will work with and through established branches of the Haitian Government and is designed to strengthen those branches.

Production of vegetables as an export commodity has been stimulated, particularly near Cap Haitien, and arrangements made with U.S. shippers for transportation to the U.S. market, where a demand now exists. Another new crop has been started with the distribution of 64,000 cacao seedlings. This promises to open up a whole new area of production. Approximately 20,000 baby chicks have been distributed to develop a source of additional food.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	1,634	2,200	2,745

Training schools for practical nurses, sanitarians, and sanitary officers have been established and first classes started.

An area development project has been initiated in the Artibonite Valley in conjunction with a DLF loan. The loan funds will provide for basic irrigation facilities, while the TC activities will concentrate on developing and training, to improve the human potential in the Valley. Employing funds derived from Special Assistance sources, a rural credit program has been established, with TC advisory services, to assist the small farmer to improve his facilities, obtain fertilizer and better tools, and expand production.

An emergency drought and famine relief program, avoiding threatening starvation of some 150,000 persons, was successfully carried out in collaboration with Catholic Relief Service, Church World Service, and CARE.

A watershed control and reforestation project has been initiated, also using SA funds. This project is long-range in nature, but is essential to protect existing irrigation facilities and to avoid the further destructive erosion of the soil.

Composition of 1961 Technical Cooperation Program - $2,745,000

Existing activities are acheduled to continue in FY 1961, with an increase in costs, particularly for U.S. technicians and participants, needed to carry out present plans, especially in the two area projects and in the vital field of public administration.

Agriculture - Efforts will be continued to expand food production, through a nationwide extension service, through developmental work at the experiment station in Damien. and through general strengthening of the Ministry of Agriculture. Concentrated efforts will be continued in the training of personnel for the Ministry, and for the area project near Cap Haitien. Demonstration projects, particularly at Cap Haitien, will stimulate improved methods and new crops, such as vegetables, cacao, and poultry. A rural credit system will be developed, and watershed control and reforestation work continued.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	720	1,063	1,360
Participants	209	173	333
Contractual Services	30	113	145
Supplies and Equipment	59	71	78
Contrib. to Coop. Services	433	463	553
Other Costs	183	317	276
Total Project Assistance	1,634	2,200	2,745
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	48	66	76
Contract		3	6
Total Technicians	48	69	82
Participants (Programmed during year)			
Non-Contract	64	60	99
Contract			
Total Participants	64	60	99
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	745	903	1,154
Industry and Mining			
Transportation	1		45
Labor			
Health and Sanitation	254	284	390
Education	314	372	442
Public Administration	105	228	224
Community Development, Social Welfare and Housing			
General and Miscellaneous	215	413	490
Total by Field of Activity	1,634	2,200	2,745

Artibonite Valley - A general agricultural development project will be carried out, in conjunction with a DLF loan for irrigation. Extension work is planned, to diversity crop production and introduce additional food supplies, particularly poultry. Development of small processing facilities is anticipated. A general approach to the problem of land use and ownership titles is also indicated.

Public Works - Assistance is to be given to the Haitien Ministry of Public Works, particularly in supervising the construction of access roads (farm-to-market), bridges, and small irrigation systems.

Civil Aviation - In the event plans materialize for a new, and needed airport at Port-au-Prince, the Government of Haiti will be assisted in the formation of a civil aeronautics authority.

Public Health - Projects are planned to strengthen the Ministry of Health in public health administration, and to advise on village water supply systems, health centers, and improved education and training facilities for practical nurses, sanitarians, and other health technicians.

Education - Continuation of the teacher training program is planned at the Damien Rural Normal School. Emphasis will continue to be placed on rural education, and the self-help school development program continued. Further attention will be paid to techniques of adult education and literacy training, and to the need for vocational training.

Public Administration - This work will continue to be one of the cornerstones of the entire development program; improved government administration is essential to the over-all development process. Direct advisory services will be continued in budgeting and fiscal controls, in improving government revenues through better and fairer tax collections, and in the equal application of customs duties. Through an ICA contract, review of the procedures in all Ministries will be carried out, and an orderly program of improvement initiated. Advisory services will also be provided in improvement of traffic control in Port-au-Prince.

Communications Media - This project is designed mainly to serve the other development activities by the production of educational and information materials, film strips, posters, etc. Training is also provided to Haitians in modern information techniques.

Tourism - A small training project is planned to assist Haiti in the promotion of its great tourist potential.

Integrated Area Development - Extensive training and demonstration work will be continued in the concentrated area project in the Cap Haitien vicinity. Facilities of all of the other development projects will be called upon, in order to help make this potential productive area a demonstration of what can be done in Haiti and an example and stimulus to other areas.

Country: HAITI

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		1,154	637	115	60		21	321		
Artibonite Valley Agriculture	C	139	38	15			6	80		
Cooperative Service in Public Works	C	82						82		
Technical Advisory Assistance to Department of Public Works	C	188	142	21	10		15			
Cooperative Service in Agriculture	C	159						159		
Technical Advisory Assistance in Agriculture	C	586	457	79	50					
Transportation - Total		45		15	30					
Civil Aviation	N	45		15	30					
Health and Sanitation - Total		390	213	50			15	112		
Cooperative Service	C	112						112		
Cooperative Public Health Program, General Public Health Operations	C	229	195	20			14			
Cooperative Public Health Program, Administration	C	19	18				1			
Cooperative Public Health Program, Local Training	C	30		30						
Education - Total		442	250	52			20	120		
Cooperative Service	C	120						120		
Technical Assistance; Education	C	322	250	52			20			
Public Administration - Total		224	109	61	40	3	11			
Traffic Control	C	28	15	6		3	4			
Public Administration	C	196	94	55	40		7			
General and Miscellaneous - Total		490	151	40	15	75	209			
Communications Media Services	C	71	20			10	41			
Technical Support	C	304	71			65	168			
Integrated Development (Pote Cole)	C	90	60	15	15					
Tourism	N	25		25						
Total Technical Cooperation		2,745	1,360	333	145	78	276	553		

HONDURAS - GENERAL ECONOMIC DATA

BASIC DATA

Population	1.9 million
Annual Growth	3.3 percent
Area	43,200 sq. mi.
Agricultural Land	25% of area
Agri. Land per Capita	4 acres
Literacy Rate	35 percent

	Honduras	U. S.
Life Expectancy (*Years*)	n.a.	70
Inhabitants per Physician	6,500	760
Road Miles per 1,000 sq.mi.	22	870
Electric Power per Capita (*KWH per Year*)	49	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	341	355	370	387
Per Capita GNP	Dollars	201	197	206	204
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	n.a.	127	129	139
Coffee	1,000 MT	17	19	21	24
Corn	"	213	238	246	256
Sugar, centrifugal	"	9	13	13	18
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	73	65	72	66
Bananas	"	44	34	38	35
Coffee	"	14	12	11	10
Total Imports (c.i.f)	"	67	79	77	70
Trade Balance	"	+6	-14	-5	-4
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	30	26	28	25
Imports from U. S. (f.o.b)	"	39	42	36	32
Trade Balance	"	-9	-16	-8	-7
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	19.3	17.7	9.5	17.7(Sep)
COST OF LIVING INDEX (Tegucigalpa)	*1953=100*	111	108	111	113

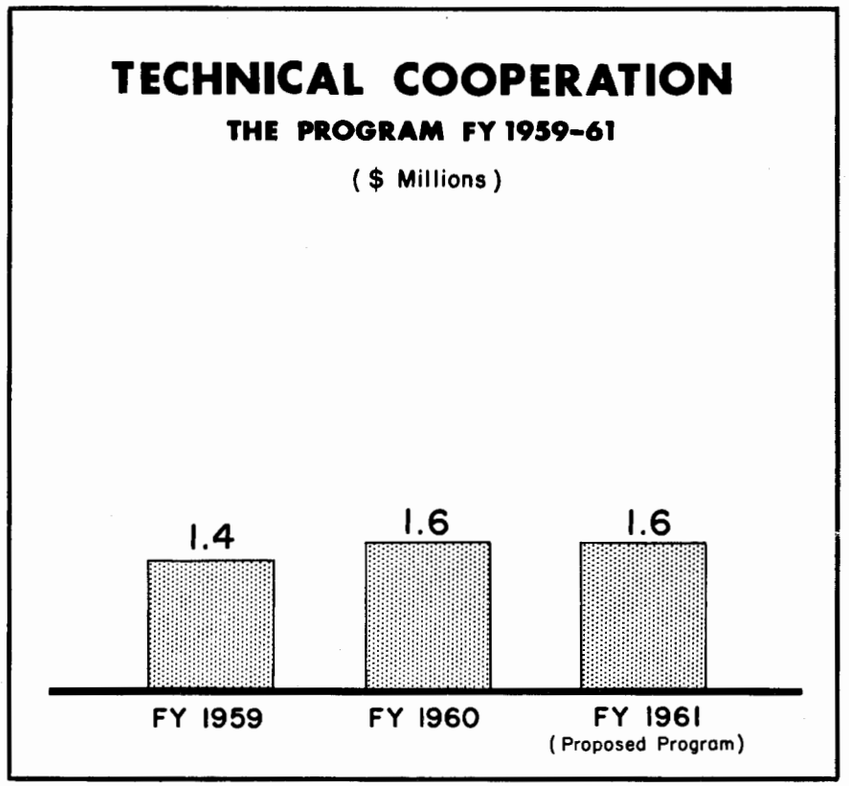
CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1957	1958	1959 (Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	36	33	35
Total Expenditures	39	38	43
Deficit(-) or Surplus Before All Foreign Aid	-3	-5	-8
Budget Receipts from Non-U.S. Foreign Aid	-	-	-
Budget Receipts from U.S. Aid & PL 480	4	4	5
Remaining Deficit(-) or Surplus(+)	+1	-1	-3
DEFENSE EXPENDITURES - TOTAL	5	5	5
U.S.-Financed (excl. M.A.P. end-items)	-	-	-
Defense Expend. as % of Total Gov't Expend.	12.8%	13.2%	11.6%
Defense Expenditures as % of GNP	1.5%	1.4%	1.3%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	34	33	38
U.S.-Financed	(4)	(4)	(5)

n.a. - Not available. */ Converted at 2 lempiras per U.S.$.
a/ Crops harvested in crop-year ending in year stated.

The Government of Honduras has given us valuable assistance and support in the United Nations, OAS and other international bodies. It is in our interests to continue to receive this support. At the same time, the Mutual Security Program identifies our interest in, and support of Honduras' efforts to develop a stable economy and raise standards of health and education in the country and unless substantial progress is made in the attainment of these objectives, the Communist movement, which recently has redoubled its efforts in Honduras, may be expected to extend its influence dangerously.

About two years ago, Honduras embarked upon a new experiment in democracy after many years of authoritarian government. Since that time, the democratically elected government of President Villeda Morales has made a sincere attempt to ameliorate conditions in the country, but has been hampered by budgetary limitations, lack of trained administrators and internal political instability. Nevertheless, with the assistance of the United States and international organizations, an intelligent beginning has been made toward the solution of these problems. With the assistance of the IMF, the government has adopted a stabilization program which has reversed a downward trend in the country's foreign exchange reserves. The DLF and the IBRD are collaborating in the financing of a badly needed road building program. With the assistance of the U.S., additional development projects aimed at opening up the country's rich but isolated agricultural areas have been undertaken. The technical cooperation program in Honduras is assisting in the diversification of the country's agricultural production and in the expansion of health and educational facilities.

We have a mutual defense assistance agreement with Honduras and through the MAP we are contributing to the capability of Honduran armed forces in collective defense, with particular emphasis on air capability for coastal patrol.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	1,388	1,328	
Cumulative 6/30/59	8,456	7,387	1,069
Estimate FY 1960	1,550	1,478	
Cumulative 6/30/60	10,006	8,865	1,141
Estimate FY 1961	1,550	1,626	

Country: HONDURAS

ECONOMIC SITUATION

Current Economic Situation and Problems

Honduras is the second largest country in the Central American area and one of the most underdeveloped in all Latin America. Its economy is based on the production of bananas and coffee, which accounted for 54% and 15% respectively, of its total exports in 1958. Per capita GNP figures for recent years indicate no real economic growth.

Honduras has a long history of revolution and political insecurity. Its first constitutional government in recent times came into office late in 1957 and has made some progress in halting the deterioration of the country's financial position and stimulating economic development. Foreign exchange reserves, which had declined over the previous five years, have risen in 1959. This would indicate that the government has at last reversed the downward trend which on December 31, 1958, carried net reserves to $9.5 million. Exports of bananas, despite some severe "blowdowns," are expected to be approximately the same in 1959. Coffee production is expected to exceed last year's levels as some 10,000 hectares will produce their first crop this year. However, to finance an adequate rate of development Honduras still must rely on foreign capital.

The general level of health is low and aggravated by poor sanitary conditions, lack of trained personnel, inadequate health facilities and diet. Labor productivity is lowered by disease, and workers' skills are limited by lack of training and education. The national literacy rate is 35% and lower in the rural areas, which comprise 70% of the population. The economy of the country suffers because of a shortage of roads, inadequate airport facilities and services and poorly developed seaports. A large portion of the country is virtually inaccessible except by mule pack. The shortage of electrical power is a further obstacle to economic growth.

Progress to Date

The constitutional government which took office in December 1957, despite intermittent unrest, including attempts at overthrow and student uprising, appears to have popular support. Its fiscal policies and measures, adopted in accordance with the stand-by agreement signed in January 1959 with the IMF, continue to be effective. Creation of a Planning Commission was approved by the National Economic Council to develop detailed programs of the major economic sectors.

A cement plant began production in July and the country's first powdered milk plant is expected to be in operation by March 1960. The first television station was inaugurated in 1959. An additional 309 kilometers have been added to the nation's highways; construction on the Bufalo-Cortes Road as well as bridges on the Western Road is now moving at a fast pace. A start has been made in cooperative building. The Cooperativa de Viviendas (Housing Cooperative), an organization of employees of the Banco Nacional de Fomento, has sub-divided 8.75 acres of land into 58 lots for the homes of members. This has been successful and two more such cooperatives are now planned. ICA technical assistance may be requested for this project.

Assistance from Non-ICA Sources

In April 1959, Honduras received a credit of $600,000 from the Export-Import Bank to purchase beef and dairy cattle in the U.S. for breeding purposes. The IBRD in May 1959, authorized a loan of $1.45 million for electric power development. Concurrent loans of $10.5 million by the IBRD ($5.5 million) and the DLF ($5 million) were made in FY 1958 for highway construction. Loans from private U.S. banks of $1.3 million have also been made, presumably for budget support. Direct investment in 1959 is estimated to be at least $3 million, of which $2 million represents U.S. capital. Honduras also obtained a stand-by agreement with the IMF for $4 million, of which only $2 million has been drawn. UNTA for FY 1960 totals $185,000 including 15 technicians.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	1.9	1.9	1.6
DLF - Loan Approvals	5.0	-	- 1/
P.L. 480, Title I - Country Use	-	-	-
(Total Sales)	-	-	-
P.L. 480, Title II - Obligations	0.5	0.2	0.1 2/
P.L. 480, Title III - Obligations	1.1	0.8	- 2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL 3/	8.9	4.5	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

3/ Included in total is $0.4 million in 1958 and $1.6 million in 1959 for IIAA and Highways.

Role of Program

The ICA program in Honduras has been since its inception one of technical cooperation to meet the urgent need for knowledge and training. The continuing objectives are to advise and train the Hondurans to help them achieve broader educational opportunities, better health, and a higher standard of living. A fundamental aim is to assist in the development of a stable, democratic and efficient government necessary to such accomplishments.

Objectives - Technical Cooperation

The continuing over-all objectives of the technical cooperation program in Honduras are:

(a) To assist the government in developing professional, managerial and technical competence and a sense of public responsibility, which are essential in the evolution of an effective government and political stability within the country.

(b) To assist the government in creating a climate favorable to private investment, thereby increasing the rate of economic development within the country.

(c) To develop and demonstrate modern methods and procedures through education and training, thereby improving workers' skills, increasing and diversifying production and stimulating the country's growth.

(d) To assist in developing the country's natural resources and improving its transportation facilities.

(e) Through a participant training program to assist in the advancement of administrative, professional and technical competence in all fields of activity.

Accomplishments - Technical Cooperation

The agriculture laboratory to analyze soils, water, forage and feeds, formerly assisted by ICA, is now under Honduran direction. Agricultural engineering and well drilling projects are also under Honduran direction, but with advice from ICA technicians.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	1,388	1,550	1,550

Although operations of the Coal Resources Survey have been suspended for the time being due to lack of Honduran Government budget support, ten coal deposits were located, three of which appeared to have exploitable possibilities. The findings of the survey are being held for future use.

A central highway materials laboratory has been established and the soils investigation manual has been completed in English and Spanish and is ready for publication.

The labor training program has had a positive influence toward democratic orientation of the labor movement. Since 1954, 57 leaders have received training under the participant program and all have returned to positions of equal or greater responsibility in the union movement; one presently is the head of the largest union. In addition, 450 unionists have received seminar training in Honduras.

Composition of 1961 Technical Cooperation Program - $1,550,000

The FY 1961 program will follow the basic operational pattern of previous years, concentrating primarily on the fields of agriculture, health and education, through continuation of the present projects.

A new project in the agriculture field will cover training and advisory services in Marketing and Storage.

The project for Industrial Management and Development authorized recently is expected to move forward with the arrival of the technical advisor. Assistance is planned to stimulate the undeveloped industrial sector of the Honduran economy through establishment of a national industrial center supported by the Honduran Government and private industry.

In the field of Public Administration, an over-all U.S. technical advisor is under recruitment and the scope of the project will be broadened in FY 1961 to assist government officials in raising the general quality of public service. This is expected to include an improved system of personnel administration, improved organization and management, and increased emphasis on training in this field.

Country: HONDURAS

TECHNICAL COOPERATION

TABLE E-1-A

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	623	767	783
Participants	222	182	276
Contractual Services		37	17
Supplies and Equipment		9	14
Contrib. to Coop. Services	425	425	300
Other Costs	118	130	160
Total Project Assistance	1,388	1,550	1,550
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	40	47	50
Contract			
Total Technicians	40	47	50
Participants (Programmed during year)			
Non-Contract	82	73	108
Contract			
Total Participants	82	73	108
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	491	503	525
Industry and Mining	18	31	40
Transportation	134	84	88
Labor	63	49	50
Health and Sanitation	208	233	251
Education	397	436	360
Public Administration	77	69	72
Community Development, Social Welfare and Housing			
General and Miscellaneous		145	164
Total by Field of Activity	1,388	1,550	1,550

Country: HONDURAS

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		525	233	64			28	200		
Agricultural Marketing and Storage	N	38	27	8			3			
Cooperative Service	C	200						200		
Cooperative Service Administration	C	68	60				8			
Agricultural Extension	C	96	65	25			6			
Land and Water Resources	C	30	15	11			4			
Crops and Livestock	C	93	66	20			7			
Industry and Mining - Total		40	15	9	12	2	2			
Industrial Management and Development	C	40	15	9	12	2	2			
Transportation - Total		88	65	18			5			
Civil Aviation	C	85	65	15			5			
IAGS Training	C	3		3						
Labor - Total		50	3	32			15			
Labor and Trade Union Leadership	C	50	3	32			15			
Health and Sanitation - Total		251	139	37			25	50		
Cooperative Service	C	50						50		
Cooperative Service Administration	C	44	21	6			17			
Environmental Sanitation	C	30	28				2			
Health Facilities	C	79	60	16			3			
Health Education and Training	C	48	30	15			3			

Country: HONDURAS

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION (Continued)

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
Education - Total		360	231	61	5		13	50		
School Facilities	C	18	17				1			
Cooperative Service	C	50						50		
Cooperative Service Administration	C	42	30	6			6			
Education in Crafts and Trades	C	108	100	5			3			
Vocational Agricultural Education	C	24	14	10						
Rural Elementary Teacher Training	C	65	44	20			1			
Rural Normal School Development	C	53	26	20	5		2			
Public Administration - Total		72	35	35			2			
Public Administration	C	52	20	30			2			
Census and Statistics	C	20	15	5						
General and Miscellaneous - Total		164	62	20		12	70			
Investment for Industrial Development	C	10		10						
Equipment Management and Operations ECU	C	87	62	10			15			
Technical Support	C	67				12	55			
Total Technical Cooperation		1,550	783	276	17	14	160	300		

MEXICO - GENERAL ECONOMIC DATA

BASIC DATA

Population	33.3 million
Annual Growth	3.0 percent
Area	760,000 sq. mi.
Agricultural Land	44% of area
Agri. Land per Capita	7 acres
Literacy Rate	56 percent

	Mexico	U. S.
Life Expectancy (*Years*)	38	70
Inhabitants per Physician	2,000	760
Road Miles per 1,000 sq.mi.	108	870
Electric Power per Capita (*KWH per Year*)	280	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT★					
Total GNP (*In 1958 Prices*)	$ Millions	8,403	8,726	9,120	9,485
Per Capita GNP	Dollars	275	278	282	285
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	120	128	135	147
Corn	1,000 MT	4,382	4,382	4,100	5,004
Petroleum	"	12,972	12,696	13,850	14,100
Electricity	Million KWH	7,827	8,451	9,072	9,800
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	880	727	735	760
Coffee	"	105	109	76	70
Cotton	"	263	170	190	220
Total Imports (c.i.f)	"	1,072	1,155	1,129	930
Trade Balance	"	-192	-428	-394	-170
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	401	430	457	450
Imports from U. S. (f.o.b)	"	851	902	885	710
Trade Balance	"	-450	-472	-428	-260
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*) (Central Bank only)	"	489	453	372	398(Aug)
COST OF LIVING INDEX (Mexico City)	*1953=100*	128	135	150	154

CENTRAL GOVERNMENT FINANCES★ FY ending Dec. 31	1957	1958	1959(Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	679	711	741
Total Expenditures	712	782	780
Deficit(-) or Surplus Before All Foreign Aid	-33	-71	-39
Budget Receipts from Non-U.S. Foreign Aid	-	-	-
Budget Receipts from U.S. Aid & PL 480	2	1	- b/
Remaining Deficit(-) or Surplus(+)	-31	-70	-39
DEFENSE EXPENDITURES - TOTAL	63	70	78
U.S.-Financed	-	-	-
Defense Expend. as % of Total Gov't Expend.	8.8%	9.0%	10.0%
Defense Expenditures as % of GNP	0.8%	0.8%	0.8%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	649	712	702
U.S.-Financed	(2)	(1)	-

n.a. - Not available. ★/ Converted at 12.5 pesos per U.S. $.

a/ Crops harvested in crop-year ending in year stated.

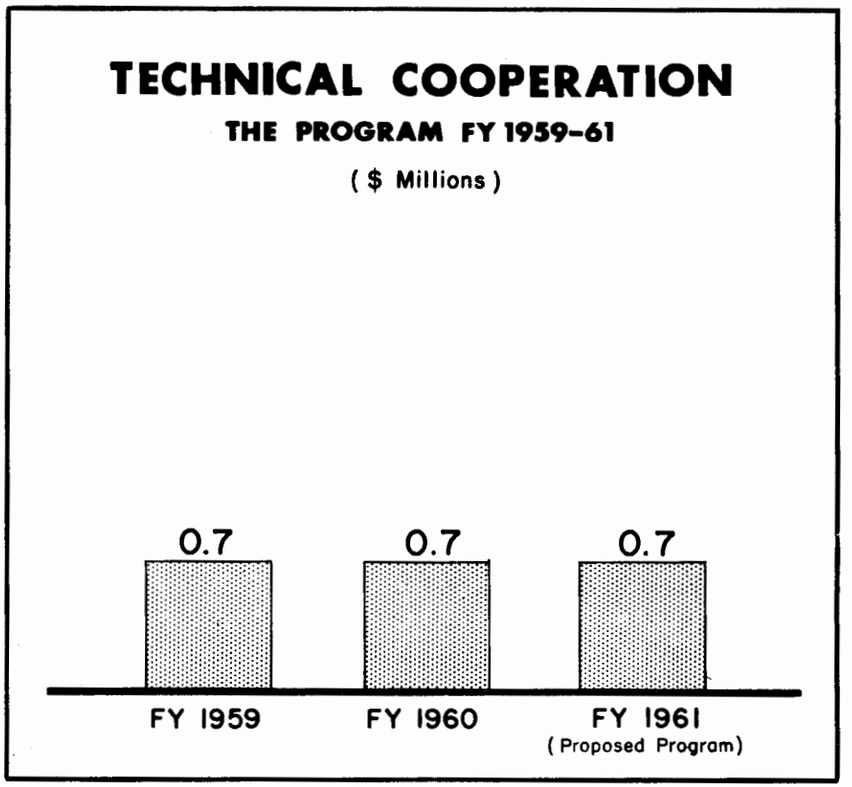
b/ No P.L. 480 receipts were budgeted.

The friendship of Mexico is essential, politically, economically and strategically. The U.S. and Mexico must attempt to resolve all the inevitable problems and other consequences of a common land and water boundary of nearly 2,000 miles.

The Joint Mexican-United States Defense Commission has been in existence since the beginning of World War II. In this commission, military problems of mutual interest can be discussed, including those related to the security of the long common border.

The United States and Mexico harmonize vital economic interests, and reconcile diverse backgrounds. The relationship is complicated by an ingrained suspicion of the "colossus to the north," Mexico not yet having forgotten the loss to the U.S. of one-half of its national domain. The relationship is the more important because of Mexico's size, position of influence in the Spanish-speaking world and its aspiration to exercise increasing leadership in the hemisphere. The stability of the Mexican Government, Mexico's economic development, and its social progress are most encouraging. Mexico is one of our best customers, a supplier of strategic minerals, and U.S. investments in Mexico approximate $800 million.

President Lopez Mateos enjoys wide popular confidence and the firm support of the Mexican Army. He seems determined to prevent Communist subversion at home and to support abroad the principles of the Free World. The President recently moved quickly and effectively against Communists and Communist-led labor leaders when they threatened his control and program. The Soviet bloc has, however, made Mexico the subject of a scientific, economic, and cultural offensive. For example, Anastas Mikoyan toured Mexico last November, reportedly offering extensive credits and greater trade exchange. To emphasize the value of Soviet aid he asserted that with the present range of assistance and collaboration offered by the United States, it would take Mexico 560 years to reach the American standard of living. In point of fact, the Mexican Government seeks from the United States only loans that Mexico will repay with interest, and limited technical assistance. This the United States proposes to supply to the extent practicable through a modest but meaningful mutual assistance program.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	718	577	
Cumulative 6/30/59	6,300	5,699	601
Estimate FY 1960	720	756	
Cumulative 6/30/60	7,020	6,455	565
Estimate FY 1961	720	745	

ECONOMIC SITUATION

Current Economic Situation and Problems

Since 1940, the Mexican economy has achieved an outstanding record of growth. Despite a population increase of almost 3% per year, per capita GNP has increased significantly. Industrialization has advanced rapidly, and some modernization of agriculture has occurred. Mexico nevertheless depends heavily on the export of raw materials such as cotton, coffee, and minerals, and is vulnerable to world commodity price fluctuations. Mexico's growth has been accompanied by a persistent inflation which, although never completely out of hand, has reduced the benefits of growth and resulted in some social unrest. Monetary devaluation has been necessary on several occasions.

Tourism is particularly important to Mexico, with a net dollar intake of approximately $375 million. Foreign investment is another important factor, and the inflow of capital is, with tourism, the principal means by which Mexico balances its customary foreign trade deficit. U.S. private investment in Mexico is now estimated at close to $800 million.

In 1958 and early 1959, a decline in world commodity prices, and a reduction in tourism receipts, helped to cause a decline in foreign exchange holdings. This and the election of a new president brought fear of another currency devaluation and some capital flight took place. The Mexican Government acted vigorously to cut back official imports and reduce export duties. Government investment was curtailed. Financial arrangements with the Export-Import Bank and the International Monetary Fund were negotiated. These efforts successfully removed the fear of devaluation, and foreign exchange holdings have moved upward since the spring of 1959. Nevertheless, many of the actions taken were deflationary and tended to slow down the rate of growth - a situation which will put increasing pressures on the Government to loosen controls and expand investments to regain the former growth rate. Failure to continue economic progress could result in increasing social and political problems.

Economic nationalism is a recurrent force in Mexico, and there are pressures to control foreign investments and increase the role of Mexican investment. This approach does not dominate official policy, but it is an element in the Mexican economy. In spite of its good record in economic growth, Mexico's per capita income is still very low and there are many areas of distressing poverty and low standards of living. Educational facilities are too few, and are not designed for the needs of a modern economy for trained administrators and technicians. Transportation facilities have been expanded substantially, but are still deficient. Agricultural and marketing facilities are inadequate. Although there has been substantial industrialization, domestic credit is inadequate, and management of many old Mexican firms still adheres to traditional restrictive concepts.

Progress to Date

Despite the recent decline in growth rate, the Mexican economy has demonstrated basic strength by the effectiveness with which it has coped with its recent problems. To eliminate the chronic tendency to trade imbalance, Mexico needs to expand domestic production and diversify its exports. These are large, long-range problems and the Mexican economy has demonstrated the ability to meet the problems firmly and seek to resolve them within the framework of a free economic system.

Assistance from Non-ICA Sources

Mexico's need for investment capital has been largely supplied from private sources (U.S. investment alone is almost $800 million) and from the Mexican Government. However, during FY 1958 and FY 1959, IBRD loans authorized totaled $45 million; Ex-Im Bank development loans since 1958 have amounted to $192 million. In 1959, a standby agreement with the IMF for $90 million was negotiated.

Mexico has obtained surplus agricultural commodities under Title I, of P.L. 480. Approximately $10,600,000 in generated currency will be available for development loans to Mexico. There has also been distribution of food under Title III of P.L.480 by Catholic Relief Service and Volunteer Border Relief. U.N. technical assistance for 1960 proposes a total of 18 experts at a cost of $381,000.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	0.6	0.7	0.7
DLF - Loan Approvals			1/
P.L. 480, Title I - Country Use	10.6		
(Total Sales)	(28.2)		
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	1.1	1.1	0.42/
EX-IM Bank - Long-term Loans Approved	48.0	109.0	34.92/
TOTAL	60.3	110.8	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Country: MEXICO

TECHNICAL COOPERATION

Role of ICA Program

Although relatively small, the ICA program is an important part of U.S. relations with Mexico, since it attacks problems in which the Mexican Government has expressed a special interest and also since it seeks to make an impact on key areas in the Mexican economy which might contribute the most to economic growth. Mexico's position of leadership in Latin America, and its long common border with the United States, make economic growth and development in that country of special importance to the United States.

Further, by dealing with activities in Mexico of special significance to development - such as training management, improving labor productivity, modernizing mining and geological methods, etc - the program is able to apply its resources most effectively. Through the Industrial Productivity Center's projects, the program is also able to contribute to important Mexican-United States commercial relations and to demonstrate the economic development potential of a free economy.

Objectives - Technical Cooperation

Specific program objectives are as follows:

(a) To facilitate the process of economic growth and industrial efficiency by increasing the number and quality of well trained management and administrative personnel.

(b) To increase labor productivity and responsibility by training programs for union members, by expansion of vocational education facilities, and by a project to rehabilitate handicapped individuals and qualify them for productive employment.

(c) To increase present and potential production of necessary minerals by assisting the Mexican Government to develop geological services and by stimulating the modernization of plants and processes.

(d) To utilize training facilities now existing in Mexico, by providing training in that country for participants from other Latin American countries.

Accomplishments - Technical Cooperation

The work in industrial productivity has been particularly successful in Mexico, being well received by both the Mexican Government and by local business leaders and managers. As a result, the Productivity Center is attracting increasing attention from other Latin American countries and Mexico appears to be achieving a position of leadership among Latin American nations in the highly important process of modernizing industrial and business management's attitudes and procedures.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	718	720	720

The "El Olivar" project to provide a training center for mechanics and operators of highway construction equipment has been developed to a going concern for which the Mexicans are ready, able, and willing to accept full responsibility. As a result, the U.S. participation in this project will be terminated approximately at the end of FY 1960.

One of the outstanding developments in Mexico during the past year was a contractual agreement reached with the Monterrey Technical Institute. This excellent institution, which is accredited in the U.S., will provide training in various technical fields and in business administration to selected participants to be sent by the ICA Missions in other Latin American countries. Efforts are also being made to locate and utilize other training facilities - the Industrial Productivity Center, for example - in Mexico. This program not only enlists Mexico's help in a regional development effort, but fills an important gap in the ICA training program, since many participants need and could absorb training but cannot be sent to the U.S. for full time study because of language difficulties and because the cultural difference between their background and that of a U.S. university is too great.

Special mention should be given to the Rehabilitation Center, completely private in character, developed as a result of the Vocational Rehabilitation project. Not only has this Center done effective work in training handicapped persons for jobs, but it has enjoyed unusually good public recognition and acceptance, through the press and other public information media.

Composition of FY 1961 Program - $720,000

Mining and Geology - Assistance will continue to be furnished to the Mexican Government in improving its geology research and services to the mining industry, and in stimulating the investigation and use of improved mining and processing methods.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	118	157	179
Participants	250	234	209
Contractual Services	142	119	126
Supplies and Equipment	28	22	18
Contrib. to Coop. Services	70	75	75
Other Costs	110	113	113
Total Project Assistance	718	720	720
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	6	8	12
Contract	7	15	22
Total Technicians	13	23	34
Participants (Programmed during year)			
Non-Contract	119	156	163
Contract			
Total Participants	119	156	163
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries			
Industry and Mining	380	476	495
Transportation	31	24	
Labor	86	80	70
Health and Sanitation	86	55	60
Education	26		
Public Administration			
Community Development, Social Welfare and Housing			
General and Miscellaneous	109	85	95
Total by Field of Activity	718	720	720

Industry - Continued assistance is proposed for the Productivity Center which functions through the combined cooperation of the Mexican Government, the Mexican Chamber of Commerce, and interested private individuals. The Center provides training courses in various management and business fields, sends special productivity teams to the United States to study modern industrial methods, brings U.S. experts to Mexico to give special short courses in problem subjects, and conducts special studies and seminars in various plants and industries. There are four regional Centers located in strategic industrial areas.

Health - A Vocational Rehabilitation Center has been established to help disabled persons qualify for productive employment. The U.S. advisor is assisting in the organization and training of personnel for the Center. A project to help in medical education has been requested by the Mexican Government and is proposed for FY 1961. If implemented, this project will seek improvement and expansion of certain medical specialties for which present educational and professional facilities are inadequate.

Labor - To improve labor responsibility and labor appreciation of economic growth and productivity, selected union leaders will be given short training courses. If possible, training will also be provided in certain technical fields and in development of apprentice programs.

Country: MEXICO

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands)							LOCAL CURRENCY COST (In thousands of dollar equivalent)	
		Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P.L. 480 Administered by ICA
Industry and Mining - Total		495	107	128	120	18	47	75		
Minerals Technology Cooperation (Bu. Mines)	C	35	20	7			8			
Geological Survey (USGS)	C	50	30	6			14			
Industrial Productivity Center	C	75						75		
Ind. Productivity Administration	C	50	40				10			
Training Teams to the U.S.	C	110		110						
Training Courses in Mexico	C	90			85		5			
Industry-Wide Productivity Programs	C	30			28		2			
Vocational Industry Training	C	55	17	5	7	18	8			
Labor - Total		70		65			5			
Labor Union Training Teams	C	70		65			5			
Health and Sanitation - Total		60	37	7	6		10			
Vocational Rehabilitation	C	35	17	7	6		5			
Public Health Program	N	25	20				5			
General and Miscellaneous - Total		95	35	9			51			
Technical Support	C	85	35				50			
All Other Training	C	10		9			1			
Total Technical Cooperation		720	179	209	126	18	113	75		

NICARAGUA - GENERAL ECONOMIC DATA

BASIC DATA

Population	1.4 million
Annual Growth	3.2 percent
Area	57,000 sq. mi.
Agricultural Land	10% of area
Agri. Land per Capita	3 acres
Literacy Rate	40 percent

	Nicaragua	U. S.
Life Expectancy (*Years*)	n.a.	70
Inhabitants per Physician	2,900	760
Road Miles per 1,000 sq.mi.	51	870
Electric Power per Capita (*KWH per Year*)	105	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	285	292	301	305
Per Capita GNP	Dollars	221	219	218	215
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	115	124	133	137
Coffee	1,000 MT	34	22	25	22
Corn	"	141	136	110	152
Cotton	"	35	42	48	48
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	58	64	64	70
Coffee	"	23	29	24	15
Cotton	"	24	22	25	35
Total Imports (c.i.f)	"	69	81	78	70
Trade Balance	"	-11	-17	-14	0
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	20	22	21	16
Imports from U. S. (f.o.b)	"	34	39	38	28
Trade Balance	"	-14	-17	-17	-12
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	8.5	13.7	8.2	11.7(Oct)
COST OF LIVING INDEX (Managua)	*1953=100*	118	114	118	117

CENTRAL GOVERNMENT FINANCES* FY ending June 30	1958	1959(Budget)	1960(Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	36	36	36
Total Expenditures	41	44	40
Deficit(-) or Surplus Before All Foreign Aid	-5	-8	-4
Budget Receipts from Non-U.S. Foreign Aid	-	-	-
Budget Receipts from U.S. Aid & PL 480	4	5	4
Remaining Deficit(-) or Surplus(+)	-1	-3	-
DEFENSE EXPENDITURES - TOTAL	8	7	8
U.S.-Financed (excl. M.A.P. end-items)	-	-	-
Defense Expend. as % of Total Gov't Expend.	19.0%	15.9%	20.0%
Defense Expenditures as % of GNP	2.8%	2.3%	n.a.
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	33	37	32
U.S.-Financed	(4)	(5)	(4)

n.a. - Not available. */ Converted at 7 cordobas per U.S.$.
a/ Crops harvested in crop-year ending in year stated.

Country: NICARAGUA

MUTUAL SECURITY PROGRAM

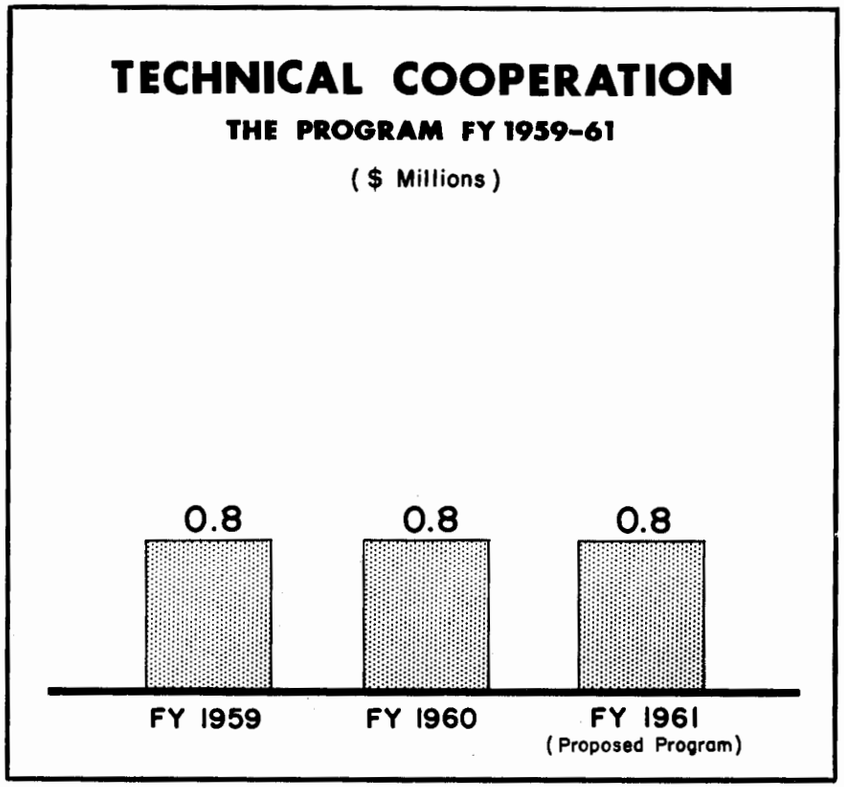
Principal U.S. interests in Nicaragua are: strategic importance stemming from its proximity to the Panama Canal, rights acquired by U.S. to construct a trans-isthmian canal, development of a friendly, responsible, stable, democratic form of government, with continued support of U.S. international objectives, and development sound programs designed to improve living standards and minimize conditions favorable to the growth of communism. Nicaragua historically looks to the U.S. for assistance and guidance. U.S. interests and objectives can, therefore, best be served by demonstration of friendship for the Nicaraguans, through constructive assistance carried out by a modest, balanced and selective technical cooperation program.

We have a mutual defense assistance agreement with Nicaragua. Assistance is provided to strengthen the capability of the Nicaraguan armed forces for hemispheric defense. Such assistance is primarly related to Nicaragua's strategic importance stemming from its proximity to the Panama Canal.

Nicaragua continues to have a stable and highly centralized form of government, despite several recent invasion attempts by small groups intent upon overthrowing the government. A limited state of martial law was in effect from May 31, 1959, to the end of the year when it was lifted by President Somoza upon completion of military court trials of the May 31 invaders. Coupled with political threats have been economic crises stemming from the drop of world market prices for Nicaragua's principal foreign exchange sources, cotton and coffee. These disturbing factors have encouraged communist activities, notwithstanding the anti-communist position of the government and its proscription of the communist party.

The government is intent upon improving economic conditions; President Somoza refers to himself as a transitional president intent upon carrying out a democratic policy. In keeping with the government's promise, and reflecting the President's intention to hold free elections at the end of his term, the Constitution was amended prohibiting presidential succession or succession of any member of his family.

The people of the country desire economic and political stability following the pattern of the U.S. In order to achieve these goals, outside assistance and guidance is needed, and it is in the best interests of the U.S. to supply such assistance through the framework of a meaningful mutual security program.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	775	683	
Cumulative 6/30/59	5,279	4,965	314
Estimate FY 1960	800	756	
Cumulative 6/30/60	6,079	5,721	358
Estimate FY 1961	800	838	

Country: NICARAGUA

ECONOMIC SITUATION

Current Economic Situation and Problems

Nicaragua, the largest of the Central American states, has a relatively low population density. Although it has a large amount of arable soil, only a small portion of the land is under cultivation. A vast area of tropical forest, as yet but little explored, lies in the eastern part of the country. The economy is based upon agriculture in which cotton and coffee are the primary export crops. A considerable portion of the cotton is grown on large, highly mechanized estates. Except on these estates, the bulk of the farming population uses the most primitive of methods. Among the people employed, 68% are engaged in agriculture, forestry and fishing, 11% in manufacturing and 5% in trade and finance. The lack of adequate roads prevents the development of large, potentially productive agricultural areas. The concentration of land in large private holdings, together with the low educational and health level, has also served to retard economic development. While members of the landed families are usually educated abroad, the well-educated middle class is relatively small and the bulk of the population has extremely limited resources and educational opportunities.

The Nicaraguan budget for 1958 was approximately $41 million. About 66% of this amount was raised through custom duties, 15% from sales and excise taxes, and 6% from income taxes. In 1958 approximately 25% of the total government revenue was expended for Public Works and Economic Development, and 19% for Defense. While the proportionate amount expended for education is increasing, it is still low, and represented only 10% of the budget in 1958. The outstanding public debt is very low. Nicaraguan currency, the cordoba, has been relatively stable. There has been no serious inflation. The literacy rate is approximately 40%, among the lowest in Latin America. Health conditions are very poor. Malaria and the diarrheal diseases are among the principal causes of death. Nicaragua normally has no serious foreign exchange problem. In 1958 coffee produced 38% of the $64 million of total foreign exchange earned, and cotton 39%. Nicaragua's principal imports are machinery and vehicles, and chemicals. The current low price of coffee, together with slow sales of cotton, has recently produced a foreign exchange shortage.

Progress to Date

The agricultural export production is carried on mainly on large estates devoted to the production of cotton, coffee, and cattle. The Nicaraguan Government has organized an effective shipping service which now owns six ships and charters about fourteen more, providing direct service from the United States to Central American ports. Nicaragua has also actively carried out a program to develop a modern deep water port at Corinto, on the Pacific coast, under difficult physical conditions, in order to reduce the cost of her imports and exports.

Assistance From Non-ICA Sources

Nicaragua has received financing from the World Bank up to a total of $23 million by the end of 1959. Of this amount $9 million was used for electric power development, $7 million for highway construction, $3 million for agricultural development, and $3 million for port facilities at Corinto. Export-Import Bank development loans to Nicaragua since 1958 total $8.5 million, primarily for agricultural diversification. The Development Loan Fund made a loan of $600,000 to the city of Matagalpa in 1959 for a water treatment and drainage system. The United States has also assisted Nicaragua in the amount of approximately $11.5 million in the construction of the Rama road to connect the capital with a point on the Atlantic coast that has potentialities for eventual development as a deep seaport. The Emergency Fund of the President in 1943 provided $4 million of this amount and the balance was included under the Federal Highway Acts of 1952 and 1954. U.S. private capital and investments in Nicaragua amount to approximately $10 million. The United Nations has a budget of $134,000 for 1959 in Nicaragua which includes 14 technicians, most of them on short-term basis.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	0.8	1.1	0.8
DLF - Loan Approvals		0.6	1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations			2/
EX-IM Bank - Long-term Loans Approved		0.5	8.0 2/
TOTAL 3/	3.5	4.3	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

3/ Included in total is $2.7 million 1958 and $2.1 million FY 1959 for IIAA and Highways.

Country: NICARAGUA

TECHNICAL COOPERATION

Role of ICA Program

The ICA program is one means by which the United States endeavors to preserve the present satisfactory relationship with the Government of Nicaragua. The ICA program is designed to help bring about suitable local conditions so that economic development will take place in Nicaragua under its own initiative. Among the most important of the changes needed are the raising of the literacy rate, the improvement of vocational education standards, and the improvement of health conditions. ICA endeavors to interest both private and government leaders in the type of private and democratic public institutions that will aid private enterprise. An investment guarantee agreement has been signed with Nicaragua covering convertibility, expropriation and war risk for U.S. private investments.

Objectives - Technical Cooperation

(a) To assist in establishing a more stable and productive economy by strengthening the Government agricultural program in research, extension and agricultural education.

(b) To assist in the economic development of the nation by raising the literacy rate and cooperating with the national elementary and vocational education program as well as by providing training in highway design and in the field of civil aviation.

(c) To cooperate with the public health program.

(d) To assist in improving the efficiency of public administration by providing training in this field.

Accomplishments - Technical Cooperation

The cooperative program in agriculture has assisted in the field of research, extension, and in organizing a small experiment station on the Atlantic rain forest area and one in the drier Pacific slope.

Since many parts of Nicaragua can only be reached conveniently by air, civil aviation has played an important part in the economic development of the nation. ICA has assisted in preparing a master aviation development plan for Nicaragua, not only with local air operations, but also for its international airport served by U.S. flag carriers. The ICA health program has helped to virtually eliminate malaria from the area of the capital city of Managua. U.S. technicians have trained the personnel of the Ministry of Public Works in the construction of sanitary water supply and sewer systems.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	775	800	800

ICA has assisted in the training of teachers in vocational and industrial education in the country-wide program and helped to organize the National Trade School in Managua. A cooperative work program has been worked out with local industry through which on-the-job training is provided. The entire graduating class of 58 students secured permanent jobs in this way at the end of the last school year. This program has helped to set up demonstration schools and provide periodic workshops for the training of elementary school teachers, and a National Normal School for training rural teachers. Since 1950, 376 Nicaraguans have been trained in U.S. universities and hundreds more have been trained locally.

An ICA City Planning advisor has prepared a comprehensive public works development plan for the city of Matagalpa, now being implemented through a $6 million DLF loan.

Composition of FY 1961 Technical Cooperation Program - $800,000

In general, it is proposed to carry on the technical assistance program during FY 1961 in the same fields as in FY 1960. In agriculture, the cooperative service demonstrations will not be continued, although several U.S. technicians will work directly with divisions of the Ministry in advisory capacities. Emphasis will be placed on environmental sanitation activities in the health program, and the cooperative service will be continued. Civil aviation will be carried on at approximately the same level, assisting with both international and domestic air transport. Emphasis will be continued in vocation education.

Country: NICARAGUA

TECHNICAL COOPERATION

TABLE E-1-A

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	434	475	477
Participants	183	180	174
Contractual Services			
Supplies and Equipment	1	20	20
Contrib. to Coop. Services	150	100	100
Other Costs	7	25	29
Total Project Assistance	775	800	800
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	25	25	25
Contract			
Total Technicians	25	25	25
Participants (Programmed during year)			
Non-Contract	61	52	65
Contract			
Total Participants	61	52	65
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	177	120	102
Industry and Mining			
Transportation	49	55	56
Labor	5	10	
Health and Sanitation	138	190	201
Education	299	340	354
Public Administration	9		
Community Development, Social Welfare and Housing	98	15	15
General and Miscellaneous		70	72
Total by Field of Activity	775	800	800

Country: NICARAGUA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		102	80	22						
Agricultural Research & Extension	C	25	20	5						
Agricultural Crop and Livestock Improvement	C	34	20	14						
Agricultural Economics and Production Credit	C	23	20	3						
Agriculture - Forestry	C	20	20							
Transportation - Total		56	27	29						
Transportation - Highways	C	7		7						
Transportation - Civil Aviation	C	43	27	16						
Geodetic Survey	C	6		6						
Health and Sanitation - Total		201	110	41				50		
Medical School - University of Leon	C	5		5						
Cooperative Service	C	50						50		
Cooperative Service Administration	C	39	39							
Malaria Eradication	C	19	16	3						
Environmental Sanitation	C	35	20	15						
Health Training and Education	C	33	15	18						
Ministry of Health - Reorganization	C	20	20							
Education - Total		354	225	79				50		
Cooperative Service	C	50						50		
Cooperative Service Administration	C	46	40	6						
Vocational and Industrial Arts	C	123	95	28						
Education - Rural and Elementary	C	135	90	45						
Housing - Total		15	15							
Housing - Aided Self-Help	C	15	15							
General and Miscellaneous - Total		72	20	3		20	29			
Technical Support	C	49				20	29			
Planning - Ministry of Development and Public Works	C	23	20	3						
Total Technical Cooperation		800	477	174		20	29	100		

PANAMA - GENERAL ECONOMIC DATA

BASIC DATA

Population	1.0 million
Annual Growth	2.9 percent
Area	29,100 sq. mi.
Agricultural Land	13% of area
Agri. Land per Capita	2.4 acres
Literacy Rate	70 percent

	Panama	U. S.
Life Expectancy (*Years*)	60	70
Inhabitants per Physician	3,500	760
Road Miles per 1,000 sq.mi.	51	870
Electric Power per Capita (*KWH per Year*)	196	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	300	310	325	n.a.
Per Capita GNP	Dollars	319	321	327	n.a.
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	111	109	114	127
Rice, rough	1,000 MT	98	98	88	120
Sugar, centrifugal	"	17	23	25	27
Electricity	Million KWH	154	170	195	215
FOREIGN TRADE					
Total Exports (f.o.b) b/	$ Millions	64	64	70	90
Bananas	"	22	24	23	25
Shrimp	"	4	6	6	6
Total Imports (c.i.f) b/	"	122	141	139	155
Trade Balance	"	-58	-77	-69	-65
Trade with United States (*U.S. Data*) c/					
Exports to U. S. (f.o.b)	$ Millions	20	24	24	25
Imports from U. S. (f.o.b)	"	69	85	84	90
Trade Balance	"	-49	-61	-60	-65
GOLD & FOREIGN EXCHANGE HOLDINGS d/ (*end of year*)	"	42.2	29.2	48.0	45.7(Sep)
COST OF LIVING INDEX (Panama City)	*1953=100*	99	99	99	99

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1957	1958	1959(Budget)
	- Million Dollar Equivalents		
Domestic Revenues	50	53	61
Total Expenditures	53	65	69
Deficit(-) or Surplus Before All Foreign Aid	-3	-12	-8
Budget Receipts from Non-U.S. Foreign Aid	3	1	1
Budget Receipts from U.S. Aid & PL 480	3	6	5
Remaining Deficit(-) or Surplus(+)	+3	-5	-2
DEFENSE EXPENDITURES - TOTAL	1	1	2
U.S.-Financed	-	-	-
Defense Expend. as % of Total Gov't Expend.	1.9%	1.5%	2.9%
Defense Expenditures as % of GNP	0.3%	0.3%	0.6%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	52	64	67
U.S.-Financed	(3)	(26)	(5)

n.a. - Not available. */ Converted at 1 balboa per U.S.$. a/ Crops harvested in crop-year ending in year stated. b/ Includes Colon Free Zone. c/ Excludes Colon Free Zone. d/ Deposit money banks.

United States interests and objectives in Panama are: to maintain Panama's internal stability; to foster the friendly relations necessary to permit the Canal to operate normally; to encourage Panama to maintain its democratic institutions; to promote the stability and diversification of the economy and to block communistic penetration. Our technical cooperation programs, mainly in the fields of agriculture, health, education and industry have been designed to assist in meeting these objectives.

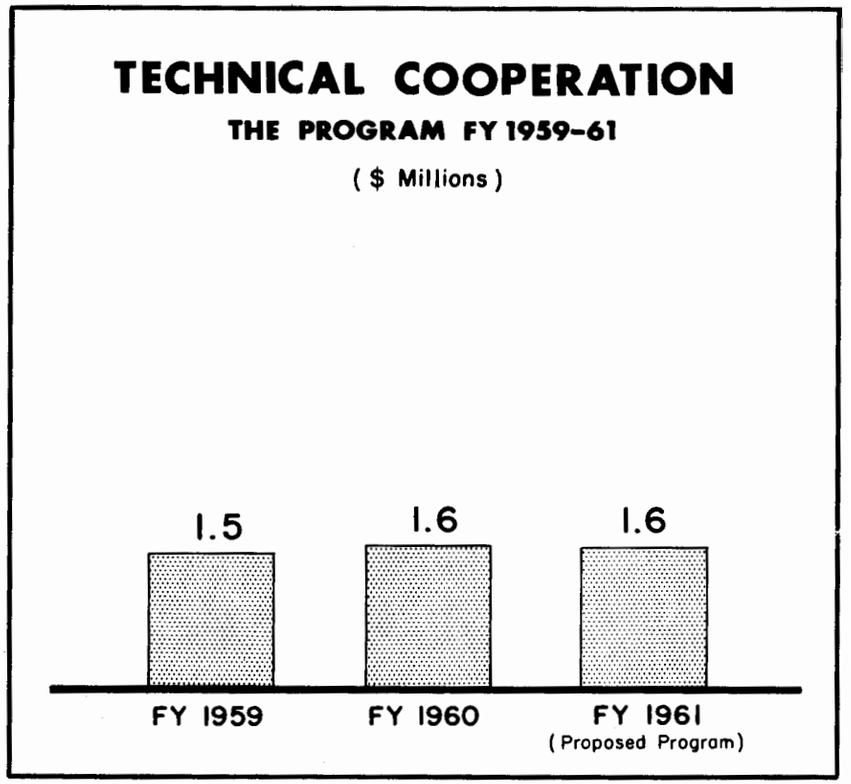
Under terms of the Treaty of 1903, revised in 1936 and 1955, Panama granted rights in perpetuity in the Canal Zone to the United States, thus creating a unique relationship between the two countries and at the same time creating unusual and complex problems.

Twice during 1959 Panama's internal stability was threatened. In April, a foreign based military expedition landed some 80 revolutionaries on the Caribbean coast of Panama. The invasion was frustrated following Panama's invocation of the Rio Treaty, and the regime was afforded material and moral assistance by the United States. In November, popular emotionalism, whipped up by extreme nationalist demagogues, erupted in violent incidents directed at the United States presence in the Canal Zone following public allegations of United States non-compliance with certain undertakings of the 1955 Treaty. With public order restored, the United States proceeded with voluntary revisions in certain Zone economic procedures aimed to assist the Panamanian economy. Campaigning for the national elections in May will continue to color our dealings over the early part of 1960.

Panama's weak and unbalanced economy lacks the broad base necessary to ensure economic and political stability. Panama's need is to diversify its economy to decrease its dependence on the Canal Zone. One quarter of the GNP comes directly or indirectly from the Canal Zone and its operations.

Panama has no army, navy or air force but does maintain a national constabulary.

Organized communism in Panama was weakened by its loss of legal status in December, 1953. Numerically small, Communists and sympathizers exert influence in education and in labor organizations and attempt to exploit Panamanian nationalism particularly with respect to outstanding issues between the U.S. and Panama.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	1,460	1,286	
Cumulative 6/30/59	9,367	8,347	1,020
Estimate FY 1960	1,610	1,656	
Cumulative 6/30/60	10,977	10,003	974
Estimate FY 1961	1,610	1,564	

Country: PANAMA

ECONOMIC SITUATION

Current Economic Situation and Problems

The importance of agriculture in the economy of Panama is attested to by the fact that 65% of the population live in rural areas; 50% of the labor force is engaged in agricultural pursuits, and 35% of the Gross National Product results from agricultural production.

Panama's major dollar earnings derive from wages of Panamanians working in the Canal Zone and sales to the Canal Zone. Bananas constitute the largest export commodity. These are produced on commercial farms under the control of the United Fruit Company. Except on the very large commercial farms, methods are primitive using little or no mechanical or animal power. About 85% of the farmers exist on a subsistence level as itinerant squatters. The best agricultural land is held by large landowners and is not intensively cultivated. Wholesale migration from the rural areas to the cities has created extreme crowding, extensive slums, and widespread unemployment. This has resulted in an insistent popular demand for the improvement of living conditions at a more rapid rate than the country now provides with its own resources. The presence of a relatively large group of U.S. citizens living in the Canal Zone in accordance with usual U.S. standards provides a striking contrast to the conditions in which a large segment of the population in Panama finds itself. Most of Panama's imports come from the United States. The volume of Iron Curtain imports has been very small to date. Panama's dollar balances are reasonably adequate. In spite of an increasing central government debt from domestic and foreign borrowings, the cost of living has been maintained at a relatively constant level recently. However, a minimum wage law which took effect January 1, 1960 will tend to raise the cost of living in the future, notwithstanding the Government's efforts to control inflationary trends.

Panama had a budget of $61.1 million in 1959. Import duties yielded 52% of this amount. The Ministries of Health and Education were allotted 43% of the budget. The Panamanian public debt amounted to approximately $54.5 million in December 1958 of which approximately 75% was internal and 25% external.

Progress to Date

While Panama continues to regard trade and commerce centering around the Panama Canal as its primary means of livelihood (the Canal Zone now generates about $65 million per year, 1/6 of the GNP), some development in other areas has taken place. Private capital from both Panama and the United States has built up a very successful shrimp fishing industry since 1951 which, for example, exported over $6 million worth of frozen shrimp during 1958. A modern meat-packing plant has recently been constructed and Panama has made a modest beginning in exporting chilled and frozen beef. A market is available in the Canal Zone for more beef and other foodstuffs if quality standards can be met.

The Colon Free Zone has made an impressive record receiving goods in bulk by ship for distribution in small lots by air to various parts of Central and South America. Since 1951 the volume of merchandise handled by this organization has steadily increased and is expected to be near $100 million in 1959. For many years the United Fruit Company has successfully operated extensive banana plantations in northern Panama.

Assistance from Non-ICA Sources

The Ex-Im Bank made loans totaling $13 million in 1957 and 1959 for the construction of the Inter-American Highway. The Panamanian Government, by constructing grain storage facilities with the help of an IBRD loan, has reduced wide seasonal fluctuations in the prices of rice and corn. IBRD loans of $6.8 million of which the greater part was for road construction and maintenance were repaid during the past year. Panama received a loan of $16.8 million in 1958 from U.S. private banks for various public works projects guaranteed by the annuity paid by the United States. The United Nations plans to have nine technicians in Panama in CY 1960, most of them on a short-term basis, with a proposed budget of $104,000.

Private U.S. capital has financed the expansion of the electric power generating capacity and the the telephone system over the past few years. U.S. private investment in Panama totals approximately $500 million.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	1.4	1.5	1.6
DLF - Loan Approvals			1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	1.4	0.5	0.1 2/
EX-IM Bank - Long-term Loans Approved			0.2 2/
TOTAL	5.5 3/	2.0	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

3/ Included in total is $2.7 million for IIAA and highways.

Role of Program

The ICA program endeavors to encourage those government and private institutions which will help to foster economic development in Panama through private capital resources. As a result of large-scale migration in the past few years from rural areas to the terminal cities of the Panama Canal, and diminished military activities in the Canal Zone since World War II, the local government is faced with a serious unemployment situation. ICA endeavors to help solve this urgent problem by reducing the dependence of Panama on the Canal through the encouragement of the development of other potentially profitable resources. For Panama to compete successfully with other areas for world trade, increased productive efficiency is needed as well as improved health and education standards and the availability of more and cheaper local foods. The ICA endeavors to assist in improvement of these conditions so that Panama will be more attractive to local and foreign investors.

Objectives - Technical Cooperation

(a) To assist Panama to make better use of human and material resources by cooperating in a program of economic planning and training in public administration.

(b) To encourage the diversified development of the Panamanian economy in order to reduce the dependence of the Republic on the Canal Zone.

(c) To assist Panama to raise health and agricultural standards, and to increase the national educational level with special emphasis on vocational training.

(d) To provide training designed to bring about greater utilization of water and power resources.

(e) To encourage the development of potentially productive rural areas by providing training in highway construction and maintenance, and in civil aviation.

Accomplishments - Technical Cooperation

Panama has shown an increasing interest in the ICA program and has assumed a substantial share of the over-all costs. The cooperative agricultural program has given special emphasis to extension work throughout the country. ICA has assisted with the program of the Panamanian Agricultural Research station at Divisa and in the agricultural training school there. Courses in vocational agriculture have been introduced in most secondary schools in the country and to some extent in the elementary schools. The

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	1,460	1,610	1,610

introduction of Pangola grass has been significant as it appears to be able to support three to five times as many cattle per acre as native grasses. The USOM transferred three agricultural projects to the local government during FY 1960. While almost no fertilizer was used in Panama's most important agricultural province in 1954, largely as the result of the ICA program, over 2,000 tons were used in 1958 which not only improved the local economy, but also provided a new export for U.S. industry. This fertilizer program provided, for example, 225,000 additional bushels of corn alone in 1958.

ICA has assisted Panama in organizing programs in vocational schools and in elementary education which led the Ministry of Education to set up a separate Department of Vocational Education in 1959. Commercial courses have been especially well received and have now been started in all the high schools of the country. As the result of a successful pre-employment training program in business education, the demand for trainees in one school now exceeds the supply. Some of the ICA workshops for teachers have been very well attended and most effective. During the past year five educational courses were transferred to the local government.

The Public Health program in Panama has been particularly successful. Nursing standards, and the position of nurses in the community have been raised substantially. Real progress has been made in the control of tuberculosis and the isolation and treatment of active cases. Work on a sewer and water extension for Panama City, financed partly through a $2 million loan from ICA in FY 1957, is now about half finished. The local government has assumed the costs of many of the health projects in the past few years.

ICA has assisted Panama in drafting a new civil aviation law and a new minerals code. The Industry program in Panama has helped to assemble and public an easily readable booklet containing most of the significant information available related to the economic development of the country and investment possibilities. An industry center has been organized to help local business to become more efficient and encourage new industries to come to Panama. The Economic Development Cooperative Service was terminated and its activities taken over by the local government on December 31, 1959. Training in retail selling and management has resulted in the organization of the Panamanian Management Association.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	723	794	746
Participants	189	278	265
Contractual Services	153	161	238
Supplies and Equipment	2		
Contrib. to Coop. Services	303	255	255
Other Costs	90	122	106
Total Project Assistance	1,460	1,610	1,610
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	43	42	40
Contract	4	7	8
Total Technicians	47	49	48
Participants (Programmed during year)			
Non-Contract	71	64	100
Contract		2	3
Total Participants	71	66	103
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	467	505	505
Industry and Mining	227	194	186
Transportation	27	51	53
Labor	8		
Health and Sanitation	180	170	169
Education	319	389	382
Public Administration	147	222	238
Community Development, Social Welfare and Housing	37	32	32
General and Miscellaneous	48	47	45
Total by Field of Activity	1,460	1,610	1,610

ICA-financed feasibility studies of water resources were largely responsible for growing local interest in this field which brought about the passage of legislation authorizing the issuance of $4.5 million government bonds for power development in the Central Provinces.

A beginning has been made toward the establishment of a career Civil Service and the improvement of budget and fiscal administration. A standard classification of expenditures was prepared and adopted by the Government establishing uniform budgeting, accounting and reporting of all government expenditures, including a system of quarterly allotments. An Economic Planning organization has been set up in the Office of the President.

Composition of FY 1961 Technical Cooperation Program - $1,610,000

The program will be continued in FY 1961 on approximately the same basis as in the previous year, with some adjustments due to changing conditions. In agriculture, a greater effort will be made to assist the experimental station and strengthen the Government extension service. The University of Panama will be given assistance in setting up courses to train agricultural teachers.

Continued efforts will be made in the industry program to improve management practices and stimulate new industries through feasibility studies in an effort to achieve more efficient use of available manpower. The industrial center will be turned over to Panama in 1960. Emphasis will continue in efforts to bring about greater utilization of water and power resources as well as to improve the power distribution system especially in the Central Provinces, the area of greatest need.

The health program in Panama has consistently been strongly supported by the local government, which has already assumed a considerable proportion of the cost. Emphasis will be given to expanding Public Health activities in the rural areas. Special attention will be given to a project to aid the University of Panama in giving greater leadership to the educational and agricultural programs in Panama. This project stresses the practical content of the school curriculum as it relates to the agricultural, home, community and employment needs of the majority of the people.

Efforts of the local government to set up a National Planning and Administration Bureau in the Office of the President will be assisted through a contract with the Commonwealth of Puerto Rico.

TECHNICAL COOPERATION

The contract with the University of Tennessee to assist the University of Panama in improving Public Administration and to improve Technical Assistance to the Government of Panama will be carried on at the same level.

A small program in community development which has made a successful beginning in encouraging rural and lower income urban communities to improve local conditions through cooperative efforts will be continued.

Country: PANAMA

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		505	291	58			31	125		
Cooperative Service	C	125						125		
Cooperative Service Administration	C	75	68				7			
Research, Agricultural Education and Extension	C	157	117	27			13			
Land Use Studies	C	38	32	3			3			
Crop and Livestock Development	C	68	43	20			5			
Agricultural Economics and Planning	C	20	15	3			2			
Development of Cooperatives	C	22	16	5			1			
Industry and Mining - Total		186	63	32	42		9	40		
Assistance to Industrial Development Center	C	100	33	20	42		5			
Cooperative Service - Economic Development	C	40						40		
Water Resources and Electrical Power Development	C	46	30	12			4			
Transportation - Total		53	23	26			4			
Training in Operation and Maintenance of Highway Equipment	C	20		20						
Civil Aviation Development	C	33	23	6			4			
Health and Sanitation - Total		169	95	30	6		8	30		
Cooperative Service	C	30						30		
Cooperative Service Administration	C	38	32				6			
General Engineering Services	C	37	31	5			1			
Health Education and Nutrition	C	5		5						
Nursing Education, Nursing Service and TB Control	C	59	32	20	6		1			
Education - Total		382	245	60			17	60		
Cooperative Service	C	60						60		
Cooperative Service Administration	C	38	32				6			
Vocational and Industrial Education	C	149	114	30			5			
Elementary (Rural) Education	C	135	99	30			6			

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Country: PANAMA

TECHNICAL COOPERATION

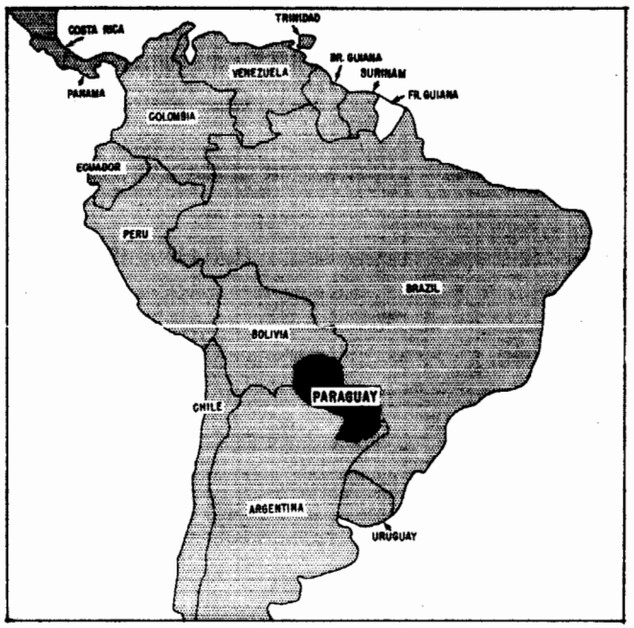
TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION (Continued)

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Public Administration - Total		238		44	190		4			
Public Safety Administration	C	5		5						
Government-Wide Organization Management, Budgeting and Personnel Administration	C	106		31	75					
Organization and Administration of Schools of Public Administration and Agriculture of the University of Panama	C	75			75					
National Economic Planning	C	52		8	40		4			
Community Development - Total		32	16	15			1			
Community Development	C	32	16	15			1			
General and Miscellaneous - Total		45	13				32			
Technical Support	C	45	13				32			
Total Technical Cooperation		1,610	746	265	238		106	255		

PARAGUAY - GENERAL ECONOMIC DATA



BASIC DATA

Population	1.7 million
Annual Growth	2.4 percent
Area	157,000 sq. mi.
Agricultural Land	3% of area
Agri. Land per Capita	1.8 acres
Literacy Rate	68 percent

	Paraguay	U. S.
Life Expectancy (*Years*)	43	70
Inhabitants per Physician	1,820	760
Road Miles per 1,000 sq.mi.	30	870
Electric Power per Capita (*KWH per Year*)	48	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	202	207	223	221
Per Capita GNP	Dollars	126	126	133	129
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	99	98	105	108
Rice, rough	1,000 MT	19	19	23	20
Sugar, centrifugal	"	15	20	31	37
Quebracho	"	26	30	29	25
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	37	33	34	34
Cotton	"	6	5	4	11
Timber	"	12	9	10	5
Total Imports (c.i.f)	"	29	32	38	28
Trade Balance	"	+8	+1	-4	+6
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	6	7	8	10
Imports from U. S. (f.o.b)	"	8	11	10	7
Trade Balance	"	-2	-4	-2	+3
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	10.5	8.4	7.8	3.4(Sep)
COST OF LIVING INDEX (Asuncion)	*1953=100*	180	209	221	240

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1957	1958	1959(Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	16	22	25
Total Expenditures	19	22	26
Deficit(-) or Surplus Before All Foreign Aid	-3	-	-1
Budget Receipts from Non-U.S. Foreign Aid	-	-1	-1
Budget Receipts from U.S. Aid & PL 480	+1	-	+2
Remaining Deficit(-) or Surplus(+)	-2	+1	-1
DEFENSE EXPENDITURES - TOTAL	7	9	10
U.S.-Financed	-	-	-
Defense Expend. as % of Total Gov't Expend.	36.8%	40.9%	38.5%
Defense Expenditures as % of GNP	3.7%	4.0%	4.0%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	12	13	16
U.S.-Financed	(1)	-	(2)

n.a. - Not available. */ Converted at 110 guaranies per U.S. $.
a/ Crops harvested in crop-year ending in year stated.

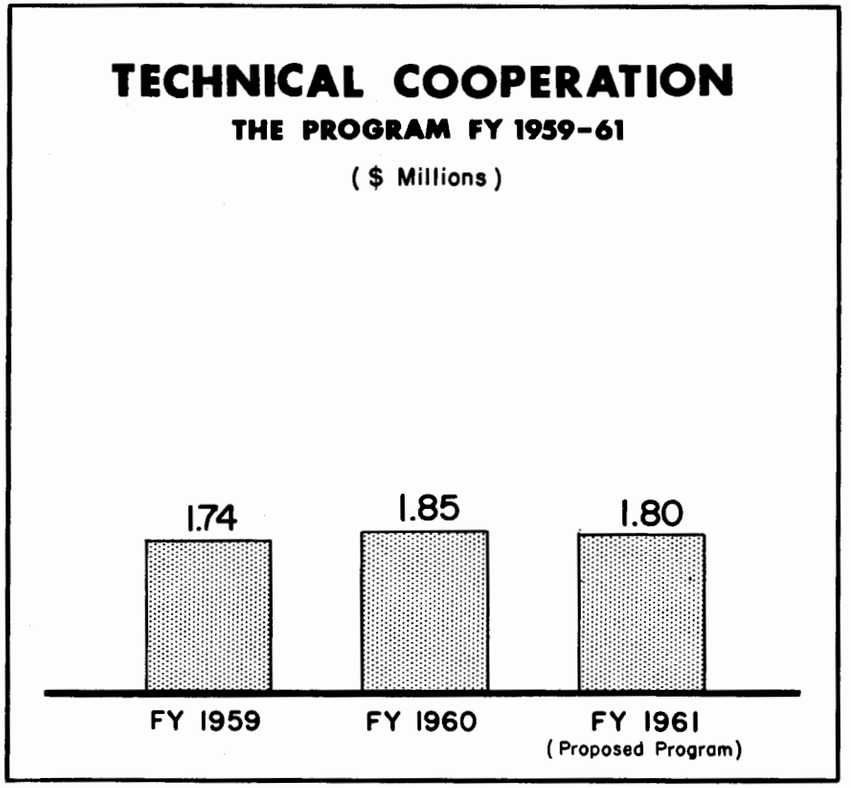
Our policy toward underdeveloped and isolated Paraguay is designed to attain economic viability and political stability through close diplomatic relations, friendly counseling, and economic and technical cooperation, in order that Paraguay may become a source of hemispheric strength.

We have no mutual defense assistance agreement with Paraguay. All our assistance, except for the relatively minor role of the small U.S. army and air force missions in the country, has had the basic objective of promoting economic development.

The Government and people have been firmly aligned on the side of the West. Paraguayan friendship and cooperation have been a valuable asset to the U.S. in the U.N., the OAS and other international bodies. Paraguay does not maintain diplomatic relations with the USSR or its satellites, and has remained aloof to Sino-Soviet overtures toward aid, trade and cultural approaches.

The most significant political change occurring since 1954, when President Alfredo Stroessner's authoritarian government came to power, has been the widening, during 1959, of the split in the ranks of the ruling Colorado Party. Activities of exile and other groups dedicated to overthrowing the regime, including the outlawed Communist Party, are intensifying but so far have caused relatively little disturbance.

Since August 1957 the Government has successfully maintained a currency stabilization program. As a result, the economic outlook appears considerably brighter than it has for some time in the past. Development capital and technical assistance to increase the country's productivity and foreign trade remain major needs. Loans from the Development Loan Fund are helping provide some of the funds necessary for capital growth and highway construction. The Mutual Security Program also includes technical cooperation in agriculture, education, public administration, and health and sanitation and is designed to meet basic U.S. objectives.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	1,737	1,576	
Cumulative 6/30/59	11,620	10,692	928
Estimate FY 1960	1,850	1,534	
Cumulative 6/30/60	13,470	12,226	1,244
Estimate FY 1961	1,800	1,757	

Country: PARAGUAY

ECONOMIC SITUATION

Current Economic Situation and Problems

Paraguay is one of the least developed countries of the Western Hemisphere. Only a fraction of the country's agricultural, pastoral, and forestry resources are being exploited. The low level of production restricts its ability to import necessary manufactured goods and even necessitates expenditure of foreign exchange for foodstuffs. Principal factors in Paraguay's backwardness are geographic isolation which makes access to world markets difficult, lack of domestic and international highways and communications, lack of equipment, concentration of population around the capital, cumbersome economic controls, and inefficient government administration.

Traditionally the economy of Paraguay has been heavily dependent on that of Argentina, but this condition is probably less pronounced now than during most of the past century. Argentina is still Paraguay's most important trading partner and the largest portion of private foreign investment in Paraguay continues to be held by Argentine citizens. On the other hand, United States sources of capital, both private and governmental, are becoming more important to Paraguay.

Although there are road and railroad connections, via ferries, to Argentina, rivers still constitute Paraguay's primary commercial routes, both within the country and connecting it to the sea. The fact that the river system to the sea flows 1,000 miles through Argentine territory, and that river transport is a virtual Argentine monopoly, accounts in large measure for Paraguay's economic dependence upon that country. The airplane has lessened Paraguay's isolation, but it is upon a highway to Brazil that Paraguay has presently placed its hopes of gaining an alternate surface route to the outside world. The "Brazilian Road," begun with some financial assistance from Brazil, is to provide access to a free port, Paranagua, on the Brazilian coast, via a bridge over the Parana River now being constructed by Brazil and an existing Brazilian highway. A road is also under construction across the Chaco which will give Paraguay a land connection with Bolivia.

Progress to Date

In 1957 Paraguay initiated a stabilization program with the advice and guidance of the International Monetary Fund. Paraguayan fiscal policies have continued to be generally satisfactory to the IMF, and the free market rate for the Guarani remains steady in the neighborhood of 120 to the dollar.

Proposals for establishment of a private enterprise Paraguayan Development Bank have received extensive review and sympathetic consideration in Washington. The Development Loan Fund is considering a requested loan to the bank of approximately $2.0 million, subject to fulfillment of certain requirements by the Paraguayan private enterprise group participating in the capitalization of the bank. IBRD technicians have recently returned from Paraguay and are preparing a report which could form the basis for IBRD financial assistance to the Paraguayan livestock industry.

Domestic capital availabilities continue to be extremely limited, and requests for external loans are stimulated by increasing demands of the Paraguayan people for economic advancement.

Assistance from Non-ICA Sources

The DLF has approved a total of four loans to Paraguay, totaling $7.1 million. This includes in FY 1958 a road loan of $2.5 million for the Route to Brazil, and a $1.0 million loan for the development of telecommunications; in FY 1959, a $2.6 million loan to expand private quebracho, ranching and meat-packing operations, and a $1.0 million loan to complete construction of a water system in the capital city of Asuncion.

P.L. 480 sales generated local currency equivalent to $3 million. Of this amount, $2.3 million was loaned to Paraguay for economic development purposes.

During CY 1960, 27 U.N. technicians will assist Paraguay as a part of a program totaling approximately $305,000. The U.N. Special Assistance Fund is currently studying the road situation in Paraguay in connection with Paraguay's application for a $200,000 road survey.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	1.5	1.7	2.3
DLF - Loan Approvals	3.5	3.6	1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	0.2	0.3	0.2 2/
EX-IM Bank - Long-term Loans Approved	1.3		1.0 2/
TOTAL	6.5	5.6	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Country: PARAGUAY

TECHNICAL COOPERATION

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	1,737	1,850	1,800

Role of Program

ICA Technical Cooperation programs are assisting Paraguay to identify its basic economic problems and assisting the country in their solution through demonstration and training.

Objectives - Technical Cooperation

Assist Paraguay to:

(a) Develop the Paraguayan economy within the general framework of a free enterprise system, maintain monetary stability, and improve productivity and living levels of the people.

(b) Improve governmental administration based on sound management principles and procedures.

(c) Stimulate higher productivity through improved education and health, training in construction and maintenance of basic transportation facilities, and expanded and diversified agriculture.

(d) Attract domestic and foreign private investment and allocate government funds for priority requirements in the public sector of the economy.

Accomplishments - Technical Cooperation

Development of a College of Agriculture capable of meeting the country's urgent need for better trained agriculturalists is now under way. Establishment in this institution of facilities for training in agricultural research and extension should facilitate assumption by Paraguay of sole responsibility for further development of the agricultural services organized and operated in cooperation with ICA.

A pilot normal school for elementary level teachers, especially for rural areas, has been constructed near Asuncion and equipped and staffed by the Paraguayans, with ICA technical assistance. A vocational trade and industrial school has been started in Concepcion. Buildings were furnished by the town and by private industry.

Between 1942 and FY 1959, 559 Paraguayans were sent by the program for training outside of Paraguay, 409 of them having been trained in the United States since FY 1952. Of the total of 559 participants, over 400 have been in the fields of agriculture, public health, and education. In 1958, 10 health educators were trained to work for the Ministry of Public Health, and courses were established in the Ministry to train Ministry personnel in audio-visual techniques. A sample follow-up evaluation of past training programs indicates that 72% are fully utilizing their training received through the ICA program, and 89% of the others are partially using their training.

There is a continuing demand by Paraguayan industry for graduates of the cooperatively organized and operated vocational trade and industrial school in Asuncion, staffed by 23 Paraguayan instructors trained under the ICA program.

ICA's Public Administration technicians have assisted the Ministry of Finance and other governmental agencies in working out systems for administration and fiscal controls; notably the Ministry of Health, Customs House and the communications agency. Also, a school of public administration has been organized and is operating effectively.

Composition of 1961 Technical Cooperation Program - $1,800,000

The proposed Technical Cooperation Program in Paraguay budgets $1,800,000 for cooperative activities concentrated in five areas important to development of the country: agriculture, transportation, public health, education, and public administration.

ICA is helping Paraguay to establish an effective agricultural extension service and to accelerate development of crop and forest

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	721	812	681
Participants	176	192	320
Contractual Services			200
Supplies and Equipment	53	101	83
Contrib. to Coop. Services	585	546	332
Other Costs	202	199	184
Total Project Assistance	1,737	1,850	1,800
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	40	42	41
Contract	2	5	12
Total Technicians	42	47	53
Participants (Programmed during year)			
Non-Contract	57	50	70
Contract			
Total Participants	57	50	70
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	562	350	447
Industry and Mining			
Transportation	144	175	115
Labor			
Health and Sanitation	324	534	404
Education	336	352	251
Public Administration	119	136	182
Community Development, Social Welfare and Housing			
General and Miscellaneous	252	303	401
Total by Field of Activity	1,737	1,850	1,800

resources. A project initiated in 1957 to assist the recently established College of Agriculture and Veterinary Sciences is expected to take a long step forward in FY 1961 with the help of a U.S. agricultural college under a contract with ICA.

The two cooperative projects in the field of transportation to be continued in FY 1961 are: (1) Training of 284 military officers and men organized in an Engineer Construction Unit; (2) Training of Ministry of Public Works personnel to carry out a general road building program.

The program in health and sanitation will continue to concentrate on the development of a public health system applying modern techniques for prevention and control of disease in outlying areas as well as in the capital. ICA's attention will be directed toward improving program administration under the Health Ministry's Five-Year plan of administrative and technical development and professional training.

In addition to the college-level programs in agriculture and health, the Cooperative Education Program is helping Paraguay to narrow the gap between the demand and the supply of trained Paraguayans primarily by strengthening the teacher-training system for elementary level teachers and for trade school teachers. This includes continuation in FY 1961 of pre-service and in-service training for elementary teachers at the San Lorenzo Normal School and continuation of the related curriculum center in Asuncion. Assistance will be continued to the trades and industries vocational schools in Asuncion and Concepcion.

Two projects in the field of public administration will be continued in FY 1961. One is designed to develop and strengthen management and organization within the Ministry of Finance and other departments of the Government through the introduction of modern methods and through the training of Paraguayan Government employees. Another project, begun in 1959, provides advice and assistance in the organization and development of a national training and research center in public administration within the National University at Asuncion with faculty training in the U.S.

ICA will continue one project in the field of trade and investment aimed at developing sound fiscal and economic planning for exploitation of the country's industrial potential. A small technical information center for industry is planned to further these aims.

A project will continue to develop audio-visual and other communications techniques assisting ICA technicians in all fields to communicate technical guidance.

Country: PARAGUAY

TECHNICAL COOPERATION

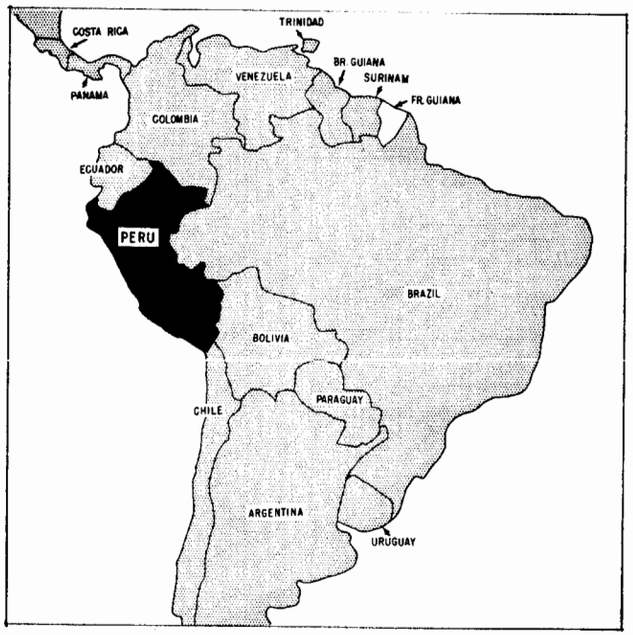
TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		447	145	58	120		6	118		
Cooperative Service	C	118						118		
Cooperative Service Administration	C	41	35				6			
Extension and Information	C	50	30	20						
Crop Development	C	24	16	8						
Livestock Development	C	28	18	10						
Forestry	C	21	13	8						
Agricultural Education	C	165	33	12	120					
Transportation - Total		115	74	12		5	24			
Civil Aviation Assistance Division	C									
Demonstration and Training - Road Construction and Maintenance	C	115	74	12		5	24			
Health and Sanitation - Total		404	115	129			5	155		
Cooperative Service	C	155						155		
Cooperative Service Administration	C	36	33				3			
Technical Assistance, Health Centers	C	84	82				2			
Training - Public Health Personnel	C	129		129						
Education - Total		251	147	41			4	59		
Cooperative Service	C	59						59		
Cooperative Service Administration	C	41	39				2			
Elementary Teacher Education	C	59	58				1			
Vocational Education	C	51	50				1			
Training of Personnel in Education	C	41		41						
Public Administration - Total		182	104	60		6	12			
Government Management and Organization	C	108	81	18			9			
Public Administration School	C	74	23	42		6	3			
General and Miscellaneous - Total		401	96	20	80	72	133			
Technical Support	C	182	33			59	90			
Trade and Investment	C	161	41	18	80	9	13			
Mass Communications	C	58	22	2		4	30			
Total Technical Cooperation		1,800	681	320	200	83	184	332		

PERU - GENERAL ECONOMIC DATA



BASIC DATA

Population	10.5 million
Annual Growth	2.4 percent
Area	482,300 sq. mi.
Agricultural Land	11% of area
Agri. Land per Capita	3.3 acres
Literacy Rate	50 percent

	Peru	U. S.
Life Expectancy (*Years*)	46	70
Inhabitants per Physician	2,296	760
Road Miles per 1,000 sq.mi.	50	870
Electric Power per Capita (*KWH per Year*)	196	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	1,256	1,295	1,282	1,280
Per Capita GNP	Dollars	130	130	126	122
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	102	94	97	94
Cotton	1,000 MT	107	106	111	111
Copper, refined	"	32	42	39	35
Lead, refined	"	60	69	64	52
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	308	320	281	290
Cotton	"	86	68	76	74
Sugar	"	33	50	34	38
Total Imports (c.i.f)	"	361	400	335	270
Trade Balance	"	-53	-80	-54	+20
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	135	137	126	120
Imports from U. S. (f.o.b)	"	163	198	167	120
Trade Balance	"	-28	-61	-41	0
GOLD & FOREIGN EXCHANGE HOLDINGS (*end of year*)	"	83.7	57.8	56.4	74.4(Oct)
COST OF LIVING INDEX (Lima)	*1953=100*	116	125	135	153

CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31	1957	1958	1959(Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	188	215	227
Total Expenditures	220	249	264
Deficit(-) or Surplus Before All Foreign Aid	-32	-34	-37
Budget Receipts from Non-U.S. Foreign Aid	7	3	3
Budget Receipts from U.S. Aid & PL 480	5	5	5
Remaining Deficit(-) or Surplus(+)	-20	-26	-29
DEFENSE EXPENDITURES - TOTAL	45	48	53
U.S.-Financed (excl. M.A.P. end-items)	-	-	-
Defense Expend. as % of Total Gov't Expend.	20.5%	19.3%	20.1%
Defense Expenditures as % of GNP	3.7%	3.7%	3.6%
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	175	201	211
U.S.-Financed	(5)	(5)	(5)

n.a. - Not available. */ Converted at 28 soles per U.S.$.
a/ Crops harvested in crop-year ending in year stated.

Our prime interests are: to preserve traditional friendly relations; to assist Peru in establishing a sound economy; to encourage maintenance of a favorable climate for private foreign investment; to help Peru maintain political stability; and to encourage Peru to combat international Communism, cooperate in hemispheric defense and support U.S. international policies. In the furtherance of these interests, the Mutual Security Program has provided technical training in a number of fields which are significant to the Peruvian economy; military assistance and training under Army, Navy and Air Missions; and developmental loans under DLF.

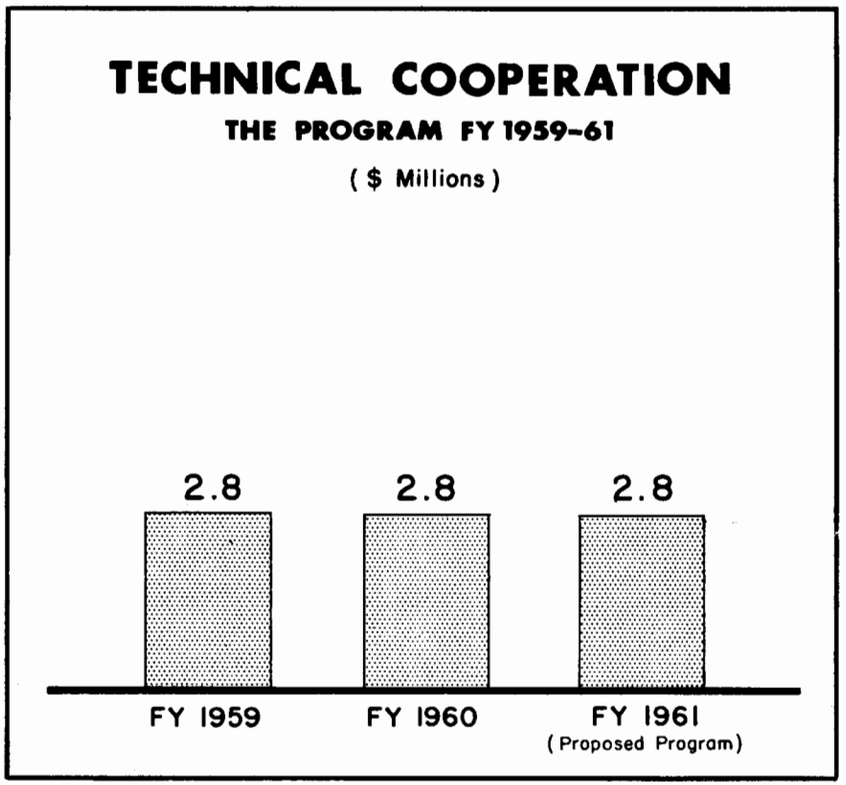
President Prado, whose democratic administration suffered because of continuing economic deterioration, strikes and widespread discontent, last July appointed Pedro Beltran as Prime Minister. Beltran, a firm friend of democracy and of private enterprise, is attempting to develop a sound, forward-looking economic-financial-social program.

The Communists have infiltrated leftist parties, and have launched a concentrated program amongst the great mass of ignorant, poverty-stricken Indian peasants.

Anti-U.S. sentiment existing since our establishment in 1958 of import quotas on lead and zinc, major foreign exchange earners for Peru, has abated somewhat. However, leftist and Communists in the Peruvian Congress and elsewhere continue to agitate for an increase in Peru's presently negligible trade with the Soviet bloc.

Price declines for Peru's exports, during the past two years in particular, seriously affected the country's balance of payments and budgetary situation. Peru's economic stabilization program, assisted by the IMF and the U.S., and Beltran's new austerity program have, however, brought about some improvement in this situation, although the outlook is still difficult.

Peru has encouraged foreign investment and U.S. direct investment now approaches $500 million. However, recent developments have somewhat impaired this climate.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	2,784	3,105	
Cumulative 6/30/59	18,861	17,258	1,603
Estimate FY 1960	2,800	2,652	
Cumulative 6/30/60	21,661	19,910	1,751
Estimate FY 1961	2,800	2,820	

Country: PERU

ECONOMIC SITUATION

Current Economic Situation and Problems

Peru is basically an agricultural and mineral producing country. While Peru produces a variety of products, it is principally an exporter of raw materials and subject to the vagaries of world commodity price fluctuations. Local manufacturing supplies only 13% of the GNP and occupies 18% of the active population. In 1958, exports totaled $281 million with a trade deficit of $54 million as compared to deficits of $80 million in 1957 and $53 million in 1956. During the first nine months of 1959, the trade deficit was only about $350,000 with good prospects for a slightly favorable balance by the year's end. The Peruvian currency depreciated rapidly during the first seven months of 1959, but improved under the Beltran administration. It appears that the nation may nearly balance its budget in 1960. Recent strong corrective measures, confidence already generated in the business community, and results achieved during the last six months, indicate that the Beltran Administration is seriously concerned in its desire to check monetary instability and the domestic inflationary trend of recent years.

The lack of integration of the Andean Indians, who form a large segment of the population, hinders development of agriculture and industry as well as development of social and civic responsibilities. Low purchasing power and lack of opportunity, coupled with the movement of increasing numbers of indigent Indians to urban areas, makes them highly susceptible to subversive influence.

Lack of educational and health facilities also contribute to the low productivity. The topography of the country complicates the problem of inadequate transportation and communication making it difficult and expensive to move goods within the country and seriously affects the mobility of the labor force. With the increase in industrial development, expensive labor and social legislation has been adopted which, considering the irresponsibility of untrained labor leaders, is detrimental to progress in labor management relations and economic growth. Ineffective public administration and lax government organization follow traditional patterns which hinder economic and social development.

Progress to Date

While the financial position had deteriorated during the period since 1956, the present government has instituted firmer fiscal and monetary controls, reduced imports, taken a firmer stand on wage and salary increases and removed most of the price controls and subsidies on agricultural commodities. The establishment of the national fund for economic development, strengthening the operation of the government agricultural bank, legislation designed to increase food production in the coastal areas and increased activity in construction of major roads are measures to promote increased production and distribution of commodities. These and other government actions have resulted in recent improvements in the stabilization of the currency and in the investment climate. The new Industry Development law giving tax and other concessions to new industries promises to encourage local and foreign investment with consequent increases in economic growth. U.S. direct private investment totaled $429 million at the end of 1959.

Assistance from Non-ICA Sources

Up to December 1959, IBRD has made loans totaling $48 million of which $4 million was made available during 1959. The IFC has invested a total of $2.2 million in fertilizer and building material plants during 1959. France invested $4 million in a cement plant and technical assistance and Holland contributed $4,000 for technical assistance. The United Nations organizations will conduct technical assistance projects utilizing 32 technicians and $1.8 million during CY 1960. In the last quarter of 1959, DLF approved a $3.5 million loan for road construction. The IMF has extended a $25 million stand-by credit through March 1960. Since 1958, Peru has received $66.5 million in development loans from the Ex-Im Bank. P.L. 480 sales agreements in the amount of $21.9 million have been concluded. Of the local currency sales proceeds, $13.7 million is earmarked for economic development loans to Peru.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	2.7	2.8	2.8
DLF - Loan Approvals			3.5 1/
P.L. 480, Title I - Country Use	3.6		5.4
(Total Sales)	(7.8)		(12.0)
P.L. 480, Title II - Obligations	0.7		2/
P.L. 480, Title III - Obligations	2.1	1.0	0.7 2/
EX-IM Bank - Long-term Loans Approved	11.6	54.9	2/
TOTAL	20.7	58.7	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Country: PERU

TECHNICAL COOPERATION

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	2,784	2,800	2,800

Role of ICA Programs

The ICA Technical Cooperation Program, within U.S. foreign policy objectives, is assisting that country to become a more stable nation within the Free World community. The TC Program is designed to help identify the basic problems of the country, and assist the people of Peru, through training and demonstration, in their solution. Technical Cooperation does not provide the capital required for economic development but attempts to encourage improvement in the investment climate, the strengthening of basic institutions and through this medium to facilitate the flow of needed capital.

Objectives - Technical Cooperation

To encourage the development of a sound and stable economy by:

(a) provision of advisory services in mining and metallurgy, transportation and public administration.

(b) through the device of an operating service, the introduction of new technical and institutional arrangements in agriculture, health and education as well as the initiation of a national employment service and a rural area development facility.

Accomplishments - Technical Cooperation

Within the general objectives of the Technical Cooperation Program the following selected items stand out as examples of notable accomplishments:

A project was initiated in 1957 to investigate the problems and evaluate the resources of the southern third of Peru, which has a population of about 3 million people, the majority of whom are Indians engaged in subsistence agriculture. The area, one of the most backward in Peru, has a high potential for social and political unrest and upheaval. The project was completed in December 1959, providing Peru with a blueprint for social and economic development in one of her most critical problem areas, and a model for evaluation of other areas of the country.

One of the outstanding agricultural accomplishments has been the work in soils surveys and land use planning. Under this project, some 20 Peruvian technicians have had specialized training and have developed increased skills in this type of work.

U.S. Public Administration specialists have assisted the Government of Peru in revising taxation procedures and in application of modern principles of record management in government agencies. During 1959, more than 600 government personnel have each received up to 30 hours of training in records management, making a total of over 1,000 individuals who have received such training since 1958.

In 1954 a cooperative labor service was formed to assist the Ministry of Labor in the establishment and operation of a free public employment service system for the utilization of the labor force in the national economy. More than 30 people have received special training in employment service, offices have been established in Lima and Arequipa and 24 participants have received or are receiving training. In addition, 33 labor leaders have trained or are receiving training in the United States.

In the various fields of public health, over 500 technicians have been given specialized training in Peru and abroad. As a result of this training all rural health demonstration activities were transferred from Servicio to Ministry control in 1959.

The Education Service has expanded its program to make it national in scope. By the end of CY 1958, it was providing technical supervision of some 2,700 schools employing some 5,500 teachers, with a total enrollment of about 223,000. In 1959, the Urubamba Normal School was completed and inaugurated, which will serve to train teachers for the vast southern area. Other activities in 1959 included the training of 537 school supervisors, administrators and teachers in summer work shops on various administrative and vocational subjects.

Country PERU

TECHNICAL COOPERATION

TABLE E-1-A

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	980	1,077	1,072
Participants	309	333	401
Contractual Services	52	258	246
Supplies and Equipment	55	60	30
Contrib. to Coop. Services	1,100	785	785
Other Costs	288	287	266
Total Project Assistance	2,784	2,800	2,800
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	63	61	62
Contract	9	8	6
Total Technicians	72	69	68
Participants (Programmed during year)			
Non-Contract	98	89	109
Contract	3		
Total Participants	101	89	109
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	1,035	1,006	1,052
Industry and Mining	125	83	63
Transportation	58	70	69
Labor	114	118	124
Health and Sanitation	539	551	518
Education	359	448	487
Public Administration	41	121	123
Community Development, Social Welfare and Housing	3	5	6
General and Miscellaneous	510	398	358
Total by Field of Activity	2,784	2,800	2,800

Composition of FY 1961 Technical Cooperation Program - $2,800,000

The proposed FY 1961 Technical Cooperation Program will be basically a continuation of the FY 1960 program in its various technical fields with modifications to reflect necessary changes in projects which are to be phased out and turned over to respective ministries. Continued program concentration will be placed on the effort to integrate the Andean Indian.

In agriculture emphasis will continue to be placed in the mountain and jungle areas with major emphasis on land use planning, area development and a national livestock plan.

More attention will be given to the transfer of elements of the National Health program to Ministry control, particularly the Institute of Occupational Health and the Institute of Public Health.

U.S. technicians will continue to work with the Ministry of Education in the revision and reorganization of the country's educational system, with the probable inclusion of active programs at the university level.

Program activities in other fields such as civil aviation, industry and mining, labor, public administration and rural development will continue in general as in FY 1960 with certain modifications where necessary to meet changing conditions.

University contracts will be continued for agricultural research and textile engineering.

Country: PERU

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture, Forestry and Fisheries - Total		1,052	328	85	240		89	310		
Cooperative Service	C	310						310		
Cooperative Service Administration	C	119	76				43			
Agricultural Economics and Marketing	C	46	37	6			3			
Agricultural Extension and Special Crop Development	C	102	51	24	6		21			
Agricultural Research and Rubber Development	C	264	17	18	228		1			
Agricultural Credit and Cooperative Development	C	27	16	6			5			
Livestock Development Program	C	96	66	17	6		7			
Land Development and Soils Conservation	C	68	52	9			7			
Forestry Resources Development Program	C	20	13	5			2			
Industry and Mining - Total		63	33	28			2			
Mining & Metallurgy	C	53	33	18			2			
Textile Engineering	C	10		10						
Transportation - Total		69	45	20			4			
Civil Aviation Advisory Services	C	64	45	15			4			
Mapping and Cartography	C	5		5						
Labor - Total		124	17	68			4	35		
Labor Leader Training	C	58		58						
National Employment Service	C	35						35		
Advisory Services	C	31	17	10			4			
Health and Sanitation - Total		518	210	60	6		67	175		
Cooperative Service	C	175						175		
Cooperative Service Administration	C	55	34	6			15			
National Health Development Programs	C	41	15	14	6		6			
Special Advisory Services	C	233	149	40			44			
Nursing Training Program	C	14	12				2			

Country: PERU

TECHNICAL COOPERATION

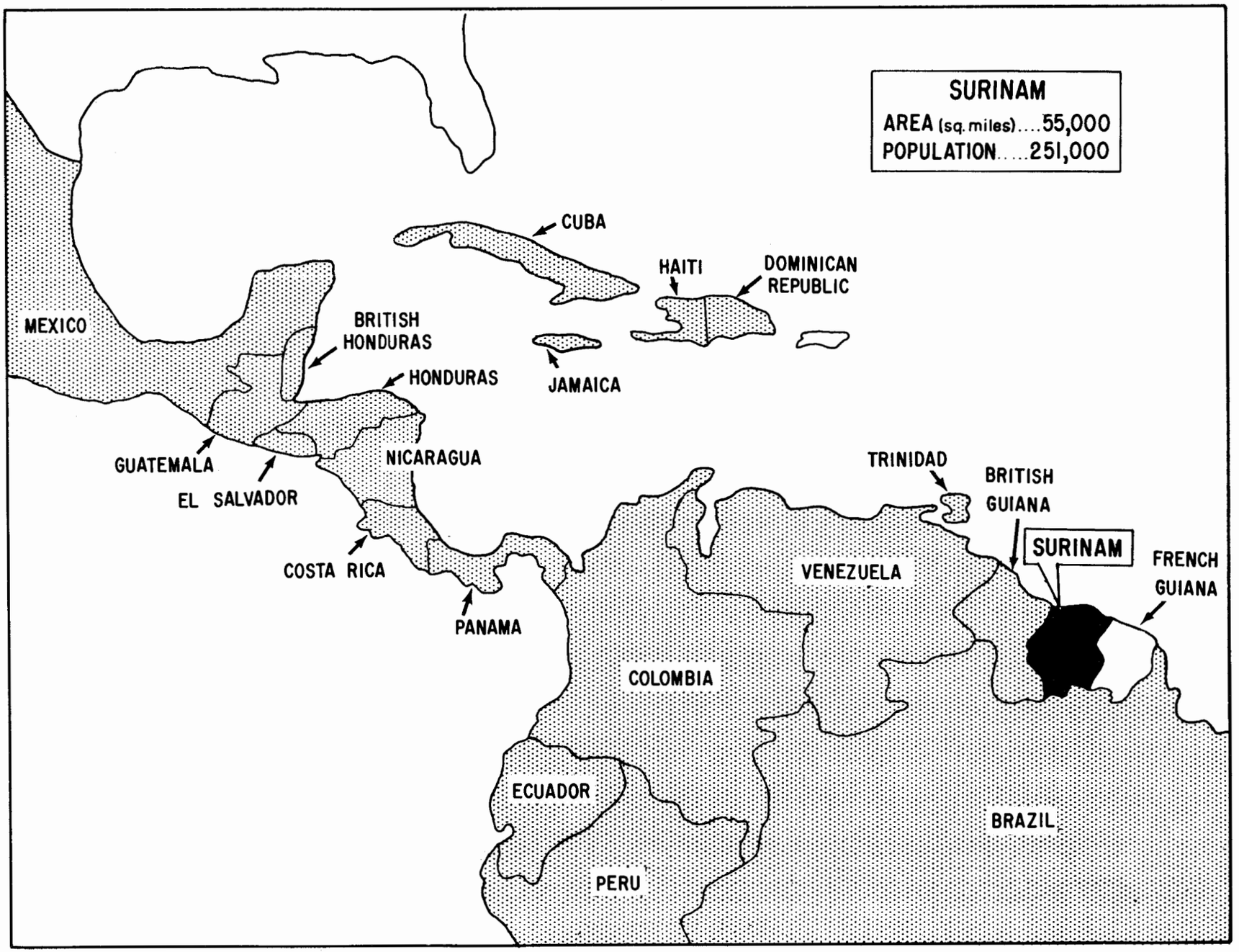
TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION (Continued)

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Education - Total		487	260	75			37	115		
Cooperative Service	C	115						115		
Cooperative Service Administration	C	65	41	5			19			
Teacher Normal Education	C	182	132	40			10			
Rural Elementary Education	C	125	87	30			8			
Public Administration - Total		123	82	29			12			
Public Safety	N	39	20	17			2			
Government Organization and Management Tax and Budgetary Administration	C	84	62	12			10			
Community Development, Social Welfare and Housing - Total		6	6							
Housing Commission	N	6	6							
General and Miscellaneous - Total		358	91	36		30	51	150		
Technical Support	C	65				30	35			
Atomic Energy Training	C	6		6						
Rural Development Service	C	150						150		
Rural Development Administration	C	51	40				11			
Engineering, Irrigation, and Land Development	C	8		8						
Economic Planning	C	53	36	14			3			
Industry - Rural Development	C	25	15	8			2			
Total Technical Cooperation		2,800	1,072	401	246	30	266	785		

SURINAM

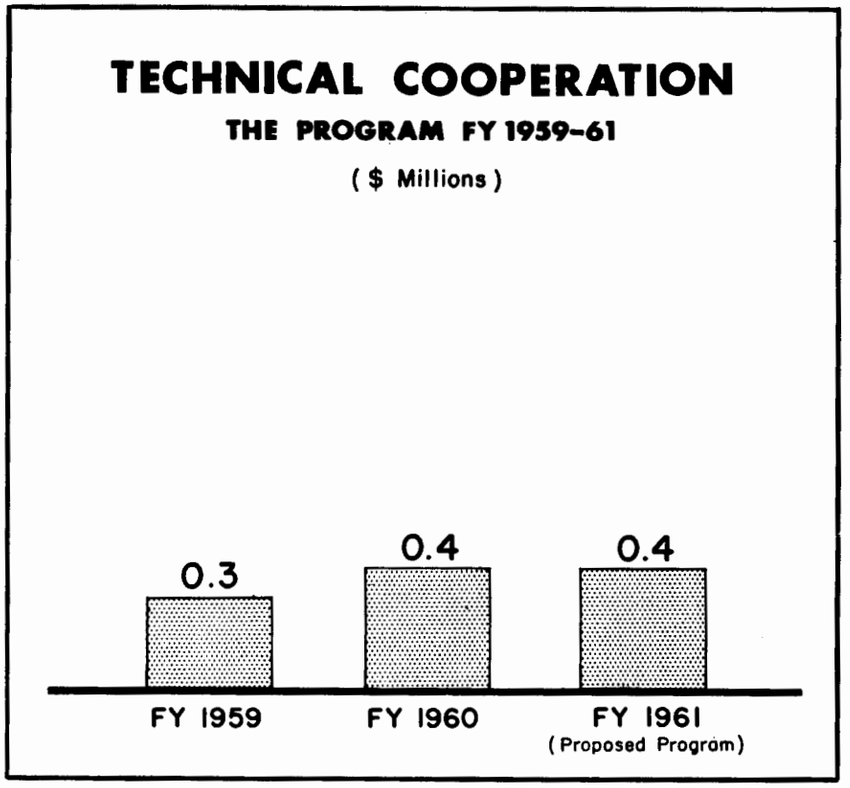

SURINAM
AREA (sq. miles)....55,000
POPULATION.....251,000
CUBA
HAITI
DOMINICAN REPUBLIC
MEXICO
BRITISH HONDURAS
HONDURAS
JAMAICA
GUATEMALA
EL SALVADOR
NICARAGUA
TRINIDAD
BRITISH GUIANA
SURINAM
FRENCH GUIANA
COSTA RICA
VENEZUELA
PANAMA
COLOMBIA
ECUADOR
BRAZIL
PERU

Surinam, a small country with a multi-racial population, is located in an area of primary strategic significance to the United States. It is an important source of bauxite for U.S. defense and industry and upon the export of which the Surinam Government is largely dependent for revenue. U.S. private investment is sizable and increasing.

Surinam achieved self-governing status in 1954. Our program of technical cooperation in that country assists the Surinam Government to resolve its economic and social problems and to strengthen its economy and institutions in keeping with its recent acquisition of increased autonomy. It is in the political and economic interest of the U.S. to provide such assistance.

The Mutual Security Program in Surinam, which contributes to set a satisfactory relationship between Surinam and the Netherlands Government, is also of assistance in Dutch-U.S. relations.

The present coalition government took office in 1958 and is desirous of expanding relations with the U.S., encouraging foreign investment, and cooperating more closely with Latin American and Carribean countries. Seeking to diversify and expand its economy, the Government has formulated a Ten Year Development Plan jointly financed by Surinam and the Netherlands Government.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	344	367	
Cumulative 6/30/59	1,545	1,411	134
Estimate FY 1960	415	418	
Cumulative 6/30/60	1,960	1,829	131
Estimate FY 1961	415	426	

Country: SURINAM

ECONOMIC SITUATION

Current Economic Situation and Problems

Bauxite accounts for about 80% in value of the total export trade and provides 35% of the government's income. Surinam is, however, entering into an era of intensified economic development activities as indicated by progress under the Ten Year Plan and the inauguration of work on the new Brokopondo hydroelectric dam project in the interior. The latter will involve the expenditure of $100 to $150 million over the next decade in the building of the dam, power facilities, roads, transmission lines, and industrial plants, and will be financed by U.S. private equity capital (Alcoa). The Ten Year Plan was initiated in 1955, calling for the expenditure of the equivalent of $68 million. Of this amount the Netherlands contributes two-thirds (one-half grant and one-half loan) and Surinam one-third. An equivalent of $20,000,000 has been spent on the program at the end of 1958.

Major problems facing the government will be: inflationary pressures; the development of needed skills; the diversification and expansion of agricultural and industrial production for internal consumption and export; and the development of resources in the interior of the country.

Progress to Date

The signing of the financial agreement with Alcoa and early work on various aspects of the Brokopondo project indicate progress toward a significantly expanded economy.

The government is placing emphasis on the development of conditions necessary to attract additional investment to increase the productive base of the economy. Attention is being given to training requirements, and training facilities are now being inventoried. New organizations have been formed to improve planning for better use of resources, including plans to deal with major health and housing problems in the rural areas. In 1959 the Government appointed a committee of prominent Surinam officals to reevaluate the Ten Year Plan and to recommend future economic development policy. The Government of Surinam is pushing forward with its mineral resources survey and its operation "Grasshopper" to help survey and open up the interior.

The Government intends to hold discussions with the Netherlands Government in early 1960 on the revised development plan, which probably will give emphasis to efforts to make industrial ventures attractive in Surinam. The expansion of industry is considered essential to achieve economic diversification, to absorb the excess labor supply, and to contribute to the productive capacity of the country. An investment incentive bill is now before the legislature. The improvement of small-farm agriculture, in which cattle grazing and banana growing would be emphasized, will probably also be stressed.

During the last 5 years Surinam has increased its total public and private capital investment at moderate levels. It has succeeded, with a high rate of population growth, in at least maintaining its per capita income and maintaining relative price stability. During the next 5 years the level of total investment will be very much higher.

Assistance from Non-ICA Sources

In recent years fairly large investments have been made by foreign firms such as SURALCO, Billiton, a Dutch mining company, and Bruynzeel, a Dutch company manufacturing plywood and chipboard. The current large investment program of SURALCO has been previously discussed. In the public sphere the greater part of the capital investment program has been financed by the Netherlands under the Ten Year Plan. Further external loan assistance is likely to be required and it is expected that a large proportion of it will be obtained from Dutch private or government sources. Surinam is looking to the UN Special Fund for further financing of its mineral resources survey work.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	0.4	0.3	0.4
DLF - Loan Approvals			1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations		0.1	2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	0.4	0.4	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Role of Program

U.S. Technical Cooperation in Surinam demonstrates to the leaders and people the interest of the United States in the improvement of economic and social conditions in their country. It is helping Surinam in a key period of economic opportunity and development to assume the increasingly complex responsibilities associated with a greater degree of self-reliance and to utilize domestic and external resources more fully for accelerated economic development.

Objectives - Technical Cooperation

(a) To strengthen institutions and accelerate economic development progress under the Ten Year Plan through technical demonstration and training in the priority fields of agriculture, health, industry, vocational and industrial education, rural housing, and rural area development in the interior regions of the country.

(b) To encourage and assist the government in creating a favorable climate for foreign investment and attracting new capital by making available technical advisors and by assisting in the training of the people of Surinam in new skills required for additional industrialization and economic diversification.

Accomplishments - Technical Cooperation

Technical cooperation in Surinam began in April 1954. The work is carried on through the Surinam-American Technical Cooperation Service with each country contributing equal amounts to the Servicio working fund. The projects and accomplishments are as follows:

Agriculture - Activity in this field is aimed at helping the small farmer, whose share in the production value of agricultural products has risen from 10% (when plantation economy predominated) to 85%. Technical cooperation is emphasizing agricultural extension to help expand and diversify agriculture production. The U.S. agricultural technicians have trained extension workers, established a home economics training center, have developed 4-H type clubs and programs, developed a supervised credit program, and provided training for a score of Surinamers in the United States and Puerto Rico.

Public Health - A Health Education Service in the Department of Health has been formed and is headed by a doctor who has just completed a year of graduate study in Health Education. Additional professional staff is required but has not yet been recruited. Subprofessional staff is being trained to work in the program. The Lelydorp Health Center is completed and in operation.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	344	415	415

Transportation - Over a hundred operators and mechanics in the fields of heavy road building and agricultural equipment have been trained, thereby providing skilled workers for local industry as well as for major projects under the Ten Year Plan.

Housing - Demonstration houses (built on the aided self-help basis at surprisingly low cost in a resettlement area using agricultural credit loans) have been a model for subsequent rural housing activities. In addition a full report has been completed to serve as basis for the Government of Surinam policy and method of financing the construction of rural housing and shelter.

Composition of 1961 Technical Cooperation Program - $415,000

The Agriculture program will continue to emphasize extension, farm credit and marketing and fisheries improvement. It is expected that these projects will continue to accelerate the opening and resettlement of new areas and lead to increases of agricultural production.

There will be a continuation of the training of Surinamers in the operation, maintenance, and repair of machinery and road building equipment.

The U.S. industrial training consultant will continue to assist in the coordination and expansion of the total vocational training effort. Key participants will also be trained in Puerto Rico and in the U.S. Mainland.

The project to demonstrate aspects of preventative medicine will be continued. The program includes health education, sanitation, nursing, and clinical services and assists the Department of Public Health with its plans for reorganization.

Technical cooperation will be continued to assist the government of Surinam with its national housing program.

Limited provision is made for advisory assistance in area development matters for the middle and upper reaches of the Surinam River in connection with a large hydroelectric dam project.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	240	243	229
Participants	23	80	81
Contractual Services			
Supplies and Equipment			
Contrib. to Coop. Services	75	75	75
Other Costs	6	17	30
Total Project Assistance	344	415	415
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	13	14	14
Contract			
Total Technicians	13	14	14
Participants (Programmed during year)			
Non-Contract	6	25	20
Contract			
Total Participants	6	25	20
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	60	85	85
Industry and Mining	31	31	28
Transportation			
Labor			
Health and Sanitation	78	85	82
Education	32	50	50
Public Administration		5	
Community Development, Social Welfare and Housing	34	34	43
General and Miscellaneous	109	125	127
Total by Field of Activity	344	415	415

Country: SURINAM

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart.	P.L. 480 Administered by ICA
Agriculture - Total		85	68	17						
Agriculture & Natural Resources	C	85	68	17						
Transportation - Total		28	14	12			2			
Operations/Maint. Roadbuilding Eqpt.	C	28	14	12			2			
Health - Total		82	62	17			3			
Public Health	C	82	62	17			3			
Education - Total		50	19	30			1			
Vocational Industrial Training	C	20	19				1			
Vocational Training (Puerto Rico)	C	30		30						
Housing and Community Development - Total		43	36	5			2			
Housing	C	25	20	5						
Area Development	C	18	16				2			
General & Miscellaneous - Total		127	30				22	75		
Technical Support	C	12					12			
Cooperative Service	C	75						75		
Administration of Cooperative Service	C	26	17				9			
Audio Visual	C	14	13				1			
Total Technical Cooperation		415	229	81			30	75		

URUGUAY - GENERAL ECONOMIC DATA

BASIC DATA

Population	2.7 million
Annual Growth	1.7 percent
Area	72,172 sq. mi.
Agricultural Land	80% of area
Agri. Land per Capita	14 acres
Literacy Rate	85 percent

	Uruguay	U. S.
Life Expectancy (*Years*)	n.a.	70
Inhabitants per Physician	860	760
Road Miles per 1,000 sq.mi.	74	870
Electric Power per Capita (*KWH per Year*)	435	4,500

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP (*In 1958 Prices*)	$ Millions	1,605	1,589	1,509	n.a.
Per Capita GNP	Dollars	606	593	559	n.a.
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	97	89	97	85
Corn	1,000 MT	218	168	276	216
Wheat	"	849	589	599	360
Wool	"	78	85	90	80
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	211	128	139	155
Meat and by-products	"	22	28	15	20
Wool	"	126	64	80	85
Total Imports (c.i.f)	"	206	226	135	170
Trade Balance	"	+5	-98	+4	-15
Trade with United States (*U.S. Data*)					
Exports to U. S. (f.o.b)	$ Millions	25	18	9	25
Imports from U. S. (f.o.b)	"	34	49	22	30
Trade Balance	"	-9	-31	-13	-5
GOLD & FOREIGN EXCHANGE HOLDINGS (Net) (*end of year*) (Central Bank only)	"	203	148	124	124 July
COST OF LIVING INDEX (Montevideo)	*1953=100*	130.	149	175	230

CENTRAL GOVERNMENT FINANCES* FY ending	*- Million Dollar Equivalents -*		
Domestic Revenues			
Total Expenditures			
Deficit(-) or Surplus Before All Foreign Aid			
Budget Receipts from Non-U.S. Foreign Aid			
Budget Receipts from U.S. Aid & PL 480	NOT AVAILABLE		
Remaining Deficit(-) or Surplus(+)			
DEFENSE EXPENDITURES - TOTAL			
U.S.-Financed (excl. M.A.P. end-items)			
Defense Expend. as % of Total Gov't Expend.			
Defense Expenditures as % of GNP			
NON-DEFENSE GOV'T EXPENDITURES - TOTAL			
U.S.-Financed			

n.a. - Not available. */

a/ Crops harvested in crop-year ending in year stated.

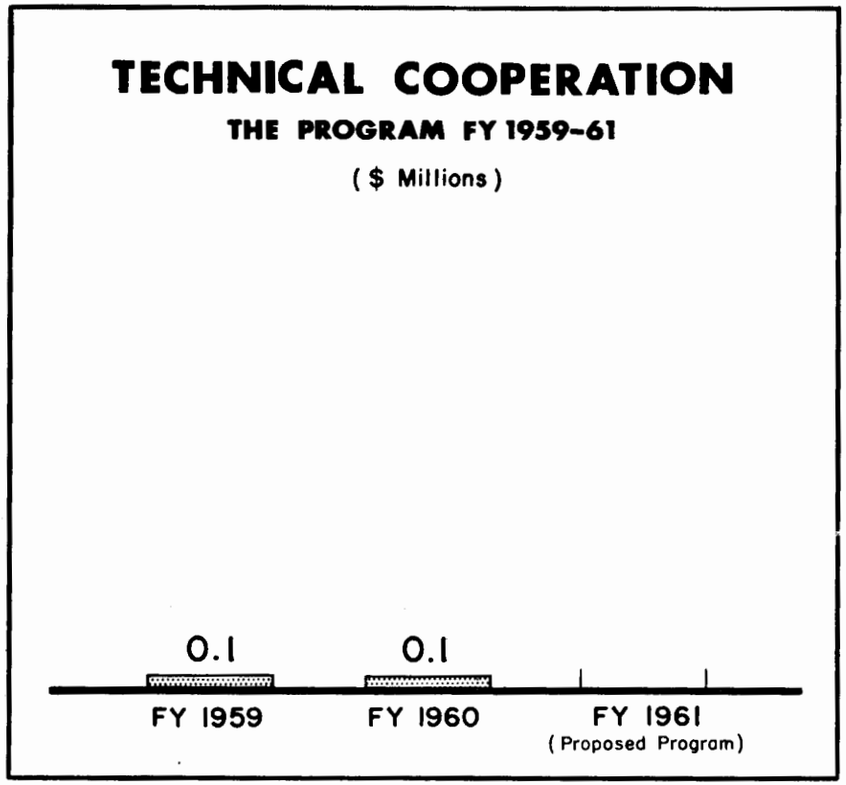
Uruguay's continued cooperation in the common task of hemispheric defense, significant support of Free World nations in the field of international relations and her democratic posture and traditional friendliness toward the United States are in the U.S. interest.

Although present technical cooperation with Uruguay is confined mainly to participant training, recent Uruguayan Congressional ratification of a basic agreement with the U.S. will enable the U.S. to consider Uruguayan requests for additional technical cooperation in mutually agreed areas.

The U.S. has a mutual defense assistance agreement with Uruguay under which it provides assistance aimed at strengthening Uruguay's capability for hemispheric defense.

The conservative Nationalist Party came to power in 1959, after 93 years in the minority role. The Party's attitudes toward the U.S. were not always friendly, but the present government has consistently sought close, cooperative relations. The attainment of this relationship was materially assisted by U.S. removal of the countervailing duty on Uruguayan wool tops and proclamation of certain long-pending tariff concessions under GATT, as well as by prompt U.S. relief measures, during and after the disastrous floods of April 1959.

Despite Uruguay's pro-Western orientation, the Communist Party, legal in Uruguay, has infiltrated significantly into the labor movement. A large Soviet legation and several satellite missions are maintained in Uruguay and under pressure of having to find a market for wool outside the Free World, Uruguayan trade with the Sino-Soviet bloc has increased appreciably, more than half of Uruguay's petroleum imports now coming from the Soviet Union. The present government is seriously concerned with the dangers inherent in this situation and has given attention to means of dealing with the problems. Uruguay has recently received substantial economic assistance, and its dangerous dependence on the Sino-Soviet trade has been lessened, through substantial purchase of surplus agricultural products under P.L. 480.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	80	96	
Cumulative 6/30/59	1,597	1,521	76
Estimate FY 1960	105	116	
Cumulative 6/30/60	1,702	1,637	65
Estimate FY 1961		65	

Country: URUGUAY

ECONOMIC SITUATION

Current Economic Situation and Problems

The Uruguayan economy is based on the production and export of sheep, cattle, wheat and vegetable oils, which account for over 90% of the country's foreign exchange earnings. The current economy is characterized by serious over-all deterioration. The country has for some time maintained a high standard of living which its current rate of productivity cannot support. Inflationary pressures have become greater, production is slowing down, employment is falling, foreign trade is at a low level, and the foreign exchange shortage is critical. The country's economic plight was considerably aggravated by the disastrous floods of April 1959, which destroyed property and crops and disrupted communications all over the country.

Perhaps the most significant feature of Uruguay's economic plight in recent years was the failure of the Colorado Government to take basic corrective measures. Prospects for remedial action are now brighter, as the Nationalist Government, which took office March 1, 1959, has undertaken to formulate and carry out plans for exchange reform, changes in the banking system, fiscal and administrative improvement, and economic development. However, lack of unity within the Nationalist Party makes it difficult for the Government to obtain approval for its program in Congress, where the Nationalist factions have only a bare majority over a united opposition.

After the foreign exchange crisis became acute in late 1957 and until the recent adoption of a new foreign exchange system, Uruguay's imports were largely confined to essential goods, with discriminatory restrictions limiting imports mainly to countries with which Uruguay had bilateral payments agreements. This austerity program resulted in imports being reduced to $135 million in 1958, so that a favorable trade balance of $4 million was recorded. However, this represents such a low level of trade that it cannot be long continued without a reduction in the standard of living and/or increasing stagnation of industries. A return to a more normal import level in 1959 resulted in a trade deficit which may reach $70 million for the year.

Uruguay's foreign exchange crisis has been accompanied by a deterioration of the internal economic situation. These internal difficulties stem only in part from the stagnation of industries dependent upon movement of exports and imports. To a large extent they are the result of past governmental fiscal policies and the attempt to finance a costly welfare state and maintain a high standard of living in an economy which consumes more than it produces. An extensive system of social welfare and state-owned enterprises has been developed over the past century. Only a few of these enterprises operate at a profit. To carry on all its activities the state has acquired a payroll accounting for about one-third of the country's working population.

Progress to Date

The country has been able to maintain internal political stability, and carry out government organization under the new administration. The new government has requested parliamentary approval of an IBRD loan of $7 million to finance a program of livestock improvement. It has also adopted a new foreign exchange system and, in conjunction with the IMF, is studying other measures looking toward economic stabilization.

Assistance from Non-ICA Sources

During CY 1960 19 U.N. technicians will assist Uruguay as part of a program totaling $150,000 in U.N. Technical Assistance. The DLF has loaned the Government of Uruguay $8.8 million to help finance the expansion of the Montevideo telephone system.

The initial project loan agreement has been signed making available $6.3 million equivalent in local currency. A total of approximately $43.2 million in P.L. 480 sales agreements have been negotiated or are in process. Approximately 50% of the local currency proceeds will be introduced into the Uruguayan economy during 1960-61, primarily to support electric power development.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	0.2	0.2	0.1
DLF - Loan Approvals		8.8	1/
P.L. 480, Title I - Country Use		6.3	15.4
(Total Sales)		(12.4)	(30.8)
P.L. 480, Title II - Obligations		3/	2/
P.L. 480, Title III - Obligations			2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	0.2	15.3	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

3/ Less than $50,000.

Country: URUGUAY

TECHNICAL COOPERATION

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	80	105	

Role of Program - Technical Cooperation

Technical Cooperation project activity was largely terminated as of June 30, 1959, with the exception of one technician, participant training activities, and provision for occasional short-term technical consultants. Ratification of a technical cooperation program agreement by the Uruguayan Congress was completed during January 1960. Prior to ratification of such an agreement, ICA was prepared to consider only participant training activity and requests for services of U.S. technical consultants where such an assignment would be important to Uruguay and serve a significant interest of the United States. With the agreement now ratified, ICA conceivably may receive additional requests.

Objectives - Technical Cooperation

Assistance in meeting specific and limited Uruguayan requests for short-term technical consultation and for training of Uruguayan technicians needed for Uruguayan development programs.

Accomplishments - Technical Cooperation

Despite the limited scale of the program to date, important work has been done in training of Uruguayan technicians, in organizing selected health facilities, in providing some statistical and administrative advice, and in the establishment of an industrial safety bureau.

Composition of 1961 Technical Cooperation Program

No ICA program is being proposed for FY 1961. In view of Uruguay's recent ratification of the bilateral Technical Assistance agreement, however, technical consultation and training may be provided in response to specific requests from the Uruguayan Government.

Country: URUGUAY

TECHNICAL COOPERATION

TABLE E-1-A

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	33	25	
Participants	38	65	
Contractual Services			
Supplies and Equipment	2		
Contrib. to Coop. Services			
Other Costs	7	15	
Total Project Assistance	80	105	
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	2		
Contract			
Total Technicians	2		
Participants (Programmed during year)			
Non-Contract	10	18	
Contract			
Total Participants	10	18	
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries			
Industry and Mining			
Transportation	5	15	
Labor	6	15	
Health and Sanitation	42	35	
Education			
Public Administration	16	25	
Community Development, Social Welfare and Housing	11	15	
General and Miscellaneous			
Total by Field of Activity	80	105	

VENEZUELA - GENERAL ECONOMIC DATA

	Unit	1956	1957	1958	1959 Est.
		Calendar Years			
GROSS NATIONAL PRODUCT*					
Total GNP *(In 1958 Prices)*	$ Millions	5,368	6,237	6,437	n.a.
Per Capita GNP	Dollars	902	1,017	1,019	n.a.
PRODUCTION					
Agricul. Prod. Index a/	1953-55=100	110	116	116	116
Petroleum, crude	Million MT	132	149	139	150
Iron ore	1,000 MT	11,105	15,378	15,484	17,000
Electricity	Million KWH	1,949	2,384	3,000	3,600
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	2,116	2,366	2,321	2,350
Iron ore	"	74	114	117	120
Petroleum and Products	"	1,984	2,175	2,115	2,140
Total Imports (c.i.f)	"	1,249	1,868	1,599	1,500
Trade Balance	"	+867	+498	+722	+850
Trade with United States *(U.S. Data)*					
Exports to U. S. (f.o.b)	$ Millions	705	900	892	875
Imports from U. S. (f.o.b)	"	674	1,050	808	755
Trade Balance	"	+31	-150	+84	+120
GOLD & FOREIGN EXCHANGE HOLDINGS *(end of year)*	"	970	1,478	1,093	723(Nov)
COST OF LIVING INDEX (Caracas)	*1953=100*	101	98	103	108

CENTRAL GOVERNMENT FINANCES* FY ending June 30	1958	1959	1960(Budget)
	- Million Dollar Equivalents -		
Domestic Revenues	1,457	1,584	n.a.
Total Expenditures	1,620	1,863	n.a.
Deficit(-) or Surplus Before All Foreign Aid	-163	-279	
Budget Receipts from Non-U.S. Foreign Aid	-	-	
Budget Receipts from U.S. Aid & PL 480	-	-	
Remaining Deficit(-) or Surplus(+)	-163	-279	
DEFENSE EXPENDITURES - TOTAL	187	188	n.a.
U.S.-Financed	-	-	
Defense Expend. as % of Total Gov't Expend.	11.5%	10.1%	
Defense Expenditures as % of GNP	3.1%	2.8%	
NON-DEFENSE GOV'T EXPENDITURES - TOTAL	1,433	1,675	n.a.
U.S.-Financed	-	-	

n.a. - Not available. */ Converted at 3.35 bolivares per U.S.$.
a/ Crops harvested in crop-year ending in year stated.

BASIC DATA

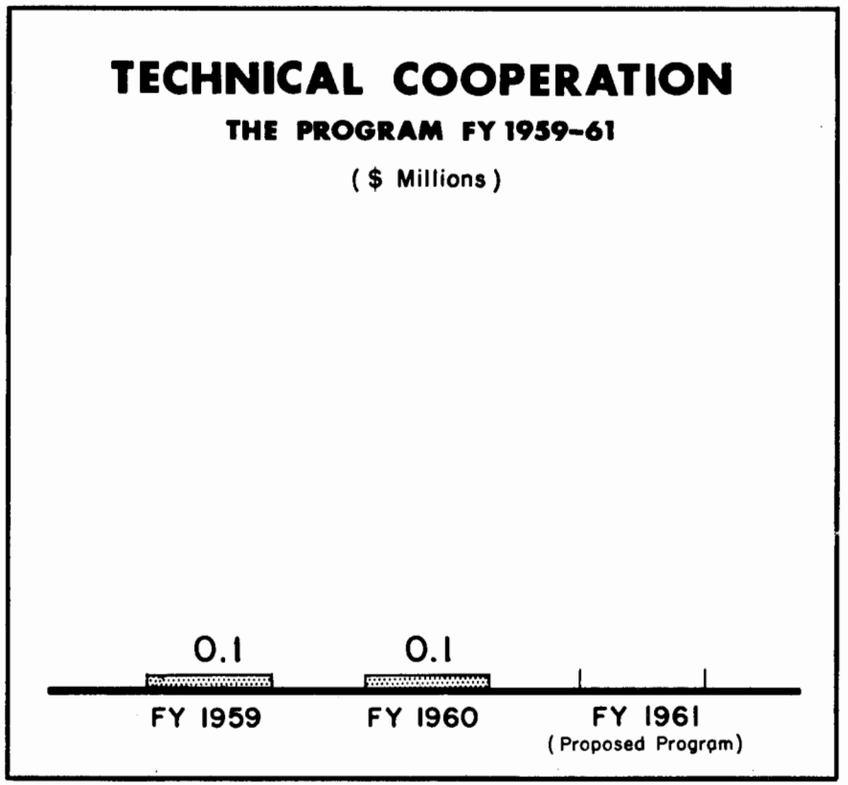
Population	6.5 million
Annual Growth	3.2 percent
Area	352,143 sq. mi.
Agricultural Land	17% of area
Agri. Land per Capita	6 acres
Literacy Rate	51 percent

	Venezuela	U. S.
Life Expectancy *(Years)*	n.a.	70
Inhabitants per Physician	1,700	760
Road Miles per 1,000 sq.mi.	43	870
Electric Power per Capita *(KWH per Year)*	513	4,500

Rich petroleum and other stretegic mineral resources, proximity to the Atlantic approaches to the Panama Canal, and the estimated more than three billion dollars of private U.S. capital invested in the country all highlight the importance for the U.S. of a friendly, strong and stable Venezuela.

Aside from the significance of the military in domestic politics, Venezuelan capability for cooperation with the U.S. in hemisphere defense is a matter of mutual interest and a safeguard for vital resources in an emergency. For these reasons the U.S. maintains army, navy and air force training missions in Venezuela and endeavors otherwise to collaborate in a sympathetic and friendly manner with the Venezuelan armed forces. We have arrangements with Venezuela providing for the sale of military equipment.

Venezuela's independent history has been marked by alternating period of liberal, democratic governments and strong, sometimes brutal, military dictatorships. When the last dictatorship, which had endured for about ten years, was overthrown in January, 1958, it was succeeded by a provisional government which received almost universal support within Venezuela. Elections in December 1958 chose the present government headed by President Romulo Betancourt. This administration represents a coalition of all three major parties specifically excluding any Communist participation. It enjoys popular support and appears to have the loyalty of key military elements of the country - a major factor in Venezuelan politics - despite a degree of impatience over what some military consider to be complacency in the face of gains in Communist influence. However, it faces serious social and economic problems, many of which were bequeathed by the former dictatorship. The effectiveness of its efforts to carry out an agrarian reform, industrialize the country, pay off accumulated debts and bring about other needed social reforms will depend largely on its ability to resist the extremist pressures of a small but efficient Communist party allied with ardent nationalist groups. Orderly progress in meeting these problems by a stable, democratic Venezuelan Government is considered of vital interest to the U.S. The limited U.S. technical assistance projects have aimed to contribute to the orderliness of such progress.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	134	126	
Cumulative 6/30/59	1,113	1,062	51
Estimate FY 1960	100	100	
Cumulative 6/30/60	1,213	1,162	51
Estimate FY 1961		51	

Country: VENEZUELA

ECONOMIC SITUATION

Current Economic Situation and Problems

Despite Venezuela's wealth of resources and high national income, in many respects it is an underdeveloped country. The majority of its population lives in a state of mere subsistence. The solution of many of Venezuela's economic and social problems is inhibited by a lack of technically trained people and an extremely unequal distribution and use of the national revenue.

The present Government has inherited serious financial problems from the previous totalitarian regime. Spectacular but unproductive public work projects constituted a principal item of expenditure in the budget of that regime. Hundreds of millions of dollars of unpaid debts and unfinished projects requiring additional large expenditures before they can become operative are another heritage of the Perez Jimenez administration.

Agricultural productivity has not kept pace with population growth and Venezuela imports a large volume of food products which could be produced domestically. The effect is an expanding use of foreign exchange for food imports, a fact which deters economic development. As a consequence of the poor living conditions in rural areas and more attractive employment or relief opportunities in urban centers, the population has been draining steadily to the towns and cities. The Government faces a serious urban unemployment problem.

Events since the revolution have been characterized by strong currents of economic nationalism favoring protection of domestic industry. It is to be expected that protective measures will be augmented in the future. Another evidence of nationalism is the position taken by all political parties with regard to petroleum which accounts for from 60 to 70% of the government's total annual revenue. They have all favored more government participation in the oil industry as well as an increased government share in oil revenues. They oppose further concessions to foreign companies, pointing out that such companies now exploit only 7% of the concessions they already hold. Subsidiaries and affiliates of U.S. companies comprise more than two thirds of the industry with investment of more than $2 billion. In December 1958, the government modified its income tax law, greatly increasing the rates for all tax payers. This has altered the 50-50 profit-sharing formula between the government and the foreign oil and mining companies in a manner which may provide an estimated 60 to 65% of the profits for the government. This law is applicable to 1958 incomes and is already having its adverse effect on the rate of new foreign investments in Venezuela.

Progress to Date

The Betancourt coalition Government, as well as the various political parties in their election campaigns, evinced a determination to alleviate the plight of the masses. The Government has since appropriated substantial sums for basic economic and social development, and has taken active measures to relieve unemployment through an emergency public works program. It has also launched an agricultural development program aimed at expanding extension services, research and agricultural credits.

The present administration is paying off the debt inherited from the previous regime from current revenue, from seriously depleted treasury reserves, and through domestic and foreign private loans.

Assistance from Non-ICA Sources

Cumulative U.S. direct private investment as of December 31, 1958 was nearly $2.9 billion, but now U.S. direct investments dropped from $850 million in 1957 to $180 million in 1958. The estimated rate of U.S. investment during 1959 was about the same as in 1958.

The IBRD is at present conducting a survey in Venezuela which may prove significant to Venezuelan economic development.

The U.N. technical cooperation program in Venezuela for 1960 includes 21 technicians at a total aid level of $293,000. Private groups such as the Rockefeller Foundation have also provided technical and material assistance.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	0.2	0.1	0.1
DLF - Loan Approvals			1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations			2/
EX-IM Bank - Long-term Loans Approved		0.6	17.6 2/
TOTAL	0.2	0.7	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Role of ICA Program

ICA assistance to Venezuela has been limited to a small technical cooperation program in the field of health and sanitation. Despite its small size, ICA assistance serves as a means for encouraging the Venezuelan Government to deal with important problems confronting the vast majority of the population which has not benefited directly from the petroleum wealth. It also serves as a vehicle for the U.S. to encourage Venezuelan reliance on democratic institutions and concepts in its economic development and the solution of its socio-economic problems. Finally, it affirms the interest of the U.S. in the well-being of the Venezuelan people.

Objectives - Technical Cooperation

To contribute, in response to requests from the Government of Venezuela, to the orderly solution of Venezuela's social and economic problems through carefully conceived technical assistance directed towards supplementing the extensive efforts of the Venezuelan Government in fields which are of vital importance in Venezuela's economic development.

Accomplishments - Technical Cooperation

The major project of the ICA program until this year involved technical assistance in the construction of rural water supply systems. Towards the end of FY 1959 the Venezuelan Government indicated its desire to assume full responsibility for the operation of this project and it has now been turned over to the Venezuelans.

The remainder of the Technical Cooperation Program has consisted of assistance in the fields of industrial hygiene and vital statistics.

As a result of assistance provided in the field of industrial hygiene a staff of six Venezuelan engineers and two inspectors has been trained and a laboratory established. This staff is now providing a post graduate course in the recognition and correction of health hazards in industry to Ministry of Health physicians. In addition four inspectors attached to sanitary units have been trained in industrial sanitation. More than 500 industrial establishments have been surveyed to evaluate health hazards. U.S. assistance will be phased out early in CY 1960.

The vital statistics project is now nearing completion and will also be terminated early in CY 1960. It is expected that as a result of the assistance provided in this vital indices of mortality rates and their cause will permit the Government of Venezuela to attack these health problems more directly and vigorously.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	134	100	

In view of the completion of the health projects described above it has been decided that the Cooperative Service Agreement will not be extended after its termination date which is June 30, 1960.

Composition of FY 1961 Technical Cooperation Program

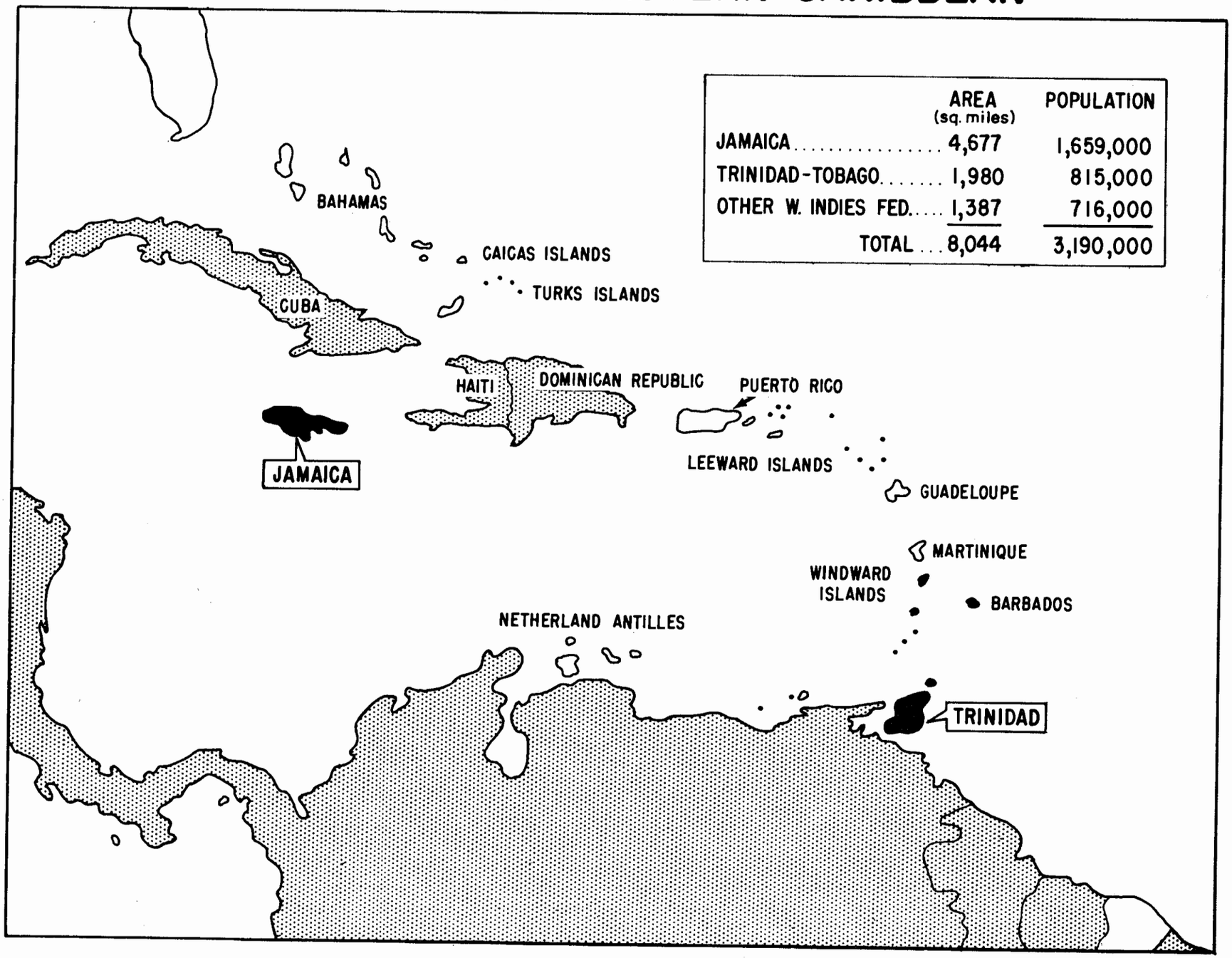
While the gross national product and foreign exchange position of Venezuela remains relatively strong, owing largely to the important position of the country in the oil industry, a majority of its people continue to barely subsist particularly in the rural areas which constitute the largest portion of the country. Under the previous regime, while large sums of money were spent on spectacular public works, little was done to contribute to the general welfare of the Venezuelan masses. The interest of the present Government, on the other hand, is centered in the economic and social development of the backward underdeveloped rural areas. This change in emphasis is reflected in recent expressions of interest by the Venezuelan Government in receiving assistance in a number of fields which would benefit the previously neglected rural population. In addition to requests for several new projects in the field of public health, the Government has indicated an interest in assistance in agricultural extension, home economics, land management, self-help housing, roads and communications, labor and public administration. With the phase-out of the Cooperative Health Service projects and in view of the change in attitude of the Venezuelan authorities described above, the United States is in the process of reassessing its policy concerning technical cooperation activities in Venezuela in order to determine the kind of assistance which would be most effective, within fund limitations, in contributing to the economic and social development efforts of the Venezuelan Government. Pending the outcome of this reassessment, no firm program for FY 1961 is being proposed at this time.

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	104	80	
Participants	5	10	
Contractual Services			
Supplies and Equipment			
Contrib. to Coop. Services	25		
Other Costs		10	
Total Project Assistance	134	100	
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	5		
Contract			
Total Technicians	5		
Participants (Programmed during year)			
Non-Contract	2	3	
Contract			
Total Participants	2	3	
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries			
Industry and Mining			
Transportation			
Labor			
Health and Sanitation	134	100	
Education			
Public Administration			
Community Development, Social Welfare and Housing			
General and Miscellaneous			
Total by Field of Activity	134	100	

WEST INDIES and EASTERN CARIBBEAN



	AREA (sq. miles)	POPULATION
JAMAICA	4,677	1,659,000
TRINIDAD-TOBAGO	1,980	815,000
OTHER W. INDIES FED.	1,387	716,000
TOTAL	8,044	3,190,000

Country: WEST INDIES AND EASTERN CARIBBEAN

MUTUAL SECURITY PROGRAM

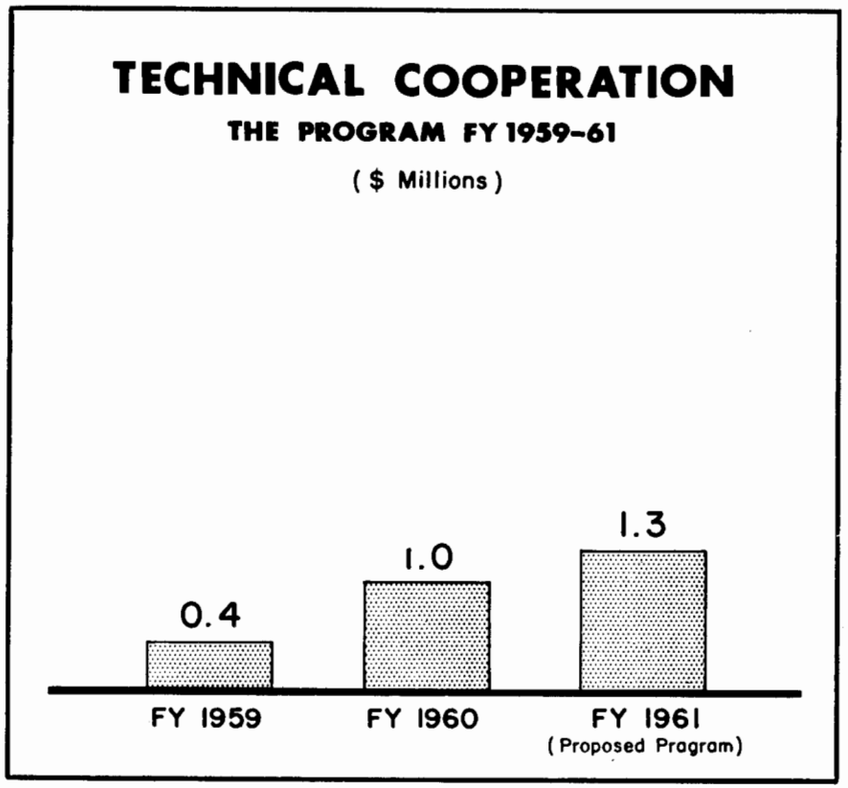
The major interest of the U.S. in the West Indies is the retention of active and inactive U.S. bases, most of which were acquired in the 1941 base-destroyer exchange with the British. Active installations include a naval base on Trinidad and long-range proving ground stations connected with Cape Canaveral on other Islands.

The West Indies Federation came into existence in January 1958 and is expected to acquire status in the British Commonwealth in two to four years. It comprises the island territories of Trinidad, Tobago, Jamaica, Barbados, and the Leeward and Windward Islands. Economic conditions vary among the Islands, but the average standard of living throughout the Federation is very low. It is probable that the development of a strong central government will be slow.

The U.K. continues to bear the main burden of supporting economic development in the Federation. In addition to Colonial Office budgetary support, the U.K. continues to spend substantial sums in the area for development purposes. The needs exceed availabilities.

The U.S. has a vital interest in political and economic stability in the area. The West Indies is a new Island Federation on the U.S. door step and our relations with it will be widely watched. The Islands stretch across the approaches to the Panama Canal and important trade routes with Latin America. Further, Trinidad is the site of an important oil refinery and is a source of crude oil. Jamaica is one of the world's leading producers of bauxite. American private investment in the area is substantial; trade with the U.S. is important and expanding.

For these reasons it is in the U.S. interest to furnish technical assistance and some funds for economic development, to assist in economic progress of the Federation and to maintain an element of cooperation with the U.S. in the defense of the hemisphere. For similar reasons the ICA mission to the West Indies also administers small technical cooperation programs in neighboring French and Dutch Island dependencies.



TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	445	357	
Cumulative 6/30/59	1,013	727	286
Estimate FY 1960	1,015	650	
Cumulative 6/30/60	2,028	1,377	651
Estimate FY 1961	1,335	936	

ECONOMIC SITUATION

Current Economic Situation and Problems

The recently formed Federation of the British West Indies is moving rapidly from colonial toward Dominion status. It now has a population of approximately 3.3 million, largely of African descent. Owing to the Federation's proximity to the U.S., its underdeveloped status and economic and social problems are of major concern to the U.S. which also has sizeable investments in bauxite and petroleum refining and an expanding trade with the area. U.S. private investment ranges from $300 million to $500 million with private capital from all sources flowing into the area at a rate approaching $100 million a year. Economically, the Federation is still weak. Its geographically scattered components are for the most part poor territories with meager resources for development. Population density is high and increasing and the standard of living is low. Trinidad and Jamaica, the two largest and relatively most prosperous islands, have extractive industries (bauxite and petroleum); the other islands are completely dependent on agriculture and single export crops such as sugar. Skills, trained manpower and facilities for training fall short of need. Unemployment and underemployment are serious. The private sector of the economy is lagging and in many cases the necessary conditions and opportunity for the encouragement and development of private enterprise, such as small industry and tourism, have yet to be created. Agricultural land is limited, production must be increased and diversified to provide sufficient food for local consumption. Transportation, marketing methods and facilities are inadequate as are health and sanitation conditions and housing.

At present, the Federation has no taxing authority or borrowing capacity. Mandatory levies on individual member islands and other revenues ($7 - $7.5 million equivalent per year) barely pay for current expenditures. British support to the Federation territories has been and continues to be sizeable. Early financial autonomy for these islands is unlikely. On the other hand, the Federation must show soon some signs of strength, promise and advantage to its membership if it is not to flounder or collapse.

Progress to Date

Within the present limits of its authority, the Federation is attempting to develop projects and regional activities which are not in conflict with the local autonomy of its member territories. It has allotted from its meager resources its contribution to the establishment of the Development Loan and Guaranty Fund to provide loans needed to attract loan capital for the development of small industries and tourism. The Federation has undertaken to strengthen and expand its training facilities to provide in some measure the technical skills necessary for economic development and for improved federal government operations. It is assisting unit governments to the extent possible in improving transportation and communications facilities to provide closer ties within and between its scattered members. In general it is preparing itself to assume more central authority to deal more effectively with regional matters as its members relinquish individual territorial autonomy.

Assistance from Non-ICA Sources

From 1946-1957 the UK expended $50.2 million equivalent for developmental programs in the public sector and anticipates an expenditure of $43.9 million for the 1959-1964 period. In addition the UK provided grant-in-aid (budget deficit financing) for 1959-1964 of $24.5 million equivalent. The UK plans to continue this assistance at about the same rate for the period 1965-1970. In addition, the UK has set aside $2.8 million for the establishment of a federal capital and also assists by its special marketing and pricing arrangements for sugar. Canada has provided a grant of $10 million for the purchase of two ships for inter-island transportation.

The UN Special Fund is assisting in the establishment of a faculty of engineering in the University College of the West Indies. Other UN agencies plan to provide $150,000 for 14 experts and three fellowships in 1960. The Ford Foundation is also assisting the Federation with its grants to the University College.

U.S. ECONOMIC PROGRAMS
(Millions of Dollars)

	FY 1958	FY 1959	FY 1960
ICA - Obligations	0.2	0.8	4.0
DLF - Loan Approvals			1/
P.L. 480, Title I - Country Use (Total Sales)			
P.L. 480, Title II - Obligations			2/
P.L. 480, Title III - Obligations	0.9	0.9	0.5 2/
EX-IM Bank - Long-term Loans Approved			2/
TOTAL	1.1	1.7	XXXX

1/ Actual 1st 7 mos. 2/ Actual 1st 6 mos.

Role of Program

The role of the program is to strengthen the new West Indies Federation by helping it to meet its priority development objectives. U.S. assistance during the early stages of this new national entity is designed to ensure its emergence as a strong, healthy, and friendly free nation in this hemisphere within the next few years.

Objectives - Technical Cooperation

To provide U.S. technical experience to strengthen and develop local institutions and to develop individual technical competence in order that all available resources may be used effectively for economic growth commensurate with the rapid evolution of the Federation toward independence. More specifically:

(a) To assist the Federation of the West Indies and its member territories to train its people and develop technical training facilities to provide needed skills for economic development.

(b) To assist with the development and strengthening of institutions and public services through advisory services and technical guidance.

(c) To assist with priority segments of the Development Plans providing U.S. technical experience not available from other external sources to improve agricultural production through extension and other practices, vocational and pre-vocational training, roads maintenance, and health education, public administration, aided self-help housing and development planning.

(d) To channel such assistance where feasible through the Government of the West Indies in order to strengthen the new Federation.

Accomplishments - Technical Cooperation

The TC program in Jamaica, which is geared to support the Jamaican Economic Development Plan, began in June 1955. Program emphasis has been placed on agricultural development which is the largest component and has the highest priority in the Government of Jamaica Developmental Plan. Government facilities and institutions have been strengthened and technicians trained in various aspects of agriculture such as extension, education, credit, plant protection and agricultural information. Other TC

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	445	1,015	1,335

accomplishments include the development and establishment of sanitary engineering organization in the Jamaican Government, safe rural water supplies and the strengthening and development of the health education program. Since the inception of the program 100 Jamaicans have been trained in the U.S. and in Puerto Rico. ICA has also used Jamaica as a third country training area and technicians from many countries come to Jamaica to attend the ICA-WHO-PASB world-wide Malaria Training Center.

The TC programs in the other British Caribbean Islands and for the Federation were started much later than the work in Jamaica. The ICA Mission to the Federation was established in FY 1959 and in the short period since has laid the foundation, through the use of technical surveys and short-term consultants, for projects in agriculture, transportation, industry, vocational education, health and public administration. The programs are being implemented through The West Indies Cooperative Service Organization and the Windward Islands Cooperative Service. U.S. technicans in agriculture, housing, handicrafts, transportation and public administration are now on board and with additional U.S. technicians arriving in FY 1960 the program should be fully operational by FY 1961. Work is now underway in many of the islands in agriculture, housing, handicrafts, transportation, vocational education and public administration.

Composition of FY 1961 Technical Cooperation Program - $1,335,000

The substantial increase in the TC program between FY 1959 and that proposed for FY 1961 reflects a decision to make a concerted effort to assist the successful establishment of this new island Federation on the U.S. doorstep.

The total TC program is divided between the Jamaica country program as one segment and programs for the rest of the Federation including the Federation program itself as the balance. A small amount is provided for the continuation of training in Puerto Rico of a few participants from the French Caribbean Departments and the Netherlands Antilles.

The component proposed for Jamaica amounts to $385,000 which provides for continuation of TC projects in agriculture, industry,

SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	164	452	625
Participants	120	324	340
Contractual Services	6	22	128
Supplies and Equipment	21	36	16
Contrib. to Coop. Services	50	100	125
Other Costs	84	81	101
Total Project Assistance	445	1,015	1,335
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	12	27	47
Contract		1	5
Total Technicians	12	28	52
Participants (Programmed during year)			
Non-Contract	45	95	125
Contract			
Total Participants	45	95	125
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries	138	234	294
Industry and Mining	32	96	85
Transportation	13	46	73
Labor	4	8	12
Health and Sanitation	54	62	73
Education	8	200	352
Public Administration	28	69	108
Community Development, Social Welfare and Housing	25	39	42
General and Miscellaneous	143	261	296
Total by Field of Activity	445	1,015	1,335

health, education and connumications media. Emphasis will be given to strengthening Jamaican vocational and practical training facilities to serve the needs of Jamaica as well as the rest of the Federation.

The TC program for the Federation amounts to $950,000 and provides for the continuation of major efforts in education, transportation, public administration and agriculture with provision for more limited assistance in housing, industry and mining, health and labor. Special Assistance funds will continue to be used to support TC efforts in education and transportation.

Country: WEST INDIES AND EASTERN CARIBBEAN

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Agriculture and Natural Resources-Total		294	211	68	2		13			
Agriculture & Natural Resources(Jam.)	C	160	105	45			10			
Agriculture General (W. I. Fed.)	C	59	49	8			2			
Agriculture General (Windward Islands)	C	75	57	15	2		1			
Industry and Mining - Total		85	40	18	18		9			
Industry	C	30	15	10			5			
Handicraft Development	C	20	12	4	3		1			
Meteorological Training	C	18	13	4			1			
Industrial Management Training	C	17			15		2			
Transportation - Total		73	47	24			2			
Road Improvement - Demonstration & Training	C	73	47	24			2			
Labor - Total		12		12						
Labor Training	C	12		12						
Health & Sanitation - Total		73	42	23			8			
Health & Sanitation	C	50	30	15			5			
Health Education	C	23	12	8			3			
Education - Total		352	98	142	108		4			
Education	C	82	13	59	8		2			
Education General	C	216	85	29	100		2			
Vocational Training-W.I. Fed.	C	30		30						
" " French W.I.	C	12		12						
" " Neth. Antilles	C	12		12						
Public Administration - Total		108	58	45			5			
Public Administration Training	C	25		25						
Economic Development Planning	C	44	33	8			3			
Public Service Training Forum	C	39	25	12			2			

Country: WEST INDIES AND EASTERN CARIBBEAN

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION (Continued)

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart.	P.L. 480 Administered by ICA
Community Development, Social Welfare & Housing - Total		42	32	8			2			
Housing and Planning	C	42	32	8			2			
General and Miscellaneous --Total		296	97			16	58	125		
Audio Visual Aids-Communic. Media Adv.	C	18	13				5			
West Indies-Amer. Coop. Service	C	75						75		
West Indies Coop. Service-Adm.Services	C	32	29				3			
Windward Islands-Am. Coop. Service	C	50						50		
Wind. Islands Coop.Serv.-Admin. Serv.	C	36	32				4			
Technical Support	C	85	23			16	46			
Total Technical Cooperation		1,335	625	340	128	16	101	125		

TECHNICAL COOPERATION

Role of Program - Technical Cooperation

The Regional Technical Cooperation program backstops and supports the bilateral Technical Cooperation Programs in Latin America by providing country programs with services which can be administered more effectively and at less cost on a regional basis.

Activities meeting these criteria include regional workshops, seminars, contracts with institutions for training of Latin Americans, the translation and publication of U.S. technical materials at the request of country missions, and the provisions of consultants on a short-term basis in various technical fields when required by the country missions.

Objectives - Technical Cooperation

(a) To upgrade elementary education in Latin America by training a nucleus of elementary school supervisors and demonstration teachers in America teaching concepts and methods.

(b) To overcome the insufficient supply of high-quality Spanish language technical publications and technical films available to the country missions for the implementation of training programs in Latin America for the improvement of technical skills.

(c) To increase the effectiveness of bilateral technical assistance programs in Latin America by supplementing country-assigned technicians with high-level short-term consultants available to more than one country as needs arise.

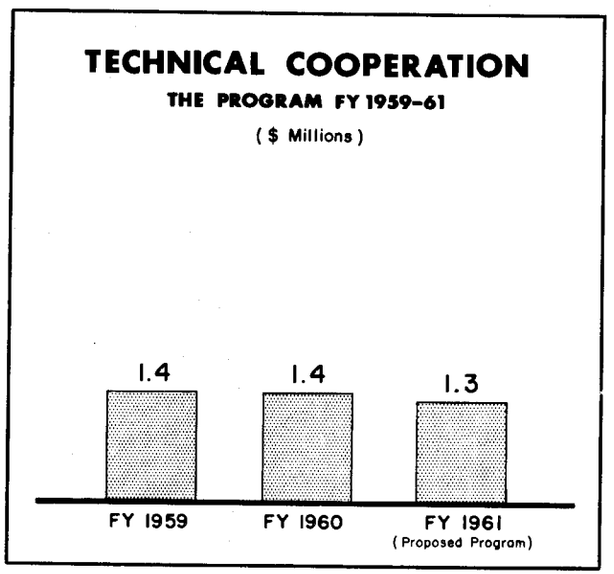
(d) To contribute to overcoming the shortage of trained personnel in Latin America, which is one of the main obstacles to the further economic development of the region, by supplementing the scarce training facilities of many of the Latin American countries in fields related to economic development.

(e) To bring about the improvement of scientific facilities and capabilities in institutions of higher learning in Latin America so they can more effectively contribute to the further economic development of the respective countries.

(f) To increase cooperation among the Latin American countries and with the United States in technical fields related to economic development, and to provide opportunities for Latin American countries to assist each other in solving problems common to the area.

Summary of Program $ in thousands			
Function	Actual F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
Technical Cooperation	1,419	1,390	1,250

TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	1,419	1,405	
Cumulative 6/30/59	14,222	11,653	2,569
Estimate FY 1960	1,390	1,726	
Cumulative 6/30/60	15,612	13,379	2,233
Estimate FY 1961	1,250	1,410	



SUMMARY OF PROGRAM BY MAJOR COST COMPONENT AND FIELD OF ACTIVITY

($ in thousands)

Major Cost Component and Field of Activity	Major Cost Component by Fiscal Year		
	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
PROJECT ASSISTANCE			
Technicians	335	412	332
Participants			
Contractual Services	812	586	615
Supplies and Equipment	1	15	5
Contrib. to Coop. Services			
Other Costs	271	377	298
Total Project Assistance	1,419	1,390	1,250
NUMBER OF PEOPLE			
Technicians (On duty close of yr.)			
U.S. Employed	18	18	18
Contract	20	24	25
Total Technicians	38	42	43
Participants (Programmed during year)			
Non-Contract			
Contract	130		
Total Participants	130		
FIELD OF ACTIVITY			
Agriculture, Forestry and Fisheries			
Industry and Mining			
Transportation	175	195	195
Labor			
Health and Sanitation	101	130	
Education	131	118	118
Public Administration			
Community Development, Social Welfare and Housing			
General and Miscellaneous	1,012	947	937
Total by Field of Activity	1,419	1,390	1,250

Accomplishments - Technical Cooperation

Regional program accomplishments are, in the main, reflected in country accomplishments. However, some accomplishments have area-wide applicability. These include: The training of over 2,000 participants in Puerto Rico between July 1954, and June 30, 1959, in public health, public administration, economics, labor relations, and other fields; helping to overcome the shortage of high-quality Spanish language technical publications and films through maintenance of a central libary; strengthening regional centers of training to supplement scarce training facilities of many Latin American countries; increased cooperation among Latin American countries in solving common problems relating to economic development.

Composition of FY 1961 Technical Cooperation Program - $1,250,000

The reduced funding shown for Regional projects from $1,419,000 in FY 1959 to a proposed level of $1,250,000 for FY 1961 is largely the result of shifting to individual country programs certain funding responsibilities that had hitherto been included under Regional projects. For example, in FY 1959 participant training for nominees coming from dependent territories was charged to Regional funds. Beginning in FY 1960 this costing is charged against USOM allotments. Regional projects are generally confined to provision of regional consultants as they are requested; training Latin Americans at selected training centers; regional workshops and seminars and the provision of Spanish translations of U.S. technical publications and films.

Nine U.S. technical specialists in various activities such as aircraft maintenance, electronics engineering, air operations, and meteorology are stationed in Panama and are available to advise on any civil aviation problems. These technicians have been used extensively throughout Latin America.

The two projects in the field of Education involve contracts with Pennsylvania State and the Research Foundation of New York State University (Geneseo) to provide bilingual training for elementary school supervisors and demonstration teachers in American teaching concepts and methods.

The Regional Technical Aids Center in Mexico City arranges for translation and publication of technical materials upon request. All Missions are advised of the proposed translation and publication in order that they may request supplies of the materials. This prevents duplication among the countries.

Two machinery Consultants are made available to Latin American countries to provide expert consultation on machinery problems as they relate to ICA projects and programs throughout the region. These consultants also inspect and select U.S. excess machinery and equipment for use in demonstration and training projects in country programs.

The Book Exchange project is conducted by the U.S. Book Exchange, a private nonprofit organization which serves as a clearing house for national and international exchange of technical and scientific publications among libraries. Materials supplied by USBE consist largely of surplus technical and scientific books and periodicals at least one year old, which may be provided on an exchange basis.

The Technical Consultants and Audio Visual Support project is designed to strengthen and support country projects by providing high-level short-term consultants in specialized fields in cases where local needs are not broad enough either in scope or time to warrant the recruitment of a U.S. technician.

Under a contract between ICA and the Monterrey Institute of Technology, Mexico, one to two-year undergraduate training is provided to Latin American participants in engineering, business administration and general science.

The National Academy of Sciences contract provides consultative service to ICA programs for establishment and/or improvement of instructional and research activities in Natural Sciences in Latin America.

Under a contract with the Commonwealth of Puerto Rico training is provided to Latin American participants in various technical fields. Puerto Rico, because of its significant economic progress in the past decade, its interest in the ICA program, and the fact that the Commonwealth is Spanish-speaking, is an ideal demonstration and training center for Latin American participants. The Seminars and Workshops project covers technical consultation and overhead costs for Seminars and Workshops held in support of U. S. bilateral TC programs in Latin America. These Seminars and Workshops cover such major fields as agriculture, labor, and public administration.

ICA will continue to provide training to Latin American Central Bank technicians at the Center for Latin American Monetary Studies, (CEMLA), which also undertakes research of a practical nature in the field of Central Banking and monetary credit policy with specific reference to Latin American problems.

TECHNICAL COOPERATION

TABLE E-IV

PLANNED DISTRIBUTION OF FY 1961 PROJECT ASSISTANCE

Function: TECHNICAL COOPERATION

Activity and Projects	New or Continuing	DIRECT U.S. DOLLAR COST BY COST COMPONENT - ($ in thousands) Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	LOCAL CURRENCY COST (In thousands of dollar equivalent) MSP includ. Counterpart	P.L. 480 Administered by ICA
Transportation - Total		195	135				60			
Technical Assistance in Civil Aviation	C	195	135				60			
Education - Total		118			118					
Teacher Training-Pennsylvania State	C	70			70					
Teacher Training-Geneseo	C	48			48					
Miscellaneous - Total		937	197		497	5	238			
Technical Aids Coordination	C	185	32				153			
Machinery Consultants	C	40	40							
Book Exchange	C	35			35					
Technical Consultation and Audio Visual Support	C	130	100			5	25			
Monterrey Institute of Technology	C	172			172					
National Academy of Sciences	C	50			50					
Technical Training in Puerto Rico	C	210			210					
Seminars and Workshops	C	85	25				60			
Center for Latin American Monetary Studies (CEMLA)	C	30			30					
Total Technical Cooperation		1,250	332		615	5	298			

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TECHNICAL COOPERATION

The Organization of American States Technical Cooperation Program is a multilateral effort of the Latin American nations together with the United States to further the economic and social development of Latin America. Unlike the bilateral United States and multilateral United Nations programs of technical assistance to individual countries, the Organization of American States Program is limited to regional projects. Its operation consists of establishment and support of regional training centers. Organization of American States technical assistance funds are used to support special technical training staffs and to provide fellowships for trainees from all the countries of Latin America to attend these centers, which have been established in conjunction with existing facilities as independent centers, or to attend special seminars, workshops, etc., organized by projects under the Program. At the end of the courses the trainees return to their own countries to assume positions utilizing this training or, in some cases, to assist in organizing similar training programs at home. The calendar year 1960 program consists of eight projects, plus the possible expansion of an existing project and addition of a new project if the financial situation permits.

The Technical Cooperation Program is directed by the Inter-American Economic and Social Council of the Organization of American States. The Council is advised by the Director of the Department of Technical Cooperation of the Pan American Union who is responsible to the Council for carrying out the program, and by a Technical Cooperation Board composed of one representative from each of the Inter-American agencies which supervise the projects. The Board examines projects proposed by these agencies and recommends to the Inter-American Economic and Social Council an annual program for approval. The member agencies include the Pan American Union. Inter-American Children's Institute, Inter-American Indian Institute, Inter-American Institute of Agricultural Sciences, Inter-American Statistical Institute, Pan American Institute of Geography and History, and Pan American Sanitary Bureau. Close coordination is maintained with the United States bilateral and United States technical assistance programs.

U.S. Interest in Program

The U.S. is interested in the Technical Cooperation Program of the OAS because it is a multilateral program which exemplifies cooperation in this field among all the countries of the Hemisphere and to which each member state of the OAS contributes according to its means. Many U.S. technicians are involved in the program, bringing the benefits of their skills to participants from the other countries of the Hemisphere. The program supplements but does not duplicate our technical cooperation activities in the bilateral field. It is a continuing demonstration of our interest in

Program Summary ($ in thousands)		
F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
1,500	1,500 a/	1,500

DETAIL OF PROGRAM ($ in thousands)

Approved Programs	CY 1959	Estimated CY 1960	Proposed CY 1961
Projects	1,772	1,513	
Administration	76	76	
Contingencies	84	37	
Total	1,932	1,626	2,143 b/
U.S. Contribution (70%)	1,332	1,500 c/	1,500 c/

a/ Includes $1,200 thousand of new funds appropriated for FY 1960 and $300 thousand of unobligated FY 1959 funds reappropriated for FY 1960.

b/ The program for CY 1961 has not yet been considered by the Technical Cooperation Board. It is estimated that most of the projects in operation in 1960 will be continued in 1961, and that new activities will be added.

c/ Subject to 70% limitation.

TECHNICAL COOPERATION Project Assistance	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	1,200	1,160	
Cumulative 6/30/59	8,820	7,812	1,008
Estimate FY 1960	1,500	1,208	
Cumulative 6/30/60	10,320	9,020	1,300
Estimate FY 1961	1,500	1,400	

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helping to solve, through a collective approach, many of the basic economic and social problems of the area.

Interest of Other Participants (see Table A)

The Latin American Republics have amply demonstrated their interest in the training of their technicians in the several fields covered by the program and there is keen competition for the fellowships offered under it. Although a number of the countries have encountered difficulties in pledging increased sums of money, substantial contributions in services and facilities have been made over and above the direct contributions. The host countries, in addition to the contribution which they make to the special account, also furnish local support to the projects in the form of local personnel, services, supplies and equipment, training materials, etc. In 1960 these contributions by host countries are expected to amount to about $265,000 which is in addition to over $2,000,000 provided in land, facilities, and buildings.

Accomplishments to Date

To measure total accomplishments on a project-by-project basis would be too detailed for a summary statement of this nature. Table B provides a general statistical listing of all current projects. Since the over-all program is multilateral and regional in nature, rather than directed toward any particular country, a specific example of a functioning OAS Technical Cooperation Project might be the best means of demonstrating the value of the program to the U.S., as well as to the countries and peoples of the Hemisphere.

The Pan American Hoof and Mouth Disease (Aftosa) Center is located in Brazil and is administered by the Pan American Sanitary Bureau. The hoof and mouth disease in cattle is highly infectious and spreads rapidly, with serious economic consequences due to loss of milk, meat, and young stock, and the detrimental effect upon export trade. The countries of North America, Central America, and the Caribbean must be protected against introduction of this disease and the countries of South America must be assisted toward its control and eventual eradication. To this end the Pan American Hoof and Mouth Disease Center was set up in 1951 and has been in continuous operation since. Technical assistance is provided by training courses and long-term fellowships for veterinarians; a diagnostic and virus-typing service; advisory and consultative services on an intercountry and regional level; field studies concerning incidence of aftosa and other vesicular diseases; determination of the most effective measures for prevention, control, and eradication; and research emphasizing identification and production of virus, and production, testing and development of vaccines. Brazil furnishes the Center with 40 hectares of land containing buildings and corrals, plus contributions of capital expenditures and annual sums for utilities and services. There were three long-term fellowships offered by the Center in 1959 and other shorter training arrangements. During the past year significant progress has been made at the Center in virus typing and classification of subtypes, culture of virus, development of a modified live virus vaccine, research on tests not requiring cattle, direct assistance to individual countries, information exchange, and evaluation. Present plans call for an expansion of the project during 1960 contingent upon supplementary, voluntary contributions toward this expansion of member countries.

Description and Justification of Proposed Program for FY 1961 (see Table B)

The proposed program for CY 1961 has not yet been drawn up, and will not be approved until late in CY 1960. For each of the first four years of the program, 1951-1954, the United States pledged $1 million with the proviso that the United States contribution would not exceed 70% of total contributions. The United States contributes 70% as the proportion of its contribution in recognition of the limited number of contributors to the program and of our predominant economic position. The national income of the United States is approximately 88% of the total national income of all the 21 American Republics which contribute, on a voluntary basis, to the support of the Technical Cooperation Program.

Because of the increasing interest of other governments in the program and because of its increasing effectiveness, the United States has, since 1955, pledged $1,500,000 annually, subject to the proviso that the United States contribution would not exceed 70% of total contributions. Total pledges for 1959 amounted to $1,902,146 of which the United States pledged $1,331,502. All pledges for 1960 have not yet been received.

In view of the effectiveness of the program, it is proposed that the United States should offer for calendar year 1961 the amount of $1,500,000. Authorization and appropriation are therefore requested for a United States contribution in that amount from FY 1961 funds. The United States contribution will not exceed 70% of total contributions.

Table A

LATIN AMERICA

ORGANIZATION OF AMERICAN STATES TECHNICAL COOPERATION PROGRAM

Contributions and Pledges
Calendar Years 1955-1960

(In dollars)

Country	1955	1956	1957	1958	1959	1960 a/
Argentina	100,000	120,000	120,000	120,000	120,000	25,822
Bolivia	7,388	7,388	7,388			
Brazil	150,000	150,000	160,256	160,256	192,000	194,595
Chile	34,452	34,452	34,452	34,452	34,452	
Colombia	39,494	47,143	47,143	47,143	47,143	47,143
Costa Rica	3,571	3,571	4,500	6,750	6,750	6,750
Cuba	17,143	17,143	17,143	17,143	24,000	
Dominican Republic	6,722	5,786	5,786	5,786	5,786	
Ecuador	9,033	4,500	9,033	4,500	4,488	4,500
El Salvador	6,722	6,722	6,722	6,722	6,722	
Guatemala	7,000	7,000	7,000	7,000	7,000	
Haiti	2,000	2,640	2,640	2,640	2,640	
Honduras	4,622	6,000	6,000	6,000	6,000	
Mexico	24,000	24,000	24,000	24,000	29,450	
Nicaragua	5,000	5,000	5,000	5,000	5,000	
Panama	3,991	3,991	4,500	4,500	4,500	4,500
Paraguay	5,000	5,000	5,000	5,000	5,000	
Peru	14,000	14,000	14,000	14,000	14,000	
Uruguay	13,865	20,571	25,713	25,713	25,713	25,713
Venezuela	34,032	30,000	30,000	30,000	30,000	30,000
Subtotal	488,035	514,907	536,276	526,605	570,644	339,023
United States	1,135,768	1,200,000	1,251,311	1,211,506	1,331,502	1,500,000 b/
Total	1,623,803	1,714,907	1,787,587	1,738,111	1,902,146	1,839,023

a/ Pledges as of December 31, 1959.
b/ Pledged subject to the 70% limitation.

TECHNICAL COOPERATION

Table B

LATIN AMERICA

ORGANIZATION OF AMERICAN STATES TECHNICAL COOPERATION PROGRAM

Summary of Approved Program by Projects

($ in thousands)

Title of Project	Cooperating Agency	Host Governments	CY 1959	Estimated CY 1960	Proposed CY 1961
Inter-American Training Center for Economic and Financial Statistics	Inter-American Statistical Institute	Chile	174	150	
Inter-American Rural Normal School	Pan American Union	Venezuela	221	199	
Inter-American Training Center for The Evaluation of Natural Resources	Pan American Institute of Geography and History	Brazil	58	46	
Technical Education for the Improvement of Agriculture and Rural Life	Inter-American Institute of Agricultural Science	Cuba, Peru, Uruguay	510	515	
Pan American Aftosa Center	Pan American Sanitary Bureau	Brazil	402	404	
Zoonoses Control Training Course	Pan American Sanitary Bureau	Argentina	26		
Seminar on the Problems of Tuberculosis in Domestic Animals	Pan American Sanitary Bureau	Argentina	9		
Inter-American Training Course in the Planning and Administration of Social Welfare Programs	Pan American Union	Argentina	154	54	
Seminar on Basic Problems of Iron and Steel Production in Latin America	Pan American Union	Argentina	43		
Inter-American Program for Advanced Training in Applied Social Sciences	Pan American Union	Mexico	65	97	
Inter-American Program for Training in Business Administration	Pan American Union	Brazil	49	48	
Inter-American Workshop on the Care of Crippled Children	Inter-American Children's Institute	Mexico	28	Possible Implementation in 1960	
Integral Study of a Pilot Area (Aerial Photointerpretation Phase)	Pan American Institute of Geography and History	Ecuador	14		
Training Course in Nutritional and Dietary Surveys	Pan American Sanitary Bureau	Argentina	19		
Subtotal Projects			1,772	1,513	
Administration			76	76	
Contingencies			84	37	
Total Program			1,932	1,626	2,143
Proposed United States Contribution at 70%					1,500

Title of Program UNITED NATIONS EXPANDED TECHNICAL ASSISTANCE PROGRAM AND SPECIAL FUND

TECHNICAL COOPERATION

Description and Objective of Program

The U.N. Expanded Technical Assistance Program is now ten years old. In that time it has proved its ability to carry out the General Assembly's resolution of 1950 to provide technical assistance for the economic development of underdeveloped countries. It has done this by making available experts, training, and small quantities of demonstrational supplies and equipment to these countries at their request. The philosophy of the program is to help the participants help themselves. The program is carefully coordinated among nine international organizations.

Assistance is provided in the fields of agriculture, public health, education, community development, industrial production, public administration, labor productivity and civil aviation.

The program is financed by voluntary contributions from some 80 governments to a central fund. Funds are allocated to the participating U.N. Specialized Agencies to carry out projects requested by the underdeveloped countries. The program approved for 1960 will involve assistance to 104 countries and territories and will include the provision of approximately 1,600 experts and some 2,000 fellowships for training abroad. The program has been operating at a level of about $30 million annually as is shown in the table on the U.N. Expanded Technical Assistance Program and Special Fund.

The Special Fund is a result of a United States initiative taken at the Twelfth General Assembly in 1957. In the spring of 1958 a preparatory committee made recommendations for the Fund's organization and operation. These were approved by the U.N. Economic and Social Council and ratified by the Thirteenth General Assembly. The Fund began operations in January of 1959.

The Special Fund undertakes basic surveys, research and training projects necessary for economic development. The Fund is not an international capital development fund, but rather finances pre-investment projects. Surveys of water, mineral, soil and power resources and the setting up of technological training centers are typical projects the Fund will make possible. As of January 1, 1960 the Governing Council of the Special Fund had approved 44 projects which will cost $31.3 million. These projects are summarized by field of activity and geographic area in the table on the U.N. Special Fund Program. Examples of the type of project are substantial contributions to the staffing and equipping of Middle East Technical University, a survey of the Mekong River Basin in Indo-China, a regional project in industrial development in Central America and a variety of basic surveys of natural resources.

Program Summary ($ in thousands)		
F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
21,600	30,000	33,000

DETAIL OF PROGRAM ($ in millions)

Contributions to Central Fund

Calendar Year	Other Governments	United States	Total	U.S. Percentage
1950-51 (18 Mos.)	8.0	12.0	20.0	60
1952	7.4	11.4	18.8	60
1953	9.6	12.8	22.4	57
1954	11.2	13.9	25.1	55
1955	12.7	15.0	27.7	54
1956	14.4	14.4	28.8	50
1957	15.6	15.3	30.9	49.5
1958	17.2	14.1	31.3	45
1959	33.4	22.3 a/	55.7	40
1960 Est.	45.0	30.0	75.0	40
1961 Est.	49.5	33.0	82.5	40

a/ Includes $700,000 of prior year funds.

ECONOMIC ASSISTANCE Fiscal Year	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	21,600	21,751	X X X
Cumulative 6/30/59	119,821	109,929	9,892
Estimate FY 1960	30,000	23,892	X X X
Cumulative 6/30/60	149,821	133,821	16,000
Estimate FY 1961	33,000	16,000	X X X

It is contemplated that, wherever possible, projects will be carried out on a regional rather than a country basis. A combined annual goal of $100,000,000 has been set for the Technical Assistance and Special Fund Programs.

United States Interest in the Programs

Among the basic foreign policy objectives of the United States are:

(a) Assisting the economic development of less-developed countries.

(b) Strengthening the United Nations. These programs further both objectives.

As a part of its leadership in the United Nations, the United States has strongly supported the technical assistance activities of the U.N. The concrete value of cooperation through international organizations becomes clearly apparent to the peoples of underdeveloped countries in technical assistance activities. A by-product of this is to attract them to the Free World.

The United States has found many advantages in supporting multilateral assistance in addition to its own bilateral programs. Sharing costs of the programs with 80 other countries is more economical than bearing the cost alone. Utilization of the U.N. pool of manpower and training resources helps speed up peaceful economic development - which is our basic goal. "International" experts in fields which may be domestically sensitive sometimes have easier entree than representatives of any single country.

Interest of Other Participants

Interest in the program is high among participating states, for it has demonstrated its utility over the years, and many contributors are also beneficiaries of the program. (See table on contributions to the ETAP and Special Fund, by country.)

Accomplishments to Date

(a) In terms of value to the U.S., ETAP has materially assisted economic development in underdeveloped areas and thereby contributed to political stability. In addition, the United States is recognized as the principal contributor to both ETAP and the Special Fund.

(b) In terms of value to the aided countries and peoples, the return from so modest an investment has been impressive. Death rates are dropping, scourges such as yaws have already been drastically reduced, agricultural and industrial productivity have been vastly increased and illiteracy is receding. These are major accomplishments in which the international agencies can claim some share of credit.

Coordination with Bilateral Program

Assistance is provided by the United Nations agencies on the basis of requests from countries. The program proposals are discussed by the Technical Assistance Board Resident Representative with the U.S. Operations Mission to insure that there is no duplication between the two programs. As projects are carried out, there is an exchange of information both in the field and at headquarters to assure active cooperation between the two programs. A similar procedure also applies to the Special Fund.

Description and Justification of Proposed Programs for FY 1961

It is proposed that the United States Delegation to the Pledging Conference - which will be held during the Fifteenth General Assembly - be authorized to offer $40 million for the two programs for calendar year 1961, with the condition that total U.S. contributions to the two programs will not exceed 40% of total contributions by all governments to these programs. At the Pledging Conference on October 8, 1959, the United States pledged a total of $40 million for calendar year 1960, subject to the 40% limitation. The United States Delegate also announced that in calculating the amount of its contribution, the United States would consider not only voluntary contributions, but also assessed and audited local cost contributions to the central fund. This is in accordance with the Mutual Security Act of 1959. It is estimated that total contributions from other governments will require a U.S. contribution of approximately $30 million in fulfillment of this pledge.

It is estimated that the United States contribution for calendar year 1961 - in fulfillment of the proposed pledge - will be approximately $33 million. This increase of $3 million over 1960 is based on the expectation that other governments will continue to increase their pledges. Therefore, the appropriation of $33 million is requested for this purpose for FY 1961. Should additional funds above $33 million be required to match contributions from other governments, such funds would be secured from other MSP funds.

In view of the U.S. initiative in the establishment of the Special Fund, it is considered essential that this Government be in a position to indicate its willingness to contribute toward the total goal of $100 million for the combined programs.

UNITED NATIONS EXPANDED TECHNICAL ASSISTANCE PROGRAM AND SPECIAL FUND

Contributions to Central Fund by Calendar Year

(In dollars)

Country	CY 1954	CY 1955	CY 1956	CY 1957	CY 1958	CY 1959		CY 1960	
						UNTA	Sp. Fund	UNTA	Sp. Fund
Australia	400,000	500,000	500,032	500,000	625,000	625,000		625,000	
Belgium	337,500	337,500	437,500	437,500	437,500	437,500	250,000	300,000	100,000
Brazil	219,135	270,270	751,351	751,351	832,432	832,432	208,108	832,432	208,108
Canada	1,500,000	1,500,000	1,800,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Denmark	434,342	550,166	579,123	579,123	579,123	651,513	332,996	651,513	332,996
France	1,207,500	1,450,357	1,450,357	1,449,964	1,542,857	1,555,288	1,072,068	1,543,780	1,072,067
Germany	148,810	148,810	297,619	476,190	952,381	1,190,476	476,190	1,428,571	1,900,000
India	300,000	400,000	450,000	500,000	525,000	525,000	500,000	525,000	2,000,000
Italy	96,000	112,000	112,000	112,000	240,000	400,000	600,000	400,000	600,000
Netherlands	600,000	660,000	760,000	974,000	1,092,500	1,202,000	2,440,105	1,323,052	2,440,105
Sweden	483,279	579,934	695,921	792,577	869,901	902,764	2,103,228	902,764	2,103,228
Switzerland	233,372	233,372	233,645	350,467	350,467	348,837	465,116	465,116	465,116
USSR	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
United Kingdom	1,820,218	2,240,000	2,240,000	2,240,000	2,240,000	2,240,000	1,000,000	3,000,000	5,000,000
Venezuela	45,000	150,000	66,000	66,000	250,000	350,000	40,000	350,000	40,000
Subtotal	8,825,156	10,132,409	11,373,548	12,229,172	13,537,161	14,260,810	12,487,811	15,347,228	19,261,620
Other Governments	2,334,091	2,534,298	3,041,213	3,324,228	3,683,755	3,613,884	3,005,956	6,352,772	4,038,380
Subtotal	11,159,247	12,666,707	14,414,761	15,553,400	17,220,916	17,874,694	15,493,767	21,700,000	23,300,000
United States	13,861,809	15,000,000	14,414,761	15,270,964	14,089,840	11,916,463	10,329,178	14,500,000	15,500,000
TOTAL	25,021,056	27,666,707	28,829,522	30,824,364	31,310,756	29,791,157	25,822,945	36,200,000	38,800,000

UNITED NATIONS SPECIAL FUND PROGRAM

Approved as of January 1, 1960

By Field of Activity and Geographic Area

(Dollars in thousands)

	Africa	Asia and Far East	Latin America	Europe	Middle East	Total
Water, Irrigation and Power Surveys	1,040	1,648	1,501	245	2,350	6,784
Agriculture, Livestock or Soil Surveys or Institutes		701	1,321		2,758	4,780
Fisheries			1,350			1,350
Meteorology			1,018		314	1,332
Mineral or Geological Surveys		1,829	990			2,819
Industrial Research Institutes		2,661	900			3,561
Vocational Training	1,058	1,211	2,013	1,605		5,887
University Technological Training			882		2,864	3,746
Miscellaneous	400	600				1,000
Total	2,498	8,650	9,975	1,850	8,286	31,259

UNITED NATIONS EXPANDED TECHNICAL ASSISTANCE PROGRAM

For Calendar Year 1960

Summary by Agency and Geographic Region

(Dollars in thousands)

Agency	Africa	Asia and Far East	Europe	Latin America	Middle East	Inter-Regional	Admin. and Operational Service Costs	Total
Food and Agriculture Organization	1,161	1,983	370	1,793	1,279	141	1,278	8,005
World Health Organization	1,014	1,585	156	932	617	123	724	5,151
International Labor Organization	365	784	223	748	536	29	500	3,185
United Nations Educational, Scientific and Cultural Organization	598	1,619	204	1,006	605	10	506	4,548
International Civil Aviation Organization	97	236	34	269	449		200	1,285
International Telecommunication Union	58	67	5	39	137		36	342
World Meteorological Organization	100	31	11	74	97	15	57	385
United Nations	644	1,945	472	1,491	1,067	6	1,100	6,725
International Atomic Energy Agency	4	275	107	108	21		84	599
Total	4,041	8,525	1,582	6,460	4,808	324	4,485	30,225
Technical Assistance Board								2,071
Total Allocations								32,296

NON-REGIONAL

Title of Program INTERREGIONAL PROGRAM EXPENSES

TECHNICAL COOPERATION

The Interregional Program provides for the costs of activities which support or are collateral to the individual country or regional Technical Cooperation Programs. It covers expenses which would be impractical, from an accounting or other standpoint, to fund on a country or regional basis.

The costs involved differ from ICA administrative costs in that the services provided are primarily intended to benefit, directly or indirectly, the cooperating countries, rather than the U.S. Government as such.

Interregional expenses are divided into the four major functions shown in the accompanying table, namely:

(a) Participant Support

(b) Technical Consultation and Support

(c) Overseas Personnel Program

(d) Program Support - Department of State.

The category "Technical Development Projects" requested in the Presentation for FY 1960 was largely eliminated due to budgetary restrictions. The remaining projects were incorporated into Technical Consultation and Support.

Program Summary ($ in thousands) a/		
F.Y. 1959	Estimate F.Y. 1960	Proposed F.Y. 1961
19,473	21,985	23,500

DETAIL OF PROGRAM ($ in thousands)

	FY 1959	FY 1960	FY 1961
Participant Support	8,933	9,372	9,740
Technical Consultation and Support	4,121	5,138	5,920
Overseas Personnel System	2,828	3,300	3,225
Program Support, Dept. of State	3,791	4,180	4,615
Subtotal	19,673	21,990	23,500
Expenses, Inspector General and Comptroller		95 b/	
Total Interregional Program Expenses	19,673	22,085	23,500
Deduct amounts financed from appropriations other than Technical Cooperation:			
Special Assistance	-200	-100	
Defense Support	-400	-75	
Balance financed from Technical Cooperation (Non-Regional)	19,073	21,910	23,500

a/ FY 1959 and FY 1960 covers Technical Cooperation and Defense Support; and FY 1961 Technical Cooperation only. Information related to Special Assistance listed in "Details of Program" is included in appropriate regional program totals.

b/ Refer to tab "Expenses, Inspector General and Comptroller," in Non-Regional Volume, and in "Other Programs" volume.

ECONOMIC ASSISTANCE Fiscal Year	$ in thousands		
	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Actual FY 1959	19,473	17,420	X X X
Cumulative 6/30/59	63,569	56,965	6,604
Estimate FY 1960	21,985	21,511	X X X
Cumulative 6/30/60	85,554	78,476	7,078
Estimate FY 1961	23,500	21,955	X X X

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TECHNICAL COOPERATION

FUNCTIONAL SUMMARY BY AGENCY

FY 1961

	Participant Support	Technical Consultation and Support	Overseas Personnel Program	Program Support-Dept. State	Total
Department of Agriculture	$1,337,000	$ 375,100			$ 1,712,100
Department of Commerce	221,600	342,900			564,500
Department of Defense	2,500				2,500
Federal Aviation Agency	355,600	118,400			474,000
Farm Credit Administration	37,000	3,000			40,000
Federal Communications Commission	60,000				60,000
Department of Health, Education and Welfare	705,000	140,000			845,000
Housing and Home Finance Agency	118,000	62,000			180,000
Department of Interior	174,100	110,900			285,000
Department of Labor	1,003,800	126,200			1,130,000
Treasury Department	20,000				20,000
Tennessee Valley Authority	14,000				14,000
Department of State	343,000			$4,615,000	4,958,000
International Cooperation Administration	5,348,400	4,641,500	$3,225,000		13,214,900
TOTAL	$9,740,000	$5,920,000	$3,225,000	$4,615,000	$23,500,000

Title of Program PARTICIPANT SUPPORT

TECHNICAL COOPERATION

"Participants" are cooperating country nationals who are being trained in the U.S. (or third countries), pursuant to their participation in specific technical cooperation projects. ICA estimates that about 11,600 "participants" will receive technical training in the United States in FY 1961. (This total does not include those who will be trained under ICA-financed university contracts.)

It is an administrative problem of major dimensions to arrange effective training programs for this large number of foreign technicians who originate in about 60 countries abroad and whose training programs must be specially designed in many scores of technical fields to meet specific project needs. ICA requires the assistance of many federal bureaus and agencies to help develop and administer this program. Participants are trained on some 250 university and college campuses throughout the country and in thousands of private and governmental plants, offices and other facilities in every state in the union.

The U.S. share of the costs of training these participants is divided into three parts: (a) the direct costs readily attributable to specific projects in country programs; e.g., travel, maintenance allowances, tuition and other training fees, books and supplies; (b) the costs of U.S. and local staff in the USOMs who are required to develop and implement the participant programs in a given country; these costs are clearly attributable to a country program, but not to individual projects in the program; (c) the costs incurred in the United States by ICA and the participating federal agencies in maintaining the organization and facilities to administer effectively this unusually complex training program; these costs are grouped together as Participant Support Costs in the Interregional Program because they cannot conveniently be charged to individual country or regional programs.

The major components of Participant Support Costs are salaries and related expenses for training staffs in ICA and the participating federal agencies, special training contract services, interpreters, insurance, orientation and reception services, English language refresher training and other essential supporting activities. In addition, the costs incurred by the participating federal agencies in providing training to grantees financed by the United Nations and its specialized agencies are also included under Participant Support in the Interregional Program. It is customary under the U.N. program for the country providing training to assume all overhead and backstopping costs. Tuition, travel, maintenance and other direct costs are assumed by the U.N. agency sponsoring the training.

More than 80% of the participants who are trained in any fiscal year have their direct costs charged to a previous year's appropriation. This follows from the lead time needed to plan and schedule participant training programs. Thus, the Participant Support components of the FY 1961 Interregional Program are dependent primarily on the estimated number of participants who will be funded from FY 1960 funds, and only secondarily upon those who will be funded from FY 1961 funds. In effect, the Participant Support components represent activities needed to carry out prior commitments based on funds appropriated and obligated in the previous fiscal year.

A summary of Participant Support expenses follows (thousands of dollars):

	Actual 1959	Estimated 1960	Proposed 1961
Participant Support Projects	3,310	3,284	3,530
Training Services of Participating Federal Agencies	3,306	3,770	3,849
ICA/W Training Staff	2,317	2,318	2,361
TOTAL	8,933	9,372	9,740

The increase of $368,000 in FY 1961 over the FY 1960 total is needed to:

(a)	Meet increased costs for interpreters, insurance, orientation, reception and other support services resulting from the estimated 10% increase in participant workload	$192,000
(b)	Finance additional staff and related costs in ICA and the participating agencies needed to develop and administer the training programs of the increased number of participants scheduled to be trained in the U.S. in FY 1961	176,000
	TOTAL	$368,000

NON-REGIONAL

Title of Program PARTICIPANT SUPPORT

TECHNICAL COOPERATION

NUMBER OF PARTICIPANT ARRIVALS AND CARRY-OVERS IN THE UNITED STATES

By Functional Field and Geographic Region

	Actual FY 1959			Estimated FY 1960			Estimated FY 1961		
	Carry-overs	Arrivals	Total	Carry-overs	Arrivals	Total	Carry-overs	Arrivals	Total
Functional Field									
Agriculture, Forestry and Fisheries	514	1,148	1,662	663	1,165	1,828	700	1,250	1,950
Industry and Mining	360	1,599	1,959	580	1,551	2,131	614	1,850	2,464
Transportation	220	476	696	250	649	899	300	650	950
Labor	154	749	903	185	665	850	150	585	735
Health and Sanitation	350	471	821	422	378	800	464	436	900
Education	590	606	1,196	626	1,337	1,963	814	1,538	2,352
Public Administration (Including Public Safety)	246	664	910	340	769	1,109	353	909	1,262
Community Development, Social Welfare and Housing	55	135	190	60	163	223	69	187	256
General and Miscellaneous	100	363	463	255	400	655	260	450	710
Total	2,589	6,211	8,800	3,381	7,077	10,458	3,724	7,855	11,579
Region									
Far East	980	2,189	3,169	1,251	2,527	3,778	1,250	2,500	3,750
Near East and South Asia	500	1,041	1,541	850	1,600	2,450	924	1,900	2,824
Latin America	750	1,551	2,301	900	1,900	2,800	1,000	2,200	3,200
Europe	150	1,167	1,317	100	600	700	150	500	650
Africa	209	263	472	280	450	730	400	755	1,155
Total	2,589	6,211	8,800	3,381	7,077	10,458	3,724	7,855	11,579

Title of Program TECHNICAL CONSULTATION AND SUPPORT

The diverse and highly specialized nature of the country TC Programs requires technical consultation and support to be effective. This backstopping involves such things as providing answers to technical inquiries and helping in the preparation of plans for specific projects, preparing publications and other information and demonstration materials, procuring the specialized equipment and supplies needed in the field, and continuing research and development in technical cooperation.

Activities such as these are beyond the capabilities of the technical teams in the field missions and, since the support is usually to service a number of projects in different countries, the costs are not readily attributable to a particular country program.

Through technical consultation and support ICA utilizes a variety of U.S. Government agencies and private organizations to provide answers to technical inquiries from the field and assist in the development of plans for specific technical projects. ICA supports personnel and facilities in such agencies as the Department of Agriculture, Health, Education and Welfare and of Commerce, and enters into contracts with private engineering and technical organizations to answer questions on a great range of technical and engineering subjects, including such diverse topics as tuberculosis control, forest products utilization, census enumeration and labor statistics. For example, the ICA relies on the experience and competence of the Bureau of Public Roads of the Department of Commerce to compile answers to technical inquiries on highway problems and also to assist in the development of highway programs in such countries as the Philippines, Nepal, Turkey, and Laos.

There are numerous different industrial public works and similar projects for which engineering studies must be made before funding. These projects present a broad range of problems calling for specialized knowledge not always within the competence of the Agency's engineering staff. ICA has entered into an open-end engineering service contract to provide for the necessary review, analysis and reports on the technical feasibility and economic soundness of specific manufacturing and processing plants, thermo and hydroelectric plants, highways and bridges, airports, telecommunications and other facilities. Through this means ICA can draw upon the technical competence of a wide range of engineering specialists for quickly executed studies, as needed.

Through this program the field is also provided with the special technical books, publications, technical reports and audio-visual materials, needed in carrying out particular projects. For example, the special knowledge of the Department of Labor is utilized to prepare a series of booklets and reports on labor conditions in selected cooperating countries, labor-management relations in U.S. industry, administration of labor ministries, workers educational materials and labor governmental services. This material explains the U.S. labor program to officials of the less-developed countries, and helps relate it to the special conditions of the cooperating countries, often assisting a labor movement which may be a dominant force in an underdeveloped country. Publications in these and in many other fields can reach a wide audience, when placed in investment centers, schools, and other libraries in the foreign country. However, to be effective they must often be prepared specifically for use overseas.

Sometimes a universally needed device is developed and distributed through the use of Technical Support funds. As an aid in introducing basic science and specialized instruction in rural underdeveloped areas, a simple low-cost sunlight slide projector was developed in Afghanistan in 1959. The prototype materials are now being produced and distributed as a means of introducing the device in other areas. A simple hand-operated washing machine is another item adaptable to wide use which is being promoted.

The services of certain technical employees concerned with the carrying out of the U.S. part of the program implementation also are provided from these funds. Such personnel are principally concerned with commodity procurement, negotiation of contracts and certain engineering services.

Research and Development is essential for continuing improvement in the effectiveness of Technical Cooperation, just as for any complex operation carried on by a public organization or a forward looking private enterprise. In FY 1961 we propose to initiate a

Title of Program TECHNICAL CONSULTATION AND SUPPORT

continuing applied research and development program to further our practical operating knowledge of economic development. Arrangements will be made with selected U.S. universities and private institutions to serve as pilot centers for general research, development and training in the general economic development field and specific activities in particular technical fields such as education and health. These centers will study and evaluate experience and related knowledge as a basis for formulating sound practical plans for development in underdeveloped countries. One such problem would be formulating an appropriate health program for underdeveloped countries where the total per capita income may be $100 a year or less as compared with the United States where per capita expenditures for health purposes alone averages $125 a year. In conjunction with the research and development the Centers would organize and teach practical training courses for U.S. technicians and foreign participants and at the same time draw on student overseas experience to further research and development. We also expect to carry on in FY 1961 the special study of the more than a decade of world-wide experience with technical cooperation initiated in FY 1960. Conclusions may be expected concerning the potentialities and limitations of Technical Cooperation and the desirability for increasing, curtailing, eliminating or re-directing emphasis on the varied content of the Technical Cooperation Programs in particular countries or situations.

Technical Consultation and Support funds are programmed as follows ($ thousands):

	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
Interregional Projects for Special Technical materials and Consultation Services Evaluation, Research and Development	1,428	1,477	2,205
Participating Agencies	618	730	781
ICA/W Program Fund Staff	2,075	2,931	2,934
Total	4,121	5,138	5,920

The increase in FY 1961 as compared with 1960 is principally accounted for by the initiation of the research and development program.

Title of Program OVERSEAS PERSONNEL PROGRAM

The success of Technical Cooperation is heavily dependent on the timely availability of large numbers of skilled technicians with wide and responsible experience in the various fields important to economic development. In addition to professional and technical capabilities, personal attributes and breadth of understanding are of great importance as the work is largely advisory in nature, requiring close association with peoples of differing cultures and backgrounds.

In recognition of these facts, an improved personnel system has been instituted which among other things is designed to recruit and maintain a staff of the quality, size, and composition required for approved development projects.

Specifically, the funds requested are to finance the following operations:

Recruitment Complement

The Recruitment Complement enables the Agency to employ well qualified candidates at the time they are available, but even more important, it permits processing of a candidate prior to the existence of a vacancy so that when the incumbent of a position leaves his post or a demand suddenly materializes a candidate is immediately available. The process eliminates the long and unnecessary gap between the departure of an employee from his post and the arrival of his successor. In addition, it protects the Agency against the loss of its investments in candidates to outside competition during the necessary period of investigation and processing.

Reassignment Complement

The Reassignment Complement is a vital support to good employee utilization, particularly for an overseas corps. It enables the Agency to retain in useful duty status experienced overseas employees for whom the next specific job assignment is delayed for a variety of practical reasons, none of which are the fault of the employee, and not all of which are always susceptible to Agency control. During FY 1959, 63 technicians were held temporarily in this complement. If continued duty and pay status had not been possible, the majority of them would have been lost to the Agency, and, in many instances, time consuming and costly recruitment of a less experienced replacement been necessary. With a slowly, though steadily, increasing overseas staff, it is estimated that a moderate increase in positions required for this complement will be necessary in both FY 1960 and 1961.

Medical Complement

In the past, provision was made to accommodate "medical cases" in the reassignment complement. To reflect employee availabilities more accurately, this category of employee has been placed in a new and separate medical complement. The position funding required for this complement needs to be increased not only because of the increase in total overseas staff, but also because employees will be moving into new underdeveloped areas where health conditions are more often hazardous.

Training Complement

As indicated in the table at the end of this section, the primary emphasis on expansion of training activity was accomplished in 1959 in complying with Congressional direction. In addition, the Agency has continued its analysis of the quality and purposes of employee training. As a result, certain changes and improvements are contemplated for FY 1960 and 1961.

Language Training - Along with the growing governmental and private study of the techniques of foreign language training, the Agency has been alert to the efficacy and productive value of its expanded investment in this activity. Results during the first year of the new program now clearly require the following changes, which are currently being implemented:

(a) Full-time intensive training in French and Spanish at the Foreign Service Institute in Washington has been expanded from eight to 16 weeks. The increased cost of such training, including the added temporary loss of manpower to overseas

workloads, requires a reduction in the number of employees to be trained. Only positions in which language facility is mandatory can be accorded this more costly training.

(b) All intensive training in the so-called "hard languages," Arabic, Parsi, and certain basic Asian and African language capabilities, is to be given overseas, since experience indicates that this yields best results.

(c) Part-time "on-the-job" language training at overseas posts is to be expanded and improved. Under supervision of the Department of State's Foreign Service Institute, ICA is participating with USIA and State in an intensive continuing program intended to relieve the traditional American lack of language capability.

Orientation - The need to prepare even the most competent U.S. technical expert for adjustment to living and working in overseas environments is recognized as a significant factor in the implementation of U.S. foreign policy. In 1959, the Agency obtained the assistance of the Foreign Service Institute in dealing with the complex problems of orientation to foreign cultural and political situations. Further research and implementation of improvements in the total program are essential, both in Washington and at overseas posts.

In-Service Training - The staff development training program is proving a highly valuable tool for keeping employee skills fresh and developing potential for higher responsibility. Evaluation Panel results, Completion of Tour Reports, Career Appraisals and Performance Evaluation Reports all are pointing up significant opportunities for good sound investments by the Agency in this area. Planning for 1961 envisages continuing utilization of this means of improving staff quality, consistent, however, with the Agency's needs for manpower on the job.

In 1960, the successful Institute of ICA Development Programming has been supplemented by the initiation of another major group training program. With the assistance of the academic and research facilities available at the Boston University, a special African Studies Program has been initiated to provide intensive training for selected groups of ICA employees. Graduates of the course will staff the expanding U.S. programs in Africa. Needs presented by the newly-independent countries of that vast underdeveloped region can be as satisfactorily met in no other way.

Following is a summary of cost and employment data for that portion of the Overseas Personnel Program which is financed from Interregional Program funds:

	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
Total Cost	$2,828,033	$3,300,000	$3,225,000
Positions Occupied During Year	295	260	265
Recruitment Complement	30	20	20
Reassignment Complement	20	30	35
Medical Complement	9	16	20
Training Complement	236	194	190
Man-Years Utilized	113	155	158
End-of-Year Employment	135	170	170

The decrease of $75,000 in the amount requested for 1961 reflects the projected results of efforts to achieve maximum efficiency in administration of the Overseas Personnel Program. The funds available in 1960, and the funds requested for 1961 will permit the Agency to continue at a reasonable level for the two years. Experience during this period should clarify the optimum level at which future activities should be maintained.

Title of Program PROGRAM SUPPORT - DEPARTMENT OF STATE

The USOMs obtain program support services from the foreign service posts of the Department of State. It is ICA's policy that the overseas facilities of the Department of State will be utilized wherever their administrative service fulfills ICA requirements and is provided more economically for the joint use of both State and ICA than by separate facilities. ICA also receives certain support services through the Washington facilities of the Department of State. An agreement on basic principles has been made between the two agencies and both policy guidance and procedural instructions on utilization of State Administrative Support services have been issued to Department of State Missions and USOMs and are being applied in the development of reimbursable agreements. Some of the principle services supplied are communications, medical care, security, and custodial services, particularly where ICA occupies space in an Embassy building.

State Support costs are funded from three sources:

(a) The amounts relating to the support of administrative activities are included in the Administrative Expense Budget.

(b) Interregional Expenses estimates include costs for Program Support in Washington and costs relating to Overseas Program Support.

(c) Amounts applicable to country trust funds and not included in any appropriation request.

Distribution of the Interregional Expense portion between ICA/W and the geographic areas is as follows:

	Actual FY 1959	Estimated FY 1960	Proposed FY 1961
ICA/W	$1,235,782	$1,426,500	$1,485,000
Europe	201,400	184,400	204,200
Africa	615,400	646,000	819,900
Near East and South Asia	1,126,979	1,220,600	1,288,000
Far East	385,700	403,045	480,200
Latin America	225,900	299,455	337,700
TOTAL	$3,791,161	$4,180,000	$4,615,000

Total increase over FY 1960 requirements is $435,000. Of this increase $376,500 will be required for overseas operations to provide support services in new missions, mandatory price and wage increases, and increases in the scope and level of services required to support expanded program activities. The balance of $58,500 provides for a commensurate increase in domestic backstopping costs.